

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

Consolidated Financial Statements
and Supplementary Information

For the Year Ended August 31, 2024



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Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Santa Maria Hostel, Inc. and Santa Maria Hostel Foundation (collectively, the Organization) (nonprofit organizations), which comprise the consolidated statement of financial position as of August 31, 2024, 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 (collectively, the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating information and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and as required by Texas Grant Management Standards (TxGMS), are presented for purposes of additional analysis and are not required parts 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 GAAS. In our opinion, the accompanying consolidating information and the schedule of expenditures of federal and state awards are 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 March 18, 2025 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 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.



A Professional Accounting Corporation

Houston, Texas
March 18, 2025

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION
Consolidated Statement of Financial Position
August 31, 2024**

Assets

Current Assets

Cash	\$ 3,837,574
Pledges and Grants Receivable	1,923,960
Prepaid Expenses	402,317
Deposits	<u>2,768</u>

Total Current Assets	<u>6,166,619</u>
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Property and Equipment

Land	364,827
Building and Improvements	4,876,744
Furniture and Equipment	720,916
Vehicles	<u>217,855</u>
	6,180,342
Less: Accumulated Depreciation	<u>(4,333,431)</u>

Total Property and Equipment	<u>1,846,911</u>
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Other Assets

Right-of-Use Asset, Operating Lease, Net	20,214
Other Assets	<u>17,867</u>

Total Other Assets	<u>38,081</u>
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Total Assets	<u><u>\$ 8,051,611</u></u>
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The accompanying notes are an integral part of these consolidated financial statements.

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION
Consolidated Statement of Financial Position (Continued)
August 31, 2024**

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 632,128
Deferred Revenue	1,242,903
Accrued Expenses and Other Liabilities	605,122
Current Portion of Operating Lease Payable	17,315
Current Portion of Notes Payable	<u>411,274</u>

Total Current Liabilities	<u>2,908,742</u>
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Long-Term Liabilities

Operating Lease Payable, Net of Current Portion	2,899
Long-Term Portion of Notes Payable	<u>891,763</u>

Total Long-Term Liabilities	<u>894,662</u>
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Total Liabilities	<u>3,803,404</u>
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Net Assets

Without Donor Restrictions	3,929,472
With Donor Restrictions	<u>318,735</u>

Total Net Assets	<u>4,248,207</u>
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Total Liabilities and Net Assets	<u><u>\$ 8,051,611</u></u>
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The accompanying notes are an integral part of these consolidated financial statements.

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION
Consolidated Statement of Activities
For the Year Ended August 31, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and Grants	\$ 2,678,227	\$ -	\$ 2,678,227
Contributions of Nonfinancial Assets	201,402	-	201,402
United Way Allocation	-	546,403	546,403
Federal Assistance	8,166,846	-	8,166,846
State and Local Assistance	3,207,285	-	3,207,285
Other Income	960,826	-	960,826
Net Assets Released from Restrictions	546,403	(546,403)	-
Total Support and Revenue	15,760,989	-	15,760,989
Expenses			
Program Services	14,823,142	-	14,823,142
Support Services			
Management and General	127,104	-	127,104
Fundraising	554,458	-	554,458
Foundation	250,991	-	250,991
Total Support Services	932,553	-	932,553
Total Expenses	15,755,695	-	15,755,695
Change in Net Assets	5,294	-	5,294
Net Assets, Beginning of the Year	3,924,178	318,735	4,242,913
Net Assets, End of the Year	\$ 3,929,472	\$ 318,735	\$ 4,248,207

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

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION
Consolidated Statement of Functional Expenses
For the Year Ended August 31, 2024**

	Program Services					Total Program Services	Support Services				Total Support Services	Total
	Substance Abuse Treatment	Veteran Services	Supportive Housing/ Bonding	Adjunct Services	Other Programs		Management and General	Fundraising	Foundation			
Salaries	\$ 4,210,676	\$ 20,131	\$ 454,543	\$ 2,565,477	\$ 1,814	\$ 7,252,641	\$ 28,536	\$ 242,020	\$ -	\$ 270,556	\$ 7,523,197	
Employee Benefits	846,291	4,012	77,044	505,651	237	1,433,235	2,246	46,182	-	48,428	1,481,663	
Total Personnel Expenses	5,056,967	24,143	531,587	3,071,128	2,051	8,685,876	30,782	288,202	-	318,984	9,004,860	
Conference and Meetings	14,072	-	1,409	21,513	17	37,011	179	2,276	-	2,455	39,466	
Insurance	399,611	11,036	83,020	100,384	1,435	595,486	-	5,815	35,905	41,720	637,206	
Professional Fees	698,999	1,805	47,668	475,616	157,593	1,381,681	7,712	90,812	2,850	101,374	1,483,055	
Repairs and Maintenance	390,452	45,448	109,860	132,617	103,271	781,648	8,002	31,461	-	39,463	821,111	
Rent	20,401	7,166	33,331	49,107	754	110,759	1,000	1,172	-	2,172	112,931	
Supplies	1,339,318	20,399	250,149	388,543	296,914	2,295,323	12,660	108,142	-	120,802	2,416,125	
Telephone	87,176	256	1,377	61,845	47	150,701	-	4,195	-	4,195	154,896	
Travel	12,848	33	6,295	74,216	460	93,852	217	3,423	-	3,640	97,492	
Utilities	166,636	16,623	68,393	41,825	1,482	294,959	-	447	-	447	295,406	
Interest	9,620	10	2,478	1,662	2	13,772	-	129	32,798	32,927	46,699	
Office Expense	21,004	50	2,553	10,543	8	34,158	-	723	-	723	34,881	
Bad Debt	82	-	10	43	-	135	-	3	-	3	138	
Other	149,375	1,146	13,464	11,916	59,371	235,272	66,552	16,141	20,750	103,443	338,715	
Total Expenses before Depreciation	3,309,594	103,972	620,007	1,369,830	621,354	6,024,757	96,322	264,739	92,303	453,364	6,478,121	
Depreciation Expense	81,098	2,581	16,173	12,497	160	112,509	-	1,517	158,688	160,205	272,714	
Total Expenses	\$ 8,447,659	\$ 130,696	\$ 1,167,767	\$ 4,453,455	\$ 623,565	\$ 14,823,142	\$ 127,104	\$ 554,458	\$ 250,991	\$ 932,553	\$ 15,755,695	

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

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION
Consolidated Statement of Cash Flows
For the Year Ended August 31, 2024**

Cash Flows from Operating Activities

Change in Net Assets	\$ 5,294
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation Expense	272,714
Loss on Disposal of Property and Equipment	16,739
Bad Debt Expense	138
Increase in Pledges and Grants Receivable	(195,225)
Increase in Prepaid Expenses	(8,862)
Decrease in Right-of-Use Asset	24,962
Decrease in Other Assets	612
Increase in Accounts Payable	285,341
Increase in Deferred Revenue	771,955
Decrease in Operating Lease Liabilities	(24,962)
Decrease in Accrued Expenses and Other Liabilities	(635,549)
Net Cash Provided by Operating Activities	<u>513,157</u>

Cash Flows from Investing Activities

Purchase of Property and Equipment	<u>(738,440)</u>
Net Cash Used in Investing Activities	<u>(738,440)</u>

Cash Flows from Financing Activities

Proceeds from Notes Payable	582,139
Repayment of Notes Payable	<u>(622,921)</u>
Net Cash Used in Financing Activities	<u>(40,782)</u>

Net Decrease in Cash (266,065)

Cash, Beginning of the Year 4,103,639

Cash, End of the Year \$ 3,837,574

Cash Paid During the Year for:

Interest	<u><u>\$ 46,699</u></u>
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The accompanying notes are an integral part of these consolidated financial statements.

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

Notes to Consolidated Financial Statements

Note 1. Organization

Santa Maria Hostel, Inc. (SMH) is a regionally supported nonprofit corporation organized under the laws of the State of Texas. SMH 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. SMH 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 SMH. SMHF's purpose is to raise funds for SMH.

SMH and SMHF (the Organization) operates and maintains programs to meet a wide variety of needs for individuals in the Organization's service areas. These programs provide numerous social services which are described as follows:

Substance Abuse Treatment

Residential & Outpatient Substance Use Disorder Treatment Services For Women and Women with Children: Women participate in treatment services that use CARF accredited, evidence-based and trauma-informed approaches to support long-term wellness and recovery. This includes a full array of supportive services such as parenting education, childcare and child development activities, individual and group counseling, family and child therapy, trauma support, medication assisted treatment (MAT), GED and career development, spirituality and life skills training.

Medical Detoxification/Withdrawal Management: In partnership with Baylor College of Medicine, this CARF accredited program is a first step in recovery to medically manage physical withdrawal symptoms and link participants to ongoing care.

Veteran Services

Veterans Housing: Transitional supportive housing for homeless female veterans to achieve stability and recovery in education, employment, permanent housing, mental, behavioral and physical health and self-determination.

Supportive Housing/Bonding

Baby and Mother Bonding Initiative (BAMBI): Restorative justice alternative to traditional incarceration for pregnant women and their newborns that provides housing and supportive services for new mothers, and their newborns referred by Texas Department of Criminal Justice. BAMBI is designed to reduce recidivism and promote recovery, life skills and healthy bonding and parenting.

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

Notes to Consolidated Financial Statements

Note 1. Organization (Continued)

Supportive Housing/Bonding (Continued)

Survivors of Trafficking Achieve Recovery and Stability: Safe transitional housing along with substance use treatment and recovery support for survivors of human trafficking. This program provides services including medical and mental health services, trauma-informed counseling, legal aid, and job training or education opportunities.

Recovery Housing: Housing and supportive services for women and women with children designed to improve access to services, promote long-term wellness and recovery and assist in the transition to self-sufficiency and economic stability.

Adjunct Services

Recovery Support Services: Peer Recovery Coaches/Recovery Support Specialists provide coaching and mentoring to reduce barriers to recovery and re-entry, respond to challenges encountered and provide care coordination and linkage to community resources for education, employment, housing, health, social and spiritual needs.

School and Community-Based Prevention Services: Open to local schools and agencies to help children and their families strengthen resiliency skills, improve school performance and reduce alcohol and other substance use.

Caring For Two: CFT improves maternal and child health outcomes for pregnant women or those with young children and their families, using an integrated team and services including parenting education and coaching, health care navigation and care coordination, peer support, counseling and trauma services, linkage to treatment and MAT when needed. Services are for women, their infants and other family members impacted by or at risk for substance use and trauma.

I-CARE Clinic: The I-CARE clinic is a fully integrated clinic for women and their whole family, located at Santa Maria's Bonita House and is operated in partnership with Baylor College of Medicine. On-site physicians provide mental health, physical health, and pediatric health care.

Other Programs

Impactful privately funded unrestricted donations as well as specialty project funding made in a range of focus areas from family and child-centered activities, to facility improvements, landscaping and painting projects, to programming space renovation, all projects which directly affect the clients and their family's long-term wellness and recovery.

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

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The Organization's consolidated financial statements have been prepared on the accrual basis in accordance with accounting principals generally accepted in the United States of America (U.S. GAAP). The Organization is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor- or grantor-imposed time and/or purpose restrictions. Contributions with donor restrictions are reported as revenues with donor restrictions. Once funds are expended for their restricted purpose, these net assets with donor restrictions are released to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Principles of Consolidation

The consolidated financial statements include the accounts of SMH and SMHF. 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.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 those estimates.

Cash

The Organization considers all unrestricted, highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Pledges and Grants Receivable

Grants receivable consist of government grants and are considered to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. If amounts become uncollectible, they will be charged to operations when the determination is made. Credit risk for government grants receivable is considered limited due to the credit worthiness of the federal and state funding agencies and historical collection rates.

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

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Pledges and Grants Receivable (Continued)

Pledges receivable due from donors are considered to be fully collectible and due within one year at August 31, 2024; accordingly, no discount and allowance for doubtful accounts have been recorded.

Property and Equipment

Land, buildings and improvements, furniture and equipment purchased by the Organization 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:

Buildings	20 Years
Building Improvements	5 - 20 Years
Furniture and Fixtures	5 - 7 Years
Vehicles	3 Years
Computer Equipment	5 Years
Software	3 Years

Depreciation expense was \$272,714 for the year ended August 31, 2024.

Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the assets are used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its consolidated statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the consolidated statements of activities.

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

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The Organization made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct cost incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Organization made an account policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Support and Revenue

The Organization's revenue is derived primarily from contributions, private grants, federal and state assistance, and rental income.

A significant portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statement of financial position.

Cash Contributions

The Organization recognizes cash contributions in accordance with Accounting Standards Codification (ASC) 958-605, *Not-for-Profit Entities - Revenue Recognition*. Cash contributions, including unrestricted and restricted donations, are recorded as revenue when received or unconditionally pledged.

Contributions are classified as either with donor restrictions or without donor restrictions, based on the existence or absence of donor-imposed stipulations. Contributions received with donor restrictions are reported as net assets with donor restrictions and are released from restriction when the stipulated time has elapsed or the donor-imposed purpose has been fulfilled.

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

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Contribution of Nonfinancial Assets

The Organization recognizes contributions on nonfinancial assets in accordance with ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. Nonfinancial contributions consist of donated supplies, food, gift cards, household items, and services, which are recorded at fair value on the date of donation.

The fair value of donated goods (office and other supplies, household items) is determined based on observable market prices, estimated retail values, or published industry guidelines at the time of receipt. Gift cards, if any, are valued at their face amount. Donated food is valued using published market prices or estimated wholesale values.

Donated services are recognized if they (1) create or enhance a nonfinancial asset, or (2) require specialized skills that would otherwise be purchased by the Organization. These services are recorded at fair value based on standard billing rates for similar services in the marketplace.

Nonfinancial contributions meeting the recognition criteria are recorded as contributions of nonfinancial assets with a corresponding increase in expense in the consolidated financial statements. Contributions that do not meet recognition criteria are not recorded in the consolidated financial statements but may be disclosed if significant.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. 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

The Organization qualifies 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).

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Organization believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

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

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Implementation of Accounting Pronouncement

On September 1, 2023, the Organization adopted Accounting Standard Update (ASU) 2016-13 and all subsequent ASUs that modified ASU 2016-13, which have been codified under ASC 326, *Financial Instruments - Credit Losses*. This standard modified guidance related to estimating allowance for credit losses for amortized assets, such as trade receivables and debt securities. The Organization implemented this guidance using the modified retrospective approach. The implementation of ASC 326 did not impact the consolidated financial statements.

Note 3. Liquidity and Availability of Financial Assets

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

Financial Assets at Year-End

Cash	\$ 3,837,574
Pledges and Grants Receivable	<u>1,923,960</u>

**Financial Assets Available to Meet Cash Needs
for General Expenditure within One Year**

\$ 5,761,534

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.

Note 4. Pledges and Grants Receivable

Pledges and grants receivable as of August 31, 2024 were as follows:

Grants Receivable	\$ 1,389,207
United Way Allocation Receivable	318,735
Accrued Revenue	<u>216,018</u>
Total Pledges and Grants Receivable	<u><u>\$ 1,923,960</u></u>

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

Notes to Consolidated Financial Statements

Note 5. Leases

SMH leases equipment under a non-cancelable operating lease agreement with the third party. As of August 31, 2024, the remaining lease term for the Organization's operating lease was 13 months. The discount rate associated with its operating lease was 0.78%.

SMH leases real estate from SMHF, a related party, under operating lease agreements. The related-party real estate leases qualify as short-term leases under ASC 842 and, as such, are not recorded as a right-of-use asset or lease liability. Instead, lease payments under the short-term lease are recognized as expense on a straight-line basis over the lease term. See Note 10.

For the year ended August 31, 2024, lease expense recognized in the consolidated statement of activities was as follows:

Operating Lease Expense - Equipment	\$ 17,400
Short-term Lease Expense - Related-Party Real Estate	<u>134,556</u>
Total Lease Expense	<u>\$ 151,956</u>

Future undiscounted cash flows and a reconciliation to the lease liability recognized on the consolidated statement of financial position are as follows at August 31, 2024:

Year Ending August 31,	Amount
2025	\$ 17,400
2026	<u>2,900</u>
Total Operating Lease Payments	20,300
Less: Imputed Interest	<u>(86)</u>
Total Operating Lease Liabilities	20,214
Less: Current Portion	<u>(17,315)</u>
Operating Lease Payable, Net of Current Portion	<u>\$ 2,899</u>

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

Notes to Consolidated Financial Statements

Note 6. Notes Payable

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

Note payable from Santa Maria Hostel Foundation to JP Morgan Chase Bank, secured by the property located at 2605 Parker Road, Houston, TX 77093. The note was dated April 15, 2004 with a face amount of \$1,720,000, at a 3.86 % interest rate, monthly installments of \$5,991. The date of maturity was August 13, 2024. Subsequent to year end, the note was refinanced with Moody National Bank, maturing on September 20, 2027.	\$ 598,148
Note payable from Santa Maria Hostel Foundation to Chase Bank, secured by the property located at 2005 Jacquelyn Drive, Houston, TX 77055. The note is dated June 18, 2020 with a face amount of \$297,324 at a 3.3% interest rate, monthly installment of \$2,353. The date of maturity is June 18, 2027.	216,419
Note payable from Santa Maria Hostel to Moody National Bank, dated March 19, 2024, for \$520,000 at a 6.5% interest rate, payable in 11 monthly installments of \$47,273, maturing on March 19, 2025. This collateralized note is secured by Organization's own funds deposited with Moody Bank, which accrue interest income at an average rate of 4% over the loan term.	307,491
Note payable from Santa Maria Hostel to Mobilease, Inc., secured by a vehicle. The note is dated November 29, 2021 with a face amount of \$27,410 at a 6.238% interest rate, 60 monthly installments of \$647. The date of maturity is November 29, 2025.	9,309

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

Notes to Consolidated Financial Statements

Note 6. Notes Payable (Continued)

Note payable from Santa Maria Hostel to Mobilease, Inc., secured by a vehicle. The note is dated January 27, 2022 with a face amount of \$31,954 at a 5.49% interest rate, 60 monthly installments of \$610. The date of maturity is January 27, 2027.	16,749
Note payable from Santa Maria Hostel to Mobilease, Inc., secured by a vehicle. The note is dated October 23, 2023 with a face amount of \$49,096 at a 8.19% interest rate, 60 monthly installments of \$1,000. The date of maturity is October 23, 2028.	41,528
Note payable from Santa Maria Hostel to Mobilease, Inc., secured by a vehicle. The note is dated August 30, 2022 with a face amount of \$44,724 at a 6.69% interest rate, 66 monthly installments of \$812. The date of maturity is February 29, 2028.	30,572
Note payable from Santa Maria Hostel to Mobilease, Inc., secured by a vehicle. The note is dated April 26, 2024 with a face amount of \$13,042 at a 7.74% interest rate, 36 monthly installments of \$407. The date of maturity is April 26, 2027.	11,729
Note payable from Santa Maria Hostel to Great America, Inc., secured by computer equipment. The note is dated October 20, 2021 with a face amount of \$155,260 at a 8.54% interest rate, 60 monthly installments of \$3,062. The date of maturity is October 20, 2026.	<u>71,092</u>
Total Notes Payable	1,303,037
Less: Current Portion of Notes Payables	<u>(411,274)</u>
Notes Payable, Net of Current Portion	<u><u>\$ 891,763</u></u>

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

Notes to Consolidated Financial Statements

Note 6. Notes Payable (Continued)

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

Year Ending August 31,	Amount
2025	\$ 411,274
2026	105,655
2027	70,093
2028	588,590
2029	25,756
Thereafter	<u>101,669</u>
Total	<u>\$ 1,303,037</u>

Note 7. Deferred Revenue

The Organization is the recipient of grants that require expenditure for specified activities before the Organization is reimbursed by the grantor for the costs incurred. Documentation showing actual costs expended is included when submitting a monthly or quarterly report for reimbursement. Certain grantors pay in advance of incurring the specified costs; in those cases, the amount received in excess of amounts spent on reimbursable costs is reported as deferred revenue. Deferred revenue at August 31, 2024 totaled \$1,242,903.

Note 8. Net Assets With Donor Restrictions

At August 31, 2024 net assets with donor restrictions totaled \$318,735, representing funds received from United Way of Greater Houston for specific purposes.

During the year ended August 31, 2024, \$546,403 of net assets with donor restrictions were released as expenses were incurred to satisfy the donor restrictions.

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

Notes to Consolidated Financial Statements

Note 9. Contributed Nonfinancial Assets

For the year ended August 31, 2024 contributed nonfinancial assets recognized within the consolidated statements of activities include:

Donated Supplies	\$ 160,962
Donated Food	35,365
Donated Household Items	1,250
Donated Services	<u>3,825</u>
Total Donated Goods and Services	<u>\$ 201,402</u>

Contributed nonfinancial assets have no restriction imposed by the donors. All contributions of nonfinancial assets were utilized by the Organization for program services.

Note 10. Related-Party Transactions

SMH leases real estate from SMHF under a short-term lease agreement that requires monthly rental payments. For the year ended August 31, 2024, rental expense incurred by SMH and rental income recognized by SMHF in the amount of \$134,556, have been eliminated upon consolidation and are not reflected in the consolidated financial statements.

During the fiscal year ended August 31, 2024, SMHF provided a contribution to SMH. A contribution in the amount of \$140,000 and inter-company receivables and payables associated with this arrangement in the amount of \$35,000 have been eliminated upon consolidation and are not reflected in the consolidated financial statements.

Note 11. Cafeteria Plan

SMH, through its Co-Employment contract with Employer Flexible, 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

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

Notes to Consolidated Financial Statements

Note 12. Concentrations

The majority of the Organization's income comes from the Texas Department of Health and Human Services Commission. The Organization is subject to the administrative directives, rules, and regulations of Texas Department of Health and Human Services 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 U.S. Congress or an administrative change mandated by either Texas Department of Health and Human Services 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.

The Organization maintains deposits in financial institutions that at times exceed the insured amount of \$250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization utilizes an Insured Cash Sweep (ICS) program, which automatically transfers funds in excess of \$250,000 at the end of the business day to a network of FDIC-insured banks. This program helps safeguard cash holdings by distributing funds across multiple institutions while maintaining full liquidity and FDIC insurance protection.

Note 13. Lawsuits and Contingencies

The Organization is subject to claims and lawsuits that arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Organization.

Note 14. New Initiatives

The Organization has undertaken two significant initiatives that will enhance service delivery in the coming years. First, the Organization launched the I-CARE Clinic, a collaboration with Baylor College of Medicine, to provide integrated physical and mental health services for women and their families affected by substance use. The clinic offers pediatrics and primary care, medication-assisted treatment, psychiatry and behavioral health services, and recovery support. Private fundraising fully funded the clinic's renovations and medical equipment, with all improvements completed as of the end of fiscal year 2024.

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

Notes to Consolidated Financial Statements

Note 14. New Initiatives (Continued)

Second, the Organization is expanding services to the Austin/Travis County area. This expansion began with the implementation of Caring for Two services in fiscal year 2024 and will extend to residential and outpatient substance use treatment in fiscal year 2025. A capital campaign was launched in fiscal year 2024 to secure and renovate facilities for women and children's residential treatment services. In February 2025, the Organization acquired a multi-building former for-profit treatment facility in Manor, Texas, located 12 miles north of Austin. Licensing and funding applications have been submitted, with services expected to commence on September 1, 2025.

Note 15. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through the date which the consolidated financial statements were available to be issued, March 18, 2025, and determined the following events occurred which require disclosure:

As disclosed in Note 6, in September 2024, the note payable to JP Morgan Chase Bank, secured by the property located at 2605 Parker Road, Houston, Texas 77093, was refinanced with Moody National Bank. The refinanced note has a principal amount of \$650,000, bears interest at a rate of 6.75%, and matures on September 20, 2027. Monthly installments of \$4,942 are required, with a balloon payment of all accrued interest and the remaining principal balance due on the maturity date.

As discussed in Note 14, in February 2025, the Organization acquired a multi-building facility in Manor, Texas to support the expansion of the Organization's operation in the Austin/Travis County area.

No further subsequent events occurring after March 18, 2025, have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION**
Consolidating Statement of Financial Position
August 31, 2024

	Santa Maria Hostel, Inc.	Santa Maria Hostel Foundation	Total	Eliminations	Consolidated
Assets					
Current Assets					
Cash	\$ 3,609,875	\$ 227,699	\$ 3,837,574	\$ -	\$ 3,837,574
Pledges and Grants Receivable	1,923,960	-	1,923,960	-	1,923,960
Intercompany Receivable	35,000	-	35,000	(35,000)	-
Prepaid Expenses	402,317	-	402,317	-	402,317
Deposits	2,768	-	2,768	-	2,768
Total Current Assets	5,973,920	227,699	6,201,619	(35,000)	6,166,619
Property and Equipment					
Land	21,280	343,547	364,827	-	364,827
Building and Improvements	1,702,958	3,173,786	4,876,744	-	4,876,744
Furniture and Equipment	720,916	-	720,916	-	720,916
Vehicles	217,855	-	217,855	-	217,855
	2,663,009	3,517,333	6,180,342	-	6,180,342
Less: Accumulated Depreciation	(1,760,065)	(2,573,366)	(4,333,431)	-	(4,333,431)
Total Property and Equipment	902,944	943,967	1,846,911	-	1,846,911
Other Assets					
Right-of-Use Asset, Operating Lease, Net	20,214	-	20,214	-	20,214
Other Assets	-	17,867	17,867	-	17,867
Total Other Assets	20,214	17,867	38,081	-	38,081
Total Assets	\$ 6,897,078	\$ 1,189,533	\$ 8,086,611	\$ (35,000)	\$ 8,051,611
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable	\$ 629,152	\$ 2,976	\$ 632,128	\$ -	\$ 632,128
Intercompany Payable	-	35,000	35,000	(35,000)	-
Deferred Revenue	1,242,903	-	1,242,903	-	1,242,903
Accrued Expenses and Other Liabilities	605,122	-	605,122	-	605,122
Current Portion of Operating Lease Payable	17,315	-	17,315	-	17,315
Current Portion of Notes Payable	375,259	36,015	411,274	-	411,274
Total Current Liabilities	2,869,751	73,991	2,943,742	(35,000)	2,908,742
Long-Term Liabilities					
Operating Lease Payable, Net of Current Portion	2,899	-	2,899	-	2,899
Long-Term Portion of Notes Payable	113,211	778,552	891,763	-	891,763
Total Long-Term Liabilities	116,110	778,552	894,662	-	894,662
Total Liabilities	2,985,861	852,543	3,838,404	(35,000)	3,803,404
Net Assets					
Without Donor Restrictions	3,592,482	336,990	3,929,472	-	3,929,472
With Donor Restrictions	318,735	-	318,735	-	318,735
Total Net Assets	3,911,217	336,990	4,248,207	-	4,248,207
Total Liabilities and Net Assets	\$ 6,897,078	\$ 1,189,533	\$ 8,086,611	\$ (35,000)	\$ 8,051,611

See independent's auditor's report.

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION**
Consolidating Statement of Activities
For the Year Ended August 31, 2024

	Santa Maria Hostel, Inc.	Santa Maria Hostel Foundation	Total	Eliminations	Consolidated
Support and Revenue					
Contributions and Grants	\$ 2,818,227	\$ -	\$ 2,818,227	\$ (140,000)	\$ 2,678,227
Contributions of Nonfinancial Assets	201,402	-	201,402	-	201,402
United Way Allocation	546,403	-	546,403	-	546,403
Federal Assistance	8,166,846	-	8,166,846	-	8,166,846
State and Local Assistance	3,207,285	-	3,207,285	-	3,207,285
Rental Income	-	134,556	134,556	(134,556)	-
Other Income	960,826	-	960,826	-	960,826
Total Support and Revenue	15,900,989	134,556	16,035,545	(274,556)	15,760,989
Expenses					
Program Services	14,957,698	-	14,957,698	(134,556)	14,823,142
Support Services					
Management and General	127,104	-	127,104	-	127,104
Fundraising	554,458	-	554,458	-	554,458
Foundation Expenses	-	390,991	390,991	(140,000)	250,991
Total Expenses	15,639,260	390,991	16,030,251	(274,556)	15,755,695
Change in Net Assets	261,729	(256,435)	5,294	-	5,294
Net Assets, Beginning of the Year	3,649,488	593,425	4,242,913	-	4,242,913
Net Assets, End of the Year	\$ 3,911,217	\$ 336,990	\$ 4,248,207	\$ -	\$ 4,248,207

See independent's auditor's report.

**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 (*Government Auditing Standards*) and, the consolidated financial statements of Santa Maria Hostel, Inc. and Santa Maria Hostel Foundation (collectively, the Organization) (a nonprofit organization), which comprise the consolidated statement of financial position as of August 31, 2024, 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 March 18, 2025.

Report on 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) as a basis for designing 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.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, reading "LaForte".

A Professional Accounting Corporation

Houston, Texas

March 18, 2025

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
TEXAS GRANT MANAGEMENT STANDARDS**

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal Program

We have audited Santa Maria Hostel, Inc. and Santa Maria Hostel Foundation's (collectively, the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *Texas Grant Management Standards* (TxGMS) that could have a direct and material effect on each of the Organization's major federal and state programs for the year ended August 31, 2024. The Organization's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2024.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of 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 *Texas Grant Management Standards* (TxGMS). Our responsibilities under those standards, the Uniform Guidance, and TxGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the *Uniform Guidance*, and TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the *Uniform Guidance*, and TxGMS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the Organization's compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance* and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 or state 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 and state 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 or state 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 Auditor's Responsibilities for the Audit Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 TxGMS. Accordingly, this report is not suitable for any other purpose.



A Professional Accounting Corporation

Houston, Texas
March 18, 2025

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION
Schedule of Expenditures of Federal and State Awards
For the Year Ended August 31, 2024**

Governmental Grantor/Pass-Through Entity/ Program Title	Assistance Listing Number	Pass-Through Entity/Grantor Identifying Number	Provided to Subrecipients	Expenditures
Federal Assistance				
U.S. Department of Justice				
<i>Direct Awards</i>				
Services for Trafficking Victims	16.320	2020-VT-BX-0060	\$ -	\$ 107,432
Second Chance Act Reentry Initiative - DOJ II	16.812	15-PBJA-22-GG-01768-SCAX	24,049	180,440
Total U.S. Department of Justice			<u>24,049</u>	<u>287,872</u>
U.S. Department of Veteran Affairs				
<i>Direct Awards</i>				
VA Homeless Providers Grant and Per Diem Program	64.024	741669131	-	77,613
Total U.S. Department of Veteran Affairs			<u>-</u>	<u>77,613</u>
U.S. Department of Health & Human Services				
<i>Passed through Baylor College of Medicine</i>				
Substance Abuse and Mental Health Services Projects of Regional and National Significance - Come Home Houston	93.243	5H79TI082637-04	-	181,204
Substance Abuse and Mental Health Services Projects of Regional and National Significance - Earmark	93.243	1H79FG001036-01	-	81,015
Substance Abuse and Mental Health Services Projects of Regional and National Significance - EmpowHER	93.243	1H79TI086801-01	-	111,227
<i>Passed through Center for Substance Abuse Treatment</i>				
Projects of Regional and National Significance - MIRRORS	93.243	1H79TI086411-01	79,869	360,204
			<u>79,869</u>	<u>733,650</u>
<u>Medicaid Cluster</u>				
<i>Passed through the University of Texas Health Science Center at Houston</i>				
Opioid STR - Texas Targeted Opioid Response	93.788	HHS000562000001	-	249,189
Opioid STR - Housing for Opioid MAT Expanded Services (HOMES) Program	93.788	HHS000563200001	-	73,563
<i>Passed through the University of Texas Health Science Center at San Antonio</i>				
Opioid STR - Pregnant and Postpartum Substance Abuse and Mental Health	93.788	HHS001545000001	-	60,714
Total Medicaid Cluster			<u>-</u>	<u>383,466</u>
<i>Passed through Texas Health and Human Services Commission:</i>				
Block Grants for Community Mental Health Services	93.958	HHS000563200001	-	17,927
<i>Passed through Texas Health and Human Services Commission:</i>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	HHS000663700216	-	3,837,873
	93.959	HHS000663700184	-	1,362,736
	93.959	HHS000663700136	-	153,615
	93.959	HHS000130500015	-	160,000
	93.959	HHS000539700196	-	418,629
	93.959	HHS001245300001	-	260,628
	93.959	HHS001245300002	-	211,200
	93.959	HHS000663700058	-	247,729
			<u>-</u>	<u>6,652,410</u>
Total for Texas Health & Human Service Commission			<u>79,869</u>	<u>7,787,453</u>
Total Expenditures of Federal Awards			<u>\$ 103,918</u>	<u>\$ 8,152,938</u>

See independent auditor's report.

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended August 31, 2024**

Governmental Grantor Program Title	Grantor Identifying Number	Expenditures
State Assistance		
Texas Health & Human Services Commission		
Block Grants for Prevention and Treatment of Substance Abuse	HHS000663700216	\$ 944,213
	HHS000663700184	394,429
	HHS000130500015	40,000
	HHS001245300001	69,372
	HHS001245300002	18,741
	HHS000539700196	115,471
	HHS000663700136	13,145
Total for Texas Health & Human Services Commission		<u>1,595,371</u>
Texas Veterans Commission		
Homeless Veterans Support	R-2022-13019 (FVA23-H-006)	<u>7,954</u>
Total for Texas Veterans Commission		<u>7,954</u>
Total Expenditures of State Awards		<u>\$ 1,603,325</u>
Total Government Awards		<u><u>\$ 9,756,263</u></u>

See independent auditor's report.

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION**
Notes to Schedule of Expenditures of Federal and State Awards
For the Year Ended August 31, 2024

Note 1. Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes federal and state grant activity of the Organization under programs of the federal and state government for the year ended August 31, 2024. 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 (Uniform Guidance)* and the *Texas Grant Management Standards (TxGMS)*. Because the Schedule presents only a selected portion of the operation of the Organization, it is not intended to and does not present the consolidated financial position, consolidated statements of activities, functional expenses and cash flows of the Organization.

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 and TxGMS.

Grantor and pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

The Organization utilizes 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.

Note 2. Reconciliation

The following is a reconciliation of total federal and state awards expenditures reported in the Schedule of Expenditures of Federal and State Awards (SEFSA) to the federal and state assistance revenue recognized in the consolidated statement of activities:

Total Federal and State Expenditures per SEFSA	\$ 9,756,263
Add: Awards Received from Local Government Agencies	<u>1,617,868</u>
Total Federal, State, and Local Assistance	
Reported in the Statement of Activities	<u><u>\$ 11,374,131</u></u>

The difference between the amounts reported in the SEFSA and the consolidated statement of activities is due to awards that were received through local governmental agencies. These amounts are reported as revenue as state and local assistance in the consolidated statement of activities in accordance with the Organization's revenue recognition policies but are not included in the SEFSA.

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2024**

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1) Type of auditor's report | Unmodified |
| 2) Internal control over financial reporting and compliance and other matters | |
| a) Material weakness(es) identified? | No |
| b) Significant deficiency(ies) identified not considered to be material weaknesses? | None reported |
| 3) Noncompliance material to the financial statements noted? | No |

Federal and State Awards

- | | |
|---|---------------|
| 4) Internal control over major programs | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 5) Type of auditor's report issued on compliance for major program | Unmodified |
| 6) Audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of Uniform Guidance and Texas Grant Management Standards | No |
| 7) Identification of major programs: | |

Federal Awards

Assistance Listing Number	Name of Federal Program or Cluster
93.959	Block Grants for Prevention and Treatment of Substance Abuse

State Awards

Grantor Identifying Number	Name of State Program
HHS000663700216	Block Grants for Prevention and Treatment of Substance Abuse
HHS000663700184	Block Grants for Prevention and Treatment of Substance Abuse
HHS000130500015	Block Grants for Prevention and Treatment of Substance Abuse
HHS001245300001	Block Grants for Prevention and Treatment of Substance Abuse
HHS001245300002	Block Grants for Prevention and Treatment of Substance Abuse
HHS000539700196	Block Grants for Prevention and Treatment of Substance Abuse
HHS000663700136	Block Grants for Prevention and Treatment of Substance Abuse

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended August 31, 2024**

Part I - Summary of Auditor's Results (Continued)

- | | |
|--|---|
| 1) Dollar threshold used to distinguish between
Type A and B programs | Federal : \$750,000

State: \$750,000 |
| 2) Auditee qualified as a low-risk auditee? | Yes |

Part II - Schedule of Financial Statement Findings Section

None.

Part III - Federal and State Awards Findings and Questioned Costs Section

None.

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2024**

None.