



SOUTH DAKOTA
DEPARTMENT
OF PUBLIC SAFETY

prevention — protection — enforcement

Call To Freedom
Becky Rasmussen
Sioux Falls, SD 57103

March 22, 2022

Dear Ms. Rasmussen:

The Department of Public Safety Victims' Services Program (SDVS) has received your Consolidated Financial Statements as of September 29, 2021, and 2020 audit reports which included audit findings pertinent to the Crime Victim Assistance Grants administered through our department. OMB Uniform Guidance 2 CFR §200.521 requires that we must issue a management decision within six months of acceptance of the audit report by the FAC.

Finding 2020-005: Activities allowed and Allowable Costs – Material Weakness in Internal Control over Compliance and Scope Limitation relating to compliance. Identifies that Management was not able to provide documentation for personnel time charged to the grant from January 1, 2020 – August 30, 2020, that meet requirements which were noted. Total expenditures for salaries, employee benefits, and payroll taxes which were submitted based up on an estimated fixed allocation percentage per employee for the period totaling \$161,834.

It was determined that Management implemented specific time tracking per grant on employee times sheets in September of 2021 and payroll allocations to grants are based on percentages of actual hours worked and not a pre-determined percentage. Action items include that Call to Freedom works with SDVS to review payroll allocations for the current award cycle and ensure hours, salaries, employee benefits, and payroll taxes are allocated appropriately. Supporting documents must be retained according to procurement and retention policies and be readily available upon request during monitoring.

Finding 2020-006: Activities allowed and Allowable Costs – Significant Deficiency in Internal Control over Compliance. Identified through a sample of expenditures selected for testing, one instance of an employee payroll undercharged to the grant due to a calculation error within the eligible allocation percentage to the grant. Total indirect costs were undercharged to the program due to calculation error.

It was determined that Management implemented specific time tracking per grant on employee times sheets. Action items include that Call to Freedom works with SDVS to review payroll allocations for accurate eligible allocations. SDVS will not correct allocations where the program undercharges requests for reimbursements however, CTF understands SDVS will request to remedy errors which would be over requested, or the drawdown will not be accepted. Supporting documents must be retained according to procurement and retention policies and be readily available upon request during monitoring.

Finding 2020-007: Matching - Material Weakness in Internal Control over Compliance and Scope Limitation relating to compliance. Identified lack of full understanding and adequate support of the Uniform Guidance requirements relating to matching cash and in-kind donations.

It was determined that Management implemented updated match procedures effective for August 2021 draw down. Management will match each expense to total 80% grant/20% program contributions per allowable direct expense. Volunteer time management tracking system will track more specific volunteer hours per grant project. In-kind contributions will be identified and documented accordingly to a grant program expense and adding this information into financial and grant documentation. Cash match will be approved following expenditure of received cash to ensure

compliance with allowable costs to record match. Supporting documents must be retained according to procurement and retention policies and be readily available upon request during monitoring.

Finding 2020-008: Procurement – Significant Deficiency in Internal Control over Compliance. Identifies that the organizations procurement policy does not include all the required elements as outlined in the Uniform Guidance, demonstrating that the program complies with laws, regulations, and other compliance requirements.

It was identified that Call to Freedom updated policies which were board approved as of August 19, 2020 and has since worked on an implementation plan with staff. Action was required by CTF to provide SDVS with updated policies. CTF has provided policies and is working with SDVS to review for compliance and will continue to be readily available upon request for future monitoring.

Finding 2020-009: Procurement, Suspension, and Debarment – Significant Deficiency in Internal Control over Compliance. Identified the following.

- a) One instance where the Organization's procurement form did not have an independent review
- b) Three instances where documentation was not retained to support the Organizations procurement process for lease agreements and contracts in which the total amounts were over the micro-purchase threshold
- c) One vendor was not verified against the central contractor register prior to lease agreement inception or on a periodic basis to ensure that the vendor was not suspended or debarred.

It was identified that Call to Freedom updated policies which were board approved as of August 19, 2020 and has since worked on an implementation plan with staff. Action is required for CTF to provide SDVS with a copy of the updated policies. Supporting documents must be retained according to procurement and retention policies and be readily available upon request during monitoring.

Finding 2020-010: Reporting – Material Weakness in Internal Control over Compliance. Identifies that documentation was not retained to support the amount of expenses reported by category in the annual financial report. In addition, the individual preparing the report is also reviewing and submitting the report.

It was determined that Management has implemented internal processes as of July 2021 for grant expenditures. Action is required to provide SDVS with the policies regarding internal controls referencing the processes outlined in the Corrective Action Plan for this finding. Supporting documents must be retained according to procurement and retention policies and be readily available upon request during monitoring.

Going forward, CTF understands the requirement to have procedures in place to ensure:

- Federal awards are expended only for allowable costs in accordance with Uniform Guidance.
- Required policies are in place as provided in the grant agreement, certified assurances and Grantee Guidelines and such policies are followed in practice.
- CTF has retained records and supporting documents according to procurement and retention policies and in doing so can be readily available upon request for monitoring.

Sincerely,

Cora Olson

Cora Olson
Victims' Services Program Director
South Dakota Department of Public Safety

CC: Leah Ries, DPS



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RUSSELL A. OLSON
AUDITOR GENERAL

Date: September 27, 2021

To: SD Department of Public Safety
SD State Board of Internal Control

Re: Audit Report on – Call to Freedom
As of and for the year ended December 31, 2020
By: Eide Bailly, LLP, CPAs

We have accepted the final report on the audit of the above-named entity conducted under the requirements of OMB Uniform Guidance.

OMB Uniform Guidance requires the State of South Dakota, as a direct recipient of federal assistance who provides federal awards to a subrecipient, to:

1. Ensure that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Uniform Guidance for that fiscal year.
2. Ensure that the subrecipient takes timely and appropriate corrective action when the audit report discloses instances of noncompliance with federal laws and regulations.
3. Consider whether this subrecipient audit necessitates adjustment of your program records.

The accompanying audit report is submitted to you to help fulfill these requirements.

The report does identify audit findings or questioned costs pertaining to federal award programs administered by your agency/department that are required to be reported in accordance with OMB Uniform Guidance, §200.516(a).

Please contact us if you have any questions.

Sincerely,

Russell A. Olson
Auditor General

RAO:sld

Enclosure



Financial Statements
December 31, 2020
Call to Freedom

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Independent Auditor's Report

The Board of Directors
Call to Freedom
Sioux Falls , South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Call to Freedom (the Organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2021 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, 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.

The image shows a handwritten signature in cursive script that reads "Erik Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

Sioux Falls, South Dakota
August 25, 2021

Call to Freedom
Statement of Financial Position
December 31, 2020

Assets	
Cash	
Undesignated	\$ 238,240
Donor restricted	200,950
Board designated	77,700
Grants receivable	235,301
Prepaid expenses	12,433
Property - held for sale	<u>107,000</u>
Total assets	<u>\$ 871,624</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 35,992
Accrued expense	<u>35,621</u>
Total liabilities	<u>71,613</u>
Net Assets	
Without donor restrictions	
Undesignated	414,361
Board designated	77,700
With donor restrictions	<u>307,950</u>
Total net assets	<u>800,011</u>
Total liabilities and net assets	<u>\$ 871,624</u>

Call to Freedom
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Grant revenue	\$ 1,095,229	\$ 120,000	\$ 1,215,229
Contributions	330,470	102,589	433,059
In-kind contributions	82,573	107,000	189,573
Paycheck Protection Program (PPP) loan forgiveness	21,700	-	21,700
Other income	53,705	-	53,705
	<u>1,583,677</u>	<u>329,589</u>	<u>1,913,266</u>
Net assets released from restrictions	<u>21,639</u>	<u>(21,639)</u>	<u>-</u>
Total public support and revenue	<u>1,605,316</u>	<u>307,950</u>	<u>1,913,266</u>
Expenses			
Program services	919,417	-	919,417
Management and general	512,294	-	512,294
Fundraising	49,128	-	49,128
	<u>1,480,839</u>	<u>-</u>	<u>1,480,839</u>
Change in Net Assets	124,477	307,950	432,427
Net Assets, Beginning of Year	<u>367,584</u>	<u>-</u>	<u>367,584</u>
Net Assets, End of Year	<u>\$ 492,061</u>	<u>\$ 307,950</u>	<u>\$ 800,011</u>

Call to Freedom
Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 417,297	\$ 303,370	\$ 16,341	\$ 737,008
Employee benefits	21,415	28,841	1,127	51,383
Payroll taxes	28,962	24,133	1,103	54,198
Contracted services	156,438	14,444	-	170,882
Community education	34,597	-	-	34,597
Client services	162,148	-	-	162,148
Office expenses and supplies	18,461	44,376	-	62,837
Equipment, repairs, and maintenance	11,040	8,770	-	19,810
Rent expenses	41,947	19,351	-	61,298
Utilities	14,778	1,331	-	16,109
Insurance	-	11,940	-	11,940
Telephone	4,580	1,527	-	6,107
Travel and mileage	5,942	6,971	-	12,913
Staff development and training	1,727	7,514	-	9,241
Advertising	-	2,115	18,290	20,405
Security	-	3,497	-	3,497
Professional fees	-	15,388	7,450	22,838
Rental, venue, and food	-	-	3,687	3,687
Miscellaneous expenses	85	18,726	1,130	19,941
	<u>\$ 919,417</u>	<u>\$ 512,294</u>	<u>\$ 49,128</u>	<u>\$ 1,480,839</u>

Call to Freedom
 Statement of Cash Flows
 Year Ended December 31, 2020

Operating Activities	
Change in net assets	\$ 432,427
Adjustments to reconcile change in net assets to net cash from operating activities	
Noncash donation of fixed assets - held for sale	(107,000)
Loss on disposal of fixed assets	1,093
PPP loan forgiveness	(21,700)
Changes in assets and liabilities	
Grants receivable	(138,446)
Prepaid expenses	(12,433)
Accounts payable	19,376
Accrued expense	23,393
	<hr/>
Net Cash from Operating Activities	196,710
	<hr/>
Financing Activities	
Proceeds from PPP Loan	21,700
	<hr/>
Net Change in Cash and Restricted Cash	218,410
Cash and Restricted Cash, Beginning of Year	298,480
	<hr/>
Cash and Restricted Cash, End of Year	<u>\$ 516,890</u>
	<hr/>
Cash - undesignated	\$ 238,240
Restricted cash	
Cash - donor restricted	200,950
Cash - board designated	77,700
	<hr/>
	<u>\$ 516,890</u>

Note 1 - Principal Activity and Significant Accounting Policies

Principal Business Activity

Call to Freedom (the Organization) is a non-profit organization which operates to provide supportive services for victims of human trafficking and sexual exploitation by creating a strong network of frontline providers who offer safe housing, mental health counseling, medical assistance, chemical dependency, and transportation.

Restricted Cash

Amounts included in cash – donor restricted represent contributions received from donors which are subject to certain donor imposed restrictions. The restrictions will lapse as the amounts are used for the specific purpose. Cash – board designated represents amounts set aside by the board for the Marissa’s housing / building project.

Receivables and Credit Policies

Grants receivable consist primarily of noninterest-bearing amounts due from government agencies for federal and state grants. The Organization determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectible. At December 31, 2020, no allowance for uncollectible amounts was considered necessary.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at costs, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020.

Net Assets

Net assets, public support and revenue are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for the Marissa’s housing / building project.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Organization’s revenue is derived from cost-reimbursement federal and state contracts and grants, which are conditioned upon 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 refundable advances in the statement of financial position. There were no refundable advances as of December 31, 2020. The Organization was awarded cost-reimbursable grants of approximately \$2,180,000 that have not been recognized at December 31, 2020 because qualifying expenditures have not yet been incurred.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received (Note 6).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits, payroll taxes, and telephone which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Advertising Costs

Advertising costs are expensed as incurred and were \$20,405 during the year ended December 31, 2020.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect certain reported assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with grants receivable is considered to be limited due to high historical collection rates and because the outstanding amounts are due from governmental agencies.

Subsequent Events

The Organization has evaluated subsequent events through August 25, 2021, the date which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2020:

Cash - undesignated	\$	238,240
Grants receivable		<u>235,301</u>
		<u>\$ 473,541</u>

The Organization monitors liquidity required to meet its operating needs and other contractual commitments. The Organization prepares an annual budget to manage liquidity and to determine general expenditures over the next 12 months. As part of a liquidity management plan, cash in excess of daily requirements is placed within a business savings account. In addition, the Board has designated a portion of cash to the Marissa’s housing / building project. In the event the need arises to utilize the board designated funds for liquidity purposes, the funds \$77,700 could be drawn upon through board resolution. To manage unanticipated liquidity needs, the Organization has a committed line of credit of \$100,000 which it could draw upon.

Note 3 - Property – Held for Sale

During 2020, the Organization received an in-kind donation of a house from an unrelated third party with the donor’s intent for the house to be sold with the proceeds being restricted for the Marissa’s housing / building project. An asset valued at fair value was recorded within the statement of financial position with an in-kind contribution with donor restrictions included within the statement of activities for the year ending December 31, 2020. No gain or loss has been recorded as of year-end. Subsequent to year-end, in March 2021, the Organization sold the house to an unrelated third party.

Note 4 - Line of Credit

The Organization has a \$100,000 revolving line of credit with a bank, secured by the Organization’s property. Borrowings under the line bear interest at the Wall Street Journal U.S. Prime Rate plus 1%, or a floor of 4.25% (4.25% at December 31, 2020). The agreement requires the Organization to comply with certain financial and non-financial covenants. No draws were made on the line of credit during 2020.

Note 5 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2020:

Subject to expenditure for specified purposes			
Marissa's housing / building project	\$	203,424	
Essential needs and employment program for survivors		1,082	
Programs for at risk youth		3,693	
Survivor needs and services		24	
Marissa's project program and development		99,727	
		<u>99,727</u>	
	\$	<u>307,950</u>	

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors as follows for the year ended December 31, 2020:

Satisfaction of purpose restrictions			
Marissa's housing / building project	\$	6,165	
Essential needs and employment program for survivors		3,918	
Programs for at risk youth		6,307	
Survivor needs and services		4,976	
Marissa's project program and development		273	
		<u>273</u>	
	\$	<u>21,639</u>	

Note 6 - Donated Professional Services and Materials

Donated professional services and materials are as follows during the year ended December 31, 2020:

	Program Services	Management and General	Fundraising	Total
Client services	\$ 59,034	\$ -	\$ -	\$ 59,034
Equipment, repairs, and maintenance	3,411	-	-	3,411
Advertising	-	-	17,128	17,128
Professional fees	-	3,000	-	3,000
	<u>\$ 62,445</u>	<u>\$ 3,000</u>	<u>\$ 17,128</u>	<u>\$ 82,573</u>

During 2020, a donation was received of a house valued at \$107,000. The donation is recorded within the statement of financial position as property – held for sale.

Note 7 - Leases

Operating Leases

The Organization leases a vehicle with lease terms of 42 months. The lease requires monthly lease payments of \$289. The Organization has also entered into two agreements to lease copy machines. These leases require monthly lease payments of \$85 and \$117 each. Lease expense for these items for the year ended December 31, 2020 totaled \$5,428.

The Organization also entered into two agreements to lease office space. These leases require monthly lease payments of \$1,000 and \$1,384 each. In addition, the Organization leases two spaces as available housing for victims. These leases require monthly lease payments of \$595 and \$3,000 each. Rent expense for the year ended December 31, 2020 totaled \$68,376.

Future minimum lease payments under the operating lease agreements are as follows:

Years Ending December 31,		
2021	\$	40,699
2022		26,747
2023		15,036
2024		14,840
2025		13,714
	\$	111,036

Note 8 - Support from Governmental Units

The Organization receives a substantial amount of support from grants and contracts with federal and state governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

Note 9 - Paycheck Protection Program (PPP) Loan

The Organization was granted a \$21,700 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. The Organization initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released by the SBA. The Organization recognized \$21,700 of loan forgiveness income for the year ended December 31, 2020.

Note 10 - Related Party Transactions

The Organization engaged in the following related party transactions with board members and their affiliated companies for the year ended December 31, 2020:

Board Members		
Contributions	\$	46,157
In-kind contributions		20,128
Board Chair and Affiliated Company		
Professional services		7,217
Advertising expense		17,248
Hardware expense		62
Fundraising expenses		6,450
Community education		21,241
Other consulting expenses		1,300

Note 11 - Future Commitments and Contingencies

Commitments

During 2020 and subsequent to year-end, the Organization entered into two software-for-a-service contracts with a vendor. Total remaining commitment under these contracts is \$55,650 for the year ended December 31, 2020.

Subsequent to year-end, the Organization entered into a contract with an unrelated third party to help with fundraising for the Marissa's housing / building project. Total commitment under this contract is \$130,000 for a specific capital campaign goal set for the Organization for the year ended December 31, 2020.

Subsequent to year-end, the Organization entered into a purchase agreement to purchase land for the purpose of constructing a multifamily residential development. In addition, the Organization entered into a promissory note totaling \$50,000. The note bears no interest. The note may become immediately due and payable if the Organization does not meet their capital campaign goal for construction of the multifamily residential development at any time on or after December 31, 2021.

COVID-19 Pandemic

During 2020, the world-wide pandemic impacted national and global economies. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.



Federal Awards Reports in Accordance
with the Uniform Guidance

December 31, 2020

Call to Freedom

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* 1

Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance 3

Schedule of Expenditures of Federal Awards 6

Schedule of Findings and Questioned Costs 7



**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
Call to Freedom
Sioux Falls, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Call to Freedom (the Organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: *Finding 2020-001, 2020-002, and 2020-003.*

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: *Finding 2020-004.*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 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*.

The Organization's Responses to Findings

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

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.



Sioux Falls, South Dakota
August 25, 2021



**Independent Auditor's Report on Compliance for the Major Federal Program;
Report on Internal Control over Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

To the Board of Directors
Call to Freedom
Sioux Falls, South Dakota

Report on Compliance for the Major Federal Program

We have audited Call to Freedom's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2020. The Organization's major federal program is 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 federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program 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 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). Those standards and the Uniform Guidance 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 the Organization'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 qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Basis for Qualified Opinion on the Major Federal Program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient and appropriate audit evidence supporting compliance with federal financial assistance listing #16.575 Crime Victim Assistance as described in finding number 2020-005 for Activities Allowed and Allowable Costs and finding number 2020-007 for Matching, consequently we were unable to determine whether the Organization complied with those requirements applicable to the program.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as finding number 2020-008. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as *findings 2020-005, 2020-007, 2020-009, and 2020-010* to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as *findings 2020-006 and 2020-008* to be significant deficiencies.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended December 31, 2020, and have issued our report thereon dated August 25, 2021, which contained an unmodified opinion on those financial statements. 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 awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Sioux Falls, South Dakota
August 25, 2021

Call to Freedom
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Department of Justice Services for Trafficking Victims	16.320		\$ 414,220	\$ 141,018
Passed through State of South Dakota Department of Public Safety				
Crime Victim Assistance	16.575	2020-1441-00035		
Sexual Assault Services		2021-1441-00036	549,793	-
Formula Program	16.017	2020-1441-00035		
		2021-1441-00036	130,464	-
Passed through South Dakota Network Against Family Violence and Sexual Assault				
Transitional Housing Assistance for Victims of Domestic Violence Dating, Violence, Stalking, or Sexual Assault	16.736	080291351	4,044	-
Total Federal Financial Assistance			<u>\$ 1,098,521</u>	<u>\$ 141,018</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Call to Freedom (the Organization) under programs of the federal government for the year ended December 31, 2020. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Organization has elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
Crime Victim Assistance	16.575
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2020-001 Preparation of Financial Statements and Material Audit Adjustments
Material Weakness**

Criteria: Proper controls over financial reporting include an adequate system for recording and processing entries to the financial statements, as well as the ability to prepare financial statements and accompanying notes to the financial statements that are correct.

Condition: The Organization does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. In addition, we proposed material audit adjustments that would not have been identified as a result of the Organization’s existing internal controls; and therefore, could have resulted in a material misstatement within the financial statements.

Cause: The Organization has limited staff. The Organization cannot justify incurring the costs necessary for preparing the financial statements and accompanying notes to the financial statements.

Effect: Inadequate controls over financial reporting of the Organization could result in the likelihood that the Organization would not be able to draft the financial statements and accompanying notes to the financial statements that are correct without assistance.

Recommendation: While we recognize that this condition is not unusual for an organization with limited staffing, it is important that the Organization be aware of this condition as it relates to the financial reporting process and the potential risks involved. Management and the Board should continually be aware of the financial accounting and reporting of the Organization and changes in accounting and reporting requirements.

Views of Responsible Officials: Management is in agreement.

**2020-002 Reconciliation of Net Assets
Material Weakness**

Criteria: The Organization is required to maintain effective internal controls that are designed and implemented to detect, prevent, and correct misstatements to the financial statements in a timely manner.

Condition: The Organization had incorrectly recorded and classified certain contributions as increases in net assets with donor restrictions. We proposed a material audit adjustment to report these contributions as net assets without donor restrictions – board designated based on the supporting donor documentation. In addition, an adjustment was made to decrease the net assets released from restrictions based upon actual expenses incurred during the year.

Cause: The Organization’s current procedures over the reconciliation of net assets did not identify the misstatements.

Effect: Net assets with donor restrictions were overstated and net assets without donor restrictions – board designated were understated by a material amount.

Recommendation: We recommend management review procedures surrounding the reconciliation of net assets and retain documentation to support performance of the control.

Views of Responsible Officials: Management is in agreement.

**2020-003 In-Kind Contributions and Expenses
Material Weakness**

Criteria: The Organization is required to maintain effective internal controls that are designed and implemented to detect, prevent, and correct misstatements to the financial statements in a timely manner.

Condition: Through the review of a donations listing from the Organization’s donor system, in-kind donations were received during the year. We identified various third parties had contributed advertising, professional services, and clothing as well as various groceries, supplies, gift cards, etc. that had not been recorded as revenue and expenses. As auditors, we proposed a material audit adjustment to record these in-kind contributions as revenue and expenses.

Cause: The Organization’s staff was unaware of the accounting rules regarding recognition of in-kind donations and in-kind expenses.

Effect: In-kind contributions and in-kind expenses were understated by a material amount.

Recommendation: We recommend management review the various accounting rules regarding recognition of in-kind donations. In addition, we recommend management establish formal procedures to ensure revenue and expenses related to the various categories of gifts in-kind are appropriately recognized and recorded.

Views of Responsible Officials: Management is in agreement.

**2020-004 Segregation of Duties
 Significant Deficiency**

Criteria: In order to achieve an appropriate level of internal control, the functions of executing transactions, recording transactions, and maintaining accountability for the records should be performed by different employees or be maintained under dual control.

Condition: The Organization did not have an internal control system to allow for proper segregation of duties across all areas of the accounting function.

Cause: A number of accounting functions are performed by the financial account manager with no separate independent review or approval. Accounting functions include: month end account reconciliations and adjusting journal entries for accounts receivable, property and equipment, accounts payable, payroll, and long-term debt as well as preparation of the annual Schedule of Expenditures of Federal Awards (SEFA). Additionally, the functional allocation of expenses is posted to the general ledger at the time the invoice is entered into the system; however, there is no overall review process in place or formal approval over the functional allocation of expenses for the year ended December 31, 2020.

Effect: Inadequate segregation of duties could adversely affect the Organization's ability to detect and correct misstatements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: While we recognize that the Organization's current processes did not allow optimal internal control, it is important that the Organization is aware of this condition. Management should periodically assess the allocation of duties to determine if maximum segregation of duties is achieved with the current office staff. Under this condition, the most effective controls is management and the board's oversight and knowledge of matters relating to the operations of the Organization.

Views of Responsible Officials: Management is in agreement.

Section III – Federal Award Findings and Questioned Costs

2020-005 Department of Justice
Passed through State of South Dakota Department of Public Safety
Federal Financial Assistance Listing / CFDA #16.575, 2020-1441-00035, 06/01/2019 –
06/30/2020; 2020-1441-00036, 07/01/2020 – 06/30/2021
Crime Victim Assistance

Activities Allowed and Allowable Costs
Material Weakness in Internal Control over Compliance and Scope Limitation relating to
Compliance

Criteria: The Organization is required to have procedures in place to ensure that federal awards are expended only for allowable costs in accordance with Subpart E – Cost Principles of the Uniform Guidance. Allowable costs are supported by appropriate documentation and correctly charged as to account, amount, and period. 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. 2 CFR 200.430(i) establishes the standards for documentation of personnel expenses including charges to Federal awards for salaries and wages. Charges must be based on records that accurately reflect the work performed with the records meeting the following standards:

- a) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
- b) Be incorporated into the office records of the non-Federal entity.
- c) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities.
- d) Encompass both federally assisted, and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy.
- e) Comply with the established accounting policies and practices of the non-Federal entity.
- f) Support the distribution of the employee's salary or wages among specific activities or cost objectives.
- g) Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes.

Condition: Management was not able to provide documentation for personnel time charged to the grant from January 1, 2020 through August 30, 2020 that meet the requirements noted above.

Cause: Lack of completion of employee timesheets that reflect time and effort as required by the cost principles.

Effect: Without adequate support, demonstrating that the costs comply with laws, regulations, and other compliance requirements is difficult.

Questioned Costs: Due to the lack of detailed support for the estimated fixed allocation percentage per employee for salaries, employees' benefits, and payroll taxes, a complete determination was unable to be made as to the amount of questioned costs for the year.

Context: No sampling was used for detail testing due to no direct support for time and effort. Total expenditures for salaries, employee benefits, and payroll taxes which were submitted based upon an estimated fixed allocation percentage per employee for the period of January 1, 2020 through August 31, 2020 were \$161,834.

Repeat Finding from Prior Year: No

Recommendation: As of September 1, 2020, we acknowledge management implemented procedures and control processes to comply with the federal requirements noted above and we recommend management continues to comply with those procedures.

Views of Responsible Officials: Management is in agreement.

**2020-006 Department of Justice
Passed through State of South Dakota Department of Public Safety
Federal Financial Assistance Listing / CFDA #16.575, 2020-1441-00035, 06/01/2019 –
06/30/2020; 2020-1441-00036, 07/01/2020 – 06/30/2021
Crime Victim Assistance**

**Activities Allowed and Allowable Costs
Significant Deficiency in Internal Control over Compliance**

Criteria: The Organization is required to have procedures in place to ensure that federal awards are expended only for allowable costs in accordance with Subpart E – Cost Principles of the Uniform Guidance. Allowable costs are supported by appropriate documentation and correctly charged as to account, amount, and period. 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. 2 CFR 200.430(i) establishes the standards for documentation of personnel expenses including charges to Federal awards for salaries and wages. Charges must be based on records that accurately reflect the work performed with the records meeting the following standards:

- a) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
- b) Be incorporated into the office records of the non-Federal entity.
- c) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities.
- d) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy.
- e) Comply with the established accounting policies and practices of the non-Federal entity.
- f) Support the distribution of the employee's salary or wages among specific activities or cost objectives.
- g) Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes.

Condition: In our sample of expenditures selected for testing, we noted the following items:

- a) Documentation could not be provided to support a formal review of two non-payroll expenditures.
- b) Payroll for one employee was undercharged to the program due to a calculation error within the eligible allocation percentage for the grant (1 instance).
- c) Total indirect costs were undercharged to the program due to a calculation error.

Cause: There was a lapse in the internal control process ensuring disbursements of the Organization's funds are approved by an authorized individual. In addition, a lack of compliance with designed internal controls over disbursements allowed for allocation of expenditures that were not at the correct amount.

Effect: The Organization's controls did not detect or correct the errors identified, which results in a reasonable possibility that the Organization could submit disallowed costs under the federal awards. Additionally, without the review and approval of disbursements, demonstrating that costs comply with laws, regulations, and other compliance requirements is difficult.

Questioned Costs: None reported. Sample expenditures and indirect cost tested were undercharged to the grant.

Context: A non-statistical sample of 60 payroll and non-payroll transactions were selected for testing. 25 payroll transactions totaling \$31,403 were included within *Finding 2020-006*. 35 payroll and non-payroll transactions were tested which accounted for \$18,753 out of \$387,959 of federal payroll and nonpayroll program expenditures.

Repeat Finding from Prior Year: No

Recommendation: We recommend that management implement procedures and control processes to comply with the federal requirements noted above.

Views of Responsible Officials: Management is in agreement.

2020-007 Department of Justice
Passed through State of South Dakota Department of Public Safety
Federal Financial Assistance Listing / CFDA #16.575, 2020-1441-00035, 06/01/2019 –
06/30/2020; 2020-1441-00036, 07/01/2020 – 06/30/2021
Crime Victim Assistance

Matching
Material Weakness in Internal Control over Compliance and Scope Limitation relating to
Compliance

Criteria: 2CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. In addition, 2 CFR 200.306 establishes that matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's matching when such contributions meet all of the following criteria:

- a) Are verifiable from the non-Federal entity's records;
 - b) Are not included as contributions for any other Federal Award;
 - c) Are necessary and reasonable for the accomplishment of project or program objectives;
 - d) Are allowable under Subpart E – Cost Principles (including contributions of services and property);
 - e) Are not paid by the Federal Government under another Federal award, except where the Federal status authorizing a program specifically provides that Federal funds made available can be applied to matching; and
 - f) Are provided for in the approved budget when required by the Federal awarding agency.
- In addition, 2 CFR 200.403(g) establishes that costs must be adequately documented.

Condition: Management was not able to provide documentation for identifiable expenditures incurred as it relates to the program which were incurred and paid through cash contributions or received as in-kind contributions.

Cause: The Organization did not have a full understanding of the Uniform Guidance requirements relating to matching cash and in-kind donations.

Effect: Without a full understanding and adequate support, demonstrating that the items claimed as match comply with laws, regulations, and other compliance requirements is difficult.

Questioned Costs: Due to the lack of understanding and adequate detailed support, a complete determination was unable to be made as to the amount of questioned costs for match items reported as cash contributions and in-kind contributions

Context: No sampling was used for detail testing total cash contributions and in-kind contributions reported as match of \$298,482, due to no direct identification of match items within the Organization's records.

Repeat Finding from Prior Year: No

Recommendation: We recommend that management implement procedures and control processes to ensure matching expenditures comply with the federal requirements noted above.

Views of Responsible Officials: Management is in agreement.

**2020-008 Department of Justice
Passed through State of South Dakota Department of Public Safety
Federal Financial Assistance Listing / CFDA #16.575, 2020-1441-00035, 06/01/2019 –
06/30/2020; 2020-1441-00036, 07/01/2020 – 06/30/2021
Crime Victim Assistance**

**Procurement
Significant Deficiency in Internal Control over Compliance and Compliance**

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in 2 CFR 200.317 through 200.327 which also requires documentation to be retained to detail the history of procurements.

Condition: The Organization's written procurement policy does not include all the required elements as outlined in the Uniform Guidance.

Cause: The Organization's procurement policy does not include all the required elements as outlined in the Uniform Guidance.

Effect: Without a written procurement policy in accordance with the Uniform Guidance, demonstrating that the program complies with laws, regulations, and other compliance requirements is difficult.

Questioned Costs: None reported

Context: No sampling was performed.

Repeat Finding from Prior Year: No

Recommendation: We recommend that management review the Uniform Guidance procurement standards noted above to ensure the Organization's procurement policy includes all required elements.

Views of Responsible Officials: Management is in agreement.

2020-009 Department of Justice
Passed through State of South Dakota Department of Public Safety
Federal Financial Assistance Listing / CFDA #16.575, 2020-1441-00035, 06/01/2019 –
06/30/2020; 2020-1441-00036, 07/01/2020 – 06/30/2021
Crime Victim Assistance

Procurement, Suspension, and Debarment
Material Weakness in Internal Control over Compliance

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. 2 CFR 200.318 requires documentation to be retained to detail the history of procurements. In addition, as outlined in 2 CFR 180, recipients must not utilize any vendor which is suspended or debarred or is otherwise excluded from the central contractor registry.

Condition: The following matters were identified during testing:

- a) One instance where the Organization's procurement form did not have an independent review.
- b) Three instances where documentation was not retained to support the Organization's procurement process for lease agreements and contracts in which the total amounts were over the micro-purchase threshold.
- c) One vendor was not verified against the central contractor registry prior to lease agreement inception or on a periodic basis to ensure that the vendor was not suspended or debarred.

Cause: The Organization did not retain documentation to support the history of procurement and suspension and debarment in accordance with Uniform Guidance.

Effect: Without retaining supporting documentation detailing the history of procurement, suspension and debarment, it is a reasonable possibility the Organization may contract for services with ineligible parties. Thereby, demonstrating that the program complies with laws, regulations, and other compliance requirements is difficult.

Questioned Costs: None reported

Context: A non-statistical sample of 4 out of 9 contracts, lease agreement or vendors with expenditures over the micro-purchase threshold were tested. In addition, all vendors with transactions equaling or exceeding \$25,000 (2 of 2) were selected for suspension and debarment testing.

Repeat Finding from Prior Year: No

Recommendation: We recommend that management implement procedures and control processes to comply with the federal requirements noted above.

Views of Responsible Officials: Management is in agreement.

2020-010 **Department of Justice**
Passed through State of South Dakota Department of Public Safety
Federal Financial Assistance Listing / CFDA #16.575, 2020-1441-00035, 06/01/2019 –
06/30/2020; 2020-1441-00036, 07/01/2020 – 06/30/2021
Crime Victim Assistance

Reporting
Material Weakness in Internal Control over Compliance

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. 2 CFR 200.327 and 2 CFR 200.328 require the auditee to collect financial information and monitor its activities under federal awards to assure compliance with applicable federal requirements and performance expectations are being achieved and report these items in accordance with the program requirements.

Condition: Documentation was not retained to support the amount of expenses reported by category in the annual financial report. In addition, the individual preparing the report is also reviewing and submitting the annual financial report.

Cause: No formal review and approval process over the annual financial report is in place and documentation was not retained to support the expenses reported within the annual financial report.

Effect: Without retaining documentation to support the amounts reported, demonstrating that the program complies with laws, regulations, and other compliance requirements is difficult. Additionally, not having a formal oversight process over reporting results in a reasonable possibility that reports that are inaccurate or incomplete could be submitted.

Questioned Costs: None reported. Expenses in total reported within the annual financial report agreed to total expenses incurred.

Context: Two out of four quarterly performance reports were reviewed along with one annual financial report. There was a total of five reports filed.

Repeat Finding from Prior Year: No

Recommendation: We recommend that management implement procedures and control processes to comply with the federal requirements noted above and supporting documentation used to prepare the reports is retained to provide evidence of the amounts reported.

View of Responsible Officials: Management is in agreement.



Management's Response to Auditor's Findings:
Corrective Action Plan
12/31/2020

Prepared by Management of
Call to Freedom, Inc

Corrective Action Plan

Finding 2020-001	Preparation of Financial Statements and Material Audit Adjustments
Finding Summary:	Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements. They also proposed material audit adjustments that would not have been identified because of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.
Responsible Individuals:	Becky Rasmussen, Executive Director Donna Nugteren, Director of Finance
Corrective Action Plan:	It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepare the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the material adjustments proposed during the audit.
Anticipated Completion Date:	Ongoing
Finding 2020-002	Reconciliation of Net Assets
Finding Summary:	Eide Bailly LLP reported the organization had incorrectly recorded and classified certain contributions as increases in net assets with donor restrictions. They proposed a material audit adjustment to report these contributions as net assets without donor restrictions – board designated based on the supporting donor documentation. In addition, an adjustment was made to decrease the net assets released from restrictions based upon actual expenses incurred during the year.
Responsible Individuals:	Becky Rasmussen, Executive Director Donna Nugteren, Director of Finance
Corrective Action Plan:	Management reviewed procedures surrounding the reconciliation of net assets and implemented processes to retain documentation to support donor restrictions.
Anticipated Completion Date:	July 2021

Finding 2020-003

In-Kind Contributions and Expenses

Finding Summary:

A donations listing from our donor system was reviewed by Eide Bailly LLP in which it was identified in-kind contributions were received by our organization. They identified various third parties had contributed advertising, professional services, and clothing as well as various groceries, supplies, gift cards, etc. that had not been recorded as revenue and expenses. They proposed a material audit adjustment to record these in-kind contributions as revenue and expenses.

Responsible Individuals:

Becky Rasmussen, Executive Director
Donna Nugteren, Director of Finance

Corrective Action Plan:

Management is currently in the process of reviewing the various accounting rules regarding recognition of in-kind donations and will be developing and implementing formal procedures to ensure revenue and expenses are appropriately recognized and recorded.

Anticipated Completion Date: Quarter 4 of 2021

Finding 2020-004

Segregation of Duties

Finding Summary:

Our organization does not have an internal control system to allow for proper segregation of duties across all areas of the accounting function. A number of accounting functions are performed by the financial account manager with no separate independent review or approval.

Responsible Individuals:

Becky Rasmussen, Executive Director
Donna Nugteren, Director of Finance

Corrective Action Plan:

Management will periodically assess the allocation of duties to determine if maximum segregation of duties is achieved with the current office staff.

Anticipated Completion Date: Ongoing

Finding 2020-005 Activities Allowed and Allowable Costs
Federal Agency Name: Department of Justice
Program Name: Crime Victim Assistance
CFDA #16.575
Finding Summary: Material Weakness in Internal Control over Compliance and Scope Limitation relating to Compliance. The Organization was not able to provide documentation for personnel time charged to the grant from 1/1/2020 through 8/30/2020 that meet the time and effort requirements identified within 2 CRF 200.430(l)

Responsible Individuals: Becky Rasmussen, Executive Director
 Donna Nugteren, Director of Finance

Corrective Action Plan: Management has implemented specific time tracking per grant on employee time sheets in accordance with federal regulations as of September 1, 2020, to present.

Anticipated Completion Date: September 2020

Finding 2020-006 Activities Allowed and Allowable Costs
Federal Agency Name: Department of Justice
Program Name: Crime Victim Assistance
CFDA #16.575
Finding Summary: Significant Deficiency in Internal Control over Compliance. Through testing performed, the following items were identified by Eide Bailly, LLP:
1. Documentation could not be provided to support a formal review of two non-payroll expenditures.
2. Payroll for one employee was undercharged to the program due to a calculation error within the eligible allocation percentage for the grant (1 instance).
3. Total indirect costs were undercharged to the program due to a calculation error.

Responsible Individuals: Becky Rasmussen, Executive Director
 Donna Nugteren, Director of Finance

Corrective Action Plan: Management has implemented specific time tracking per grant on employee time sheets in accordance with federal regulations as of September 1, 2020, to present. Management also is tracking all direct service and admin personnel details monthly for each federal/state draw down. The finance manager and grants manager have implemented additional internal controls by implementing the Executive Director's review and signature on each monthly draw down worksheet and financial reconciliation effective for July 2021 draw downs.

The indirect cost calculation error has been identified and the process moving forward has been implemented to claim 10% (de minimis rate) on the total modified direct costs, excluding anything for a subaward over \$25,000 in drawn down expenses. The Director of Finance will calculate that rate on monthly draw downs, and it will be reviewed and approved by the Grants Manager and Executive Director.

In addition to monthly approvals, the grant manager, finance director and executive director will review all grant expenditures quarterly to assure expenses align with budgets per each award. Quarters for review will be January, April, July and October yearly.

Anticipated Completion Date: December 2021

Finding 2020-007 Matching

Federal Agency Name: Department of Justice

Program Name: Crime Victim Assistance

CFDA #16.575

Finding Summary: Material Weakness In Internal Control over Compliance and Scope Limitation relating to Compliance. The Organization was not able to provide documentation for identifiable expenditures incurred as it relates to the program which were incurred and paid through cash contributions or received as in-kind contributions.

Responsible Individuals: Becky Rasmussen, Executive Director
Donna Nugteren, Director of Finance

Corrective Action Plan: Management implemented updated match procedures effective for August 2021 draw down moving forward. The following match calculation processes are:

- CTF will match each expense to total 80% grant/20% CTF contributions per allowable direct expense.
- Effective September 1, 2021, volunteer time management tracking system will track more specific volunteer hours documentation per grant project.
- Identify and document in-kind contributions which are specifically designated to a grant program expense and adding this information into financial and grant documentation.

In addition to monthly approvals, the grant manager, finance director and executive director will review all grant expenditures quarterly to assure matching costs align with budgets per each award. Quarters for review will be January, April, July and October yearly.

Anticipated Completion Date: December 2021

Finding 2020-008 Procurement
Federal Agency Name: Department of Justice
Program Name: Crime Victim Assistance
CFDA #16.575
Finding Summary: Significant Deficiency in Internal Control over Compliance. The Organization's written procurement policy does not include all the required elements as outlined in the Uniform Guidance.
Responsible Individuals: Becky Rasmussen, Executive Director
Donna Nugteren, Director of Finance
Corrective Action Plan: Policies have been updated and approved by the BOD as of August 19th and now CTF is working on an implementation plan with staff within the next 90 days.
Anticipated Completion Date: December 2021

Finding 2020-009 Procurement, Suspension, and Debarment
Federal Agency Name: Department of Justice
Program Name: Crime Victim Assistance
CFDA #16.575
Finding Summary: Material Weakness in Internal Control over Compliance. Through testing performed, the following items were identified by Elde Bailly, LLP:

1. One instance where the Organization's procurement form did not have an Independent review.
2. Three instances where documentation was not retained to support the Organization's procurement process for lease agreements and contracts in which the total amounts were over the micro-purchase threshold.
3. One vendor was not verified against the central contractor registry prior to lease agreement inception or on a periodic basis to ensure that the vendor was not suspended or debarred.

Responsible Individuals: Becky Rasmussen, Executive Director
Donna Nugteren, Director of Finance
Corrective Action Plan: Policies have been updated and approved by the BOD as of August 19th and now CTF is working on an implementation plan with staff within the next 90 days. CTF will review all 2021 procurements and complete SAM.gov suspension and debarment documentation on each contract over \$25,000 total, this includes, leases of property, copiers, other office suppliers and longer-term purchase vendors. This process will be implemented and fully updated within 90 days.
Anticipated Completion Date: December 2021

Finding 2020-010

Reporting

Federal Agency Name:

Department of Justice

Program Name:

Crime Victim Assistance

CFDA #16.575

Finding Summary:

Material Weakness in Internal Control over Compliance. The Organization did not retain documentation to support the amount of expenses reported by category in the annual financial report. In addition, the individual preparing the report is also reviewing and submitting the annual financial report.

Responsible Individuals:

Becky Rasmussen, Executive Director
Donna Nugteren, Director of Finance

Corrective Action Plan:

Management, has implemented internal processes as of July 2021 for grant expenditures. The Financial Director and Grants Director are working in conjunction to finalize the FFR's and the Executive Director reviews and approves the report and signs all necessary reporting documents prior to reimbursement submission. Management will continue to improve internal systems moving forward aligning with federal uniform guidance.

In addition to the above approvals, the grant manager, finance director and executive director will review all grant expenditures quarterly to assure financial reporting aligns with each grant budget. Quarters for review will be January, April, July and October yearly.

Anticipated Completion Date: December 2021