SAFE HARBOR AND SUBSIDIARY

Consolidated Financial Statements as of June 30, 2012 and 2011
and for the Years Then Ended
and Independent Auditors' Report

SAFE HARBOR AND SUBSIDIARY

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Silva Gurtner & Abney

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Safe Harbor and Subsidiary
Mandeville, Louisiana

We have audited the accompanying consolidated statements of financial position of Safe Harbor and Subsidiary (a Louisiana non-profit corporation) (the Organization) as of June 30, 2012 and 2011, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2012 on our consideration of Safe Harbor and Subsidiary'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Silva Gurtner & Abney, LLC

December 14, 2012

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SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 207,149	$ 173,966
Restricted cash	-	157,032
Accounts receivable	40,160	43,790
Unconditional promises to give	12,922	16,000
Prepaid expenses	8,997	2,784
Total current assets	269,228	393,572
CONSTRUCTION IN PROGRESS	-	34,397
PROPERTY AND EQUIPMENT, NET	190,512	76,073
OTHER ASSETS	1,250	750
TOTAL ASSETS	**$ 460,990**	**$ 504,792**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 14,172	$ 808
Accrued unpaid leave	3,341	3,154
Payroll liabilities	14,425	10,599
Total current liabilities	31,938	14,561
LONG TERM LIABILITIES		
Lease payable	11,684	-
Total long term liabilities	11,684	-
NET ASSETS		
Unrestricted net assets	259,735	237,776
Unrestricted board designated net assets	13,286	13,820
Total unrestricted net assets	273,021	251,596
Temporarily restricted net assets	144,347	238,635
Total net assets	417,368	490,231
TOTAL LIABILITIES AND NET ASSETS	**$ 460,990**	**$ 504,792**

See accompanying independent auditors' report and notes to consolidated financial statements.

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contracts	$ 298,714	$ -	$ 298,714
United Way allocation	-	14,922	14,922
United Way designations	12,162	-	12,162
Donated furniture and supplies	11,205	-	11,205
Contributions	64,294	-	64,294
Special events, net of direct costs of $18,208	73,845	-	73,845
Interest income	701	-	701
Other income	-	-	-
Net assets released from restrictions	109,210	(109,210)	-
Total revenue and support	570,131	(94,288)	475,843
EXPENSES			
Program services	435,764	-	435,764
Supporting services			
Management and general	112,942	-	112,942
Total expenses	548,706	-	548,706
CHANGES IN NET ASSETS	**21,425**	**(94,288)**	**(72,863)**
NET ASSETS - Beginning of year	251,596	238,635	490,231
NET ASSETS - End of year	**$ 273,021**	**$ 144,347**	**$ 417,368**

(Continued)

See accompanying independent auditors' report and notes to consolidated financial statements.

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2011		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants and contracts	$ 380,587	$ 65,603	$ 446,190
United Way allocation	-	21,000	21,000
United Way designations	11,269	-	11,269
Donated furniture and supplies	18,156	-	18,156
Contributions	174,451	-	174,451
Special events, net of direct costs of $20,029	70,753	-	70,753
Interest income	709	-	709
Other income	119	-	119
Net assets released from restrictions	22,000	(22,000)	-
Total revenue and support	678,044	64,603	742,647
EXPENSES			
Program services	441,748	-	441,748
Supporting services			
Management and general	88,860	-	88,860
Total expenses	530,608	-	530,608
CHANGES IN NET ASSETS	**147,436**	**64,603**	**212,039**
NET ASSETS - Beginning of year	104,160	174,032	278,192
NET ASSETS - End of year	**$ 251,596**	**$ 238,635**	**$ 490,231**

(Concluded)

See accompanying independent auditors' report and notes to consolidated financial statements.

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012		
	Program Services	Management and General	Total
Salaries and benefits	$ 273,245	$ 55,114	$ 328,359
Payroll taxes	22,591	4,216	26,807
Accounting	-	8,163	8,163
Client services	17,013	-	17,013
Client transportation	2,013	-	2,013
Depreciation	-	24,858	24,858
Dues and subscriptions	-	2,974	2,974
Food supplies	6,821	-	6,821
Insurance expense	15,399	6,111	21,510
Meetings and seminars	658	-	658
Miscellaneous	6,774	1,620	8,394
Office supplies	27	6,952	6,979
Rent expense	57,793	-	57,793
Repairs and maintenance	6,340	1,650	7,990
Telephone	6,452	1,284	7,736
Utilities	20,638	-	20,638
Total expenses	**$ 435,764**	**$ 112,942**	**$ 548,706**

(Continued)

See accompanying independent auditors' report and notes to consolidated financial statements.

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2011		
	Program Services	Management and General	Total
Salaries and benefits	$ 286,135	$ 50,250	$ 336,385
Payroll taxes	27,031	3,844	30,875
Accounting	-	7,450	7,450
Client services	24,098	-	24,098
Client transportation	1,752	-	1,752
Depreciation	-	9,558	9,558
Dues and subscriptions	-	2,445	2,445
Food supplies	5,699	-	5,699
Insurance expense	14,554	4,071	18,625
Meetings and seminars	-	-	-
Miscellaneous	13,606	860	14,466
Office supplies	284	9,117	9,401
Rent expense	43,666	-	43,666
Repairs and maintenance	8,105	40	8,145
Telephone	6,807	1,225	8,032
Utilities	10,011	-	10,011
Total expenses	**$ 441,748**	**$ 88,860**	**$ 530,608**

(Concluded)

See accompanying independent auditors' report and notes to consolidated financial statements.

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (72,863)	$ 212,039
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	24,858	9,558
Changes in operating assets and liabilities:		
Accounts receivable	3,630	13,337
Unconditional promises to give	3,078	-
Prepaid expenses	(6,213)	(1)
Other assets	(500)	-
Accounts payable	13,364	(12,566)
Accrued unpaid leave	187	1,317
Lease payable	11,684	-
Payroll liabilities	3,826	47
Net cash (used in) provided byoperating activities	(18,949)	223,731
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(104,900)	(108,110)
Change in restricted cash	157,032	-
Net cash provided by (used in) investing activities	52,132	(108,110)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**33,183**	**115,621**
CASH AND CASH EQUIVALENTS - Beginning of year	173,966	58,345
CASH AND CASH EQUIVALENTS - End of year	**$ 207,149**	**$ 173,966**

See accompanying independent auditors' report and notes to consolidated financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Safe Harbor (the Organization) was incorporated in January 1991 as a Louisiana non-profit corporation, which is qualified under Section 501(c)(3) of the Internal Revenue Code to provide services to women and their dependent children who are victims of domestic violence. The Safe Harbor Battered Women's Shelter Program (the Shelter) provides temporary housing for its clients. Clients also receive food and clothing, as well as information on housing, legal and welfare aid and assistance in educational and employment matters. There is also a full-time children's coordinator at the Shelter to oversee a fully-developed children's program. The Organization incorporates counseling, case management, court advocacy and referrals to community-based programs. All services are free and confidential, and a crisis line is answered 24 hours a day by staff or volunteers.

Phoenix Partners, Inc. is a Louisiana non-profit corporation formed on January 7, 2008 under authority and at the direction of the Board of Directors of Safe Harbor. On April 29, 2009, Phoenix Partners, Inc. acquired by purchase, a building and land in Slidell, Louisiana to use as an outreach office in that community. Commencing with the fiscal year ending June 30, 2010, the financials of Phoenix Partners, Inc. are consolidated into the financials of the Organization.

The Organization has their main facility in western part of St. Tammany parish located in Mandeville, Louisiana, and outreach offices in Slidell and in Washington Parish in order to only serve as a meeting place for court appearances and as a location for individual or group counseling and legal advocacy. In an endeavor to keep the location of the battered women's shelter secret from the general public, the Organization has a policy of allowing donors to call the Safe Harbor telephone number listed in the telephone book and arrangements can be made to pick up the donation at a prearranged time and location agreed upon by the Organization representative and the donor.

Basis of Accounting – The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation – The Organization follows the guidance of Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements.* Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

Unrestricted net assets represent those assets which are not subject to donor-imposed stipulations and, therefore, are assets the Organization may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. As of June 30, 2012 and 2011, the Organization does not have any permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-stipulated restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Consolidation – The consolidated financial statements presented include the accounts of the Organization and Phoenix Partners, Inc. All significant inter-organization transactions have been eliminated.

Use of Estimates in the Preparation of Consolidated Financial Statements – In preparing the Organization's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expense Allocation – The costs of providing the program and administering the related supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, expenses that benefit both program and supporting services have been allocated using management's estimates.

Income Taxes – The Organization is a not-for-profit corporation that is exempt from both federal and Louisiana income taxes under Section 501(c)(3) of the Internal Revenue Code and R.S. 12:201 of Louisiana statutes. For the years ended June 30, 2012 and 2011, the Organization did not have any unrelated business income. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements.

Operations – The Organization has entered into grant agreements and reimbursement contracts with various local, state, and federal governmental entities. Noncompliance with the terms of these agreements and contracts could have a significant adverse effect on the operations of the Organization.

Contributions – Contributions are recognized when the donor makes a promise to give and are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The Organization reports gifts of cash and other assets as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets as assets released from restrictions and reported in the statements of activities and changes in net assets. However, if a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as an unrestricted contribution.

The Organization reports contributions of assets other than cash at their estimated fair value at the date of the gift and are reported as revenues of the unrestricted net asset class unless explicit donor stipulations specify how the asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenues of the temporarily restricted or permanently restricted net asset classes. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Assets and Services – The Organization records noncash donations as contributions at their estimated fair value at the date of donation. For the years ended June 30, 2012 and 2011, the Organization recorded donations in the amount of $11,205 and $18,156, respectively.

The Organization recognizes donated services, if significant in amount, that create, or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Significant portions of the Organization's functions are conducted by unpaid officers, board members, and volunteers.

The value of this contributed time is not reflected in the accompanying financial statements as they do not create nonfinancial assets nor are they specialized services.

Cash and Cash Equivalents and Concentrations of Credit Risk – For purposes of the statements of cash flows, the Organization considers all restricted highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

The Organization maintains cash balances in a local financial institution that may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) of $250,000. The Organization did not have cash balances that were in excess of the FDIC insurance at June 30, 2012 and 2011, respectively.

Promises to Give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2012 and 2011, unconditional promises to give shown on the statements of financial position consisted of $12,922 and $16,000 due from United Way, respectively. Management believes the amounts are fully collectible; therefore, they have elected not to record an allowance for June 30, 2012 and 2011.

Property and Equipment – Land, major renovations or major repairs, and equipment are stated at cost at the date of acquisition or renovation, or, if donated, at fair value at the date of donation. Minor renovations or repairs are charged to operations as repairs and maintenance as incurred. Depreciation is provided on the straight-line basis over the estimated useful life of the asset, which is 3 years for furniture and fixtures and vehicles, 40 years for buildings, and the remaining life on the lease for leasehold improvements.

NOTE B – ACCOUNTS RECEIVABLE

The accounts receivable are due from various grantors listed below for services provided through June 30, 2012 and 2011. All receivables are expected to be received in a timely manner. Management believes the amounts are fully collectible; therefore, they have elected not to record an allowance for June 30, 2012 and 2011. The accounts receivable balance consisted of the following as of June 30, 2012 and 2012:

	2012	2011
Louisiana Commission on Law Enforcement	$ 5,585	$ 11,715
Department of Children and Family Services	34,575	7,075
IOLTA Louisiana Bar Association	-	25,000
	$ 40,160	$ 43,790

NOTE C – PROPERTY AND EQUIPMENT

As of June 30, 2012 and 2011, property and equipment consisted of the following:

	2012	2011
Buildings	$ 132,267	$ -
Furniture & fixtures	18,825	16,286
Vehicle	14,120	14,120
Leasehold improvements	62,093	59,593
	227,305	89,999
Less: accumulated depreciation	(36,793)	(13,926)
Property and equipment, net	$ 190,512	$ 76,073

Depreciation expense for the years ended June 30, 2012 and 2011 was $24,858 and $9,558, respectively.

NOTE D – COOPERATIVE ENDEAVOR AGREEMENT

The Organization and SHS Foundation (an entity owned by a third party who serves as an advisor to the Organization, but who is not on the Board of Directors) entered into a cooperative endeavor agreement on October 1, 2011 to build additional facilities in which to serve the community, specifically a new building to house family services and administrative offices.

The lease for this new facility, also effective October 1, 2011 provides for an initial five year term and three additional five year option terms. Rent is prepaid for the initial three years at $3 and will commence at a monthly rate of $1,528 effective October 1, 2014. The monthly rent payments are calculated based on the remaining portion of the principal payments amortized over 17 years at 5.5% simple interest, which principal would be reduced by any potential prepayments. If the Organization exercises all three options and continues to lease the new facility for the entire 20 year term, the Organization has the right to purchase this new building for $1; however, Safe Harbor has no obligation to exercise any option and can terminate the lease at the end of the initial five year term or any option term. The Organization has recorded this lease as an operating lease and recognized lease expense of $11,684 for the year ended June 30, 2012.

If the Organization fails to purchase the new facility, at the end of the 20 year lease term, SHS Foundation is obligated to reimburse the Organization for its share of costs ($116,722 in leasehold improvements or greater amount paid by the Organization toward building costs), limited to a percentage of the fair market value of the new building calculated as provided in the cooperative endeavor agreement. The future minimum lease payments under the cooperative endeavor are as followed:

2013	$ 15,583
2014	15,583
2015	15,583
2016	15,583
2017	15,583
Thereafter	132,078
	$ 222,048

NOTE E – BOARD DESIGNATED NET ASSETS FOR INVESTMENT IN FACILITIES

Board designated net assets for investment in facilities as of June 30, 2012 and 2011 consisted of cash contributions. These amounts are specifically designated by the Board for the Organization Building Fund for the future purchase and/or construction of a new shelter facility for the Organization's Battered Women's Program. As of June 30, 2012 and 2011, the Organization had $13,286 and $13,820 designated, respectively.

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2012 and 2011 are reserved for the following purposes:

	2012	2011
United Way	$ 14,922	$ 17,000
Grant for improvements	-	65,603
Proceeds for Slidell location	129,425	157,032
Temporarily restricted net assets	$ 144,347	$ 238,635

NOTE G – ECONOMIC DEPENDENCY

The Organization receives a significant amount of their funding from the State of Louisiana, Department of Children and Family Services (the DCFS). Should the DCFS cut its funding or disallow items, this would have a negative impact on the Organization's operations. For the years ended June 30, 2012 and 2011, the Organization earned 54% and 31%, respectively of its support and revenues from the DCFS. Accounts receivable included $34,575 and $7,075 from the DCFS for the years ended June 30, 2012 and 2011, respectively.

NOTE H – GRANTS FROM GOVERNMENTAL AGENCIES

Grants from governmental agencies include the following for the years ended June 30, 2012 and 2011:

Total funds in the amount of $236,921 and $216,438, respectively, were awarded under a contract with the State of Louisiana, DCFS as of June 30, 2012 and 2011. The contract is federal pass-through funds from the United States Department of Health and Human Services, Administration for Children and Families, Family Violence Prevention Services-Grants for Battered Women's Shelters, CFDA #93.671.

Federal pass-through funds in the amount of $14,883 and $34,290, respectively, were received under a contract with the Louisiana Commission on Law Enforcement and Administration of Criminal Justice for the "Domestic Violence Outreach" project as of June 30, 2012 and 2011. The federal funds were received from the United States Department of Justice, Violence against Women Office as part of the Stop Violence against Women Formula Grant Program, CFDA #16.588.

Federal funds in the amount $12,448 were federal pass-through funds from the United States Department of Housing and Urban Development as of June 30, 2011, in connection with its Emergency Shelter Grants Program, CFDA #14.231. The Organization did not receive any funds under this program for the year ended June 30, 2012.

Funds in the amount of $22,278 and $16,616, respectively, were received under a contract with the State of Louisiana, DCFS as of June 30, 2012 and 2011. This contract allocates and pays a percentage of certain parish imposed fees on marriage license fees to the parish's designated domestic violence shelter.

Funds in the amount of $23,304 and $56,685, respectively, were received in the fiscal years ended June 30, 2012 and 2011, under a contract with the IOLTA Louisiana Bar Association. This grant was used to supplement the salaries of attorneys and staff working for its 2008 Legal Assistance to the Poor grantees. Only full-time, non-contract attorneys and staff are eligible. The attorney's and staff member's position must have been covered at least in part by the grantee's 2009 Louisiana Bar Foundation grant.

NOTE I – RENT AND RENTAL COMMITMENTS

On June 26, 2009, the Organization entered into a seven year lease of a facility composed of three adjacent buildings for a monthly rent of $3,500 per month. The facility is owned by SHS Foundation. The lease is a triple net lease providing for the Organization to bear all utilities, insurance, taxes and upkeep costs. Pursuant to the cooperative endeavor agreement, a lease was also executed for this three building facility, effective October 1, 2011, which provides for an initial five year term and three additional five year option terms at the present rate of $3,500 per month for the entire term including option terms. If Safe Harbor exercises all three options and continues to lease these buildings for the entire 20 year term, Safe Harbor has the right to purchase this three building facility for $1; however, Safe Harbor has no obligation to exercise any option and can terminate the lease at the end of the initial five year term or any option term. This lease is accounted for as an operating lease. Lease expense of $42,000 was recorded for each of the years ended June 30, 2012 and 2011.

On January 6, 2012, the Organization also entered into a one year lease for the Slidell facility for a monthly rent of $525 per month with three consecutive one year renewal terms. Lease expense for the year ended June 30, 2012 was $2,625.

In addition, rental payments of $120 per month were for a storage unit at a local storage facility on a month-to-month basis. The storage unit is used to store non-cash donations until such time as they can be used by the shelter facility or its clients.

The future minimum lease payments related to the operating leases discussed above are as follows:

2013	$ 45,675
2014	42,000
2015	42,000
2016	42,000
	$ 171,675

The Organization also entered into an operating lease for a new facility pursuant to the Cooperative Endeavor Agreement as discussed in Note D.

NOTE J – ACCRUED UNPAID LEAVE

The Organization's full-time employees accrue annual leave as follows:

Year 1-3	7 days/year
Year 4-7	9 days/year
Year 8-10	12 days/year
Year 10-15	14 days/year
Year 15+	21 days/year

Annual leave is not cumulative and normally must be taken in the year earned. Exceptions for carrying over annual leave are limited to five (5) days and require the approval of the Executive Director. Days accumulated beyond five days without prior approval will not be paid. Sick leave is earned by regular full-time employees at the rate of twelve (12) days per year. Up to five (5) days of accrued sick leave may be carried over to the next year. In the event of resignation or termination, there is no payment for unused sick leave.

The Organization has accrued $3,341 and $3,154, respectively, of accrued unpaid leave as of June 30, 2012 and 2011.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 14, 2012, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

OTHER INDEPENDENT AUDITORS' REPORT

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
Safe Harbor and Subsidiary
Mandeville, Louisiana

We have audited the consolidated financial statements of Safe Harbor and Subsidiary, (a not-for-profit corporation) (the Organization), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 14, 2012. 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.

Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Safe Harbor and Subsidiary's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the Organization, the Board of Directors, others within the Organization, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

December 14, 2012

December 14, 2012

To the Board of Directors
Safe Harbor and Subsidiary
Mandeville, Louisiana

We have audited the consolidated statement of financial position of Safe Harbor and Subsidiary (a Louisiana non-profit corporation) as of June 30, 2012, and have issued our report thereon dated December 14, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 23, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Safe Harbor and Subsidiary are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by Safe Harbor during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole except for the entries regarding fiscal year end accrual of payroll, the recording of donated goods and services, the recording of accounts receivable, and the capitalization of expenses.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 14, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Safe Harbor's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Safe Harbor's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Safe Harbor and Subsidiary's management and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Silva Gurtner & Abney, LLC