

**CHILDREN'S HARBOR, INC.
AND SUBSIDIARY**

**Consolidated Financial Statements
and Single Audit Report**

June 30, 2021

**CHILDREN'S HARBOR, INC.
AND SUBSIDIARY**

**Consolidated Financial Statements
For the Year Ended June 30, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Children's Harbor, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Children's Harbor, Inc. and Subsidiary (the "Organization") which comprise the consolidated statements of financial position as of June 30, 2021, and the consolidated related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2021, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information presented on pages 22 – 25 are for the purpose of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. 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.

Prior Period Consolidated Financial Statements

The consolidated financial statements of the Organization as of June 30, 2020, were audited by other auditors whose report dated January 15, 2021, expressed an unmodified opinion on those statements.

Soles & Company, P.A.

Soles and Company, P.A.
West Palm Beach, Florida

December 14, 2021

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,470,300	\$ 1,685,035
Restricted cash	62,080	84,458
Pledges receivable	50,000	50,000
Grant and contract receivables	546,913	501,772
Prepaid expenses	211,153	92,837
Total current assets	<u>2,340,446</u>	<u>2,414,102</u>
Pledges receivable, net of discount and current portion	273,941	315,661
Cash surrender value of life insurance	373,837	362,757
Deposits and other assets	13,482	13,482
Property and equipment, net	<u>714,468</u>	<u>788,967</u>
Total assets	<u>\$ 3,716,174</u>	<u>\$ 3,894,969</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 391,816	\$ 306,442
Deferred revenue	137,475	121,096
PPP loan payable	-	701,501
Total current liabilities	<u>529,291</u>	<u>1,129,039</u>
Tenant security deposits	<u>20,150</u>	<u>18,800</u>
Total liabilities	<u>549,441</u>	<u>1,147,839</u>
Net Assets		
Without donor restrictions	2,780,712	2,297,011
With donor restrictions	<u>386,021</u>	<u>450,119</u>
Total net assets	<u>3,166,733</u>	<u>2,747,130</u>
Total liabilities and net assets	<u>\$ 3,716,174</u>	<u>\$ 3,894,969</u>

See the Independent Auditors' Report and Notes to the Consolidated Financial Statements

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidated Statement of Activities
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues						
Grant and contract revenue	3,375,209	\$ -	\$ 3,375,209	\$ 4,454,933	\$ -	\$ 4,454,933
Contributions	989,550	64,347	1,053,897	151,601	140,829	292,430
Special events	98,240	-	98,240	98,710	-	98,710
Donated facilities	848,000	-	848,000	400,000	-	400,000
Medicaid income	166,041	-	166,041	185,138	-	185,138
Rental and other income	256,179	-	256,179	227,003	-	227,003
Interest income	9,934	-	9,934	14,606	-	14,606
Gain on disposition of assets	400	-	400	500	-	500
Net assets released from restriction	128,445	(128,445)	-	110,504	(110,504)	-
Total public support and revenues	<u>5,871,998</u>	<u>(64,098)</u>	<u>5,807,900</u>	<u>5,642,995</u>	<u>30,325</u>	<u>5,673,320</u>
Expenses						
Program services	4,763,989	-	4,763,989	4,803,628	-	4,803,628
Management and general	315,422	-	315,422	353,872	-	353,872
Fundraising	308,886	-	308,886	381,944	-	381,944
Total expenses	<u>5,388,297</u>	<u>-</u>	<u>5,388,297</u>	<u>5,539,444</u>	<u>-</u>	<u>5,539,444</u>
Increase (decrease) in net assets	483,701	(64,098)	419,603	103,551	30,325	133,876
Net assets, beginning of year	<u>2,297,011</u>	<u>450,119</u>	<u>2,747,130</u>	<u>2,193,460</u>	<u>419,794</u>	<u>2,613,254</u>
Net assets, end of year	<u>\$ 2,780,712</u>	<u>\$ 386,021</u>	<u>\$ 3,166,733</u>	<u>\$ 2,297,011</u>	<u>\$ 450,119</u>	<u>\$ 2,747,130</u>

See the Independent Auditors' Report and Notes to the Consolidated Financial Statements

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services						Supporting Services			
	Residential	Family Strengthening	Forgoing Pathways to Healthy Relationships & Economic Stability - True North	Transition to Independent Living (TIL)	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries, tax, and benefits	\$ 1,835,662	\$ 416,601	\$ 136,573	\$ 252,816	\$ 88,986	\$ 2,730,638	\$ 237,274	\$ 168,119	\$ 405,393	\$3,136,031
Donated facility	385,000	-	-	463,000	-	848,000	-	-	-	848,000
Maintenance and repairs	138,034	10,712	4,500	94,088	3,651	250,985	23,276	4,657	27,933	278,918
Other costs	76,814	22,857	3,814	20,234	11,027	134,746	10,012	60,224	70,236	204,982
Contract labor	80,268	2,000	38,154	3,312	1,579	125,313	4,176	15,601	19,777	145,090
Depreciation and amortization	75,801	6,004	-	39,711	650	122,166	12,661	8,436	21,097	143,263
Insurance	73,167	5,946	2,899	16,277	-	98,289	5,896	1,537	7,433	105,722
Utilities	49,109	-	-	44,958	-	94,067	2,495	832	3,327	97,394
General living expenses	78,916	-	-	-	-	78,916	-	-	-	78,916
Rent	-	56,556	9,304	-	-	65,860	-	-	-	65,860
Residential flex fund	40,334	-	415	10,970	551	52,270	-	1,460	1,460	53,730
Dues and subscriptions	17,452	5,564	1,029	2,042	180	26,267	3,200	21,262	24,462	50,729
Telephone	20,858	5,890	2,952	8,645	6,485	44,830	3,295	1,597	4,892	49,722
Travel and auto	28,656	2,516	667	1,754	-	33,593	594	102	696	34,289
Professional fees	7,709	3,854	4,583	11,000	-	27,146	2,891	964	3,855	31,001
Office supplies	2,481	1,781	730	4,266	257	9,515	5,240	1,132	6,372	15,887
Development activities	-	350	-	-	-	350	-	15,292	15,292	15,642
Equipment rental	5,985	1,325	1,084	2,612	-	11,006	3,317	791	4,108	15,114
Office expenses	404	284	-	10	-	698	135	5,824	5,959	6,657
Staff training	350	2,900	727	159	-	4,136	339	-	339	4,475
Security monitoring	2,788	-	-	1,220	-	4,008	-	-	-	4,008
Postage and delivery	135	35	16	204	-	390	621	463	1,084	1,474
Professional development	-	800	-	-	-	800	-	-	-	800
Printing and publications	-	-	-	-	-	-	-	593	593	593
Total expenses	\$ 2,919,923	\$ 545,975	\$ 207,447	\$ 977,278	\$ 113,366	\$ 4,763,989	\$ 315,422	\$ 308,886	\$ 624,308	\$5,388,297

See the Independent Auditors' Report and Notes to the Consolidated Financial Statements

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services					Supporting Services				
	Residential	Family Strengthening	Forgoing Pathways to Healthy Relationships & Economic Stability - True North	Transition to Independent Living (TIL)	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries, tax, and benefits	\$ 1,942,635	\$ 461,563	\$ 597,918	\$ 167,494	\$ 86,608	\$ 3,256,218	\$ 243,912	\$ 239,740	\$ 483,652	\$ 3,739,870
Donated facility	229,075	-	-	125,000	-	354,075	45,925	-	45,925	400,000
Contract labor	56,053	2,059	153,179	9,733	591	221,615	898	874	1,772	223,387
Maintenance and repairs	113,491	10,117	13,092	37,764	-	174,464	12,842	5,707	18,549	193,013
Depreciation and amortization	74,362	5,711	-	34,980	-	115,053	12,092	3,994	16,086	131,139
Utilities	53,820	-	-	49,108	-	102,928	2,312	771	3,083	106,011
Other costs	51,657	4,302	14,107	12,578	6,044	88,688	3,746	11,389	15,135	103,823
General living expenses	80,145	-	-	-	-	80,145	-	-	-	80,145
Insurance	47,767	3,420	3,596	13,477	-	68,260	3,118	1,450	4,568	72,828
Telephone	23,972	7,014	6,395	7,304	16,784	61,469	7,493	3,345	10,838	72,307
Rent	-	27,809	36,133	-	-	63,942	-	-	-	63,942
Residential flex fund	37,398	-	18,765	5,064	-	61,227	-	-	-	61,227
Travel and auto	29,998	5,541	6,744	980	1,069	44,332	1,816	473	2,289	46,621
Professional fees	10,200	4,043	5,000	11,800	-	31,043	2,775	10,311	13,086	44,129
Development activities	-	-	-	-	-	-	-	40,142	40,142	40,142
Dues and subscriptions	19,430	2,536	1,497	1,316	-	24,779	3,522	9,905	13,427	38,206
Catering	-	-	-	-	-	-	-	35,677	35,677	35,677
Office supplies	3,691	3,194	3,349	654	-	10,888	7,151	2,396	9,547	20,435
Staff training	3,111	63	10,759	60	20	14,013	481	30	511	14,524
Equipment rental	4,804	1,728	1,687	1,943	-	10,162	3,086	786	3,872	14,034
Office expenses	1,605	61	147	530	5	2,348	1,416	10,117	11,533	13,881
Professional development	2,985	-	9,627	338	-	12,950	596	-	596	13,546
Printing and publications	-	-	-	-	-	-	-	4,196	4,196	4,196
Security monitoring	2,775	-	-	1,095	-	3,870	-	-	-	3,870
Postage and delivery	709	111	299	40	-	1,159	691	641	1,332	2,491
Total expenses	\$ 2,789,683	\$ 539,272	\$ 882,294	\$ 481,258	\$ 111,121	\$ 4,803,628	\$ 353,872	\$ 381,944	\$ 735,816	\$ 5,539,444

See the Independent Auditors' Report and Notes to the Financial Statements

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 419,603	\$ 133,876
Adjustments to reconcile the change in net assets to net cash flows cash (used in) provided by operating activities:		
Depreciation and amortization expense	143,263	131,139
Amortization of pledge discount	(8,280)	(1,429)
Unrealized gains in cash surrender value of life insurance	(11,080)	(11,342)
Gain from disposition of assets	(400)	(500)
Forgiveness on advance from Paycheck Protection Program	(701,501)	-
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Pledges receivable	50,000	29,000
Grant and contract receivables	(45,141)	(246,624)
Prepaid expenses and other current assets	(118,316)	(40,712)
Deposits and other assets	-	7,269
Increase (decrease) in assets:		
Accounts payable and accrued expenses	85,374	78,878
Deferred revenue	16,379	71,908
Tenant security deposits	1,350	2,865
Net cash (used in) provided by operating activities	<u>(168,749)</u>	<u>154,328</u>
Cash flow from investing activities:		
Purchases of property and equipment	(68,764)	(84,806)
Proceeds received on disposition of assets	400	500
Net cash used in investing activities	<u>(68,364)</u>	<u>(84,306)</u>
Cash flows from financing activities:		
Proceeds from Payroll Protection Program loan	-	701,501
Net cash provided by financing activities	<u>-</u>	<u>701,501</u>
Net (decrease) increase in cash and cash equivalents	(237,113)	771,523
Cash and cash equivalents (including restricted cash)		
Beginning of year	1,769,493	997,970
End of year	<u>\$ 1,532,380</u>	<u>\$ 1,769,493</u>

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 1. NATURE OF OPERATIONS

Children's Harbor, Inc. was incorporated in 1996 as a Florida non-profit corporation under the Florida Not-For-Profit Corporation Act and is exempt from income taxes according to provisions of Section 501(c)(3) of the Internal Revenue Code ("IRC"). Children's Harbor, Inc. was founded to provide a continuum of care for dependent/neglected children. Children's Harbor, Inc.'s vision is to develop and operate the preeminent comprehensive model for the prevention of child abuse and neglect, and the healing of children and families already victimized through the operation of community-based prevention and intervention services, family-style campus based residential services and community-based private foster homes.

On January 4, 2017, Brown's Harbor, Inc. was incorporated as a Florida non-profit corporation under the Florida Not-For-Profit Corporation Act and is exempt from income taxes according to provisions of Section 501(c)(3) of the IRC. Brown's Harbor, Inc. was founded to support and carry out the charitable and education functions of Children's Harbor, Inc. by providing financial support and other aid, which includes ensuring that at risk young adults successfully transition to a self-sufficient independent living situation, providing supportive services necessary for young adults to live independently and to coordinate and integrate life skills for young adults ages 18-23.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Children's Harbor, Inc. and Brown's Harbor, Inc. (collectively referred to as the "Organization"). Children's Harbor, Inc. owns 100% of the membership interest in Brown's Harbor, Inc. All intercompany accounts and transactions have been eliminated for consolidated financial statement presentation.

Basis of Presentation and Net Assets

The Organization prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net assets and revenues, expenses, gains and losses are classified based on the existence of donor-imposed restrictions as follows:

- Net assets without donor restrictions – consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. A portion of these net assets are designated by the Board for future investment (Note 9).
- Net assets with donor restrictions – consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating those resources may be used only after a specified date or limited to specific programs or services (Note 10).

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation and Net Assets (continued)

- If a restriction is fulfilled in the same fiscal year in which the contribution is received, the contribution is reported as without donor restrictions on the accompanying Consolidated Statements of Activities. Donor-imposed restrictions may be perpetual in nature, however, the Organization had no contributions with perpetual donor-imposed restrictions during the years ended June 30, 2021 and 2020.

Prior Year Summarized Financial Information

While comparative information is not required under US GAAP, management believes this information is useful and has included certain summarized financial information from its fiscal 2020 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2020, from which it was derived.

Reclassification

Certain items in the 2020 consolidated financial statements were reclassified to conform to the 2021 presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased and all interest-bearing cash accounts to be cash equivalents.

Restricted Cash

Restricted cash consists of funds limited in use by the donor.

Pledges Receivable, Net

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are discounted using a risk adjusted interest rate and are recorded at net present value. Amortization of the discount is included in contribution revenue.

Grant and Contract Receivables

The Organization receives a significant portion of its revenues from government grants and contracts. The amounts received under these grants and contracts are designated for specific purposes by the granting agencies. Grants receivable at year end represent expenditures and/or units of service performed, which have not yet been reimbursed by the granting agency.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Uncollectible Accounts

Management analyzes, on an ongoing basis, outstanding pledges, grant and contract receivables individually to determine if an allowance for doubtful accounts is required. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. No allowance for doubtful accounts was recorded at June 30, 2021 and 2020, as management believes all pledges, grant and contract receivable balances are collectable.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets predominantly consist of insurance and other program expenses for the next fiscal year. Expenditures which relate to programs for the next fiscal year are reported as a prepaid asset and are expensed during the next year as the related program function takes place.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are recorded at cost, or if contributed, at fair value at the time of the donation, and depreciated or amortized using the straight-line method over the estimated useful lives of the assets. When assets are sold or retired, the cost and related accumulated depreciation or amortization are removed from the accounts and gains or losses, if any, are included in the Consolidated Statements of Activities. Repairs and maintenance are charged to expense as incurred. Donations of property and equipment are recorded as support at their estimated fair value. Useful lives are as follows:

Category	Estimated Life
Computer equipment and software	5 years
Furniture and equipment	7 years
Vehicles	5 Years
Leasehold improvements	5 - 30 years
Building	30 Years

Impairment of Long-Lived Assets

The carrying value of long-lived assets is reviewed if the facts and circumstances, such as significant declines in revenues, earnings or cash flows, or material adverse changes in the business climate indicate that they may be impaired. The Organization performs its review by comparing the carrying amounts of long-lived assets to the estimated undiscounted cash flows relating to such assets. If any impairment in the value of the long-lived assets is indicated, the carrying value of the long-lived assets is adjusted to reflect such impairment.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, contracts receivable, prepaid expenses, deposits, accounts payable and accrued expenses approximate fair value due to the short maturity of these financial instruments.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Surrender Value of Life Insurance

The Organization received a life insurance policy from a donor in which the Organization was named the beneficiary and policyholder. The insurance policy is recorded at its cash surrender value which is the amount that can be realized at the date of the Consolidated Statements of Financial Position. The Organization elected to invest the policy premiums in a fixed account at New York Life, which is credited with interest using a fixed interest rate set in advance at least annually. Interest income is recognized in the Consolidated Statements of Activities as unrestricted income.

Deferred Revenue

Deferred revenue consists of cash received in advance from grants and donors for special events. The Organization will recognize revenue from the grants when the specific grant function is performed and will recognize revenue for the special events when the event is hosted. As of June 30, 2021 and 2020, the Organization had approximately \$137,000 and \$121,000, respectively, of deferred revenue.

Revenue Recognition - Contributions

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Organization fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations about the use of the donated assets, or if they are designated as support for future periods. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are discounted using a market rate of return and are recorded at net present value.

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 Consolidated Statements of Activities as "Net assets released from restrictions." Donor restricted contributions whose restrictions are met in the same reporting period in which received are reported as net assets without donor restrictions.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition – Contributions (continued)

Grants and Contracts

The Organization receives grant and contract revenue from various federal, state, and local governments, private foundations, and other donors. Grant and contract revenue is recognized when the expenses subject to reimbursement are incurred or the services subject to reimbursement are performed by the Organization. The Organization records deferred revenue when amounts are received in advance of expenditures subject to reimbursement being incurred and/or units of service performed. Grants receivables at year-end represent expenditures and/or units of service performed, which have not yet been reimbursed by the granting agency. Grants and contracts are evaluated as to whether they qualify as exchange transactions or contributions as defined by U.S. GAAP. Grants and contract revenue that primarily provide commensurate value to the general public are reported as contributions.

Revenue Recognition – Exchange Transactions

Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions. The Organization adopted Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* (“Topic 606”) on July 1, 2019 using the modified retrospective method applied to all contracts not completed as of the date of the adoption.

The Organization applies Topic 606 to exchange transactions in which it receives consideration from individuals for special events and counseling and therapy services offered. Under U.S. GAAP, these arrangements are exchange transactions between the Organization and the individuals participating in the Organization’s programs.

The modified retrospective adoption method requires the Organization to record a transition adjustment for the new revenue standard, if any, as a cumulative effect adjustment to beginning net assets as of the date of adoption. Therefore, comparative information has not been adjusted. No adjustment to the Organization’s beginning net assets was required as a result of adopting Topic 606.

Special Events Revenue

Topic 606 applies to the portion of the Organization’s special events income that is determined to be an exchange transaction. The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events which ultimately benefit the donor rather than the Organization are recorded as exchange transaction revenue and exchange transaction expense and amounted to approximately \$74,000 for the year ended June 30, 2020. There were no in person events during the year ended June 30, 2021.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition – Exchange Transactions (continued)

Medicaid Income

Qualified employees of the Organization provide counseling and therapy services to individuals in the Organization's various programs. The individuals typically qualify for Medicaid coverage, whereby the Organization submits reimbursement claims to Medicaid to obtain payment for the services rendered. Reimbursements for Medicaid services are generally paid at prospectively determined rates per occasion of service. The Organization is responsible for confirming each individual's eligibility and accepting the financial risk of loss associated with services rendered.

Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing counseling and therapy services and is recognized in the period in which the services are rendered. Consistent with the Organization's mission, counseling and therapy services are provided to qualifying individuals regardless of their ability to pay. Individuals who meet the Organization's criteria for receiving services are provided services without charge, and only the amounts expected to be reimbursed by the Medicaid program are reported as revenue. After services are rendered and the performance obligation is satisfied, the Organization bills Medicaid at the prescribed rate.

Laws and regulations concerning government programs such as Medicaid are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization.

Settlements with Medicaid for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing counseling and therapy services. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Rental Income

Rental income is derived from short-term leases on apartment units and is recognized as the monthly rentals become due. Apartments are rented to youth through the Organization's transition to independent living program. Total rental income related to this program totaled approximately \$213,000 and \$225,000 for the years ended June 30, 2021 and 2020, respectively, and is included within "Rental and other income" on the Consolidated Statements of Activities.

Donated Facilities, Goods and Services

Donated facilities, goods and services are recognized if the benefits received either create or enhance non-financial assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Facilities, Goods and Services (continued)

The Organization occupies, at a nominal charge of \$1 per year, two leased properties owned by the City of Pembroke Pines in exchange for providing services to the community. The estimated fair rental value of the premises is reported as support and expense in the period in which the properties are used. The estimated fair rental value of the properties were \$910,000 and \$400,000 for the years ended June 30, 2021 and 2020. The leases were entered into on April 20, 1998, and September 1, 2016, for a 30-year term and 10-year term, respectively.

Many individuals have donated time and services to advance the Organization's programs and objectives. The value of these services has not been recorded in the accompanying consolidated financial statements because they do not meet the criteria to be recorded in the consolidated financial statements under U.S. GAAP.

Allocation of Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and in the Consolidated Statements of Functional Expenses. Certain administrative personnel perform duties which include both program and support functions. The expenses associated with these personnel are allocated based on the estimated hours devoted to each function. Other common administrative expenses are allocated based on the estimated utilization by the respective function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentrations of Risk

During the years ended June 30, 2021 and 2020, the Organization received approximately 58% and 79%, respectively, of its revenue from grants and contracts. If a significant reduction in the level of funding were to occur, it would have an adverse effect on the Organization's ability to continue operating the programs and services being provided. Management is not aware of any plans for significant reductions in the level of funding for the next fiscal year.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The majority of the Organization's cash balance is in non-interest-bearing accounts which are insured by the Federal Deposit Insurance Corporation ("FDIC"). At times, such balances may be more than the insurance limits of the FDIC. The Organization has not experienced losses on its cash and cash equivalents.

Concentrations of credit risk with respect to receivables is limited to an unconditional promise to give made by an individual donor for program funding for future periods. As of June 30, 2021 and 2020, the remaining receivable related to this donation was approximately \$324,000 and \$370,000, respectively. This balance accounts for approximately 37% and 43% of pledge, grant and contracts receivable at June 30, 2021 and 2020, respectively.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial position, liquidity, and future changes in net assets.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Children's Harbor, Inc. and Brown's Harbor, Inc. are both non-profit corporations which are exempt from federal income tax under Section 501(c)(3) of the IRC and, accordingly, generally would not incur income taxes. As a result, the consolidated financial statements do not reflect a provision for income taxes.

Children's Harbor, Inc. and Brown's Harbor, Inc. recognize, and measure tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where Children's Harbor, Inc. and Brown's Harbor, Inc. file their respective income tax returns. Children's Harbor, Inc. is generally no longer subject to U.S. Federal or State examinations by tax authorities for fiscal years before 2018. Brown's Harbor, Inc. was incorporated on January 4, 2017, thus all of its income tax returns filed from since its incorporation are subject to U.S. Federal or State examinations by tax authorities.

Adopted Accounting Pronouncements

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of this update did not have a material effect on the Organization's consolidated financial statements.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an Accounting Standards update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The adoption of this update did not have a material effect on the Organization's consolidated financial statements.

Restricted Cash

In November 2016, the FASB issued an Accounting Standards update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of this update did not have a material effect on the Organization's consolidated financial statements.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on all of the Organization's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021. Management does not expect this ASU to have a significant impact on the Organization's consolidated financial statements.

Clarifying the Interaction between Topic 808 and Topic 606

In November 2018, the FASB issued an Accounting Standards update to clarify the interaction between Topic 808, *Collaborative Arrangements*, and Topic 606, *Revenue from Contracts with Customers*. The update is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, with early application permitted. The Organization is currently evaluating the potential accounting and disclosure effects the update will have on its consolidated financial statements.

Subsequent Events

The Organization has evaluated subsequent events through the date of the independent auditors' report which is the date the consolidated financial statements were available to be issued.

NOTE 3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Organization maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. In managing its liquidity needs, the Organization monitors and maintains a cash float to cover general operating expenditures and established a strict annual budget. The Organization also has a line of credit available with borrowing capacity of up to \$200,000 which can be used to meet general expenditures within a year (*Note 7*).

The Organization's financial assets available within one year of the Consolidated Statements of Financial Position date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,470,300
Restricted cash	62,080
Pledges receivable	50,000
Grant and contract receivables	546,913
Total current financial assets	<u>2,129,293</u>
Less amounts unavailable for general expenditures within one year due to:	
Net assets restricted by donors for specific purposes and programs	<u>(112,080)</u>
	<u>\$ 2,017,213</u>

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 4. PLEDGES RECEIVABLE, NET

Pledges receivable, net is summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Gross pledges receivable	\$ 337,500	\$ 387,500
Less: discount on long-term pledges	<u>(13,559)</u>	<u>(21,839)</u>
Pledges receivable, net	<u>\$ 323,941</u>	<u>\$ 365,661</u>

Pledges receivable with payment terms in excess of one year have been discounted using a risk adjusted interest rate (1.45% at June 30, 2021 and 1.75% at June 30, 2020) to reflect their estimated present value. Pledges receivable are unsecured and are primarily from donors in South Florida. Payments due on pledges receivable as of June 30, 2021 are as follows:

<u>Years Ending June 30:</u>	
2022	\$ 50,000
2023	50,000
2024	50,000
2025	50,000
2026	50,000
Thereafter	87,500
	<u>\$ 337,500</u>

The Organization determined an allowance for doubtful accounts was not necessary at June 30, 2021 and 2020. No bad debt expense was recorded for the years ended June 30, 2021 and 2020.

NOTE 5. CASH SURRENDER VALUE OF LIFE INSURANCE

The Organization received a life insurance policy from a donor in which the Organization was named the beneficiary and policyholder. The policy expires on February 1, 2052 when the donor is 96 years old. The Organization contributed \$300,000 to the policy premium in March 2012. The policy allows the holder an option to invest policy premiums with New York Life ("NYL"), through NYL's Investment Division. The Organization has elected to invest its policy premiums in the Fixed Account offered by NYL, which is supported by assets in NYL's General Account. NYL's Fixed Account is credited with interest using a fixed interest rate, determined in advance at least annually, guaranteed at 3% or greater. Monthly charges are deducted from the cash account, which include monthly contract charges, cost of insurance and a mortality and expense charge. The cash surrender value of the life insurance policy at June 30, 2021 and 2020 was \$373,837 and \$362,757, respectively.

Premium payments can be made at the policyholder's discretion. Of the \$300,000 contributed for the initial policy premium, \$15,405 was moved into a separate account at NYL for deferred premiums which will be amortized through February 2022. The prepaid premium will earn a guaranteed interest of not less than 4%. There are no required additional premium payments; however, additional premium payments may be

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 5. CASH SURRENDER VALUE OF LIFE INSURANCE (continued)

required to keep the policy from lapsing. The advanced premium payment is reduced for monthly premium expenses such as sales tax, state tax, federal tax and other charges. The deferred premium load account balance at June 30, 2021 and 2020 was \$3,320 and \$5,399, respectively, and is included within "Deposits and other assets" on the Consolidated Statements of Financial Position.

The face amount of the policy at June 30, 2021 was \$600,000. Upon death of the insured, the Organization has elected to receive the greater of the face amount of the policy or the alternative cash surrender value. At any time, the Organization can remit a request for the cash surrender value or alternative cash surrender value. However, once the cash surrender value is paid, the policy will cease to exist.

NOTE 6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Computer equipment and software	125,200	\$ 109,824
Furniture and equipment	86,255	97,433
Vehicles	238,012	241,790
Leasehold improvements	853,474	842,489
Building	180,000	180,000
	<u>1,482,941</u>	<u>1,471,536</u>
Accumulated depreciation and amortization	<u>(768,473)</u>	<u>(682,569)</u>
	<u>\$ 714,468</u>	<u>\$ 788,967</u>

Depreciation and amortization expense totaled \$143,263 and \$131,139 for the years ended June 30, 2021 and 2020, respectively.

NOTE 7. LINE OF CREDIT

The Organization has an unsecured line of credit in the amount of \$200,000. The Organization did not utilize the line of credit during the years ended June 30, 2021 and 2020. The line carries interest at the greater of a floating rate equal to the index (prime rate) plus 1% or the floor interest rate of 5%, payable monthly. As of June 30, 2021 and 2020, the Organization had no outstanding balance under the line of credit. The line of credit expires on March 15, 2022.

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 8. PAYCHECK PROTECTION PROGRAM REFUNDABLE ADVANCE

On May 11, 2020, the Organization received a loan of \$702,501 under the Paycheck Protection Program (“PPP”) authorized by the Coronavirus Aid, Relief, and Economic Security Act that was signed into law on March 27, 2020. The loan begins accruing interest at a rate of 1.00% on the effective date. Principal payments are due in equal monthly installments commencing December 4, 2020. The loan matures on May 4, 2022, at which time all unpaid principal and accrued interest is due. Under the PPP, loan funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent, and utility costs and if the Organization retains employees during a specified period. During the year ended June 30, 2021, the entire loan amount of \$702,501 was forgiven by the small Business Administration (SBA) and recorded as a contribution in accordance with ASC 958-605.

NOTE 9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following as of June 30th:

	<u>2021</u>	<u>2020</u>
Net assets without restrictions - Undesignated	\$ 2,406,875	\$ 1,934,254
Net assets without restrictions - Board designated	<u>373,837</u>	<u>362,757</u>
	<u>\$ 2,780,712</u>	<u>\$ 2,297,011</u>

Board designations of net assets are voluntary segregations of net assets without donor restrictions for future investment and may be amended at any time by specific board action.

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30th:

	<u>2021</u>	<u>2020</u>
Restricted by donors for specific purposes and programs	\$ 62,080	\$ 84,458
Pledge receivable with donor purpose restrictions	<u>323,941</u>	<u>365,661</u>
	<u>\$ 386,021</u>	<u>\$ 450,119</u>

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

NOTE 11. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases office space, in addition to the donated facilities described in *Note 2*, under noncancellable operating lease agreements, with terms expiring at various dates through July 2023. Approximate minimum future rental payments under these non-cancellable lease agreements as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 68,000
2023	70,000
2024	6,000
	<u>\$ 144,000</u>

Total rental expense for the years ended June 30, 2021 and 2020 was approximately \$66,000 and \$64,000, respectively.

Litigation, Claims, and Assessments

In the ordinary course of business, the Organization is exposed to various claims, threats, and legal proceedings, some of which are initiated by the Organization. In management’s opinion, the outcome of all such existing matters will not have a material impact on the Organization’s consolidated financial position and consolidated results of operations.

SUPPLEMENTAL SCHEDULES

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidating Statements of Financial Position
June 30, 2021

	<u>Children's Harbor, Inc.</u>	<u>Brown's Harbor, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,205,246	\$ 265,054	\$ -	\$ 1,470,300
Restricted Cash	62,080	-	-	62,080
Pledges receivable	-	50,000	-	50,000
Grant and contract receivables	534,709	12,204	-	546,913
Due from related party	49,161	-	(49,161)	-
Prepaid expenses	189,554	21,599	-	211,153
Total current assets	<u>2,040,750</u>	<u>348,857</u>	<u>(49,161)</u>	<u>2,340,446</u>
Pledges receivable, net of discount and current portion	-	273,941	-	273,941
Cash surrender value of life insurance	373,837	-	-	373,837
Deposits and other assets	13,482	-	-	13,482
Property and equipment, net	<u>451,544</u>	<u>262,924</u>	<u>-</u>	<u>714,468</u>
Total assets	<u>\$ 2,879,613</u>	<u>\$ 885,722</u>	<u>\$ (49,161)</u>	<u>\$ 3,716,174</u>
Liabilities and Net Assets				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 366,745	\$ 25,071	\$ -	\$ 391,816
Due to related party	-	49,161	(49,161)	-
Deferred revenue	116,137	21,338	-	137,475
Total current liabilities	<u>482,882</u>	<u>95,570</u>	<u>(49,161)</u>	<u>529,291</u>
Tenant security deposits	-	20,150	-	20,150
Total liabilities	<u>482,882</u>	<u>115,720</u>	<u>(49,161)</u>	<u>549,441</u>
Net Assets				
Without donor restrictions	2,334,651	446,061	-	2,780,712
With donor restrictions	62,080	323,941	-	386,021
Total net assets	<u>2,396,731</u>	<u>770,002</u>	<u>-</u>	<u>3,166,733</u>
Total liabilities and net assets	<u>\$ 2,879,613</u>	<u>\$ 885,722</u>	<u>\$ (49,161)</u>	<u>\$ 3,716,174</u>

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidating Statements of Financial Position
June 30, 2020

	<u>Children's Harbor, Inc.</u>	<u>Brown's Harbor, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,524,032	\$ 161,003	\$ -	\$ 1,685,035
Restricted Cash	84,458	-	-	84,458
Pledges receivable	-	50,000	-	50,000
Grant and contract receivables	478,164	23,608	-	501,772
Due from related party	28,394	-	(28,394)	-
Prepaid expenses	84,668	8,169	-	92,837
Total current assets	<u>2,199,716</u>	<u>242,780</u>	<u>(28,394)</u>	<u>2,414,102</u>
Pledges receivable, net of discount and current portion	-	315,661	-	315,661
Cash surrender value of life insurance	362,757	-	-	362,757
Deposits and other assets	13,482	-	-	13,482
Property and equipment, net	<u>497,026</u>	<u>291,941</u>	<u>-</u>	<u>788,967</u>
Total assets	<u>\$ 3,072,981</u>	<u>\$ 850,382</u>	<u>\$ (28,394)</u>	<u>\$ 3,894,969</u>
Liabilities and Net Assets				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 280,966	\$ 25,476	\$ -	\$ 306,442
Due to related party	-	28,394	(28,394)	-
Deferred revenue	121,096	-	-	121,096
PPP Loan Payable	701,501	-	-	701,501
Total current liabilities	<u>1,103,563</u>	<u>53,870</u>	<u>(28,394)</u>	<u>1,129,039</u>
Tenant security deposits	-	18,800	-	18,800
Total liabilities	<u>1,103,563</u>	<u>72,670</u>	<u>(28,394)</u>	<u>1,147,839</u>
Net Assets				
Without donor restrictions	1,884,960	412,051	-	2,297,011
With donor restrictions	84,458	365,661	-	450,119
Total net assets	<u>1,969,418</u>	<u>777,712</u>	<u>-</u>	<u>2,747,130</u>
Total liabilities and net assets	<u>\$ 3,072,981</u>	<u>\$ 850,382</u>	<u>\$ (28,394)</u>	<u>\$ 3,894,969</u>

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidating Statements of Activities
June 30, 2021

	<u>Children's Harbor, Inc.</u>	<u>Brown's Harbor, Inc.</u>	<u>Elimination</u>	<u>Consolidated</u>
Public Support and Revenues Without Donor Restrictions				
Grant and contract revenue	\$ 3,196,746	\$ 178,463	\$ -	\$ 3,375,209
Contributions	914,178	75,372	-	989,550
Special events	98,240	-	-	98,240
Donated facilities	385,000	463,000	-	848,000
Medicaid income	166,041	-	-	166,041
Rental and other income	3,446	252,733	-	256,179
Interest income	9,934	-	-	9,934
Gain on disposition of assets	400	-	-	400
Net assets released from restriction	86,724	41,721	-	128,445
Total public support and revenues without donor restrictions	<u>4,860,709</u>	<u>1,011,289</u>	<u>-</u>	<u>5,871,998</u>
Public Support and Revenues With Donor Restrictions				
Contributions	64,347	-	-	64,347
Net assets released from restriction	<u>(86,724)</u>	<u>(41,721)</u>	<u>-</u>	<u>(128,445)</u>
Total public support and revenues with donor restrictions	<u>(22,377)</u>	<u>(41,721)</u>	<u>-</u>	<u>(64,098)</u>
Total public support and revenues	<u>4,838,332</u>	<u>969,568</u>	<u>-</u>	<u>5,807,900</u>
Expenses				
Program services	3,786,711	977,278	-	4,763,989
Management and general	315,422	-	-	315,422
Fundraising	308,886	-	-	308,886
Total expenses	<u>4,411,019</u>	<u>977,278</u>	<u>-</u>	<u>5,388,297</u>
Increase (decrease) in net assets	427,313	(7,710)	-	419,603
Net assets, beginning of year	<u>1,969,418</u>	<u>777,712</u>	<u>-</u>	<u>2,747,130</u>
Net assets, end of year	<u>\$ 2,396,731</u>	<u>\$ 770,002</u>	<u>\$ -</u>	<u>\$ 3,166,733</u>

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidating Statements of Activities
June 30, 2020

	<u>Children's Harbor, Inc.</u>	<u>Brown's Harbor, Inc.</u>	<u>Elimination</u>	<u>Consolidated</u>
Public Support and Revenues Without Donor Restrictions				
Grant and contract revenue	\$ 4,112,446	\$ 130,062	\$ -	\$ 4,242,508
Contributions	358,751	5,275	-	364,026
Special events	98,710	-	-	98,710
Donated facilities	275,000	125,000	-	400,000
Medicaid income	185,138	-	-	185,138
Rental and other income	11,120	225,025	(9,142)	227,003
Interest income	14,606	-	-	14,606
Gain on disposition of assets	500	-	-	500
Net assets released from restriction	98,004	12,500	-	110,504
Total public support and revenues without donor restrictions	<u>5,154,275</u>	<u>497,862</u>	<u>(9,142)</u>	<u>5,642,995</u>
Public Support and Revenues With Donor Restrictions				
Contributions	139,400	1,429	-	140,829
Net assets released from restriction	(98,004)	(12,500)	-	(110,504)
Total public support and revenues with donor restrictions	<u>41,396</u>	<u>(11,071)</u>	<u>-</u>	<u>30,325</u>
Total public support and revenues	<u>5,195,671</u>	<u>486,791</u>	<u>(9,142)</u>	<u>5,673,320</u>
Expenses				
Program services	4,322,370	481,258	-	4,803,628
Management and general	353,872	9,142	(9,142)	353,872
Fundraising	381,944	-	-	381,944
Total expenses	<u>5,058,186</u>	<u>490,400</u>	<u>(9,142)</u>	<u>5,539,444</u>
Increase (decrease) in net assets	137,485	(3,609)	-	133,876
Net assets, beginning of year	<u>1,831,932</u>	<u>781,322</u>	<u>-</u>	<u>2,613,254</u>
Net assets, end of year	<u>\$ 1,969,417</u>	<u>\$ 777,713</u>	<u>\$ -</u>	<u>\$ 2,747,130</u>

SINGLE AUDIT REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Children's Harbor, Inc. and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Children's Harbor, Inc. and Subsidiary (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 14, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Soles & Company, P.A.

Soles and Company, P.A.
West Palm Beach, Florida

December 14, 2021



Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Children's Harbor, Inc. and Subsidiary

Report on Compliance for Each Major Federal Program

We have audited Children's Harbor, Inc. and Subsidiary'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 each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended June 30, 2021.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Soles & Company, P.A.

Soles and Company, P.A.
West Palm Beach, Florida

December 14, 2021

SUPPLEMENTAL INFORMATION

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Agency/Pass-through Entity/Federal Program or Cluster Title	CFDA Number	Contract/Grant Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FM0069	-	\$ 229,601
Passed Through Florida Department of Children & Families - Childnet, Inc.				
Foster Care Title IV-E	93.658	CHH20RGC	-	344,036
Foster Care Title IV-E	93.658	CHH20MAT	-	59,162
Social Services Block Grant	93.667	CHH20RGC	-	211,348
Social Services Block Grant	93.667	CHH20MAT	-	30,011
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	BRH20TIL	-	104,050
Passed Through Citrus Family Care Network				
Foster Care Title IV-E	93.658	RA028	-	12,958
Social Services Block Grant	93.667	RA028	-	56,233
Passed Through Children's Network, Inc.				
Foster Care Title IV-E	93.658	SAR10	-	47,678
Social Services Block Grant	93.667	SAR10	-	7,195
Passed Through Communities Connected for Kids, Inc.				
Foster Care Title IV-E	93.658	ZJK85	-	121,615
Social Services Block Grant	93.667	ZJK85	-	23,437
Passed Through Embrace Families Community Based Care, Inc.				
Foster Care Title IV-E	93.658	GJL57	-	57,298
Social Services Block Grant	93.667	GJL57	-	6,038
Total U.S. Department of Health and Human Services			-	1,310,660
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,310,660

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

General

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) represents the federal grant activity of Children’s Harbor, Inc. and Subsidiary (the “Organization”) for the year ended June 30, 2021. All federal awards passed through from other government agencies and nonprofit agencies are included in the accompanying Schedule.

Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting. Federal award expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The amounts reported in the Schedule as expenditures may differ from certain financial reports submitted to Federal Funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

Basis of Presentation

The accompanying Schedule includes the Federal awards of the Organization during its fiscal year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Sub Recipients

There were no Federal awards provided to sub recipients during the year ended June 30, 2021.

Indirect Cost Rate

For certain grants, the amount expended includes an indirect cost recovery using an indirect cost rate percentage. The Organization has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance during the year ended June 30, 2021.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Consolidated Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness (es) identified? _____ Yes X No

Significant deficiency (ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards:

Internal control over major programs:

Material weakness identified? _____ Yes X No

Significant deficiency identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.658	Foster care Title IV-E
93.667	Social Services Block Grant

Dollar threshold used to distinguish between
Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Schedule of Findings and Questioned Costs *(Continued)*
For the Year Ended June 30, 2021

Section II - Consolidated Financial Statement Findings

Current Year Findings

None

Prior Year Findings

None

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None

Prior Year Findings

None