

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

**Consolidated Financial Statements**

**As of and for the Years Ended June 30, 2022 and 2021**

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

**Consolidated Financial Statements  
As of and for the Years Ended June 30, 2022 and 2021**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the accompanying consolidated financial statements of Children's Harbor, Inc. and Subsidiary (a nonprofit organization, the "Organization") which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2022 and 2021, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Consolidated 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 and for 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.

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

### **Other Matters**

#### **Supplemental Schedules**

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 21-24 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022, 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.

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

We have audited the financial statements of Children's Harbor, Inc. and Subsidiary as of and for the year ended June 30, 2022 and have issued our report thereon dated December 28, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 30-33 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Soles & Company, P.A.*

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

December 28, 2022

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Consolidated Statements of Financial Position**  
**June 30, 2022 and 2021 (as restated)**

	<u>2022</u>	<u>2021</u> <u>(as restated)</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 1,485,894	\$ 1,470,300
Restricted cash	165,232	62,080
Pledges receivable	61,000	50,000
Grant and contract receivables	279,839	546,913
Other receivables	320,429	320,429
Prepaid expenses	184,991	211,153
Total current assets	<u>2,497,385</u>	<u>2,660,875</u>
Pledges receivable, net of discount and current portion	218,262	273,941
Cash surrender value of life insurance	384,286	373,837
Deposits and other assets	13,482	13,482
Property and equipment, net	<u>695,767</u>	<u>714,468</u>
Total assets	<u>\$ 3,809,182</u>	<u>\$ 4,036,603</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 374,283	\$ 391,816
Deferred revenue	<u>23,676</u>	<u>137,475</u>
Total current liabilities	397,959	529,291
Tenant security deposits	<u>23,400</u>	<u>20,150</u>
Total liabilities	<u>421,359</u>	<u>549,441</u>
<b>Net Assets</b>		
Without donor restrictions	2,954,328	3,101,141
With donor restrictions	<u>433,495</u>	<u>386,021</u>
Total net assets	<u>3,387,823</u>	<u>3,487,162</u>
Total liabilities and net assets	<u>\$ 3,809,182</u>	<u>\$ 4,036,603</u>

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

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Consolidated Statements of Activities**  
**For the Years Ended June 30, 2022 and 2021 (as restated)**

	2022			2021 (as restated)		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Public Support and Revenues</b>						
Grant and contract revenue	3,378,697	\$ -	\$ 3,378,697	\$ 3,455,495	\$ -	\$ 3,455,495
Contributions	127,005	226,213	353,218	989,550	64,347	1,053,897
Special events	373,516	-	373,516	98,240	-	98,240
Donated facilities	1,016,030	-	1,016,030	848,000	-	848,000
Medicaid income	72,715	-	72,715	166,041	-	166,041
Rental and other income	236,963	-	236,963	256,179	-	256,179
Interest income	7,695	-	7,695	9,934	-	9,934
(Loss) Gain on disposition of assets	(14,402)	-	(14,402)	400	-	400
Net assets released from restriction	178,739	(178,739)	-	128,445	(128,445)	-
Total public support and revenues	5,376,958	47,474	5,424,432	5,952,284	(64,098)	5,888,186
<b>Expenses</b>						
Program services	4,775,939	-	4,775,939	4,763,989	-	4,763,989
Management and general	251,553	-	251,553	315,422	-	315,422
Fundraising	496,279	-	496,279	308,886	-	308,886
Total expenses	5,523,771	-	5,523,771	5,388,297	-	5,388,297
Change in net assets	(146,813)	47,474	(99,339)	563,987	(64,098)	499,889
Net assets, beginning of year	3,101,141	386,021	3,487,162	2,297,011	450,119	2,747,130
Prior period adjustments	-	-	-	240,143	-	240,143
Net assets, end of year	\$ 2,954,328	\$ 433,495	\$ 3,387,823	\$ 3,101,141	\$ 386,021	\$ 3,487,162

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, 2022**

	Program Services					Supporting Services			
	Residential	Family Strengthening	Transition to Independent Living (TIL)	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries, tax, and benefits	\$ 1,934,469	\$ 369,467	\$ 256,690	\$ 72,039	\$ 2,632,665	\$ 152,815	\$ 215,908	\$ 368,723	\$ 3,001,388
Donated facility	485,300	-	530,730	-	1,016,030	-	-	-	1,016,030
Other costs	77,233	22,804	20,821	10,993	131,851	9,538	111,424	120,962	252,813
Maintenance and repairs	136,595	13,425	62,177	-	212,197	22,000	5,664	27,664	239,861
Depreciation and amortization	56,562	5,033	41,442	1,778	104,815	10,964	7,045	18,009	122,824
Insurance	73,186	10,101	17,454	-	100,741	8,409	1,834	10,243	110,984
Utilities	49,692	-	49,277	-	98,969	2,554	1,068	3,622	102,591
General living expenses	97,246	-	-	-	97,246	-	-	-	97,246
Contract labor	27,221	2,563	43,804	616	74,204	10,751	878	11,629	85,833
Catering	-	-	-	-	-	-	74,586	74,586	74,586
Travel and auto	53,499	3,260	2,768	5,990	65,517	1,442	3,128	4,570	70,087
Rent	-	67,836	-	-	67,836	-	-	-	67,836
Residential flex fund	44,097	-	4,955	-	49,052	-	-	-	49,052
Telephone	26,475	5,976	6,820	1,753	41,024	6,507	1,360	7,867	48,891
Dues and subscriptions	7,503	6,544	1,752	-	15,799	4,191	17,257	21,448	37,247
Professional fees	10,102	5,051	11,700	-	26,853	3,788	1,263	5,051	31,904
Development activities	-	-	-	-	-	-	29,543	29,543	29,543
Office supplies	3,264	6,388	1,054	-	10,706	8,490	1,118	9,608	20,314
Equipment rental	6,375	1,500	2,833	-	10,708	5,911	613	6,524	17,232
Office expenses	1,702	261	72	-	2,035	66	12,159	12,225	14,260
Professional development	4,495	3,006	1,168	-	8,669	3,004	1,525	4,529	13,198
Printing and publications	-	-	-	-	-	-	9,253	9,253	9,253
Staff training	1,438	3,295	-	-	4,733	117	300	417	5,150
Security monitoring	2,706	-	1,420	-	4,126	225	-	225	4,351
Postage and delivery	110	53	-	-	163	781	353	1,134	1,297
<b>Total expenses</b>	<b>\$ 3,099,270</b>	<b>\$ 526,563</b>	<b>\$ 1,056,937</b>	<b>\$ 93,169</b>	<b>\$ 4,775,939</b>	<b>\$ 251,553</b>	<b>\$ 496,279</b>	<b>\$ 747,832</b>	<b>\$ 5,523,771</b>

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

**CHILDREN'S HARBOR, INC.**  
**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
<b>Total expenses</b>	<b>\$ 2,919,923</b>	<b>\$ 545,975</b>	<b>\$ 207,447</b>	<b>\$ 977,278</b>	<b>\$ 113,366</b>	<b>\$ 4,763,989</b>	<b>\$ 315,422</b>	<b>\$ 308,886</b>	<b>\$ 624,308</b>	<b>\$ 5,388,297</b>

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

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2022 and 2021(as restated)**

	<u>2022</u>	<u>2021</u> <u>(as restated)</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (99,339)	\$ 499,889
Adjustments to reconcile the change in net assets to net cash flows cash (used in) provided by operating activities:		
Depreciation and amortization expense	122,824	143,263
Amortization of pledge discount	5,679	(8,280)
Unrealized gains in cash surrender value of life insurance	(10,449)	(11,080)
Loss from disposition of assets	14,402	(400)
Forgiveness on advance from Paycheck Protection Program	-	(701,501)
Changes in operating assets and liabilities:		
Increase(decrease) in operating assets:		
Pledges receivable	39,000	50,000
Grant and contract receivables	267,074	(45,141)
Prepaid expenses and other current assets	26,162	(118,316)
Other receivables	-	(80,286)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(17,533)	85,374
Deferred revenue	(113,799)	16,379
Tenant security deposits	3,250	1,350
<b>Net cash provided by (used in) operating activities</b>	<u>237,271</u>	<u>(168,749)</u>
<b>Cash flow from investing activities:</b>		
Purchases of property and equipment	(118,525)	(68,764)
Proceeds received on disposition of assets	-	400
<b>Net cash used in investing activities</b>	<u>(118,525)</u>	<u>(68,364)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	118,746	(237,113)
<b>Cash and cash equivalents (including restricted cash)</b>		
Beginning of year	1,532,380	1,769,493
End of year	<u>\$ 1,651,126</u>	<u>\$ 1,532,380</u>

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

# CHILDREN'S HARBOR, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

### June 30, 2022 and 2021

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#### **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 into two classes of net assets based on the existence or absence of donor-imposed restrictions. The two classes of net assets categories are 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, 2022 and 2021**

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**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, 2022 and 2021.

**Reclassification**

Certain items in the 2021 consolidated financial statements were reclassified to conform to the 2022 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.

**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, 2022 and 2021, as management believes all pledges, grant and contract receivable balances are collectable.

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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:

<u>Category</u>	<u>Estimated Life</u>
Computer equipment	3 - 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.

**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.

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, 2022 and 2021, the Organization had approximately \$24,000 and \$137,000, 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.

**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.

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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 \$137,000 for the year ended June 30, 2022. There were no in person events during the year ended June 30, 2021.

**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.

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue Recognition – Exchange Transactions (continued)**

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 \$237,000 and \$213,000 for the years ended June 30, 2022 and 2021, 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.

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 \$1,016,000 and \$848,000 for the years ended June 30, 2022 and 2021. 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, 2022 and 2021, the Organization received approximately 62% and 58%, 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.

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Concentrations of Risk (continued)**

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 bank balances at June 30, 2022 and 2021, exceeded the FDIC limits by approximately \$518,000 and \$265,000. 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, 2022 and 2021, the remaining receivable related to this donation was approximately \$268,000 and \$324,000, respectively. This balance accounts for approximately 48% and 37% of pledge, grant and contracts receivable at June 30, 2022 and 2021, 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.

**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. and Brown's Harbor, Inc. are generally no longer subject to U.S. Federal or State examinations by tax authorities for fiscal years before 2019.

**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.

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

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**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:

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	\$ 1,485,894
Restricted cash	165,232
Pledges receivable	279,262
Grant and contract receivables	279,839
Cash surrender of life insurance	384,286
Total financial assets	<u>\$ 2,594,513</u>

Less:

Amounts unavailable for general expenditures within one year due to:

Pledges with a donor restriction	\$ (268,263)
Restricted by donors with a purpose restriction	<u>(165,232)</u>
Total amounts unavailable for general expenditures within one year	\$ (433,495)

Amounts unavailable without Board's approval

Total financial assets available for general expenditures within one year	<u>\$ 1,776,732</u>
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**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 4. PLEDGES RECEIVABLE, NET**

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

	<u>2022</u>	<u>2021</u>
Gross pledges receivable	\$ 298,500	\$ 337,500
Less: discount on long-term pledges	<u>(19,238)</u>	<u>(13,559)</u>
Pledges receivable, net	<u>\$ 279,262</u>	<u>\$ 323,941</u>

Pledges receivable with payment terms in excess of one year have been discounted using a risk adjusted interest rate (3.01% at June 30, 2022 and 1.45% at June 30, 2021) 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, 2022 are as follows:

<u>Years Ending June 30:</u>	
2023	\$ 61,000
2024	50,000
2025	50,000
2026	50,000
2027	50,000
Thereafter	<u>37,500</u>
	<u>\$ 298,500</u>

The Organization determined an allowance for doubtful accounts was not necessary at June 30, 2022 and 2021. No bad debt expense was recorded for the years ended June 30, 2022 and 2021.

**NOTE 5. CASH SURRENDER VALUE OF LIFE INSURANCE**

The Organization received a term life insurance policy from a donor in which the Organization was named the beneficiary and policyholder. The insured on the life insurance policy is a current board member. The policy expires on February 1, 2052. 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, 2022 and 2021 was \$384,286 and \$373,837, 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, 2022 and 2021**

**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, 2022 and 2021 was \$1 and \$3,320, respectively, and is included within "Deposits and other assets" on the Consolidated Statements of Financial Position.

Beginning in Fiscal Year 2023, the premium will be deducted from the cash surrender value.

The face amount of the policy at June 30, 2022 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>2022</u>	<u>2021</u>
Computer equipment and software	\$ 138,769	\$ 125,200
Furniture and equipment	86,255	86,255
Vehicles	277,825	238,012
Leasehold improvements	898,619	853,474
Building	<u>180,000</u>	<u>180,000</u>
	1,581,468	1,482,941
Accumulated depreciation and amortization	<u>(885,701)</u>	<u>(768,473)</u>
	<u>\$ 695,767</u>	<u>\$ 714,468</u>

Depreciation and amortization expense totaled \$122,824 and \$143,263 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021. As of June 30, 2022, the line carries interest at the greater of prime rate of 4.75% plus 1% or the floor interest rate of 5%. Interest is payable monthly. As of June 30, 2022 and 2021, the Organization had no outstanding balance under the line of credit. The line of credit expires on March 15, 2023.

**CHILDREN’S HARBOR, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

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**NOTE 8. PAYCHECK PROTECTION PROGRAM REFUNDABLE ADVANCE**

On May 11, 2020, the Organization received a loan of \$701,501 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. During the year ended June 30, 2021, the loan 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 30<sup>th</sup>:

	<u>2022</u>	<u>2021</u>
Net assets without restrictions - Undesignated	\$ 2,570,042	\$ 2,727,304
Net assets without restrictions - Board designated	<u>384,286</u>	<u>373,837</u>
	<u>\$ 2,954,328</u>	<u>\$ 3,101,141</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 30<sup>th</sup>:

	<u>2022</u>	<u>2021</u>
Restricted by donors for specific purposes and programs	\$ 165,232	\$ 62,080
Pledge receivable with donor purpose restrictions	<u>268,263</u>	<u>323,941</u>
	<u>\$ 433,495</u>	<u>\$ 386,021</u>

**CHILDREN’S HARBOR, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

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**NOTE 11. COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

The Organization leases office equipment and office space, in addition to the donated facilities described in *Note 2*, under noncancellable operating lease agreements, with terms expiring at various dates through December 2025. Approximate minimum future rental payments under these non-cancellable lease agreements as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 82,000
2024	17,000
2025	3,000
2026	1,000
	<u>\$ 103,000</u>

Total rental expense for the years ended June 30, 2022 and 2021 was approximately \$85,000 and \$66,000, 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.

**NOTE 12. SUBSEQUENT EVENTS**

**Employee Retention Credit**

Under the amended provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), the Organization is eligible for a refundable employee retention credit subject to Internal Revenue Service approval. Subsequent to year-end, the Organization amended the applicable calendar year 2020 payroll returns to claim a total credit of \$320,429. The Organization has restated fiscal year 2021 grant income to recognize \$80,286 of the credits related to the 3<sup>rd</sup> and 4<sup>th</sup> quarters of calendar year 2020. The remaining credit of \$240,143 is related to 1<sup>st</sup> and 2<sup>nd</sup> quarters of calendar year 2020 and is presented on the Statement of Activities as a Prior Period Adjustment. As of the Auditors’ Report date, the Organization has received \$80,286 of the total \$320,429 refundable credit. The remaining \$240,143 is subject to Internal Revenue Service review and approval.

**Contracts**

In July 2022, the Organization was awarded a funding agreement with the Broward Behavioral Health Coalition, Inc. (BBHC) for \$257,500 to be received in fiscal year ending June 30, 2023.

**Management’s Evaluation**

Management has evaluated subsequent events through the date of the independent auditor’s report which is the date the financial statements were available to be issued.

**SUPPLEMENTAL SCHEDULES**

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Consolidating Statements of Financial Position**  
**June 30, 2022**

	<b>Children's Harbor, Inc.</b>	<b>Brown's Harbor, Inc.</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$ 1,247,819	\$ 238,075	\$ -	\$ 1,485,894
Restricted Cash	165,232	-	-	165,232
Pledges receivable	11,000	50,000	-	61,000
Grant and contract receivables	263,155	16,684	-	279,839
Due from related party	19,033	-	(19,033)	-
Other receivables	298,929	21,500	-	320,429
Prepaid expenses	179,583	5,408	-	184,991
Total current assets	<u>2,184,751</u>	<u>331,667</u>	<u>(19,033)</u>	<u>2,497,385</u>
Pledges receivable, net of discount and current portion	-	218,262	-	218,262
Cash surrender value of life insurance	384,286	-	-	384,286
Deposits and other assets	13,482	-	-	13,482
Property and equipment, net	455,498	240,269	-	695,767
Total assets	<u>\$ 3,038,017</u>	<u>\$ 790,198</u>	<u>\$ (19,033)</u>	<u>\$ 3,809,182</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued expenses	\$ 345,259	\$ 29,024	\$ -	\$ 374,283
Due to related party	-	19,033	(19,033)	-
Deferred revenue	-	23,676	-	23,676
Total current liabilities	<u>345,259</u>	<u>71,733</u>	<u>(19,033)</u>	<u>397,959</u>
Tenant security deposits	-	23,400	-	23,400
Total liabilities	<u>345,259</u>	<u>95,133</u>	<u>(19,033)</u>	<u>421,359</u>
<b>Net Assets</b>				
Without donor restrictions	2,527,525	426,803	-	2,954,328
With donor restrictions	165,233	268,262	-	433,495
Total net assets	<u>2,692,758</u>	<u>695,065</u>	<u>-</u>	<u>3,387,823</u>
Total liabilities and net assets	<u>\$ 3,038,017</u>	<u>\$ 790,198</u>	<u>\$ (19,033)</u>	<u>\$ 3,809,182</u>

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Consolidating Statements of Financial Position**  
**June 30, 2021 (as restated)**

	<u>Children's Harbor, Inc.</u>	<u>Brown's Harbor, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Assets</b>				
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)	-
Other receivables	298,929	21,500	-	320,429
Prepaid expenses	189,554	21,599	-	211,153
Total current assets	<u>2,339,679</u>	<u>370,357</u>	<u>(49,161)</u>	<u>2,660,875</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	451,544	262,924	-	714,468
Total assets	<u>\$ 3,178,542</u>	<u>\$ 907,222</u>	<u>\$ (49,161)</u>	<u>\$ 4,036,603</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
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>
<b>Net Assets</b>				
Without donor restrictions	2,633,580	467,561	-	3,101,141
With donor restrictions	62,080	323,941	-	386,021
Total net assets	<u>2,695,660</u>	<u>791,502</u>	<u>-</u>	<u>3,487,162</u>
Total liabilities and net assets	<u>\$ 3,178,542</u>	<u>\$ 907,222</u>	<u>\$ (49,161)</u>	<u>\$ 4,036,603</u>

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Consolidating Statements of Activities**  
**For the Year Ended June 30, 2022**

	<u>Children's Harbor, Inc.</u>	<u>Brown's Harbor, Inc.</u>	<u>Elimination</u>	<u>Consolidated</u>
<b>Public Support and Revenues Without Donor Restrictions</b>				
Grant and contract revenue	\$ 3,181,234	\$ 197,463	\$ -	\$ 3,378,697
Contributions	131,617	(4,612)	-	127,005
Special events	373,516	-	-	373,516
Donated facilities	485,300	530,730	-	1,016,030
Medicaid income	72,715	-	-	72,715
Rental and other income	44	236,919	-	236,963
Interest income	7,695	-	-	7,695
Loss on disposition of assets	(14,402)	-	-	(14,402)
Net assets released from restriction	123,060	55,679	-	178,739
Total public support and revenues without donor restrictions	<u>4,360,779</u>	<u>1,016,179</u>	<u>-</u>	<u>5,376,958</u>
<b>Public Support and Revenues With Donor Restrictions</b>				
Contributions	226,213	-	-	226,213
Net assets released from restriction	(123,060)	(55,679)	-	(178,739)
Total public support and revenues with donor restrictions	<u>103,153</u>	<u>(55,679)</u>	<u>-</u>	<u>47,474</u>
Total public support and revenues	<u>4,463,932</u>	<u>960,500</u>	<u>-</u>	<u>5,424,432</u>
<b>Expenses</b>				
Program services	3,719,002	1,056,937	-	4,775,939
Management and general	251,553	-	-	251,553
Fundraising	496,279	-	-	496,279
Total expenses	<u>4,466,834</u>	<u>1,056,937</u>	<u>-</u>	<u>5,523,771</u>
Decrease in net assets	(2,902)	(96,437)	-	(99,339)
Net assets, beginning of year	2,695,660	791,502	-	3,487,162
Prior period adjustment	-	-	-	-
Net assets, end of year	<u>\$ 2,692,758</u>	<u>\$ 695,065</u>	<u>\$ -</u>	<u>\$ 3,387,823</u>

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Consolidating Statements of Activities**  
**For the Year Ended June 30, 2021 (as restated)**

	<u>Children's Harbor, Inc.</u>	<u>Brown's Harbor, Inc.</u>	<u>Elimination</u>	<u>Consolidated</u>
<b>Public Support and Revenues Without Donor Restrictions</b>				
Grant and contract revenue	\$ 3,255,532	\$ 199,963	\$ -	\$ 3,455,495
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>4,919,495</u>	<u>1,032,789</u>	<u>-</u>	<u>5,952,284</u>
<b>Public Support and Revenues With Donor Restrictions</b>				
Contributions	64,347	-	-	64,347
Net assets released from restriction	(86,724)	(41,721)	-	(128,445)
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>4,897,118</u>	<u>991,068</u>	<u>-</u>	<u>5,888,186</u>
<b>Expenses</b>				
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	486,099	13,790	-	499,889
Net assets, beginning of year	1,969,418	777,712	-	2,747,130
Prior period adjustment	240,143	-	-	240,143
Net assets, end of year	<u>\$ 2,695,660</u>	<u>\$ 791,502</u>	<u>\$ -</u>	<u>\$ 3,487,162</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 (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, 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 28, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Children's Harbor, Inc. and Subsidiary'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 Children's Harbor, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Children's Harbor, Inc. and Subsidiary'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 Children’s Harbor, Inc. and Subsidiary’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 28, 2022

**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

**Opinion on Compliance for Each Major Federal Program**

We have audited Children's Harbor, Inc. and Subsidiary's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Children's Harbor, Inc. and Subsidiary's major federal programs for the year ended June 30, 2022. Children's Harbor, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Children's Harbor, Inc. and Subsidiary 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, 2022.

**Basis for Opinion on Each Major Federal Program**

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

**Responsibilities of Management for Compliance**

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

### **Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

*Soles & Company, P.A.*

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

December 28, 2022

## **SUPPLEMENTAL INFORMATION**

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

Federal Agency/Pass-through Entity/Federal Program or Cluster Title	ALN Number	Contract/ Grant Number	Passed Through to Subrecipients	Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed Through Florida Department of Children & Families - Childnet, Inc.				
Foster Care Title IV-E	93.658	CHH20RGC	\$ -	\$ 564,545
Foster Care Title IV-E	93.658	CHH20MAT	-	1,184
Social Services Block Grant	93.667	CHH20RGC	-	138,070
Social Services Block Grant	93.667	CHH20MAT	-	7,823
Passed Through Citrus Family Care Network				
Social Services Block Grant	93.667	20-03	-	25,950
Passed Through Communities Connected for Kids, Inc.				
Foster Care Title IV-E	93.658	n/a	-	98,909
Social Services Block Grant	93.667	n/a	-	11,311
Passed Through Embrace Families Community Based Care, Inc.				
Foster Care Title IV-E	93.658	n/a	-	63,766
Foster Care Title IV-E	93.658	n/a	-	92,928
Social Services Block Grant	93.667	n/a	-	1,864
Social Services Block Grant	93.667	n/a	-	1,243
<b>Total U.S. Department of Health and Human Services</b>			-	<u>1,007,593</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ -</u>	<u>\$ 1,007,593</u>

# **CHILDREN’S HARBOR, INC. AND SUBSIDIARY**

## **Notes to Schedule of Expenditures of Federal Awards**

### **For the Year Ended June 30, 2022**

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#### **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, 2022. 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, 2022. 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, 2022.

#### **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, 2022.

**CHILDREN'S HARBOR, INC. AND SUBSIDIARY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

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**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	<u>  X  </u> No
Significant deficiency (ies) identified?	_____ Yes	<u>  X  </u> None reported
Noncompliance material to financial statements noted?	_____ Yes	<u>  X  </u> No

**Federal Awards:**

Internal control over major programs:

Material weakness identified?	_____ Yes	<u>  X  </u> No
Significant deficiency identified?	_____ Yes	<u>  X  </u> 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 Program:**

<u>ALN Number</u>	<u>Name of Federal Program or Cluster</u>
93.658	Foster care Title IV-E

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, 2022**

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**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