

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

Consolidated Financial Statements

As of and for the Years Ended June 30, 2023 and 2022

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

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As of and for the Years Ended June 30, 2023 and 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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 28-31 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 February 29, 2024, 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 consolidated financial statements of Children's Harbor, Inc. and Subsidiary as of and for the year ended June 30, 2023 and have issued our report thereon dated February 29, 2024, 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 37-40 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

February 29, 2024

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,491,333	\$ 1,485,894
Restricted cash	130,553	165,232
Pledges receivable	73,752	61,000
Grant and contract receivables	516,521	279,839
Other receivables	-	320,429
Prepaid expenses	202,377	184,991
Total current assets	<u>2,414,536</u>	<u>2,497,385</u>
Pledges receivable, net of discount and current portion	170,469	218,262
Cash surrender value of life insurance	395,180	384,286
Investment	256,905	-
Operating lease right-of-use assets	38,715	-
Deposits and other assets	13,532	13,482
Property and equipment, net	<u>765,522</u>	<u>695,767</u>
Total assets	<u>\$ 4,054,859</u>	<u>\$ 3,809,182</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 426,607	\$ 374,283
Deferred revenue	172,483	23,676
Operating lease obligations, current portion	9,157	-
Total current liabilities	<u>608,247</u>	<u>397,959</u>
Operating lease obligations, less current portion	30,114	-
Tenant security deposits	<u>18,200</u>	<u>23,400</u>
Total liabilities	<u>656,561</u>	<u>421,359</u>
Net Assets		
Without donor restrictions	3,047,276	2,954,328
With donor restrictions	<u>351,022</u>	<u>433,495</u>
Total net assets	<u>3,398,298</u>	<u>3,387,823</u>
Total liabilities and net assets	<u>\$ 4,054,859</u>	<u>\$ 3,809,182</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, 2023 and 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues						
Grant and contract revenue	3,855,983	\$ -	\$ 3,855,983	\$ 3,378,697	\$ -	\$ 3,378,697
Contributions	263,223	123,445	386,668	127,005	226,213	353,218
Special events	378,613	-	378,613	373,516	-	373,516
Donation in-kind: Donated facilities	992,000	-	992,000	1,016,030	-	1,016,030
Medicaid income	-	-	-	72,715	-	72,715
Rental and other income	272,466	-	272,466	236,963	-	236,963
Interest and investment income	59,550	-	59,550	7,695	-	7,695
(Loss) Gain on disposition of assets	(6,936)	-	(6,936)	(14,402)	-	(14,402)
Net assets released from restriction	205,918	(205,918)	-	178,739	(178,739)	-
Total public support and revenues	6,020,817	(82,473)	5,938,344	5,376,958	47,474	5,424,432
Expenses						
Program services	5,057,414	-	5,057,414	4,775,939	-	4,775,939
Management and general	278,504	-	278,504	251,553	-	251,553
Fundraising	591,951	-	591,951	496,279	-	496,279
Total expenses	5,927,869	-	5,927,869	5,523,771	-	5,523,771
Change in net assets	92,948	(82,473)	10,475	(146,813)	47,474	(99,339)
Net assets, beginning of year	2,954,328	433,495	3,387,823	3,101,141	386,021	3,487,162
Net assets, end of year	\$ 3,047,276	\$ 351,022	\$ 3,398,298	\$ 2,954,328	\$ 433,495	\$ 3,387,823

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, 2023

	Program Services				Supporting Services				Total
	Residential	Family Strengthening	Transition to Independent Living (TIL)	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, tax, and benefits	\$ 1,946,204	\$ 400,138	\$ 293,874	\$ 141,758	\$ 2,781,974	\$ 168,840	\$ 251,270	\$ 420,110	\$3,202,084
Donated facility	477,000	-	515,000	-	992,000	-	-	-	992,000
Maintenance and repairs	184,326	14,724	56,177	-	255,227	34,246	6,409	40,655	295,882
Other costs	83,496	34,654	15,299	13,947	147,396	10,301	110,775	121,076	268,472
General living expenses	136,970	-	-	-	136,970	-	-	-	136,970
Depreciation and amortization	67,536	3,256	47,541	803	119,136	10,452	5,777	16,229	135,365
Catering	-	-	-	-	-	-	128,990	128,990	128,990
Insurance	96,118	8,573	20,203	-	124,894	860	-	860	125,754
Utilities	62,358	-	55,611	-	117,969	2,308	770	3,078	121,047
Contract labor	33,581	2,011	65,158	789	101,539	17,779	830	18,609	120,148
Rent	-	74,009	-	-	74,009	-	-	-	74,009
Travel and auto	44,326	6,843	2,399	2,600	56,168	736	7,686	8,422	64,590
Dues and subscriptions	4,292	7,885	2,761	-	14,938	10,406	25,638	36,044	50,982
Residential flex fund	38,412	-	5,762	-	44,174	-	-	-	44,174
Development activities	-	-	-	-	-	-	37,987	37,987	37,987
Professional fees	18,686	3,114	11,779	-	33,579	-	-	-	33,579
Telephone	13,025	2,444	7,127	993	23,589	2,844	817	3,661	27,250
Equipment rental	6,547	2,030	3,406	-	11,983	4,725	551	5,276	17,259
Office supplies	638	3,607	1,484	9	5,738	7,924	745	8,669	14,407
Office expenses	523	577	383	-	1,483	755	11,015	11,770	13,253
Professional development	1,188	-	1,507	-	2,695	5,186	1,205	6,391	9,086
Staff training	2,730	5,026	-	-	7,756	-	-	-	7,756
Security monitoring	3,016	-	920	-	3,936	385	-	385	4,321
Postage and delivery	116	-	25	120	261	757	529	1,286	1,547
Printing and publications	-	-	-	-	-	-	957	957	957
Total expenses	\$ 3,221,088	\$ 568,891	\$ 1,106,416	\$ 161,019	\$ 5,057,414	\$ 278,504	\$ 591,951	\$ 870,455	\$5,927,869

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	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
Donation in-kind: 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
Total expenses	\$ 3,099,270	\$ 526,563	\$ 1,056,937	\$ 93,169	\$ 4,775,939	\$ 251,553	\$ 496,279	\$ 747,832	\$5,523,771

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 10,475	\$ (99,339)
Adjustments to reconcile the change in net assets to net cash flows cash provided by operating activities:		
Depreciation and amortization expense	135,365	122,824
Amortization of pledge discount	(2,207)	5,679
Unrealized gains in cash surrender value of life insurance and investment	(17,799)	(10,449)
Loss from disposition of assets	6,938	14,402
Changes in operating assets and liabilities:		
Increase(decrease) in operating assets:		
Pledges receivable	37,248	39,000
Grant and contract receivables	(236,682)	267,074
Prepaid expenses and other current assets	(17,386)	26,162
Other receivables	320,429	-
Operating lease right-of-use assets	(26,959)	-
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	52,274	(17,533)
Deferred revenue	148,807	(113,799)
Tenant security deposits	(5,200)	3,250
Operating lease obligations	27,515	-
Net cash provided by operating activities	<u>432,818</u>	<u>237,271</u>
Cash flow from investing activities:		
Purchases of property and equipment	(213,883)	(118,525)
Proceeds received on disposition of assets	1,825	-
Investment of fund	(250,000)	-
Net cash used in investing activities	<u>(462,058)</u>	<u>(118,525)</u>
Net increase (decrease) in cash and cash equivalents	(29,240)	118,746
Cash and cash equivalents (including restricted cash)		
Beginning of year	1,651,126	1,532,380
End of year	<u>\$1,621,886</u>	<u>\$1,651,126</u>
Supplemental Disclosures:		
Schedule of noncash investing and financing transactions:		
Right-of-use asset due to adoption of ASC 842	<u>\$ 11,756</u>	<u>\$ -</u>
Operating lease obligations due to adoption of ASC 842	<u>\$ 11,756</u>	<u>\$ -</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, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022.

Reclassification

Certain items in the 2022 consolidated financial statements were reclassified to conform to the 2023 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, 2023 and 2022, 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, 2023 and 2022

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:

Category	Estimated Life
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.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair value in the consolidated statements of financial position, and changes in fair value are reported as investment income in the consolidated statements of activities. Interest is recorded when earned.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023 and 2022:

Assets	Fair Value Measurements as of June 30, 2023			
	Total	Level 1	Level 2	Level 3
Beneficial interest in Community Foundation	\$ 256,905	\$ -	\$ -	\$ 256,905

Assets	Fair Value Measurements as of June 30, 2022			
	Total	Level 1	Level 2	Level 3
Beneficial interest in Community Foundation	\$ -	\$ -	\$ -	\$ -

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The reconciliation of the changes in the beneficial interest in Community Foundation measured at fair value using significant unobservable inputs (Level 3) is as follows:

	Beneficial interest in Community Foundation
Balance at June 30, 2022	\$ -
Additions	250,000
Unrealized gain (loss)	6,905
Balance at June 30, 2023	<u>\$ 256,905</u>

The Organization valued the beneficial interest in Community Foundation at the fair value of the investments of the related trust.

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, 2023 and 2022, the Organization had approximately \$172,000 and \$24,000, 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.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition – Contributions (cont'd)

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.

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.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition – Exchange Transactions (cont'd)

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 \$174,000 and \$137,000 for the years ended June 30, 2023 and 2022, respectively. The direct costs to special events are reported within the catering and other costs line items, totaling \$129,000 and \$45,000 for the year 2023, and \$75,000 and \$62,000 for the year 2022, respectively, on the accompanying Consolidated Statement of Functional Expenses schedules.

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, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition – Exchange Transactions (cont'd)

Medicaid Income

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 was approximately \$237,000 for the years ended June 30, 2023 and June 30, 2022 and 2022, and is included within "Rental and other income" on the Consolidated Statements of Activities.

In-kind Donations - 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 \$992,000 and \$1,016,000 for the years ended June 30, 2023 and 2022. The leases were entered into on April 20, 1998, and September 1, 2016, for a 30-year term and 10-year term, respectively. Furthermore, these leases were subsequently extended for an additional 30 years and 24 years until April 2058 and August 2050, 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.

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Risk

During the years ended June 30, 2023 and 2022, the Organization received approximately 66% and 62%, 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 bank balances at June 30, 2023 and 2022, exceeded the FDIC limits by approximately \$451,000 and \$518,000. 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, 2023 and 2022, the remaining receivable related to this donation was approximately \$216,000 and \$268,000, respectively. This balance accounts for approximately 29% and 48% of pledge, grant and contracts receivable at June 30, 2023 and 2022, respectively.

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. both are treated as public supported organizations, and not as private foundations. They 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 2020.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

The Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, "Leases" (Topic 842) effective July 1, 2022, using the modified retrospective approach for all leases entered into before the effective date. The Organization has evaluated all recent accounting pronouncements and determined that there are no other new accounting standards or amendments to existing standards that are applicable to its financial statements for the year ended June 30, 2023.

Operating Lease Right-of-use Assets and Liability

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, "Leases" (Topic 842), as amended ("ASC Topic 842"). ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 was effective for all interim and annual reporting periods beginning after December 15, 2021. The Organization adopted this standard effective July 1, 2022 using the modified retrospective approach for all leases entered into before the effective date. Adoption of the ASC Topic 842 had a significant effect on our balance sheet resulting in increased non-current assets and increased current and non-current liabilities. There was no impact to retained earnings upon adoption of the new standard. For comparability purposes, the Organization will continue to comply with the previous disclosure requirements in accordance with the existing lease guidance and prior periods are not restated. For leases that commenced before July 1, 2022, the Organization has applied the modified retrospective transition method which resulted in comparative information not being restated.

The Organization elected the package of practical expedients as permitted under the transition guidance, which allowed us: (1) to carry forward the historical lease classification; (2) not to reassess whether expired or existing contracts are or contain leases; and, (3) not to reassess the treatment of initial direct costs for existing leases.

In accordance with ASC Topic 842, at the inception of an arrangement, the Organization determines whether the arrangement is or contains a lease based on the unique facts and circumstances present and the classification of the lease including whether the contract involves the use of a distinct identified asset, whether we obtain the right to substantially all the economic benefit from the use of the asset, and whether we have the right to direct the use of the asset. Leases with a term greater than one year are recognized on the balance sheet as ROU assets, lease liabilities and, if applicable, long-term lease liabilities. The Organization has elected not to recognize on the balance sheet leases with terms of one year or less under practical expedient in paragraph ASC 842-20-25-2.

Lease liabilities are recorded based on the present value of lease payments over the expected lease term. The corresponding ROU assets are based on the present value of lease payment over the expected lease term adjusted by the prepaid rent, if any. We use an incremental borrowing rate ("IBR") in determining the present value of future lease payments as there are no explicit rates provided in the leases. The IBR is an estimate based on several factors, including financial market conditions, comparable organizations and credit analysis as well as management judgement. If the IBR was changed, our operating lease assets and lease liabilities could differ materially.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Lease Right-of-use Assets and Liability (cont'd)

For periods prior to the adoption of ASC Topic 842, the Organization recorded rent expense based on the term of the related lease. The expense recognition for operating leases under ASC Topic 842 is substantially consistent with prior guidance. As a result, there are no significant differences in our results of operations presented.

The impact of the adoption of ASC Topic 842 on the balance sheet was:

	<u>Amounts that would have been reported</u>	<u>Effects of Applying New Standard Increase (decrease)</u>	<u>As reported</u>
Assets:			
Operating lease right-of-use assets	\$ -	\$ 11,756	\$ 11,756
Total assets	\$ 3,809,182	\$ 11,756	\$ 3,820,938
Liabilities:			
Operating lease liabilities	\$ -	\$ 11,756	\$ 11,756
Total liabilities	\$ 421,359	\$ 11,756	\$ 433,115
Total liabilities and net assets:			
Total liabilities and net assets	\$ 3,809,182	\$ 11,756	\$ 3,820,938

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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	\$ 1,491,333
Restricted cash	130,553
Pledges receivable	244,221
Grant and contract receivables	516,521
Cash surrender of life insurance	395,180
Investment	256,905
Total financial assets	<u>\$ 3,034,713</u>
Less:	
Amounts unavailable for general expenditures within one year due to:	
Pledges with a donor restriction	\$ (220,469)
Restricted by donors with a purpose restriction	<u>(130,553)</u>
Total amounts unavailable for general expenditures within one year	\$ (351,022)
Amounts unavailable without Board's approval	<u>\$ (652,085)</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,031,606</u>

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 4. PLEDGES RECEIVABLE, NET

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

	<u>2023</u>	<u>2022</u>
Gross pledges receivable	\$ 261,252	\$ 298,500
Less: discount on long-term pledges	<u>(17,031)</u>	<u>(19,238)</u>
Pledges receivable, net	<u>\$ 244,221</u>	<u>\$ 279,262</u>

Pledges receivable with payment terms in excess of one year have been discounted using a risk adjusted interest rate (4.13% at June 30, 2023 and 3.01% at **June 30, 2022**) 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, 2023 are as follows:

<u>Years Ending June 30:</u>	
2024	\$ 73,752
2025	50,000
2026	50,000
2027	50,000
2028	<u>37,500</u>
	<u>\$ 261,252</u>

The Organization determined an allowance for doubtful accounts was not necessary at June 30, 2023 and 2022. No bad debt expense was recorded for the years ended June 30, 2023 and 2022.

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 was a current board member and subsequently replaced with the current president of the Organization in September 2023 (Note 13). 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, 2023 and 2022 was \$395,180 and \$384,286, 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

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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

premiums which have been fully amortized through February 2022. The prepaid premium earned a guaranteed interest of not less than 4%. The advanced premium payment has been fully used for monthly premium expenses such as sales tax, state tax, federal tax and other charges. No premium has been added to the cash surrender value during fiscal year 2023. The monthly cost of insurance has been deducted from policy's cash surrender value rather than the deferred premium load account. There are no required additional premium payments; however, additional premium payments may be required to keep the policy from lapsing.

The face amount of the policy at June 30, 2023 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 30th:

	<u>2023</u>	<u>2022</u>
Computer equipment and software	\$ 142,696	\$ 138,769
Furniture and equipment	82,125	86,255
Vehicles	277,581	277,825
Leasehold improvements	1,048,151	898,619
Building	<u>180,000</u>	<u>180,000</u>
	1,730,553	1,581,468
Accumulated depreciation and amortization	<u>(965,031)</u>	<u>(885,701)</u>
	<u>\$ 765,522</u>	<u>\$ 695,767</u>

Depreciation and amortization expense totaled \$135,365 and \$122,824 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022. As of June 30, 2023, the line carries interest at the greater of prime rate of 8.25% plus 0.83% or the floor interest rate of 5%. Interest is payable monthly. As of June 30, 2023 and 2022, the Organization had no outstanding balance under the line of credit. The line of credit expires on August 10, 2024.

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 8. INVESTMENT

The Organization contributed \$250,000 to a non-endowed agency fund (Fund) with Community Foundation of Broward (Community Foundation) in May 2023. Assets contributed to the Community Foundation for the benefit of the Organization are recorded as assets of the Organization in accordance with professional standards. These “agency restricted funds” are pooled with the other assets of the Community Foundation had the fair value at June 30, 2023 and 2022 was \$256,905, and \$0, respectively. The Fund is categorized as Quasi-endowment fund. The investment was considered Level 3 investment.

In accordance with professional standards, the Organization provides the composition of the Quasi-endowment fund by net assets class and the related activities for the year ended June 30, 2023. No change in the net assets classification of the Quasi-endowment fund is required.

The Quasi-endowment Fund Net Assets Composition by Type of Fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Beneficial interest in Community Foundation	\$ 256,905	\$ -	\$ 256,905

Changes in Quasi-endowment Fund Net assets for the fiscal year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Non-endowed net assets, beginning of the year	\$ -	\$ -	\$ -
Contributions	250,000	-	250,000
Net appreciation	6,905	-	6,905
Distributions	-	-	-
Non-endowed net assets, end of the year	<u>\$ 256,905</u>	<u>\$ -</u>	<u>\$ 256,905</u>

Return Objectives and Risk Parameters

Asset contributed to the Community Foundation for the benefit of the Organization are recorded as assets of the Organization in accordance with professional standards. These “agency restricted funds” are pooled with the other assets of the Community Foundation for investment purposes.

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 8. INVESTMENT (continued)

Interpretation of Relevant Law

The Board of Directors has interpreted the law by requiring donor restricted net assets in an Quasi endowment fund to remain restricted until appropriate for expenditure by the Organization for the donor’s intended purposes. In accordance with Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA), the Organization considers the following factors in making a determination to appropriate or accumulate Quasi-endowment funds:

- 1) The purpose of the Organization and the donor-restricted quasi endowment funds.
- 2) General economic conditions
- 3) The possible effect of inflation and deflation
- 4) The expected total return from income and appreciation of investment
- 5) Other resources of the Organization
- 6) The investment policies of the Organization

Spending Policy

The Community Foundation can make annual distributions to the Organization of no less the Community Foundation makes distributions from the Fund balance at least annually to the Organization for its unrestricted use. The Organization may defer the annual distribution upon written notice to the Community Foundation by June 30 of each year. Unless advised by the Organization and its Board of Directors, annual distributions shall be limited to 5% of the 12-quarter weighted average of the fair market value of the Fund. Additional funds over and above the annual 5% distribution, up to the entire balance of the fund net of fees, shall be distributed by action of the Community Foundation Board of Directors upon the written request of the Organization.

NOTE 9. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Net assets without restrictions - Undesignated	\$ 2,395,191	\$ 2,570,042
Net assets without restrictions - Board designated	<u>652,085</u>	<u>384,286</u>
	<u>\$ 3,047,276</u>	<u>\$ 2,954,328</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. Board designated fund balance consists of cash surrender value of life insurance (Note 5) and Quasi-endowment fund (Note 8).

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Restricted by donors for specific purposes and programs	\$ 130,553	\$ 165,232
Pledge receivable with donor purpose restrictions	<u>220,469</u>	<u>268,263</u>
	<u>\$ 351,022</u>	<u>\$ 433,495</u>

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation, Claims, and Assessments

The Organization was a defendant in a class action suit in connection with the motor vehicle accident for economic and non-economic damages. The litigation was settled in March 2023 for \$475,000, with the insurance covering the full amount directly to the plaintiff.

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. The Organization maintains insurance coverage for the potential loss without any deductible. Management does not expect the Organization to have a financial impact from these claims.

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 February 2028. Approximate minimum future rental payments under these non-cancellable lease agreements as of June 30, 2023 are as follows:

<u>Year Ending June</u> <u>30,</u>	<u>Amount</u>
2024	\$ 11,989
2025	11,842
2026	9,416
2027	7,788
2028	<u>5,192</u>
	<u>\$ 46,227</u>

Total rental expense for the years ended June 30, 2023 and 2022 was approximately \$91,000 and \$85,000, respectively. Rent expense includes base rent, sales tax, and maintenance fees.

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 11. COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (cont’d)

The following tables present the components of lease expense and supplemental information related to the operating leases, for the year ended June 30, 2023:

Operating lease cost	\$ 6,762
Operating ROU assets	\$ 38,715
Operating lease obligations, current portion	\$ 9,157
Operating lease obligations, non-current portion	30,114
Total operating lease obligations	<u>\$ 39,271</u>
Weighted average remaining lease term (in years) – operating leases	4.13
Weighted average discount rate-operating leases	8.25%

Supplemental cash flow information related to leases were as follows, for the year ended June 30, 2023

Cash paid for amounts included in the measurement of operating lease liabilities	\$ 4,890
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NOTE 12. 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. During July 2022, the Organization amended the applicable calendar year 2020 payroll returns to claim a total credit of \$320,429 which was recorded as other receivables as of June 30, 2022. The Organization has received the total \$320,429 refundable credit in full plus interest during fiscal year 2023.

NOTE 13. SUBSEQUENT EVENTS

Life insurance policy

In September 2023, the insured person on the life insurance policy was changed to the current executive director of the organization (Note 5). The cash surrender value of the life insurance policy on the date of the policy changes was \$397,772. Of the \$397,772 for the initial policy premium upon change of insured, \$18,985 was moved into a separate account at NYL for deferred premiums which will be amortized over 10 years. The face amount of the policy has been increased from \$600,000 to \$1,000,000.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

NOTE 13. SUBSEQUENT EVENTS *(continued)*

Beneficiary Payments

As of the audit report date, the total payments of \$50,000 have been received in accordance with the amended trust agreement signed in June 2022. This agreement designated \$100,000 to be distributed to CHI upon the grantor's demise, which occurred in December 2022.

Contracts

In January 2024, the Organization received a \$50,000 grant from a third party. The funds are intended to assist residents of the Organization in acquiring essential life skills and coaching necessary for personal development.

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, 2023

	<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	\$ 1,208,099	\$ 283,234	\$ -	\$ 1,491,333
Restricted Cash	130,553	-	-	130,553
Pledges receivable	23,020	50,732	-	73,752
Grant and contract receivables	494,091	22,430	-	516,521
Due from related party	28,835	-	(28,835)	-
Prepaid expenses	189,075	13,302	-	202,377
Total current assets	<u>2,073,673</u>	<u>369,698</u>	<u>(28,835)</u>	<u>2,414,536</u>
Pledges receivable, net of discount and current portion	-	170,469	-	170,469
Cash surrender value of life insurance	395,180	-	-	395,180
Investment	256,905	-	-	256,905
Operating lease right-of-use assets	32,312	6,403	-	38,715
Deposits and other assets	13,532	-	-	13,532
Property and equipment, net	<u>517,201</u>	<u>248,321</u>	<u>-</u>	<u>765,522</u>
Total assets	<u>\$ 3,288,803</u>	<u>\$ 794,891</u>	<u>\$ (28,835)</u>	<u>\$ 4,054,859</u>
Liabilities and Net Assets				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 390,612	\$ 35,995	\$ -	\$ 426,607
Due to related party	-	28,835	(28,835)	-
Deferred revenue	120,000	52,483	-	172,483
Operating lease obligations, current portion	6,733	2,424	-	9,157
Total current liabilities	<u>517,345</u>	<u>119,737</u>	<u>(28,835)</u>	<u>608,247</u>
Operating lease obligations, less current	25,579	4,535	-	30,114
Tenant security deposits	-	18,200	-	18,200
Total liabilities	<u>542,924</u>	<u>142,472</u>	<u>(28,835)</u>	<u>656,561</u>
Net Assets				
Without donor restrictions	2,615,327	431,949	-	3,047,276
With donor restrictions	130,552	220,470	-	351,022
Total net assets	<u>2,745,879</u>	<u>652,419</u>	<u>-</u>	<u>3,398,298</u>
Total liabilities and net assets	<u>\$ 3,288,803</u>	<u>\$ 794,891</u>	<u>\$ (28,835)</u>	<u>\$ 4,054,859</u>

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

	<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	\$ 1,247,819	\$ 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	<u>455,498</u>	<u>240,269</u>	<u>-</u>	<u>695,767</u>
Total assets	<u>\$ 3,038,017</u>	<u>\$ 790,198</u>	<u>\$ (19,033)</u>	<u>\$ 3,809,182</u>
Liabilities and Net Assets				
Liabilities				
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>
Net Assets				
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 Activities
For the Year Ended June 30, 2023

	Children's Harbor, Inc.	Brown's Harbor, Inc.	Elimination	Consolidated
Public Support and Revenues Without Donor Restrictions				
Grant and contract revenue	\$ 3,554,226	\$ 301,757	\$ -	\$ 3,855,983
Contributions	255,533	7,690	-	263,223
Special events	378,613	-	-	378,613
Donation in-kind: Donated facilities	477,000	515,000	-	992,000
Medicaid income	-	-	-	-
Rental and other income	35,409	237,057	-	272,466
Interest income	57,284	2,266	-	59,550
Loss on disposition of assets	(6,936)	-	-	(6,936)
Net assets released from restriction	158,125	47,793	-	205,918
Total public support and revenues without donor restrictions	<u>4,909,254</u>	<u>1,111,563</u>	<u>-</u>	<u>6,020,817</u>
Public Support and Revenues With Donor Restrictions				
Contributions	123,445	-	-	123,445
Net assets released from restriction	(158,125)	(47,793)	-	(205,918)
Total public support and revenues with donor restrictions	<u>(34,680)</u>	<u>(47,793)</u>	<u>-</u>	<u>(82,473)</u>
Total public support and revenues	<u>4,874,574</u>	<u>1,063,770</u>	<u>-</u>	<u>5,938,344</u>
Expenses				
Program services	3,950,998	1,106,416	-	5,057,414
Management and general	278,504	-	-	278,504
Fundraising	591,951	-	-	591,951
Total expenses	<u>4,821,453</u>	<u>1,106,416</u>	<u>-</u>	<u>5,927,869</u>
Increase (Decrease) in net assets	53,121	(42,646)	-	10,475
Net assets, beginning of year	<u>2,692,758</u>	<u>695,065</u>	<u>-</u>	<u>3,387,823</u>
Net assets, end of year	<u>\$ 2,745,879</u>	<u>\$ 652,419</u>	<u>\$ -</u>	<u>\$ 3,398,298</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>
Public Support and Revenues Without Donor Restrictions				
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>
Public Support and Revenues With Donor Restrictions				
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>
Expenses				
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>

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, 2023, 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 February 29, 2024.

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

February 29, 2024

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, 2023. 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, 2023.

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

February 29, 2024

SUPPLEMENTAL INFORMATION

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

<u>Federal Agency/Pass-through Entity/Federal Program or Cluster Title</u>	<u>ALN Number</u>	<u>Passed Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Florida Department of Children & Families - Childnet, Inc.			
Foster Care Title IV-E	93.658	CHH22RGC	\$ 1,179,513
Foster Care Title IV-E	93.658	CHH22MAT	208,225
Passed Through Communities Connected for Kids, Inc.			
Foster Care Title IV-E	93.658	Children Harbor	105,825
Passed Through Embrace Families Community Based Care, Inc.			
Foster Care Title IV-E	93.658	CH3003-2122	27,785
Passed Through Broward Behavioral Health Coalition			
Block Grants for Community Mental Health Services	93.958	34389-22	<u>119,332</u>
Total U.S. Department of Health and Human Services			<u>1,640,680</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,640,680</u></u>

CHILDREN’S HARBOR, INC. AND SUBSIDIARY

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

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, 2023. 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, 2023. 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, 2023.

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, 2023.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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	<u> X </u> No
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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, 2023

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