

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

Consolidated Financial Statements

As of and for the Years Ended June 30, 2024 and 2023

**CHILDREN’S HAVOR, INC.
AND SUBSIDIARY**

**Consolidated Financial Statements
As of and for the Years Ended June 30, 2024 and 2023**

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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, 2024 and 2023, 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, 2024 and 2023, 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 26-31 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 January 26, 2025, 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, 2024 and have issued our report thereon dated February 13, 2025, 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 13, 2025

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,525,808	\$ 1,491,333
Restricted cash	235,020	130,553
Pledges receivable	50,000	73,752
Grant and contract receivables	540,368	516,521
Prepaid expenses	217,793	202,376
Total current assets	<u>2,568,989</u>	<u>2,414,535</u>
Non-Current Assets:		
Pledges receivable, net of discount and current portion	126,675	170,469
Cash surrender value of life insurance	384,622	395,180
Beneficial interest in a Community Foundation	279,845	256,905
Operating lease right-of-use assets	29,558	38,715
Deposits and other assets	27,344	13,533
Property and equipment, net	770,778	765,522
Total non-current assets	<u>1,618,822</u>	<u>1,640,324</u>
Total assets	<u>\$ 4,187,811</u>	<u>\$ 4,054,859</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 559,107	\$ 426,607
Deferred revenue	366,497	172,483
Operating lease obligations, current portion	9,810	9,157
Total current liabilities	<u>935,414</u>	<u>608,247</u>
Non-Current Liabilities:		
Operating lease obligations, less current portion	20,305	30,114
Tenant security deposits	20,700	18,200
Total non-current liabilities	<u>41,005</u>	<u>48,314</u>
Total liabilities	<u>976,419</u>	<u>656,561</u>
Net Assets		
Without donor restrictions	2,799,697	3,047,276
With donor restrictions	411,695	351,022
Total net assets	<u>3,211,392</u>	<u>3,398,298</u>
Total liabilities and net assets	<u>\$ 4,187,811</u>	<u>\$ 4,054,859</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, 2024 and 2023

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues						
Grant and contract revenue	\$ 4,069,929	\$ -	\$ 4,069,929	\$ 3,855,983	\$ -	\$ 3,855,983
Contributions	474,047	204,694	678,741	263,223	123,445	386,668
Special events	445,983	-	445,983	378,613	-	378,613
Donation in-kind: donated facilities	973,000	-	973,000	992,000	-	992,000
Rental and other income	272,242	-	272,242	272,466	-	272,466
Unrealized gains, net of fees - Life insurance	8,426	-	8,426	10,894	-	10,894
Unrealized gains, net of fees - Community Foundation	26,151	-	26,151	6,905	-	6,905
Interest income - Money Market & IRS refund	22,856	-	22,856	41,751	-	41,751
Gain(Loss) on disposition of assets	3,000	-	3,000	(6,936)	-	(6,936)
Net assets released from restriction	144,021	(144,021)	-	205,918	(205,918)	-
Total public support and revenues	6,439,655	60,673	6,500,328	6,020,817	(82,473)	5,938,344
Expenses						
Program services	5,731,353	-	5,731,353	5,057,414	-	5,057,414
Supporting services:						
Management and general	274,295	-	274,295	278,504	-	278,504
Fundraising	676,586	-	676,586	591,951	-	591,951
Total expenses	6,682,234	-	6,682,234	5,927,869	-	5,927,869
Change in net assets	(242,579)	60,673	(181,906)	92,948	(82,473)	10,475
Net assets, beginning of year	3,047,276	351,022	3,398,298	2,954,328	433,495	3,387,823
Prior period adjustments	(5,000)	-	(5,000)	-	-	-
Net assets, end of year	\$ 2,799,697	\$ 411,695	\$ 3,211,392	\$ 3,047,276	\$ 351,022	\$ 3,398,298

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, 2024

	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	\$ 2,282,829	\$ 452,629	\$ 256,142	\$ 136,585	3,128,185	\$ 180,557	\$ 279,649	\$460,206	\$ 3,588,391
Donation in-kind: donated facilities	482,000	-	491,000	-	973,000	-	-	-	973,000
Other costs	143,230	43,203	18,198	11,270	215,901	10,367	190,185	200,552	416,453
Maintenance and repairs	201,350	16,682	110,932	-	328,964	28,123	7,044	35,167	364,131
Contract labor	153,031	2,220	95,728	788	251,767	7,118	5,062	12,180	263,947
General living expenses	171,402	-	-	-	171,402	-	-	-	171,402
Depreciation and amortization	86,354	4,841	50,704	804	142,703	11,597	3,402	14,999	157,702
Insurance	106,415	8,947	24,015	-	139,377	1,664	-	1,664	141,041
Utilities	66,006	-	54,010	-	120,016	2,822	941	3,763	123,779
Catering	-	-	-	-	-	-	102,711	102,711	102,711
Travel and auto	59,090	7,575	1,638	404	68,707	784	7,576	8,360	77,067
Dues and subscriptions	4,661	6,091	4,513	-	15,265	11,134	28,058	39,192	54,457
Residential flex fund	43,124	-	7,843	-	50,967	-	-	-	50,967
Development activities	-	-	-	-	-	-	36,510	36,510	36,510
Professional fees	19,961	3,326	11,391	-	34,678	-	-	-	34,678
Office supplies	4,429	7,856	879	-	13,164	9,749	292	10,041	23,205
Telephone	12,214	1,916	3,260	502	17,892	2,948	1,108	4,056	21,948
Office expenses	1,517	535	1,921	-	3,973	687	11,920	12,607	16,580
Rent	-	16,205	-	-	16,205	-	-	-	16,205
Staff training	960	13,242	179	-	14,381	65	-	65	14,446
Equipment rental	4,331	2,089	3,004	-	9,424	4,382	205	4,587	14,011
Professional development	4,949	750	5,276	-	10,975	846	981	1,827	12,802
Security monitoring	3,024	-	1,020	-	4,044	504	-	504	4,548
Postage and delivery	251	102	-	10	363	948	528	1,476	1,839
Printing and publications	-	-	-	-	-	-	414	414	414
Total expenses	\$ 3,851,128	\$ 588,209	\$ 1,141,653	\$ 150,363	\$ 5,731,353	\$ 274,295	\$ 676,586	\$950,881	\$ 6,682,234

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				
	Residential	Transition to		Other Programs	Total	Management and General	Fundraising	Total	Total
		Family Strengthening	Independent Living (IIL)		Program Services			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
Donation in-kind: donated facilities	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 Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (181,906)	\$ 10,475
Adjustments to reconcile the change in net assets to net cash flows provided by operating activities:		
Depreciation and amortization expense	157,702	135,365
Amortization of pledge discount	(6,206)	(2,207)
Unrealized gains, cash surrender value of life insurance	(8,427)	(6,905)
Unrealized gains, investment in Community Foundation	(26,151)	(10,894)
Loss (gain) from disposition of assets	(3,000)	6,938
Changes in operating assets and liabilities:		
Increase(decrease) in operating assets:		
Pledges receivable	73,752	37,248
Grant and contract receivables	(23,847)	(236,682)
Prepaid expenses and other current assets	(15,417)	(17,386)
Other receivables	-	320,429
Deposit and other assets	5,174	-
Operating lease right-of-use assets	9,157	(26,959)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	127,500	52,274
Deferred revenue	194,014	148,807
Tenant security deposits	2,500	(5,200)
Operating lease obligations	(9,156)	27,515
Net cash provided by operating activities	<u>295,689</u>	<u>432,818</u>
Cash flow from investing activities:		
Purchases of property and equipment	(162,958)	(213,883)
Proceeds received on disposition of assets	3,000	1,825
Contribution to Community Foundation	-	(250,000)
Distribution from Community Foundation	3,211	-
Net cash used in investing activities	<u>(156,747)</u>	<u>(462,058)</u>
Net increase (decrease) in cash and cash equivalents	138,942	(29,240)
Cash and cash equivalents (including restricted cash)		
Beginning of year	<u>1,621,886</u>	<u>1,651,126</u>
End of year	<u>\$1,760,828</u>	<u>\$1,621,886</u>
Supplemental Disclosures:		
Schedule of noncash investing and financing transactions:		
Right-of-use asset due to adoption of ASC 842	<u>\$ -</u>	<u>\$ 11,756</u>
Operating lease obligations due to adoption of ASC 842	<u>\$ -</u>	<u>\$ 11,756</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, 2024 and 2023

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 10).
- **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 11). 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 Consolidated Statements of Activities. Donor-imposed restrictions may be perpetual in nature. The Organization had no contributions with perpetual donor-imposed restrictions during the years ended June 30, 2024 and 2023.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification

Certain items in the 2023 consolidated financial statements were reclassified to conform to the 2024 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 public support and 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.

Beneficial Interests in a Community Foundation

Beneficial interest in assets held by Community Foundation of Broward, Inc. (the "Foundation") represents the fiscal year end fair market value of the Children's Harbor ("Fund"). The Organization established this Fund at the Foundation with excess support revenues.

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, 2024 and 2023, 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, 2024 and 2023

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.

Investments

Investments are reported at 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. The objective of Organization’s Investment Policy is to ensure the safety of investment principal, provide for liquidity and maximize investment income. The Finance Committee continues to assess investments with the goal of ensuring the safety of the principal by investing with quality financial institutions.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Surrender Value of Life Insurance

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

Deferred Revenue

Deferred revenue consists of cash received in advance from grants and donors for special events. The Organization will recognize revenue from the grants when the specific grant function is performed and will recognize revenue for the special events when the event is hosted. As of June 30, 2024 and 2023, the Organization had approximately \$366,000 and \$172,000, respectively, of deferred revenue. In fiscal year 2024, \$82,275 in grant revenue was recognized from the deferred revenue recorded as of June 30, 2023.

Revenue Recognition - Contributions

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

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

When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as "Net assets released from restrictions." Donor restricted contributions whose restrictions are met in the same reporting period in which received are reported as net assets without donor restrictions.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition – Contributions (continued)

Grants and Contracts

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

Revenue Recognition – Exchange Transactions

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

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

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 \$194,000 and \$174,000 for the years ended June 30, 2024 and 2023, respectively. The direct costs to special events are reported within the catering and other costs line items, totaling \$103,000 and \$91,000 for the year 2024, and \$129,000 and \$45,000 for the year 2023, respectively, on the accompanying Consolidated Statement of Functional Expenses schedules.

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 \$216,000 and \$237,000 for the years ended June 30, 2024 and 2023, respectively, and is included within "Rental and other income" on the Consolidated Statements of Activities.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 combined properties were \$973,000 and \$992,000 for the years ended June 30, 2024 and 2023. 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.

Concentrations of Risk

Public Support and Contributions

During the years ended June 30, 2024 and 2023, the Organization received approximately 63% and 65%, 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.

Bank Deposit Accounts

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Bank deposit accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2024 and 2023, there was approximately \$329,000 and \$451,000 in bank deposit accounts that exceeded the FDIC limits.

The Organization periodically evaluates the financial condition of its financial institutions and has not experienced any loss on such accounts. Management believes the Organization is not exposed to any significant credit risk arising from such balances.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Risk (continued)

Receivables

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, 2024 and 2023, the remaining receivable related to this donation was approximately \$177,000 and \$220,000, respectively. This balance accounts for approximately 25% and 29% of pledge, grant and contracts receivable at June 30, 2024 and 2023, respectively.

Investments

The Organization invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the consolidated statements of financial position.

Investments are held in a brokerage account protected by the Securities Investor Protection Corporation ("SIPC") in the event of broker-dealer failure, subject to applicable limits. The SIPC insurance does not protect against market losses on investments. Investments are overseen by an investment company whose performance is monitored by management. Investments related to the beneficial interest in assets held by the Community Foundation of Broward County are managed by a third-party trustee according to its directives.

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 assess 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 2021.

Operating Lease Right-of-use Assets and Liability

Pursuant to the guidance for accounting for leases, the Organization accounts for the operating leases as noted below. The Organization determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of, and obtain substantially all of the economic benefits from, the use of an asset for a period of time in exchange for consideration.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Lease Right-of-use Assets and Liability (continued)

Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. The Organization use the risk-free rate in determining the present value of the lease payments.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease does not contain any material residual value guarantee or material restrictive covenants. Lease expense for lease payments is recognized on the straight-line basis over the lease term. The Organization had no finance leases at June 30, 2024 and 2023.

Accounting Pronouncement Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *Financial Instruments – Credit Losses ("Topic 326")* to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. FASB ASU 2016-13 affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset.

FASB ASU 2016-13 was adopted July 1, 2023 on a prospective transition approach. With respect to accounts receivables, ASU 2016-13 did not have a material impact on the consolidated financial statements.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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 establishes a strict annual budget.

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	\$ 1,525,808
Restricted cash	235,020
Pledges receivable	176,675
Grant and contract receivables	540,368
Cash surrender of life insurance	384,622
Investment	279,845
Total financial assets	<u>\$ 3,142,338</u>
Less:	
Amounts unavailable for general expenditures within one year due to:	
Pledges with a donor restriction	\$ (176,675)
Restricted by donors with a purpose restriction	(235,020)
Total amounts unavailable for general expenditures within one year	<u>\$ (411,695)</u>
Amounts unavailable without Board's approval	<u>\$ (664,467)</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,066,176</u>

NOTE 4. INVESTMENTS

Fair value measurements: In accordance with the Financial Accounting Standards Board in its Accounting Standard Codification (ASC) No. 820, Fair Value Measurement and Disclosures, the Organization follows a framework for measuring fair value and expanded disclosures about fair value measurements. Various inputs are used in determining the value of the Organization's investments. These inputs are summarized in three levels listed below:

- Level 1 - Inputs that are quoted market prices (unadjusted) in active markets for identical investments that the reporting entity can access at the measurement date.
- Level 2 - Inputs are other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 4. INVESTMENTS (continued)

- Level 3 - Inputs are significant unobservable inputs. (e.g. information about assumptions, including risk, a market participant would use in pricing a security.)

The inputs or methodologies used for valuing investments are not necessarily an indication of the risk associated with investing in those investments. An investment's classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2024 and 2023:

Assets	Fair Value Measurements as of June 30, 2024			
	Total	Level 1	Level 2	Level 3
Beneficial interest in Community Foundation	\$ 279,845	\$ -	\$ -	\$ 279,845

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

Beneficial interest in the Quasi-Endowment is measured at fair value on a recurring basis using unobservable market inputs (Level 3). Changes in Level 3 assets measured at fair value are as follows for the year ended June 30:

	Beneficial Interest in Community Foundation
Balance at June 30, 2022	\$ -
Contribution	250,000
Investment return, net	7,248
Administrative fees	(343)
Balance at June 30, 2023	256,905
Contribution	-
Distributions	(3,211)
Investment return, net	28,782
Administrative fees	(2,631)
Balance at June 30, 2024	\$ 279,845

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 5. PLEDGES RECEIVABLE, NET

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

	<u>2024</u>	<u>2023</u>
Gross pledges receivable	\$ 187,500	\$ 261,252
Less: discount on long-term pledges	<u>(10,825)</u>	<u>(17,031)</u>
Pledges receivable, net	<u>\$ 176,675</u>	<u>\$ 244,221</u>

Pledges receivable with payment terms in excess of one year have been discounted using a risk adjusted interest rate (4.50% at June 30, 2024 and 4.13% at June 30, 2023) 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, 2024 are as follows:

<u>Years Ending June 30:</u>	
2025	\$ 50,000
2026	50,000
2027	50,000
2028	<u>37,500</u>
	<u>\$ 187,500</u>

The Organization determined an allowance for doubtful accounts was not necessary at June 30, 2024 and 2023. No bad debt expense was recorded for the years ended June 30, 2024 and 2023.

NOTE 6. 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. The Organization initially 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 cash surrender value of the life insurance policy on the date of the policy changes was \$397,772. The face amount of the policy has been increased from \$600,000 to \$1,000,000. The new policy expires on September 15, 2075. 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 1% 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, 2024 and 2023 was \$384,622 and \$395,180, respectively.

Premium payments can be made at the policyholder's discretion. 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 to be amortized.

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 6. CASH SURRENDER VALUE OF LIFE INSURANCE (continued)

The advanced premium payment will be used for monthly premium expenses such as sales tax, state tax, federal tax and other charges. There were no such charges for the year ended June 30, 2024. There are no required additional premium payments; however, additional premium payments may be required to keep the policy from lapsing. The deferred premium load account at June 30, 2024 and 2023 was \$18,985 and \$0, respectively, and is included within “Deposits and other assets” on the Consolidated Statements of Financial Position.

The face amount of the policy at June 30, 2024 was \$1,000,000. 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 7. PROPERTY AND EQUIPMENT, NET

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

	<u>2024</u>	<u>2023</u>
Computer equipment and software	\$ 187,026	\$ 142,696
Furniture and equipment	66,435	82,125
Vehicles	294,923	277,581
Leasehold improvements	1,067,048	1,048,151
Building	180,000	180,000
	<u>1,795,432</u>	<u>1,730,553</u>
Accumulated depreciation and amortization	<u>(1,024,654)</u>	<u>(965,031)</u>
	<u>\$ 770,778</u>	<u>\$ 765,522</u>

Depreciation and amortization expense totaled \$157,702 and \$135,365 for the years ended June 30, 2024 and 2023, respectively.

NOTE 8. BENEFICIAL INTEREST IN A COMMUNITY FOUNDATION

In May 2023, the Organization established an agreement with Community Foundation of Broward, Inc. (“Foundation”) to create a non-endowed agency fund (“Fund”). The non-endowed agency fund is also known as a Quasi-Endowment. The Organization made an initial contribution of \$250,000 to the Fund in May 2023. The name of the Fund is “Children’s Harbor Fund”.

The Community Foundation of Broward, Inc. (the “Foundation”) was incorporated on December 17, 1984, under the laws of the State of Florida as a not-for-profit Foundation. The Foundation solicits and manages Funds, focusing its leadership and grant making in six critical areas essential to empowering the community to reach its full potential: education and youth enrichment; healthy and thriving communities; racial justice, equity, diversity, and inclusion; social and economic mobility; art and culture; and strong nonprofit

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 8. BENEFICIAL INTEREST IN A COMMUNITY FOUNDATION (continued)

community; primarily in Broward County. The Foundation also provides educational resources to professional advisors and donors to advance philanthropy. The Foundation solicits contributions primarily from individuals, foundations, private industry, and other organizations in Broward County.

The community foundation has legal ownership of funds contributed to an agency fund. The agency referred to herein is Children's Harbor. As such, the community foundation's board has fiduciary responsibility over the funds. The legal ownership of the funds is a frequent source of confusion between agencies and community foundations. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605-15-8 requires that an agency recognize a beneficial interest in the assets held by a community foundation as an asset on the agency's books. While ASC 958-605-15-8 requires the agency to recognize a beneficial interest in the assets held by a community foundation, the ASC only affects the accounting treatment of the funds, not the legal ownership.

The purpose of the Fund is to provide a sustainable form of income to support the growth of and services of the Organization. Only the Organization can donate to the Fund. Donors may contribute to the Organization which in turn the Board may designate excess operating support to the Fund.

Interpretation of Relevant Law

The Board of Directors has interpreted the law by requiring donor restricted net assets in a 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) The duration and preservation of the Fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and appreciation of investment.
- 6) Other resources of the Organization.
- 7) The investment policies of the Organization.

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.

These "agency restricted funds" are pooled with the other assets of the Community Foundation had the fair value at June 30, 2024 and 2023 was \$279,845, and \$256,905, respectively.

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, 2024 and 2023. No change in the net assets classification of the Quasi-endowment fund is required. There were no underwater funds as of June 30, 2024 and 2023.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 8. BENEFICIAL INTEREST IN A COMMUNITY FOUNDATION *(continued)*

The Quasi-endowment Fund Net Assets Composition by Type of Fund as of June 30, 2024 and 2023:

<u>June 30, 2024</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beneficial interest in a Community Foundation	\$ 279,845	\$ -	\$ 279,845

<u>June 30, 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beneficial interest in a Community Foundation	\$ 256,905	\$ -	\$ 256,905

Changes in Quasi-endowment Fund Net assets for the fiscal year ended June 30, 2024 and 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Non-endowed net assets, July 1, 2022	\$ -	\$ -	\$ -
Contributions	250,000	-	250,000
Net appreciation	6,905	-	6,905
Distributions	-	-	-
Non-endowed net assets, June 30, 2023	\$ 256,905	\$ -	\$ 256,905
Contributions	-	-	-
Net appreciation	26,151	-	26,151
Distributions	(3,211)	-	(3,211)
Non-endowed net assets, June 30, 2024	<u>\$ 279,845</u>	<u>\$ -</u>	<u>\$ 279,845</u>

Spending Policy

The Community Foundation can make 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. 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, 2024 and 2023. As of June 30, 2024, the line carries interest at the greater of prime rate of 8.50% plus 0.83% or the floor interest rate of 5%. Interest is payable monthly. As of June 30, 2024 and 2023, the Organization had no outstanding balance under the line of credit. The line of credit expired on August 10, 2024 and was not renewed.

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 10. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Net assets without restrictions - Undesignated	\$ 2,135,230	\$ 2,395,191
Net assets without restrictions - Board designated	664,467	652,085
	<u>\$2,799,697</u>	<u>\$ 3,047,276</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 6) and Quasi-endowment fund (Note 8).

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Restricted by donors for specific purposes and programs	\$ 235,020	\$ 130,553
Pledge receivable with donor purpose restrictions	176,675	220,469
	<u>\$ 411,695</u>	<u>\$ 351,022</u>

NOTE 12. 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.

NOTE 13. 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 a \$320,429 refundable credit in full plus interest during fiscal year 2023.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 14. OPERATING LEASES

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, 2024 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 9,810
2026	8,138
2027	7,099
2028	<u>5,068</u>
Operating lease liabilities	<u>\$ 30,115</u>

Total rental expense for the years ended June 30, 2024 and 2023 was approximately \$30,000 and \$91,000, respectively. Rent expense includes base rent, sales tax, and maintenance fees.

The following tables present the components of lease expense and supplemental information related to the operating leases, for the year ended June 30, 2024:

Operating lease cost	\$ 11,954
Operating ROU assets	\$ 29,558
Operating lease obligations, current portion	\$ 9,810
Operating lease obligations, non-current portion	<u>20,305</u>
Total operating lease obligations	<u>\$ 30,115</u>
Weighted average remaining lease term (in years) – operating leases	3.26
Weighted average discount rate-operating leases	8.25%

Supplemental cash flow information related to leases were as follows, for the year ended June 30, 2024

Cash paid for amounts included in the measurement of operating lease liabilities	\$ 12,056
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CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

NOTE 15. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$5,000 was made to reduce contract revenue and net assets for fiscal year June 30, 2024 for contract revenue understated in fiscal year June 30, 2023.

NOTE 16. SUBSEQUENT EVENTS

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.

Related Party Transactions

The Organization incurred an estimated \$87,000 of kitchen improvements in Fiscal Year June 30, 2024 of which \$74,000 was allocated to Children's Harbor and \$13,000 was allocated to Brown's Harbor. The Organization hired an entity owned by a board member to remodel the kitchens and paid the related party \$87,000 after fiscal year end. The Organization received restricted contributions of \$74,000 towards the improvements and the remaining \$13,000 was paid from unrestricted contributions.

Contract

In September 2024, the Organization's current funding agreement with the Broward Behavioral Health Coalition, Inc. (BBHC) extended to June 30, 2025 for \$257,500 to be received in fiscal year ending June 30, 2025.

Beneficial Interest In Community Foundation

In August 2024, the Organization contributed \$261,000 to the Quasi Endowment Fund held at the Community Foundation of Broward County.

SUPPLEMENTAL SCHEDULES

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidated Schedule of Other Costs
For the Year Ended June 30, 2024

	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
Event Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,396	\$ 91,396	\$ 91,396
Donated Items	15,532	2,280	-	-	17,811	-	-	-	17,811
Accreditation Expenses	5,321	1,064	-	-	6,385	-	-	-	6,385
Bank & Merchant Service Charges	15	-	33	-	48	6,472	13,771	20,243	20,291
Development Relations	-	-	-	-	-	-	4,279	4,279	4,279
Marketing and Public Relations	-	1,950	-	-	1,950	-	78,936	78,936	80,886
Internet Expense	8,891	718	2,650	-	12,259	2,974	1,041	4,015	16,274
Licenses and Permits	776	-	301	-	1,077	769	429	1,198	2,275
Legal Fees - Brown's Harbor	-	-	5,000	-	5,000	-	-	-	5,000
Program Activities	14,895	-	-	11,225	26,120	-	-	-	26,120
Supplies - Programs	11,368	4,679	-	-	16,047	-	-	-	16,047
Program Activities	-	-	10,274	-	10,274	-	-	-	10,274
Outreach (Flex Funds)	-	31,481	-	-	31,481	-	-	-	31,481
Recruiting Expense	1,431	1,032	(59)	45	2,449	152	333	485	2,934
Living Expenses	85,000	-	-	-	85,000	-	-	-	85,000
Total Other Costs	<u>\$ 143,229</u>	<u>\$ 43,204</u>	<u>\$ 18,199</u>	<u>\$ 11,270</u>	<u>\$ 215,901</u>	<u>\$ 10,367</u>	<u>\$ 190,185</u>	<u>\$200,552</u>	<u>\$ 416,453</u>

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidated Schedule of Other Costs
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
Event Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,998	\$ 43,998	\$ 43,998
Donated Items	16,234	-	-	-	16,234	-	-	-	16,234
Accreditation Expenses	-	-	-	-	-	-	-	-	-
Bank & Merchant Service Charges	-	-	8	-	8	5,908	5,528	11,436	11,444
Development Relations	-	-	-	-	-	-	5,106	5,106	5,106
Marketing and Public Relations	-	-	-	-	-	-	55,123	55,123	55,123
Internet Expense	8,833	3,610	4,009	-	16,452	1,554	518	2,072	18,524
Licenses and Permits	848	405	236	-	1,489	2,269	429	2,698	4,187
Legal Fees - Brown's Harbor	-	-	-	-	-	-	-	-	-
Program Activities	2,691	-	-	13,920	16,611	-	-	-	16,611
Supplies - Programs	5,560	1,989	-	-	7,549	-	-	-	7,549
Program Activities	-	-	10,984	-	10,984	-	-	-	10,984
Outreach (Flex Funds)	-	27,951	-	-	27,951	-	-	-	27,951
Recruiting Expense	2,729	699	62	27	3,517	570	73	643	4,160
Living Expenses	46,601	-	-	-	46,601	-	-	-	46,601
Total Other Costs	<u>\$ 83,496</u>	<u>\$ 34,654</u>	<u>\$ 15,299</u>	<u>\$ 13,947</u>	<u>\$ 147,396</u>	<u>\$ 10,301</u>	<u>\$ 110,775</u>	<u>\$121,076</u>	<u>\$ 268,472</u>

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidating Statements of Financial Position
June 30, 2024

	<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	\$ 1,206,002	\$ 319,806	\$ -	\$ 1,525,808
Restricted Cash	235,020	-	-	235,020
Pledges receivable	-	50,000	-	50,000
Grant and contract receivables	503,944	36,424	-	540,368
Due from related party	37,053	-	(37,053)	-
Prepaid expenses	215,712	2,081	-	217,793
Total current assets	<u>2,197,731</u>	<u>408,311</u>	<u>(37,053)</u>	<u>2,568,989</u>
Non-Current Assets:				
Pledges receivable, net of discount and current portion	-	126,675	-	126,675
Cash surrender value of life insurance	384,622	-	-	384,622
Investment	279,845	-	-	279,845
Operating lease right-of-use assets	25,579	3,979	-	29,558
Deposits and other assets	27,344	-	-	27,344
Property and equipment, net	551,344	219,434	-	770,778
Total non-current assets	<u>1,268,734</u>	<u>350,088</u>	<u>-</u>	<u>1,618,822</u>
Total assets	<u>\$ 3,466,465</u>	<u>\$ 758,399</u>	<u>\$ (37,053)</u>	<u>\$ 4,187,811</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	\$ 524,840	\$ 34,267	\$ -	\$ 559,107
Due to related party	-	37,053	(37,053)	-
Deferred revenue	263,544	102,953	-	366,497
Operating lease obligations, current portion	6,874	2,936	-	9,810
Total current liabilities	<u>795,258</u>	<u>177,209</u>	<u>(37,053)</u>	<u>935,414</u>
Non-Current Liabilities				
Operating lease obligations, less current portion	18,705	1,600	-	20,305
Tenant security deposits	-	20,700	-	20,700
Total non-current liabilities	<u>18,705</u>	<u>22,300</u>	<u>-</u>	<u>41,005</u>
Total liabilities	<u>813,963</u>	<u>199,509</u>	<u>(37,053)</u>	<u>976,419</u>
Net Assets				
Without donor restrictions	2,417,482	382,214	-	2,799,696
With donor restrictions	235,020	176,676	-	411,696
Total net assets	<u>2,652,502</u>	<u>558,890</u>	<u>-</u>	<u>3,211,392</u>
Total liabilities and net assets	<u>\$ 3,466,465</u>	<u>\$ 758,399</u>	<u>\$ (37,053)</u>	<u>\$ 4,187,811</u>

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)	-
Other receivables	-	-	-	-
Prepaid expenses	189,074	13,302	-	202,376
Total current assets	<u>2,073,672</u>	<u>369,698</u>	<u>(28,835)</u>	<u>2,414,535</u>
Non-Current Assets:				
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	13,533	-	-	13,533
Property and equipment, net	517,201	248,321	-	765,522
Total non-current assets	<u>1,215,131</u>	<u>425,193</u>	<u>-</u>	<u>1,640,324</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				
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>
Non-Current Liabilities:				
Operating lease obligations, less current portion	25,579	4,535	-	30,114
Tenant security deposits	-	18,200	-	18,200
Total non-current liabilities	<u>25,579</u>	<u>22,735</u>	<u>-</u>	<u>48,314</u>
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 Activities
For the Year Ended June 30, 2024

	<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	\$ 3,773,696	\$ 296,233	\$ -	\$ 4,069,929
Contributions	459,840	14,206	-	474,046
Special events	445,983	-	-	445,983
Donation in-kind: Donated facilities	482,000	491,000	-	973,000
Rental and other income	25,557	246,685	-	272,242
Unrealized gains, net of fees - Life insurance	8,426	-	-	8,426
Unrealized gains, net of fees - Community Foundation	26,151	-	-	26,151
Interest income - Money Market	22,856	-	-	22,856
Gain (loss) on disposition of assets	3,000	-	-	3,000
Net assets released from restriction	100,227	43,794	-	144,021
Total public support and revenues without donor restrictions	<u>5,347,736</u>	<u>1,091,918</u>	<u>-</u>	<u>6,439,654</u>
Public Support and Revenues With Donor Restrictions				
Contributions	204,695	-	-	204,695
Net assets released from restriction	<u>(100,227)</u>	<u>(43,794)</u>	<u>-</u>	<u>(144,021)</u>
Total public support and revenues with donor restrictions	<u>104,468</u>	<u>(43,794)</u>	<u>-</u>	<u>60,674</u>
Total public support and revenues	<u>5,452,204</u>	<u>1,048,124</u>	<u>-</u>	<u>6,500,328</u>
Expenses				
Program services	4,589,700	1,141,653	-	5,731,353
Management and general	274,295	-	-	274,295
Fundraising	676,586	-	-	676,586
Total expenses	<u>5,540,581</u>	<u>1,141,653</u>	<u>-</u>	<u>6,682,234</u>
Increase (Decrease) in net assets	(88,377)	(93,529)	-	(181,906)
Net assets, beginning of year	2,745,879	652,419	-	3,398,298
Prior period adjustment	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>
Net assets, end of year	<u>\$ 2,652,502</u>	<u>\$ 558,890</u>	<u>\$ -</u>	<u>\$ 3,211,392</u>

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Consolidating Statements of Activities
For the Year Ended June 30, 2023

	<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	\$ 3,554,226	\$ 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
Rental and other income	35,409	237,057	-	272,466
Unrealized gains, net of fees - Life insurance	10,894	-	-	10,894
Unrealized gains, net of fees - Community Foundation	6,905	-	-	6,905
Interest income - Money Market & IRS refund	39,485	2,266	-	41,751
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	<u>(158,125)</u>	<u>(47,793)</u>	<u>-</u>	<u>(205,918)</u>
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>
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>

**REPORTS REQUIRED BY GOVERNMENT AUDIT STANDARDS
AND
THE UNIFORM GUIDANCE**



**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, 2024, 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 13, 2025

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 13, 2025

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, 2024. 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, 2024.

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 13, 2025

SUPPLEMENTAL INFORMATION

CHILDREN’S HARBOR, INC. AND SUBSIDIARY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<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	CHH23RGC	\$ 1,231,629
Foster Care Title IV-E	93.658	CHH23MAT	46,848
Passed Through Community Based Care Agency (Brevard County)			
Foster Care Title IV-E	93.658	OHC2239	86,712
Passed Through Florida Department of Children & Families			
Community Based Child Abuse Prevention	93.590	DCF RFA 2223-103	83,275
Passed Through Broward Behavioral Health Coalition			
Block Grants for Community Mental Health Services	93.958	34389-17	<u>158,819</u>
Total U.S. Department of Health and Human Services			<u>1,607,283</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,607,283</u></u>

CHILDREN’S HARBOR, INC. AND SUBSIDIARY

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

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, 2024. 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, 2024. 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, 2024.

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, 2024.

CHILDREN'S HARBOR, INC. AND SUBSIDIARY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

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, 2024

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