

**LAUREL HOUSE
(dba HOPE HARBOR)**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

WITH INDEPENDENT AUDITORS' REPORT



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**LAUREL HOUSE (dba HOPE HARBOR)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Laurel House (dba Hope Harbor)
Tustin, California

We have audited the accompanying financial statements of Laurel House (dba Hope Harbor) (the "Organization"), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Related-Party Relationship

The accompanying financial statements are those of Laurel House (dba Hope Harbor), which is under common control with Orange County Rescue Mission, and are not those of the primary reporting entity.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laurel House (dba Hope Harbor) as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Comparative Information

The financial statements as of September 30, 2019, were audited by White Nelson Diehl Evans LLP, whose partners and professional staff joined CliftonLarsonAllen LLP as of November 1, 2020, and has subsequently ceased operations. White Nelson Diehl Evans LLP's report dated December 17, 2019, expressed an unmodified opinion on those statements. The comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Irvine, California
January 18, 2021

**LAUREL HOUSE (dba HOPE HARBOR)
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019**

ASSETS

	2020	2019
Assets:		
Cash and cash equivalents	\$ 120,392	\$ 273,826
Receivables	46,992	27,830
Prepaid expenses	-	6,000
Property and equipment, net	2,250,763	1,499,485
Total Assets	\$ 2,418,147	\$ 1,807,141

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 518,426	\$ 6,170
Total Liabilities	518,426	6,170
Net Assets:		
Net Assets Without Donor Restrictions:		
Net investment in property and equipment	2,250,763	1,499,485
Available for program services	(351,042)	301,486
Total Net Assets	1,899,721	1,800,971
Total Liabilities and Net Assets	\$ 2,418,147	\$ 1,807,141

The accompanying notes are an integral part of these financial statements.

LAUREL HOUSE (dba HOPE HARBOR)
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Net Assets Without Donor Restrictions:		
Support, Revenues, and Gains:		
Contributions and grants	\$ 489,745	\$ 1,173,791
Gifts in kind	168,322	93,766
Other income	9,442	7,075
Total Support, Revenues, and Gains	667,509	1,274,632
Expenses:		
Program services	505,941	328,387
Supporting services:		
General and administrative	5,146	3,664
Fundraising	57,672	46,211
Total Supporting Services	62,818	49,875
Total Expenses	568,759	378,262
Increase in Net Assets Without Donor Restrictions	98,750	896,370
Net Assets, Beginning of Year	1,800,971	904,601
Net Assets, End of Year	\$ 1,899,721	\$ 1,800,971

The accompanying notes are an integral part of these financial statements.

LAUREL HOUSE (dba HOPE HARBOR)
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	Year Ended September 30, 2020				Year Ended September 30, 2019			
	Program Services	Supporting Services			Program Services	Supporting Services		
		General and Administrative	Fundraising	Total		General and Administrative	Fundraising	Total
Direct assistance - food, clothing, health-care education, recreation, childcare (includes gifts in kind)	\$ 191,421	\$ -	\$ -	\$ 191,421	\$ 129,562	\$ -	\$ -	\$ 129,562
Direct marketing	1,548	-	15,677	17,225	784	-	4,216	5,000
Compensation and related expenses	90,915	-	41,995	132,910	73,128	-	41,995	115,123
Professional fees	28,325	2,650	-	30,975	30,575	2,500	-	33,075
Occupancy, utilities, and maintenance	53,318	-	-	53,318	34,850	-	-	34,850
Depreciation	62,211	-	-	62,211	44,480	-	-	44,480
Dues, subscriptions, and training	389	-	-	389	333	-	-	333
Vehicles	3,758	-	-	3,758	5,005	-	-	5,005
Supplies	73,424	-	-	73,424	9,670	-	-	9,670
Other	632	2,496	-	3,128	-	1,164	-	1,164
Total Expenses	\$ 505,941	\$ 5,146	\$ 57,672	\$ 568,759	\$ 328,387	\$ 3,664	\$ 46,211	\$ 378,262

The accompanying notes are an integral part of these financial statements.

LAUREL HOUSE (dba HOPE HARBOR)
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 98,750	\$ 896,370
Adjustments to Reconcile Increase in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation	62,212	44,480
Changes in Assets and Liabilities:		
Receivables	(19,162)	(27,830)
Prepaid expenses	6,000	(5,538)
Accounts payable	512,256	(53,792)
Net Cash and Cash Equivalents Provided by Operating Activities	660,056	853,690
Cash Flows from Investing Activities:		
Purchases of property and equipment	(813,490)	(1,217,754)
Net Cash and Cash Equivalents Used in Investing Activities	(813,490)	(1,217,754)
Net Decrease in Cash and Cash Equivalents	(153,434)	(364,064)
Cash and Cash Equivalents, Beginning of Year	273,826	637,890
Cash and Cash Equivalents, End of Year	\$ 120,392	\$ 273,826
Supplemental Disclosure:		
Interest paid	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

**LAUREL HOUSE (dba HOPE HARBOR)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 1: Nature of Business and Summary of Significant Accounting Policies

Nature of Organization

Laurel House (dba Hope Harbor) (the “Organization”) is a charitable nonprofit organization incorporated on January 23, 1985, in the state of California. The specific objective and purpose of the Organization is to prevent homelessness among teenage girls (housed at SeaGlass) and teenage boys (housed at RipTide) in Orange County, California, by providing temporary shelter and care, ongoing counseling, increased access to mental health resources, and enhanced academic support to teen girls and boys between the ages of 12 and 17 who are at risk of homelessness or who are runaways. It is the goal of the Organization to reunify these teen girls and boys with their families or move them into positive living situations when reunification is not possible.

Basis of Accounting

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). References to the “ASC” hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative US GAAP.

Use of Estimates

The preparation of financial statements in accordance with US 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization’s financial statements are presented in conformity with FASB Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

LAUREL HOUSE (dba HOPE HARBOR)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Descriptions of the two net asset categories are as follows:

- *Net Assets Without Donor Restrictions* - Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions, including the carrying value of all unrestricted physical properties (land, building, and equipment). Items that affect (i.e., increase or decrease) this net asset category include revenue and contributions related to expenses associated with core programs.
- *Net Assets With Donor Restrictions* - Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity but permit an organization to use or expend part or all the income derived from the contribution. Donor-imposed restrictions are released when a restriction expires (that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both).

Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Deposits with banks may, at times, exceed federally insured limits. The Organization has not experienced any losses on these accounts.

Property and Equipment

Property and equipment are carried at cost if purchased or fair market value if contributed. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 10 to 40 years for building and improvements and from 5 to 7 years for furniture and equipment, computer equipment, and automobiles.

Long-lived assets, such as property and equipment, are reviewed on an ongoing basis for impairment based on a comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets' carrying amounts are adjusted to fair value.

**LAUREL HOUSE (dba HOPE HARBOR)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Contributions and Grants

Contributions and grants are recognized when a donor makes a promise to give to an organization that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Conditional contributions and grants are recognized when the conditions for which they depend are substantially met.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

Gifts in Kind

Donated materials and contributed services are reflected in the accompanying financial statements at their estimated fair market value at the date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by a donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising costs for the years ended September 30, 2020 and 2019, were \$15,677 and \$4,216, respectively.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services based on direct costs. Expenses are allocated using direct costs: salaries and fringe benefits.

Income Taxes

The Organization is subject to income tax examinations for the current year and certain prior years based on applicable laws and regulations. The Organization is a California nonprofit corporation that has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and the State Revenue and Tax Code Section 23701(d). Accordingly, no provision of income taxes has been made in the accompanying financial statements.

LAUREL HOUSE (dba HOPE HARBOR)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of an outbreak of a new strain of coronavirus (“COVID-19”). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase of the virus and its global exposure. In addition, several US states, including California where the Organization is headquartered, have declared a state of emergency.

The Organization is substantially supported by contributions and grants. At this time, the Organization cannot anticipate all the ways in which a health pandemic such as COVID-19 can adversely impact it. Although management is continuing to monitor and assess the effects of the COVID-19 pandemic on the Organization, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

New Accounting Pronouncement - Adopted

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities - Revenue Recognition (Topic 958-605)*. ASU 2018-08 clarifies and improves the scope and accounting guidance for contributions received and contributions made. This update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. There was not a material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

New Accounting Pronouncement - Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 establishes new revenue recognition guidance (“ASC 606”), which replaces the current revenue recognition guidance. ASC 606 is a comprehensive revenue recognition standard for virtually all industries, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The core principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. ASC 606 is effective for nonpublic companies for annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is permitted. The Organization is currently evaluating the impact of the provisions of ASC 606 on the presentation of its financial statements.

LAUREL HOUSE (dba HOPE HARBOR)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 2: Liquidity

The Organization’s financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the statement of financial position date, are as follows as of September 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 120,392	\$ 273,826
Receivables	46,992	27,830
Prepaid expenses	-	6,000
 Total Financial Assets Available to Meet General Expenditures Within One Year	 \$ 167,384	 \$ 307,656

Note 3: Property and Equipment

Property and equipment consist of the following at September 30, 2020 and 2019:

	2020	2019
Land	\$ 426,707	\$ 426,707
Buildings	989,881	989,881
Building improvements	286,910	233,943
Vehicles	117,234	113,816
Furniture and fixtures	64,068	44,798
Construction in progress	792,235	54,400
 Subtotal	 2,677,035	 1,863,545
Less: Accumulated depreciation	(426,271)	(364,060)
 Property and Equipment, Net	 \$ 2,250,764	 \$ 1,499,485

On December 19, 2018, a residence was purchased to convert into a teenage boy’s home (RipTide) similar to the girl’s home (SeaGlass). The residence is scheduled to open in January 2021.

Note 4: Affiliated Entities and Related-Party Transactions

Consolidation of entities is required when a reporting entity controls other organizations by having a majority voting interest and economic control. Orange County Rescue Mission (“OCRM”) has a majority voting interest in the Organization. For the years ended September 30, 2020 and 2019, it has been determined that an economic interest does exist for OCRM in the Organization. Consequently, the financial statements of the Organization are consolidated with the financial statements of OCRM.

LAUREL HOUSE (dba HOPE HARBOR)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 4: Affiliated Entities and Related-Party Transactions (Continued)

At September 30, 2020 and 2019, receivables of \$46,987 and \$27,830, respectively, were due from OCRM. In addition, as of September 30, 2020, the Organization has a payable to OCRM for \$471,909 related to construction costs to remodel RipTide. During the years ended September 30, 2020 and 2019, the Organization reimbursed OCRM \$0 and \$187,784, respectively, for salaries, benefits, and other expenses.

Note 5: Subsequent Events

Subsequent events were evaluated through January 18, 2021, which is the date the financial statements were available to be issued.

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