

**LAUREL HOUSE  
(DBA: HOPE HARBOR)**

**FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2021 AND 2020**



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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), which comprise the financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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.

Board of Directors  
Laurel House (dba: Hope Harbor)

***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, 2021 and 2020, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Irvine, California  
January 25, 2022

**LAUREL HOUSE (DBA: HOPE HARBOR)  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 42,242	\$ 120,392
Receivables	123,727	46,992
Property and Equipment, Net	2,318,244	2,250,763
Total Assets	\$ 2,484,213	\$ 2,418,147
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 751,349	\$ 511,382
Accrued Expenses	13,418	7,044
Total Liabilities	764,767	518,426
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Net Investment in Property and Equipment	2,318,244	2,250,763
Available for Program Services	(598,798)	(351,042)
Total Net Assets	1,719,446	1,899,721
Total Liabilities and Net Assets	\$ 2,484,213	\$ 2,418,147

See accompanying Notes to Financial Statements.

**LAUREL HOUSE (DBA: HOPE HARBOR)  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Contributions and Grants	\$ 422,141	\$ -	\$ 422,141
Gifts In-Kind	420,096	-	420,096
Other Income	8,195	-	8,195
Total Support, Revenues, and Gains	850,432	-	850,432
<b>EXPENSES</b>			
Program Services	936,974	-	936,974
Supporting Services:			-
General and Administrative	9,128	-	9,128
Fundraising	84,605	-	84,605
Total Supporting Services	93,733	-	93,733
Total Expenses	1,030,707	-	1,030,707
<b>DECREASE IN NET ASSETS</b>	(180,275)	-	(180,275)
Net Assets - Beginning of Year	1,899,721	-	1,899,721
<b>NET ASSETS - END OF YEAR</b>	\$ 1,719,446	\$ -	\$ 1,719,446

See accompanying Notes to Financial Statements.

**LAUREL HOUSE (DBA: HOPE HARBOR)  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Contributions and Grants	\$ 489,745	\$ -	\$ 489,745
Gifts In-Kind	168,322	-	168,322
Other Income	9,442	-	9,442
Total Support, Revenues, and Gains	<u>667,509</u>	<u>-</u>	<u>667,509</u>
<b>EXPENSES</b>			
Program Services	505,941	-	505,941
Supporting Services:			-
General and Administrative	5,146	-	5,146
Fundraising	57,672	-	57,672
Total Supporting Services	<u>62,818</u>	<u>-</u>	<u>62,818</u>
Total Expenses	<u>568,759</u>	<u>-</u>	<u>568,759</u>
<b>INCREASE IN NET ASSETS</b>	98,750	-	98,750
Net Assets - Beginning of Year	<u>1,800,971</u>	<u>-</u>	<u>1,800,971</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 1,899,721</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,899,721</u></u>

See accompanying Notes to Financial Statements.

**LAUREL HOUSE (DBA: HOPE HARBOR)  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2021**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Direct Assistance - Food, Clothing, Health-Care Education, Recreation, Childcare (Includes Gifts In-Kind)	\$ 466,406	\$ -	\$ -	\$ 466,406
Direct Marketing	44	-	25,986	26,030
Compensation and Related Expenses	169,109	-	58,619	227,728
Professional Fees	40,513	5,038	-	45,551
Insurance	-	613	-	613
Occupancy, Utilities, and Maintenance	41,661	-	-	41,661
Depreciation	158,457	-	-	158,457
Dues, Subscriptions, and Training	2,062	-	-	2,062
Vehicles	5,208	-	-	5,208
Supplies	53,513	-	-	53,513
Other	-	3,477	-	3,477
<b>Total Expenses by Function</b>	<b>\$ 936,974</b>	<b>\$ 9,128</b>	<b>\$ 84,605</b>	<b>\$ 1,030,707</b>

See accompanying Notes to Financial Statements.



**LAUREL HOUSE (DBA: HOPE HARBOR)  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2020**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Direct Assistance - Food, Clothing, Health-Care Education, Recreation, Childcare (Includes Gifts In-Kind)	\$ 191,421	\$ -	\$ -	\$ 191,421
Direct Marketing	1,548	-	15,677	17,225
Compensation and Related Expenses	90,915	-	41,995	132,910
Professional Fees	28,325	2,650	-	30,975
Occupancy, Utilities, and Maintenance	53,318	-	-	53,318
Depreciation	62,211	-	-	62,211
Dues, Subscriptions, and Training	389	-	-	389
Vehicles	3,758	-	-	3,758
Supplies	73,424	-	-	73,424
Other	632	2,496	-	3,128
<b>Total Expenses by Function</b>	<b>\$ 505,941</b>	<b>\$ 5,146</b>	<b>\$ 57,672</b>	<b>\$ 568,759</b>

See accompanying Notes to Financial Statements.

**LAUREL HOUSE (DBA: HOPE HARBOR)  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (180,275)	\$ 98,750
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	158,457	62,212
(Increase) Decrease in Assets:		
Receivables	(76,735)	(19,162)
Prepaid Expenses	-	6,000
Increase (Decrease) in Liabilities:		
Accounts Payable	239,967	505,212
Accrued Expenses	6,374	7,044
Net Cash Provided by Operating Activities	147,788	660,056
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(225,938)	(813,490)
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(78,150)	(153,434)
 Cash and Cash Equivalents - Beginning of Year	120,392	273,826
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 42,242	\$ 120,392
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ -	\$ -

See accompanying Notes to Financial Statements.

**LAUREL HOUSE (DBA: HOPE HARBOR)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND 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 (U.S. 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 U.S. GAAP.

**Use of Estimates**

The preparation of financial statements in accordance 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 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.

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.

**LAUREL HOUSE (DBA: HOPE HARBOR)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation (Continued)**

*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 five to seven 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.

**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 on 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.

**LAUREL HOUSE (DBA: HOPE HARBOR)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2021 and 2020, were \$25,986 and \$15,677, 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.

**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 U.S. 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.

**LAUREL HOUSE (DBA: HOPE HARBOR)  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncement – 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. No cumulative-effective adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported financial revenue.

**Subsequent Events**

Subsequent events were evaluated through January 25, 2022, which is the date the financial statements were available to be issued.

**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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 42,242	\$ 120,392
Receivables	123,727	46,992
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 165,969</u>	<u>\$ 167,384</u>

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 426,707	\$ 426,707
Buildings	989,881	989,881
Building Improvements	1,266,565	286,910
Vehicles	94,501	117,234
Furniture and Fixtures	101,242	64,068
Construction in Progress	-	792,235
Total	<u>2,878,896</u>	<u>2,677,035</u>
Less: Accumulated Depreciation	<u>(560,652)</u>	<u>(426,271)</u>
Property and Equipment, Net	<u>\$ 2,318,244</u>	<u>\$ 2,250,764</u>

**LAUREL HOUSE (DBA: HOPE HARBOR)**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 3 PROPERTY AND EQUIPMENT (CONTINUED)**

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 opened in March 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, 2021 and 2020, 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.

At September 30, 2021 and 2020, receivables of \$111,938 and \$46,987, respectively, were due from OCRM. In addition, the Organization has a payable to OCRM \$746,528 and \$471,909 at September 30, 2021 and 2020 for related to construction costs to remodel RipTide. During the years ended September 30, 2021 and 2020, the Organization reimbursed OCRM \$130,000 and \$-0-, respectively, for salaries, benefits, and other expenses.

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