

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

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

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**LAUREL HOUSE (DBA: HOPE HARBOR)
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YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, and the results of its activities and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.


In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

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.



CliftonLarsonAllen LLP

Irvine, California
February 13, 2023

**LAUREL HOUSE (DBA: HOPE HARBOR)
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021**

| | 2022 | 2021 |
|--|--------------|--------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 307,352 | \$ 42,242 |
| Receivables | 146,938 | 123,727 |
| Prepaid Expenses | 300 | - |
| Property and Equipment, Net | 2,112,429 | 2,318,244 |
| Total Assets | \$ 2,567,019 | \$ 2,484,213 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable | \$ 1,083,107 | \$ 751,349 |
| Accrued Expenses | 24,556 | 13,418 |
| Total Liabilities | 1,107,663 | 764,767 |
| NET ASSETS | | |
| Without Donor Restrictions: | | |
| Net Investment in Property and Equipment | 2,112,429 | 2,318,244 |
| Available for Program Services | (653,073) | (598,798) |
| Total Net Assets | 1,459,356 | 1,719,446 |
| Total Liabilities and Net Assets | \$ 2,567,019 | \$ 2,484,213 |

See accompanying Notes to Financial Statements.

**LAUREL HOUSE (DBA: HOPE HARBOR)
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------------|-------------------------------|----------------------------|--------------|
| REVENUE, SUPPORT, AND GAINS | | | |
| Contributions and Grants | \$ 540,969 | \$ - | \$ 540,969 |
| Contributed Nonfinancial Assets | 230,709 | - | 230,709 |
| Other Income | 6,581 | - | 6,581 |
| Total Support, Revenues, and Gains | 778,259 | - | 778,259 |
| EXPENSES | | | |
| Program Services | 921,166 | - | 921,166 |
| Supporting Services: | | | - |
| General and Administrative | 10,897 | - | 10,897 |
| Fundraising | 106,286 | - | 106,286 |
| Total Supporting Services | 117,183 | - | 117,183 |
| Total Expenses | 1,038,349 | - | 1,038,349 |
| DECREASE IN NET ASSETS | (260,090) | - | (260,090) |
| Net Assets - Beginning of Year | 1,719,446 | - | 1,719,446 |
| NET ASSETS - END OF YEAR | \$ 1,459,356 | \$ - | \$ 1,459,356 |

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 |
|-------------------------------------|-------------------------------|----------------------------|--------------|
| REVENUE, SUPPORT, AND GAINS | | | |
| Contributions and Grants | \$ 422,141 | \$ - | \$ 422,141 |
| Contributed Nonfinancial Assets | 420,096 | - | 420,096 |
| Other Income | 8,195 | - | 8,195 |
| Total Support, Revenues, and Gains | 850,432 | - | 850,432 |
| EXPENSES | | | |
| 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 |
| DECREASE IN NET ASSETS | (180,275) | - | (180,275) |
| Net Assets - Beginning of Year | 1,899,721 | - | 1,899,721 |
| NET ASSETS - END OF YEAR | \$ 1,719,446 | \$ - | \$ 1,719,446 |

See accompanying Notes to Financial Statements.

**LAUREL HOUSE (DBA: HOPE HARBOR)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022**

| | Program Services | Supporting Services | | Total |
|--|---------------------|-------------------------------|-------------------|---------------------|
| | | General and Administrative | Fundraising | |
| Direct Assistance - Food, Clothing, Health-Care Education, Recreation, Childcare | \$ 329,170 | \$ - | \$ - | \$ 329,170 |
| Direct Marketing | 4,462 | - | 42,585 | 47,047 |
| Compensation and Related Expenses | 187,896 | 126 | 63,701 | 251,723 |
| Professional Fees | 44,480 | 10,771 | - | 55,251 |
| Occupancy, Utilities, and Maintenance | 83,596 | - | - | 83,596 |
| Depreciation | 223,446 | - | - | 223,446 |
| Dues, Subscriptions, and Training | 648 | - | - | 648 |
| Vehicles | 11,969 | - | - | 11,969 |
| Supplies | 35,499 | - | - | 35,499 |
| Total Expenses by Function | \$ 921,166 | \$ 10,897 | \$ 106,286 | \$ 1,038,349 |

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 | \$ 466,406 | \$ - | \$ - | \$ 466,406 |
| Direct Marketing | 45 | - | 25,986 | 26,031 |
| Compensation and Related Expenses | 169,109 | - | 58,619 | 227,728 |
| Insurance | 40,513 | 5,038 | - | 45,551 |
| Professional Fees | - | 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 |
| Total Expenses by Function | \$ 936,974 | \$ 9,128 | \$ 84,605 | \$ 1,030,707 |

See accompanying Notes to Financial Statements.

**LAUREL HOUSE (DBA: HOPE HARBOR)
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

| | <u>2022</u> | <u>2021</u> |
|--|--------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Decrease in Net Assets | \$ (260,090) | \$ (180,275) |
| Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 223,446 | 158,457 |
| (Increase) Decrease in Assets: | | |
| Receivables | (23,211) | (76,735) |
| Prepaid Expenses | (300) | - |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | 331,758 | 239,967 |
| Accrued Expenses | 11,138 | 6,374 |
| Net Cash Provided by Operating Activities | <u>282,741</u> | <u>147,788</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Property and Equipment | <u>(17,631)</u> | <u>(225,938)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 265,110 | (78,150) |
| Cash and Cash Equivalents - Beginning of Year | <u>42,242</u> | <u>120,392</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 307,352</u></u> | <u><u>\$ 42,242</u></u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash Paid for Interest | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

See accompanying Notes to Financial Statements.

**LAUREL HOUSE (DBA: HOPE HARBOR)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

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, 2022 AND 2021**

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, 2022 AND 2021**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets

Donated materials and contributed services are reflected in the accompanying financial statements at their estimated fair market value at the date of receipt. The fair value for contributed services are based on current rates for similar services at the time services are provided. 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.

For the years ended September 30, donated services and product recognized within the statements of activities and changes in net assets included:

| | 2022 | 2021 |
|----------|------------|------------|
| Services | \$ 221,964 | \$ 144,862 |
| Goods | 8,745 | 275,234 |
| Total | \$ 230,709 | \$ 420,096 |

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, 2022 and 2021, were \$42,585 and \$25,986, 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, 2022, 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.

**LAUREL HOUSE (DBA: HOPE HARBOR)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties (Continued)

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 September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 requires nonprofits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. The ASU is effective for annual periods beginning after June 15, 2021. All necessary changes required by the new standard, included those related to the Organization’s accounting policies, controls, and disclosures, have been identified and implemented as of October 1, 2021 and have been retrospectively applied to prior years presented.

Subsequent Events

Subsequent events were evaluated through February 13, 2023, 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, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Cash and Cash Equivalents | \$ 307,352 | \$ 42,242 |
| Receivables | 146,938 | 123,727 |
| Total Financial Assets Available to Meet General Expenditures Within One Year | <u>\$ 454,590</u> | <u>\$ 165,969</u> |

**LAUREL HOUSE (DBA: HOPE HARBOR)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|---------------------|---------------------|
| Land | \$ 426,707 | \$ 426,707 |
| Buildings | 989,881 | 989,881 |
| Building Improvements | 1,266,565 | 1,266,565 |
| Vehicles | 94,501 | 94,501 |
| Furniture and Fixtures | 118,873 | 101,242 |
| Total | <u>2,896,527</u> | <u>2,878,896</u> |
| Less: Accumulated Depreciation | <u>(784,098)</u> | <u>(560,652)</u> |
| Property and Equipment, Net | <u>\$ 2,112,429</u> | <u>\$ 2,318,244</u> |

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, 2022 and 2021, 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, 2022 and 2021, receivables of \$146,938 and \$111,938, respectively, were due from OCRM. In addition, the Organization has a payable to OCRM \$1,083,007 and \$746,528 at September 30, 2022 and 2021 for related to construction costs to remodel RipTide. During the years ended September 30, 2022 and 2021, the Organization reimbursed OCRM \$-0- and \$130,000, respectively, for salaries, benefits, and other expenses.



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