

**HOPE HARBOR, INC.**  
ANNUAL FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2020

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Management  
Hope Harbor, Inc.

We have audited the accompanying financial statements of Hope Harbor, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 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.

### ***AUDITOR'S 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 of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***OPINION***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Harbor, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

***REPORT ON SUPPLEMENTARY INFORMATION***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of thrift store operations on page 14 is presented for purposes of additional analysis 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,

A handwritten signature in black ink that reads "David Clanin CPA PLLC". The signature is written in a cursive, flowing style.

**DAVID CLANIN CPA PLLC**

February 9, 2022

HOPE HARBOR, INC.  
**STATEMENT OF FINANCIAL POSITION**  
 DECEMBER 31, 2020

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<b>Assets</b>		
<b>Assets</b>		
Cash and cash equivalents	\$	269,977
Cash - Restricted		61,516
Investments		413,217
Inventory		<u>25,000</u>
<b>Subtotal</b>		<u><u>769,710</u></u>
<b>Property and Equipment</b>		
Non-depreciable		
Land		171,250
Depreciable		
Building and improvements		3,292,958
Furniture and office equipment		484,236
Vehicles		<u>106,170</u>
<b>Total Property and Equipment</b>		4,054,614
Less: Accumulated depreciation		<u>(1,509,120)</u>
<b>Net Property and Equipment</b>		<u><u>2,545,494</u></u>
<b>Total Assets</b>	<b>\$</b>	<u><u>3,315,204</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$	10,280
Notes Payable		175,289
Annuity payable		<u>96,350</u>
<b>Total Liabilities</b>		<u>281,919</u>
<b>Net Assets</b>		
Without donor restrictions		2,881,769
With donor restrictions		<u>151,516</u>
<b>Total Net Assets</b>		<u><u>3,033,285</u></u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<u><u>3,315,204</u></u>

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

HOPE HARBOR, INC.  
**STATEMENT OF ACTIVITIES**  
DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
<b>Revenues, gains and other support</b>				
Contributions	\$ 853,986	\$ 95,089	\$ -	\$ 949,075
Grants	201,235	-	-	201,235
Tuition and fees	133,652	-	-	133,652
Thrift store revenue, net of direct expenses of \$400,820	(751)	-	11,107	10,356
Investment income	4,728	6,370	-	11,098
Realized and unrealized loss on investments	34,796	-	-	34,796
Other	32,793	-	(11,107)	21,686
<b>Total revenues, gains and other support</b>	<u>1,260,439</u>	<u>101,459</u>	<u>-</u>	<u>1,361,898</u>
Net Assets Released from Restrictions	<u>183,190</u>	<u>(183,190)</u>	<u>-</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>1,443,629</u>	<u>(81,731)</u>	<u>-</u>	<u>1,361,898</u>
<b>Expenses</b>				
Residential group care	515,750	-	-	515,750
School	347,917	-	-	347,917
Fundraising	114,031	-	-	114,031
Management and general	291,389	-	-	291,389
<b>Total Expenses</b>	<u>1,269,088</u>	<u>-</u>	<u>-</u>	<u>1,269,088</u>
<b>Change in net assets</b>	174,541	(81,731)	-	92,810
<b>Net Assets, beginning of year</b>	<u>2,707,228</u>	<u>233,247</u>	<u>-</u>	<u>2,940,475</u>
<b>Net Assets, end of year</b>	<u>\$ 2,881,769</u>	<u>\$ 151,516</u>	<u>\$ -</u>	<u>\$ 3,033,285</u>

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

HOPE HARBOR, INC.  
**STATEMENT OF FUNCTIONAL EXPENSES**  
 DECEMBER 31, 2020

	<u>Program Services</u>			<u>Management and General</u>	<u>Total</u>
	<u>Residential Group Care</u>	<u>School</u>	<u>Fundraising</u>		
<b>Salaries and Related Expenses</b>					
Salaries and wages	\$ 251,971	\$ 232,078	\$ 59,677	\$ 119,355	\$ 663,081
Payroll taxes	16,737	15,416	3,964	7,928	44,045
Employee benefits	50,392	32,135	2,568	22,538	107,633
Total salaries and related expenses	<u>319,100</u>	<u>279,629</u>	<u>66,209</u>	<u>149,821</u>	<u>814,759</u>
<b>Expenses</b>					
Supplies and small equipment	26,200	18,198	-	3,951	48,349
Training and education	1,416	205	-	651	2,272
Travel, per diem and housing allowance	14,992	-	-	3,673	18,665
Utilities	28,612	14,817	-	7,664	51,093
Miscellaneous	2,489	671	-	7,619	10,779
Maintenance and repairs	36,057	-	-	-	36,057
Professional services	6,478	5,861	-	31,400	43,739
Fundraising and development	-	-	5,033	-	5,033
Insurance	25,941	9,011	-	44,837	79,789
Postage and printing	-	-	39,916	4,435	44,351
Annuity costs	-	-	2,873	-	2,873
Total expenses before interest and depreciation	<u>461,285</u>	<u>328,392</u>	<u>114,031</u>	<u>254,051</u>	<u>1,157,759</u>
Interest	-	-	-	8,563	8,563
Depreciation	<u>54,465</u>	<u>19,525</u>	<u>-</u>	<u>28,775</u>	<u>102,766</u>
Total expenses	<u>\$ 515,750</u>	<u>\$ 347,917</u>	<u>\$ 114,031</u>	<u>\$ 291,389</u>	<u>\$ 1,269,088</u>

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

HOPE HARBOR, INC.  
**STATEMENT OF CASH FLOWS**  
 DECEMBER 31, 2020

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**Cash flows from operating activities**

Increase (decrease) in net assets	\$ 92,810
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	118,077
Reinvested interest and dividends	(7,777)
Realized and unrealized (gain) loss on investments	(34,796)
Change in operating assets/liabilities	
Increase in accounts payable and accrued expenses	1,190
Net cash provided by (used in) operating activities	<u>169,504</u>

**Cash flows from investing activities**

Purchases of property and equipment	(178,638)
Proceeds from sale of investments	10,050
Purchases of investments	<u>(25,000)</u>
Net cash provided by (used in) investing activities	<u>(193,588)</u>

**Cash flow from financing activities**

Principal payments on annuities	(6,527)
Principal payments on long-term debt	<u>(14,970)</u>
Net cash provided by (used in) financing activities	<u>(21,497)</u>

**Change in cash**

<b>Change in cash</b>	(45,581)
<b>Cash and cash equivalents, beginning of year</b>	<u>377,074</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 331,493</u>

**Presented on the Statement of Financial Position:**

Cash and cash equivalents	269,977
Cash - restricted	<u>61,516</u>
	<u>\$ 331,493</u>

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



### **Note 1 - Nature of Organization**

Hope Harbor, Inc. (the Organization) is an Oklahoma nonprofit corporation whose purpose is to provide a full range of social and educational services to youth and their families experiencing social and emotional conflicts. The Organization provides residential and classroom facilities at its campus near Claremore, Oklahoma. Directors are appointed by Elders of the Blue Starr Church of Christ in Claremore, Oklahoma. During September 2010, the Organization established Thrift Harbor, LLC, a wholly owned and controlled subsidiary for the purpose of operating thrift stores to provide financial support for the Organization's general operations.

### **Note 2 - Summary of Significant Accounting Policies**

**Basis of presentation** – The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require Hope Harbor, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Hope Harbor, Inc.'s management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Hope Harbor, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Measure of operations** – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Hope Harbor, Inc.'s ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

**Cash and cash equivalents** – Hope Harbor, Inc.'s cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

**Concentrations of credit risk** – Financial instruments that potentially subject Hope Harbor, Inc. to concentrations of credit risk consist principally of cash and cash equivalents and investments. Hope Harbor, Inc. maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Hope Harbor, Inc.'s cash and cash equivalent accounts have been placed with high credit quality financial institutions. Hope Harbor, Inc. has not experienced, nor does it anticipate, any losses with respect to such accounts.

**Inventory** - Inventory of donated thrift store merchandise is stated at estimated fair market value.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Property and equipment, net** – Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to seven years. Hope Harbor, Inc.'s policy is to capitalize renewals and betterments acquired for greater than \$500 and expense normal repairs and maintenance as incurred. Hope Harbor, Inc.'s management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

**Investments** – Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

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

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

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

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

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Contributions** – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

**Functional expenses** – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis.

**Use of estimates** – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Income taxes** – Hope Harbor, Inc. is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Hope Harbor, Inc. has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Hope Harbor, Inc. has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

**Note 3 - Availability and Liquidity**

The following represents Hope Harbor, Inc.'s financial assets at December 31, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 331,493
Investments	<u>413,217</u>
Total Financial Assets	1,496,664
Less amounts not available to be used within one year:	
Net assets with donor restrictions	151,516
Less net assets with purpose restrictions to be met in less than a year	<u>(61,516)</u>
	<u>90,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,406,664</u>

**Note 4 - Investments**

The following is a summary of investments at December 31, 2020:

	<u>2020</u>
Cash equivalents	\$ 47,043
Equity Funds	164,230
International Equity Funds	30,110
Bond funds	<u>171,834</u>
	<u>\$ 413,217</u>

HOPE HARBOR, INC.  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2020

**Note 5 - Property and Equipment**

Changes in Property and Equipment for the year ended December 31, 2020 are summarized as follows:

	Balance 1/1/2020	Additions	Disposals	Balance 12/31/2020
Non-depreciable				
Land	\$ 171,250	\$ -	\$ -	\$ 171,250
Construction-in-progress	1,050,505	-	(1,050,505)	-
Depreciable				
Buildings and improvements	2,097,031	1,195,927	-	3,292,958
Furniture and equipment	451,020	33,216	-	484,236
Vehicles	106,170	-	-	106,170
Total Property and Equipment	3,875,976	1,229,143	(1,050,505)	4,054,614
Less Accumulated Depreciation	(1,391,043)	(118,077)	-	(1,509,120)
Net Property and Equipment	<u>\$ 2,484,933</u>	<u>\$1,111,066</u>	<u>\$ (1,050,505)</u>	<u>\$ 2,545,494</u>

Depreciation expense for the year ended December 31, 2020 was \$118,077. The organization allocated \$102,766 to Hope Harbor and \$15,312 to thrift store operations.

**Note 6 - Net Assets**

At December 31, 2020, net assets with donor restrictions consisted of the following:

Capital Campaign	\$ 50,916
Endowment fund	90,000
Samaritan Fund	3,810
FSA	788
Construction and Building Fund	6,002
	<u>\$ 151,516</u>

**Note 7 - Employee Benefit Plan**

The Organization has a 403(b) benefit plan that covers all employees. The Organization provides a discretionary matching contribution subject to Internal Revenue Code limitations. Employer contributions for the year ended December 31, 2020 were \$28,539.

**Note 8 - Hope Harbor Foundation, Inc.**

The Foundation was formed in April 2007 for the purpose of holding and investing funds and making distributions to organizations that qualify as exempt under Section 501(c)(3) of the Internal Revenue Code for charitable, religious, educational, or scientific purposes. The Foundation's directors are appointed by and serve at the pleasure of the Elders of the Blue Starr Church of the Christ (the Church). Members of the Foundation board of directors shall not include those serving as a director of Hope Harbor, Inc. Because the Organization does not control the Foundation by Board Membership or otherwise, the Foundation's financial statements are not consolidated with the Organization's financial statements.

**Note 9 - Notes Payable**

During 2012, the Organization entered into an agreement to purchase a building in Claremore, OK for \$140,000 to be used for its thrift store – Thrift Harbor LLC. The note is secured by the building and is being carried by the previous owner of the building at an interest rate of 4% over a 15-year period. The note matures in 2027. Cash paid for interest on the note was \$3,170 in 2020.

Maturities of long-term debt are as follows:

	Principal	Interest	Total
2021	\$ 9,634	\$ 2,792	\$ 12,426
2022	10,027	2,400	12,427
2023	10,435	1,991	12,426
2024	10,861	1,566	12,427
2025	11,303	1,124	12,427
Thereafter	<u>21,933</u>	<u>850</u>	<u>22,783</u>
Total	\$ 74,193	\$ 10,723	\$ 84,916

During 2020, the Organization entered into an agreement to purchase a warehouse near Claremore, OK for \$115,000 to be used for storage of donated items for its thrift store. The note is secured by the building and bears an interest rate of 5% over a 15-year period. The note matures in 2033. Cash paid for interest on the note was \$5,394 in 2020.

	Principal	Interest	Total
2021	\$ 6,016	\$ 5,091	\$ 11,107
2022	6,335	4,772	11,107
2023	6,670	4,437	11,107
2024	7,024	4,083	11,107
2025	7,396	3,710	11,106
Thereafter	<u>67,655</u>	<u>13,793</u>	<u>81,448</u>
Total	\$ 101,096	\$ 35,886	\$ 136,982

HOPE HARBOR, INC.  
NOTES TO FINANCIAL STATEMENT  
December 31, 2020

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**Note 9 – Notes Payable (continued)**

Changes in long-term for the year ended December 31, 2020 was as follows:

	Balance		Balance	
	December 31, 2019	Proceeds	Payments	December 31, 2020
Warehouse	\$ 106,809	\$ -	\$ 5,713	\$ 101,096
Thrift Store	83,450	-	9,257	74,193
	<u>\$ 190,259</u>	<u>\$ -</u>	<u>\$ 14,970</u>	<u>\$ 175,289</u>

**Note 10 - Endowment**

The Home has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), as adopted by the state of Oklahoma, as requiring the preservation of the fair value of an endowment gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Home classifies as donor restricted (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**Note 11 - Subsequent Events**

Management has evaluated subsequent events through the date of the auditor's report, the date in which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



HOPE HARBOR, INC.  
THRIFT STORES – STATEMENT OF REVENUES AND EXPENSES  
DECEMBER 31, 2020

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<b>Operating Revenues</b>	
Merchandise sales	\$ 352,825
Bulk clothing sales	47,244
<b>Total Operating Revenues</b>	<u>400,069</u>
<b>Operating Expenses</b>	
Advertising	250
Automobile	22,658
Credit card merchant fees	6,478
Maintenance and repairs	220
Meals and entertainment	2,357
Office and store supplies	6,356
Payroll processing fees	2,196
Professional fees	2,554
Phone and internet	5,991
Rent	68,107
Salaries and wages	222,384
Payroll taxes	18,585
Utilities	20,391
Depreciation	15,312
Miscellaneous	6,981
<b>Total Operating Expenses</b>	<u>400,820</u>
<b>Operating Income (Loss)</b>	<u>(751)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest expense	(3,170)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(3,170)</u>
<b>Net Income (Loss)</b>	<u>\$ (3,921)</u>