

Audited
Financial
Statements

June 30, 2020

SAFE HARBOUR, INC.

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis	3
Statements of Support, Revenue, Expenses, and Changes in Net Assets – Modified Cash Basis	4
Statements of Functional Expenses – Modified Cash Basis	5 - 6
Notes to Financial Statements	7 - 17
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 <i>GOVERNMENT AUDITING STANDARDS</i>	18 - 19



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Safe Harbour, Inc.
Carlisle, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Safe Harbour, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets on a modified cash basis as of June 30, 2020 and 2019, and the related statements of support, revenue, expenses, changes in net assets, and functional expenses on a modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 we have 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 assets, liabilities, and net assets of Safe Harbour, Inc. as of June 30, 2020 and 2019, and its support, revenue, expenses, and changes in net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, with the exception of deferred revenue. As discussed in Note 14, the financial statements report Paycheck Protection Programs funds received but not spent on allowable expenses as deferred revenue. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of Safe Harbour, Inc.'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 effectiveness of Safe Harbour, Inc.'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 Safe Harbour, Inc.'s internal control over financial reporting and compliance.

Smith Elliott Kearn & Company, LLC.

Carlisle, Pennsylvania
October 28, 2020

SAFE HARBOUR, INC.
Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis
June 30, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 511,151	\$ 350,004
Resident receivable	4,567	4,667
Total Current Assets	<u>515,718</u>	<u>354,671</u>
Assets Limited As To Use		
Tenant security deposits	14,371	17,036
Endowment fund	145,430	122,647
Total Assets Limited As To Use	<u>159,801</u>	<u>139,683</u>
Other Assets		
Property and equipment, net	892,712	896,891
Deposit on property	25,000	-
Total Other Assets	<u>917,712</u>	<u>896,891</u>
TOTAL ASSETS	<u>\$ 1,593,231</u>	<u>\$ 1,391,245</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Tenant security deposits	\$ 14,371	\$ 17,036
Deferred revenue	20,374	-
Payroll taxes and garnishments	2,144	1,847
Total Current Liabilities	<u>36,889</u>	<u>18,883</u>
Net Assets		
Net assets without donor restriction		
Undesignated	1,410,912	1,249,715
Board designated, Endowment	145,430	122,647
Total Net Assets	<u>1,556,342</u>	<u>1,372,362</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,593,231</u>	<u>\$ 1,391,245</u>

SAFE HARBOUR, INC.
Statements of Support, Revenue, Expenses, and
Changes in Net Assets – Modified Cash Basis
Years Ended June 30, 2020 and 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTION		
REVENUES, GAINS AND OTHER SUPPORT		
Program fees/rents	\$ 187,684	\$ 172,706
Contributions	377,319	285,677
Paycheck Protection Program	58,126	-
United Way	56,756	55,355
Grants	241,899	104,698
Net commercial rental income	6,630	8,989
Net investment income	7,555	12,195
Unrealized loss on investments	(6,363)	(1,420)
Other income	165	30
Loss on disposal of fixed assets	-	(4,675)
Total Revenues, Gains, and Other Support	<u>929,771</u>	<u>633,555</u>
EXPENSES		
Program Services:		
Bridge Housing	-	286,418
Harbour Place	37,132	26,063
Permanent Housing	875	-
Wilson House	35,198	33,908
Emergency Shelter	550,194	239,318
Rapid Rehousing	850	574
Shelter Plus Care	1,937	5,355
Smith Farms	8,104	-
Total Program Services	<u>634,290</u>	<u>591,636</u>
Supporting Services:		
Management and general	23,240	22,073
General fundraising	88,261	78,410
Total Supporting Services	<u>111,501</u>	<u>100,483</u>
Total Expenses	<u>745,791</u>	<u>692,119</u>
Increase (decrease) in net assets	183,980	(58,564)
NET ASSETS WITHOUT DONOR RESTRICTION - BEGINNING	<u>1,372,362</u>	<u>1,430,926</u>
NET ASSETS WITHOUT DONOR RESTRICTION - ENDING	<u>\$ 1,556,342</u>	<u>\$ 1,372,362</u>

SAFE HARBOUR, INC.
Statement of Functional Expenses – Modified Cash Basis
Year Ended June 30, 2020

	Program Services							Supporting Services		Total
	Harbour Place	Permanent Housing	Wilson House	Emergency Shelter	Rapid Rehousing	Shelter Plus Care	Smith Farms	Management and General	Fundraising	
Salaries and wages	\$ 15,100	\$ -	\$ 15,100	\$ 262,732	\$ -	\$ -	\$ -	\$ 9,060	\$ 49,396	\$ 351,388
Staff benefits	3,145	-	3,145	54,727	-	-	-	1,887	10,289	73,193
Payroll taxes	1,155	-	1,155	20,099	-	-	-	693	3,779	26,881
Professional fees	-	-	-	28,449	-	-	8,104	-	-	36,553
Office expense	-	-	-	5,458	-	-	-	606	-	6,064
Supplies	635	-	-	7,617	-	-	-	255	-	8,507
Telephone	1,288	-	550	7,871	-	-	-	-	-	9,709
Postage	-	-	-	1,785	-	-	-	-	-	1,785
Maintenance and repairs	1,730	529	425	18,882	-	-	-	-	-	21,566
Utilities	7,226	204	4,756	46,637	-	-	-	1,819	-	60,642
Outside services	1,377	14	227	28,336	-	175	-	1,713	-	31,842
Travel	-	-	-	2,571	-	-	-	-	-	2,571
Insurance	-	-	-	12,846	-	-	-	397	-	13,243
Depreciation	5,476	-	9,840	31,735	850	1,762	-	6,810	-	56,473
Dues and subscriptions	-	-	-	4,667	-	-	-	-	-	4,667
Training	-	-	-	2,680	-	-	-	-	-	2,680
Resident program education	-	128	-	2,044	-	-	-	-	-	2,172
Miscellaneous	-	-	-	3,650	-	-	-	-	-	3,650
Information technology	-	-	-	7,408	-	-	-	-	-	7,408
Fundraising	-	-	-	-	-	-	-	-	24,797	24,797
	<u>\$ 37,132</u>	<u>\$ 875</u>	<u>\$ 35,198</u>	<u>\$ 550,194</u>	<u>\$ 850</u>	<u>\$ 1,937</u>	<u>\$ 8,104</u>	<u>\$ 23,240</u>	<u>\$ 88,261</u>	<u>\$ 745,791</u>

SAFE HARBOUR, INC.
Statement of Functional Expenses – Modified Cash Basis
Year Ended June 30, 2019

	Program Services						Supporting Services		Total
	Bridge Housing	Harbour Place	Wilson House	Emergency Shelter	Rapid Rehousing	Shelter Plus Care	Management and General	Fundraising	
Salaries and wages	\$ 102,242	\$ 14,200	\$ 14,200	\$ 144,843	\$ -	\$ -	\$ 8,520	\$ 30,125	\$ 314,130
Staff benefits	22,097	3,070	3,070	31,304	-	-	1,841	6,511	67,893
Payroll taxes	7,821	1,086	1,086	11,080	-	-	652	2,305	24,030
Professional fees	25,438	-	-	7,282	-	-	-	-	32,720
Office expense	2,852	-	-	2,529	-	-	598	-	5,979
Supplies	7,407	-	-	1,997	-	-	291	-	9,695
Telephone	6,753	-	413	1,080	-	-	-	-	8,246
Postage	1,034	-	-	-	-	-	-	-	1,034
Maintenance and repairs	23,510	-	-	352	26	-	-	-	23,888
Utilities	26,256	2,020	5,330	23,728	-	-	1,773	-	59,107
Outside services	16,457	449	1,141	3,673	14	-	-	-	21,734
Travel	434	-	-	-	-	-	714	-	1,148
Insurance	8,734	-	-	-	-	2,975	362	-	12,071
Depreciation	19,325	5,238	8,668	9,660	496	2,380	7,322	-	53,089
Permits and licensing	283	-	-	-	-	-	-	-	283
Dues and subscriptions	4,019	-	-	-	-	-	-	-	4,019
Training	4,683	-	-	175	38	-	-	-	4,896
Resident program education	2,767	-	-	1,530	-	-	-	-	4,297
Miscellaneous	4,306	-	-	85	-	-	-	-	4,391
Fundraising	-	-	-	-	-	-	-	39,469	39,469
	<u>\$ 286,418</u>	<u>\$ 26,063</u>	<u>\$ 33,908</u>	<u>\$ 239,318</u>	<u>\$ 574</u>	<u>\$ 5,355</u>	<u>\$ 22,073</u>	<u>\$ 78,410</u>	<u>\$ 692,119</u>

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Safe Harbour, Inc. is incorporated under Pennsylvania law as a nonprofit corporation. Located in Carlisle, Pennsylvania, the Organization provides shelter and supportive services for homeless individuals and families through short and long term emergency shelter; a Rapid Re-Housing Program; permanent housing, known as Harbour Place and Wilson House Apartments; and a Shelter Plus Care Program for permanent housing. HUD Section 8 housing assistance is accepted for the permanent housing programs.

Basis of Accounting

As is the case of many organizations of this type, the accounts are maintained, and the financial statements are presented, on a modified cash basis. Therefore, receivables, payables, and accrued income and expense, which may be material in amount, are not reflected on the modified cash basis statements. Consequently, these statements are not intended to present the overall financial position or results of operations in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its statements of assets, liabilities and net assets, and statements of support, revenue, expenses, and changes in net assets according to two classes of net assets: net assets without donor restriction and net assets with donor restriction. A description of the two net asset categories follows:

Net assets without donor restriction – Net assets that are not subject to donor-imposed restrictions. Without donor restriction net assets may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restriction – Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time and net assets subject to donor-imposed restrictions that are to be maintained permanently by the Organization.

Cash

For purposes of the financial statements, the Organization considers all highly liquid investments with an original maturity date of three months or less as a cash equivalent.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Limited as to Use

Assets limited as to use includes tenant security deposits and board-designated investments. The investments are held within the Organization's endowment fund and can be designated by the board for various uses, as long as the requirements set forth in the Investment Policy, as described in Note 9, are followed.

Investments

Investments in debt and equity securities with readily determinable market values are reported at market value. Unrealized gains and losses are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restriction unless their use is restricted by donor stipulation or by law.

Market Risks

The Organization invests in various investment securities, which are exposed to various risks, such as interest rate, market, currency 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 that such changes could be material.

In addition, recent economic uncertainty and market events as a result of the COVID-19 pandemic and other market forces have led to unprecedented volatility in currency, commodity, credit and equity markets. These recent events underscore the level of investment risk associated with the current economic environment, and accordingly the level of risk in the endowment and beneficial interest in perpetual and remainder trusts.

Revenue and Support

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction support depending on the existence and/or nature of any donor restrictions. Grants and other contributions of cash and other assets are reported as net assets with donor restriction support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, or when the stipulated time restriction that the donor placed on the asset ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of support, revenue, expenses, and changes in net assets as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restriction contributions.

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and Materials

A significant amount of volunteer time and non-cash items are donated to the Organization throughout the year. For the years ended June 30, 2020 and 2019, non-cash donations were valued at \$ 131,115 and \$ 111,374, respectively. This balance is comprised of food, miscellaneous supplies, and Christmas gifts. This amount is not recognized as contributions in the financial statements under the modified cash basis of accounting. In addition, volunteer time is not valued for financial reporting purposes.

Functional Allocation of Expenses

The costs of providing the Organization's programs and activities have been summarized on a functional basis in the Statements of Support, Revenue, Expenses, and Changes in Net Assets – Modified Cash Basis, and in the Statements of Functional Expenses – Modified Cash Basis, based on management's estimate of the time and expense spent for each of the functions. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain previously reported amounts for 2019 were reclassified to be comparable to the reported amounts for 2020.

NOTE 2 INCOME TAX

The Organization has elected under provisions of the Internal Revenue Code Section 501(c)(3), and under the laws of the Commonwealth of Pennsylvania to be exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization is not deemed to be a private foundation by the Internal Revenue Service.

The Organization follows the modified cash basis of accounting, which provides guidance on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The Organization's policy is to recognize interest and penalties on unrecognized tax matters in income tax expense in the financial statements. The Organization's tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Purchases in excess of \$ 1,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. Depreciation expense for the years ended June 30, 2020 and 2019 was \$ 59,445 and \$ 55,883, respectively. The amount allocated to net commercial rental income was \$ 2,972 for 2020 and \$ 2,794 for 2019.

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 3 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment consists of the following at June 30:

	2020	2019
Land	\$ 78,566	\$ 78,566
Buildings	1,030,461	1,030,461
Improvements	552,672	497,407
Fixtures and equipment	230,781	230,781
Vehicles	21,958	21,958
	<u>1,914,438</u>	<u>1,859,173</u>
Less: Accumulated depreciation	<u>1,021,726</u>	<u>962,282</u>
Net property and equipment	<u>\$ 892,712</u>	<u>\$ 896,891</u>

NOTE 4 INVESTMENTS

The composition of investments in the Organization's investment portfolio at June 30, 2020 and 2019 is set forth in the following schedule:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Board-designated investments (endowment fund)				
Money Market Funds	\$ 7,518	\$ 7,518	\$ 5,931	\$ 5,931
Mutual Funds - Fixed income	83,982	85,627	66,205	74,719
Mutual Funds - Equities	51,748	52,285	41,965	41,997
	<u>\$ 143,248</u>	<u>\$ 145,430</u>	<u>\$ 114,101</u>	<u>\$ 122,647</u>

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 5 GRANTS

Grant revenue consisted of the following during the years ended June 30:

	2020	2019
Emergency Shelter - HAP Grant	\$ 42,028	\$ 48,750
Rapid Rehousing- Home Depot	-	8,500
Emergency Shelter - Berks County Intermediate Unit	7,500	-
Emergency Shelter - St. Johns Episcopal Church	10,000	-
Emergency Shelter - Partnership for Better Health	5,000	-
Emergency Shelter - Kiwanis Foundation	500	-
Emergency Shelter - Kline Foundation	5,000	-
Emergency Shelter - The Foundation for Enhancing Communities	2,000	-
Emergency Shelter - Walmart Foundation	1,000	-
Emergency Shelter - Carlisle Barracks Spouses Club	2,050	-
Emergency Shelter - Wellspan Health	3,000	-
Emergency Shelter - United Way Emergency Food and Shelter Grant Program	3,000	-
Emergency Shelter - ESG	61,788	-
Emergency Shelter - CDBG	99,033	47,448
	<hr/>	<hr/>
Total grant revenue	<u>\$ 241,899</u>	<u>\$ 104,698</u>

NOTE 6 FUNDRAISING

The Organization conducted several fundraising activities during the year. Support received from these efforts for the years ended June 30, 2020 and 2019 was \$ 61,501 and \$ 49,619, respectively, and is included in contribution income on the financial statements. Total fundraising expenses for the years ended June 30, 2020 and 2019 were \$ 24,797 and \$ 39,469, respectively.

NOTE 7 LINES OF CREDIT

The Organization has an unsecured line-of-credit for \$ 200,000 with F & M Trust. The line of credit is due on demand and bears interest at the prime rate. The Organization had no draws on this line of credit at June 30, 2020 and 2019.

The Organization has an unsecured line-of-credit for \$ 700,000 with F & M Trust to be used for long term investment real estate acquisitions. Upon use of the line-of-credit the organization has two interest rate options to choose from: variable at U.S. Prime Rate, or fixed based upon current market conditions with a minimum of 2.50% over the Bank's Internal Transfer Rate for an initial period of time and thereafter variable at the U.S. Prime Rate. The term of the loan is 10 years for each draw with an amortization period of 20 years. The line-of-credit is to be renewed on an annual basis as of December 31. The Organization had no draws on this line of credit at June 30, 2020 and 2019.

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 8 LEASES

The Organization leases a portion of the Bridge Housing property to commercial tenants on an annual basis with monthly rental payments. Rental income from the commercial properties was \$ 15,200 and related rental expenses were \$ 8,570 for the year ended June 30, 2020. Rental income from the commercial properties was \$ 17,100 and related rental expenses were \$ 8,111 for the year ended June 30, 2019.

NOTE 9 ENDOWMENTS

The Organization's endowment was established to accumulate a pool of assets sufficient to build capital for future projects and support current operating needs. The Organization's endowment consists of board-designated endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Commonwealth of Pennsylvania has not adopted the Uniform Prudent Management of Institutional Funds Act of 2006. Guidance for the administration of endowment funds in Pennsylvania is provided in Act 141, which was passed by the Pennsylvania legislature in 1998. Under Act 141, Pennsylvania not-for-profit organizations are permitted to elect an annual amount that may be used from their endowment funds based on an annual spending rate between 2% and 7%. Act 141 permits the spending of accumulated principal and income from an endowment fund if the amount withdrawn is less than or equal to the annually elected percentage. The Organization's interpretation of Act 141 classifies all interest income, dividends, and capital appreciation earned by board-designated endowment fund investments as net assets without donor restriction activity. As a result of this interpretation, Safe Harbour, Inc. classifies as net assets without donor restriction – board designated net assets, the original value of gifts donated to the endowment and all earnings thereon.

Safe Harbour, Inc. considers several factors when making a determination to appropriate or accumulate board-designated endowment funds. These factors include the duration and preservation of the fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of Safe Harbour, Inc. and the investment policy of the Organization.

Safe Harbour, Inc. has adopted an investment policy and strategies to achieve the greatest return possible for the amount of risk assumed by the Endowment. Under this policy, assets are invested in a manner intended to produce results that exceed the spending rate plus inflation, as measured by the Consumer Price Index. Actual returns in any year may vary from these goals.

To satisfy the long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Endowment targets a diversified asset allocation that places a greater emphasis on equity and debt-based investments to achieve its long-term return objectives within prudent risk constraints.

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 9 ENDOWMENTS (CONTINUED)

The Organization's investment policy includes specific guidance on the maximum amounts that may be withdrawn from the endowment each year. Each year the Finance Committee can recommend to the Board of Directors, a spending rate for the upcoming year, based upon the budget, not to exceed 5% of the principal value of the Endowment. This approach is consistent with the provisions of Act 141. In the event that additional funds are needed to cover the cost of operations, distributions greater than 5% of the principal value of the Endowment may be authorized by the Board of Directors.

Endowment net assets consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Board designated endowment funds	<u>\$ 145,430</u>	<u>\$ 122,647</u>

The changes in endowment net assets for the years ended June 30, 2020 and 2019 were as follows:

	<u>Unrestricted</u>
Endowment net assets at July 1, 2018	<u>\$ 115,610</u>
Investment return:	
Investment income	9,414
Unrealized depreciation	<u>(1,420)</u>
Total investment return	<u>7,994</u>
Appropriation of endowment assets for expenditure	<u>(957)</u>
Endowment net assets at June 30, 2019	<u>122,647</u>
Contributions	<u>29,297</u>
Investment return:	
Investment income	5,343
Unrealized depreciation	<u>(6,363)</u>
Total investment return	<u>(1,020)</u>
Appropriation of endowment assets for expenditure	<u>(5,494)</u>
Endowment net assets at June 30, 2020	<u>\$ 145,430</u>

NOTE 10 FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuations techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices available in active markets for identical assets or liabilities that the organization can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs that are unobservable inputs for the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Money Market

Carrying value approximates market because of the short-term natures of these investments.

Mutual Funds

Valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held are deemed to be actively traded.

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of the assets measured on a recurring basis as of June 30, 2020 and 2019 are as follows:

<u>At June 30, 2020</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market funds	\$ 7,518	\$ 7,518	\$ -	\$ -
Fixed income mutual funds:				
Intermediate term bond fund	23,687	23,687	-	-
Short term bond fund	28,598	28,598	-	-
Total fixed income mutual funds	<u>52,285</u>	<u>52,285</u>	<u>-</u>	<u>-</u>
Equity mutual funds:				
Large cap fund	46,724	46,724	-	-
Mid cap fund	15,716	15,716	-	-
Small cap fund	12,585	12,585	-	-
Foreign large cap fund	10,602	10,602	-	-
Total equity mutual funds	<u>85,627</u>	<u>85,627</u>	<u>-</u>	<u>-</u>
	<u>\$ 145,430</u>	<u>\$ 145,430</u>	<u>\$ -</u>	<u>\$ -</u>
<u>At June 30, 2019</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market funds	\$ 5,931	\$ 5,931	\$ -	\$ -
Fixed income mutual funds:				
Intermediate term bond fund	15,403	15,403	-	-
Short term bond fund	26,594	26,594	-	-
Total fixed income mutual funds	<u>41,997</u>	<u>41,997</u>	<u>-</u>	<u>-</u>
Equity mutual funds:				
Large cap fund	41,093	41,093	-	-
Mid cap fund	14,017	14,017	-	-
Small cap fund	10,953	10,953	-	-
Foreign large cap fund	8,656	8,656	-	-
Total equity mutual funds	<u>74,719</u>	<u>74,719</u>	<u>-</u>	<u>-</u>
	<u>\$ 122,647</u>	<u>\$ 122,647</u>	<u>\$ -</u>	<u>\$ -</u>

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 11 CONTINGENCIES

For the years ending June 30, 2020 and 2019, 73% and 70%, respectively, of the Organization's total revenue was from contributions and grants. A reduction in this funding could have a significant negative impact on the Organization.

NOTE 12 RISKS AND UNCERTAINTIES

Recent economic and government reactions to the COVID-19 pandemic have resulted in temporary reductions or shut down of operations for some businesses and created many economic uncertainties. These uncertainties include but are not limited to disruption of supply chains and the Organization's workforce. These events may impact our financial condition and operating results; however, the financial impact and duration cannot be reasonably estimated at this time.

NOTE 13 DEPOSIT ON PROPERTY

On June 4, 2020 the Organization signed an Agreement of Sale with Smith Farm Partners, LLC to purchase approximately 5 acres of undeveloped land for \$ 175,000 per acre but not exceed a maximum of \$ 875,000. An earnest money deposit in the amount of \$ 25,000 was paid in the current year and is included on the Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis as deposit on property. The earnest money deposit is refundable until the second earnest money deposit of \$ 25,000 is paid. The second earnest money deposit is due within five days of the expiration of the due diligence period, which ended October 4, 2020. The earnest money deposit will be credited against the purchase price at closing.

NOTE 14 DEFERRED REVENUE

In April 2020, the Organization was approved and received \$ 78,500 through the U.S. Treasury's Paycheck Protection Program (PPP), a government initiated economic stimulus program to provide loans to assist small businesses that have been impacted by closures as result of the COVID-19 pandemic. Under the terms of the PPP, the loan will be due in two years and bears interest at 1%, with payments deferred for 6 months and interest will continue to accrue over this period. The loan may be forgiven if the loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 24-week period after the loan is made and employee and compensation levels are maintained. The Organization fully expects this loan to be forgiven. During the year ended June 30, 2020 \$ 58,126 of the PPP funds were expended for allowable costs.

The Organization has reported the remaining PPP receipts as deferred revenue as the conditions for forgiveness were not met as of June 30, 2020:

	<u>2020</u>
Paycheck Protection Program	<u>\$20,374</u>

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 15 COMMITMENTS

The Organization has entered into an agreement with Mullin & Lonergan Associates, Inc. for a maximum of \$ 210,000 for assistance with development of an affordable housing project under Section 42 of the Internal Revenue Code, of which \$ 3,461 has been paid as of June 30, 2020.

The Organization has entered into an agreement with BL Companies for a maximum of \$ 1,800 for environmental assessment services related to the development of an affordable housing project under Section 42 of the Internal Revenue Code, of which \$ 0 has been paid as of June 30, 2020.

NOTE 16 LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of assets, liabilities, and net assets – modified cash basis date for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets at year end		
Cash and cash equivalents	\$ 511,151	\$ 350,004
Resident receivable	4,567	4,667
Endowment fund	<u>145,430</u>	<u>122,647</u>
Total financial assets	661,148	477,318
Less restricted amounts		
Board designated endowment fund	(145,430)	(122,647)
Plus yearly allocations from endowments		
Endowment spending-rate distributions and appropriations	7,272	6,132
	<u>\$ 522,990</u>	<u>\$ 360,803</u>

The Organization's board designated endowment of \$ 145,430 is subject to an annual spending rate of 5% as described in Note 9. Although the Organization does not intend to spend this board-designated endowment (other than amounts appropriated for general expenditures as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note 7, the Organization has a line of credit in the amount of \$ 200,000, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 17 SUBSEQUENT EVENTS

The Organization has evaluated events and transactions subsequent to June 30, 2020 through October 28, 2020, the date these financial statements were available to be issued. Management has not identified any events requiring recognition or disclosure in the financial statements.



**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***

Board of Directors
Safe Harbour, Inc.
Carlisle, Pennsylvania

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 Safe Harbour, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets on a modified cash basis as of June 30, 2020, and the related statements of support, revenue, expenses, and changes in net assets on a modified cash basis, and functional expenses on a modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Safe Harbour, Inc.’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Safe Harbour, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Safe Harbour, Inc.’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 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 the 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 Safe Harbour, Inc.'s financial statements are free of 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 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 of 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.

Smith Elliott Kearn & Company, LLC.

Carlisle, Pennsylvania
October 28, 2020