

Audited
Financial
Statements

June 30, 2022

SAFE HARBOUR, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Safe Harbour, Inc.
Carlisle, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

Opinion

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, 2022 and 2021, and the related statements of support, revenue, expenses, and changes in net assets, and functional expenses all on a modified cash basis 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 assets, liabilities, and net assets of Safe Harbour, Inc. as of June 30, 2022 and 2021, 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 for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Safe Harbour, Inc. 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.

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. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Safe Harbour, Inc.'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 Safe Harbour, Inc.'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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2023, 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 Hearn & Company, LLC.

Carlisle, Pennsylvania
January 14, 2023

SAFE HARBOUR, INC.
Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 594,529	\$ 668,420
Resident receivable	1,667	4,167
Total Current Assets	<u>596,196</u>	<u>672,587</u>
Assets Limited As To Use		
Tenant security deposits	19,005	19,240
Endowment fund	724,715	662,134
Total Assets Limited As To Use	<u>743,720</u>	<u>681,374</u>
Other Assets		
Property and equipment, net	862,574	845,415
Construction in progress	-	21,433
Harbour Village investment	188,950	52,500
Total Other Assets	<u>1,051,524</u>	<u>919,348</u>
TOTAL ASSETS	<u>\$ 2,391,440</u>	<u>\$ 2,273,309</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Tenant security deposits	\$ 19,005	\$ 19,240
Payroll taxes and garnishments	1,959	1,900
Notes payable	70,000	-
Total Current Liabilities	<u>90,964</u>	<u>21,140</u>
Net Assets		
Net assets without donor restriction		
Undesignated	1,575,761	1,590,035
Board designated, Endowment	724,715	662,134
Total Net Assets	<u>2,300,476</u>	<u>2,252,169</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,391,440</u>	<u>\$ 2,273,309</u>

SAFE HARBOUR, INC.
Statements of Support, Revenue, Expenses, and
Changes in Net Assets – Modified Cash Basis
Years Ended June 30, 2022 and 2021

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTION		
REVENUES, GAINS AND OTHER SUPPORT		
Program fees/rents	\$ 188,591	\$ 184,088
Contributions	443,526	776,354
Paycheck Protection Program	-	20,374
United Way	78,398	56,851
Grants	311,749	316,797
Net commercial rental income	18,884	14,459
Net investment income	67,797	12,025
Unrealized gain/(loss) on investments	(172,670)	71,143
Other income	1,291	1,094
Total Revenues, Gains, and Other Support	937,566	1,453,185
EXPENSES		
Program Services:		
Harbour Place	40,264	41,492
Permanent Housing	919	1,991
Wilson House	46,558	50,208
Emergency Shelter	583,006	520,792
Rapid Rehousing	850	850
Shelter Plus Care	2,529	2,186
Smith Farm	90,744	29,703
Total Program Services	764,870	647,222
Supporting Services:		
Management and general	24,167	21,218
General fundraising	100,222	88,918
Total Supporting Services	124,389	110,136
Total Expenses	889,259	757,358
Increase in net assets	48,307	695,827
NET ASSETS WITHOUT DONOR RESTRICTION - BEGINNING	2,252,169	1,556,342
NET ASSETS WITHOUT DONOR RESTRICTION - ENDING	\$ 2,300,476	\$ 2,252,169

SAFE HARBOUR, INC.
Statement of Functional Expenses – Modified Cash Basis
Year Ended June 30, 2022

	Program Services						Supporting Services		Total	
	Harbour Place	Permanent Housing	Wilson House	Emergency Shelter	Rapid Rehousing	Shelter Plus Care	Smith Farm	Management and General		Fundraising
Salaries and wages	\$ 16,773	\$ -	\$ 16,773	\$ 291,848	\$ -	\$ -	\$ -	\$ 10,064	\$ 51,387	\$ 386,845
Staff benefits	3,213	-	3,213	55,904	-	-	-	1,928	9,843	74,101
Payroll taxes	1,283	-	1,283	22,327	-	-	-	770	3,931	29,594
Professional fees	-	-	-	24,441	-	-	90,744	-	-	115,185
Office expense	-	-	-	3,412	-	-	-	379	-	3,791
Supplies	-	-	-	6,441	-	-	-	199	-	6,640
Telephone	1,490	-	968	7,038	-	-	-	-	-	9,496
Postage	-	-	-	2,021	-	-	-	-	-	2,021
Maintenance and repairs	735	876	117	18,776	-	343	-	-	8,824	29,671
Utilities	8,869	-	8,829	58,103	-	-	-	2,344	-	78,145
Outside services	2,395	43	3,829	25,838	-	350	-	1,475	-	33,930
Travel	-	-	-	3,178	-	-	-	-	-	3,178
Insurance	-	-	-	15,264	-	-	-	472	-	15,736
Depreciation	5,506	-	11,546	25,922	850	1,836	-	6,446	-	52,106
Interest	-	-	-	-	-	-	-	90	-	90
Dues and subscriptions	-	-	-	3,929	-	-	-	-	-	3,929
Training	-	-	-	3,119	-	-	-	-	-	3,119
Resident program education	-	-	-	4,165	-	-	-	-	-	4,165
Miscellaneous	-	-	-	11,251	-	-	-	-	-	11,251
Information technology	-	-	-	29	-	-	-	-	-	29
Fundraising	-	-	-	-	-	-	-	-	26,237	26,237
	<u>\$ 40,264</u>	<u>\$ 919</u>	<u>\$ 46,558</u>	<u>\$ 583,006</u>	<u>\$ 850</u>	<u>\$ 2,529</u>	<u>\$ 90,744</u>	<u>\$ 24,167</u>	<u>\$ 100,222</u>	<u>\$ 889,259</u>

SAFE HARBOUR, INC.
Statement of Functional Expenses – Modified Cash Basis
Year Ended June 30, 2021

	Program Services						Supporting Services		Total	
	Harbour Place	Permanent Housing	Wilson House	Emergency Shelter	Rapid Rehousing	Shelter Plus Care	Smith Farm	Management and General		Fundraising
Salaries and wages	\$ 15,580	\$ -	\$ 15,580	\$ 271,098	\$ -	\$ -	\$ -	\$ 9,348	\$ 52,040	\$ 363,646
Staff benefits	3,121	-	3,121	54,309	-	-	-	1,873	10,425	72,849
Payroll taxes	1,192	-	1,192	20,740	-	-	-	715	3,981	27,820
Professional fees	-	-	-	22,465	-	-	29,703	-	-	52,168
Office expense	-	-	-	3,691	-	-	-	410	-	4,101
Supplies	-	-	410	7,814	-	-	-	253	-	8,477
Telephone	1,195	-	1,419	7,624	-	-	-	-	-	10,238
Postage	-	-	-	1,678	-	-	-	-	-	1,678
Maintenance and repairs	1,801	521	3,439	14,231	-	-	-	-	5,703	25,695
Utilities	8,005	-	7,041	32,558	-	-	-	1,472	-	49,076
Outside services	5,371	1,470	7,423	22,522	-	350	-	-	-	37,136
Travel	-	-	-	1,253	-	-	-	-	-	1,253
Insurance	-	-	-	13,847	-	-	-	428	-	14,275
Depreciation	5,227	-	10,583	30,388	850	1,836	-	6,719	-	55,603
Dues and subscriptions	-	-	-	4,331	-	-	-	-	-	4,331
Training	-	-	-	194	-	-	-	-	-	194
Resident program education	-	-	-	3,740	-	-	-	-	-	3,740
Miscellaneous	-	-	-	8,286	-	-	-	-	-	8,286
Information technology	-	-	-	23	-	-	-	-	-	23
Fundraising	-	-	-	-	-	-	-	-	16,769	16,769
	<u>\$ 41,492</u>	<u>\$ 1,991</u>	<u>\$ 50,208</u>	<u>\$ 520,792</u>	<u>\$ 850</u>	<u>\$ 2,186</u>	<u>\$ 29,703</u>	<u>\$ 21,218</u>	<u>\$ 88,918</u>	<u>\$ 757,358</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. Net assets without donor restriction 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 and cash equivalents

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. Market risks include global events which could impact the value of investment securities, such as pandemic or international conflict. 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.

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.

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, 2022 and 2021, non-cash donations were valued at \$ 279,304 and \$ 190,466, 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.

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022 and 2021 was \$ 54,848 and \$ 58,529, respectively. The amount allocated to net commercial rental income was \$ 2742 for 2022 and \$ 2,926 for 2021.

Property and equipment consist of the following at June 30:

	2022	2021
Land	\$ 78,566	\$ 78,566
Buildings	1,030,461	1,030,461
Improvements	581,444	563,904
Fixtures and equipment	243,292	230,781
Vehicles	21,958	21,958
	<u>1,955,721</u>	<u>1,925,670</u>
Less: Accumulated depreciation	<u>1,093,147</u>	<u>1,080,255</u>
Net property and equipment	<u>\$ 862,574</u>	<u>\$ 845,415</u>

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 4 INVESTMENTS

The composition of investments in the Organization's investment portfolio at June 30, 2022 and 2021 is set forth in the following schedule:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Board-designated investments (endowment fund)				
Money Market Funds	\$ 31,825	\$ 31,825	\$ 40,024	\$ 40,024
Mutual Funds - Fixed income	280,609	253,432	202,068	201,185
Mutual Funds - Equities	511,626	439,458	346,717	420,925
	<u>\$ 824,060</u>	<u>\$ 724,715</u>	<u>\$ 588,809</u>	<u>\$ 662,134</u>

NOTE 5 GRANTS

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

	2022	2021
Emergency Shelter - HAP Grant	\$ 73,325	\$ 56,677
Emergency Shelter - Berks County Intermediate Unit	-	6,000
Emergency Shelter - Kiwanis Foundation	-	1,200
Emergency Shelter - ESG	64,992	80,509
Emergency Shelter - MLB Foundation	-	644
Emergency Shelter - GHAR Foundation	-	2,000
Emergency Shelter - PPL Foundation	2,500	10,000
Emergency Shelter - S&C McKeenan Family Charitable Fund	300	300
Emergency Shelter - EFSP	3,132	35,000
Emergency Shelter - Borough of Carlisle	500	500
Emergency Shelter - Community Aid	25,000	-
Emergency Shelter - Wellspan Health	5,000	-
Emergency Shelter - Commonwealth of Pennsylvania	50,000	-
Emergency Shelter - Foundation for Enhancing Communities	5,000	-
Emergency Shelter - Partnership for a Better Health	5,000	-
Emergency Shelter - Mid Penn Bank	2,000	-
Emergency Shelter - Members First Charitable Foundation	5,000	-
Emergency Shelter - Kline Foundation	5,000	-
Emergency Shelter - CDBG	65,000	123,967
Total grant revenue	<u>\$ 311,749</u>	<u>\$ 316,797</u>

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 6 FUNDRAISING

The Organization conducted several fundraising activities during the year. Support received from these efforts for the years ended June 30, 2022 and 2021 was \$ 53,019 and \$ 40,816, respectively, and is included in contribution income on the financial statements. Total fundraising expenses for the years ended June 30, 2022 and 2021 were \$ 26,237 and \$ 16,769, respectively.

NOTE 7 LINES AND LETTER 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. During December 2021 the Organization received a \$ 70,000 letter-of-credit from F & M Trust. The letter-of-credit was issued by placing a hold for the amount of the letter-of-credit on the line-of-credit. The Organization had no draws on this line of credit at June 30, 2022 and 2021.

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, 2022 and 2021.

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 \$ 27,840 and related rental expenses were \$ 8,956 for the year ended June 30, 2022. Rental income from the commercial properties was \$ 23,400 and related rental expenses were \$ 8,941 for the year ended June 30, 2021.

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.

NOTE 9 ENDOWMENTS (CONTINUED)

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, at the original value of gifts donated to the endowment and all earnings thereon.

The Organization 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 available and the investment policy of the Organization.

The Organization has also 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.

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Board designated endowment funds	<u>\$ 724,715</u>	<u>\$ 662,134</u>

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 9 ENDOWMENTS (CONTINUED)

The changes in endowment net assets for the years ended June 30, 2022 and 2021 were as follows:

	<u>Unrestricted</u>
Endowment net assets at July 1, 2020	\$ 145,430
Contributions	<u>438,543</u>
Investment return:	
Investment income	10,321
Unrealized appreciation	<u>71,143</u>
Total investment return	<u>81,464</u>
Appropriation of endowment assets for expenditure	<u>(3,303)</u>
Endowment net assets at June 30, 2021	<u>662,134</u>
Contributions	<u>254,986</u>
Investment return:	
Investment income	67,313
Unrealized depreciation	<u>(172,670)</u>
Total investment return	<u>(105,357)</u>
Appropriation of endowment assets for expenditure	<u>(87,048)</u>
Endowment net assets at June 30, 2022	<u>\$ 724,715</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 nature 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, 2022 and 2021 are as follows:

<u>At June 30, 2022</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	\$ 31,825	\$ 31,825	\$ -	\$ -
Fixed income mutual funds:				
Intermediate term bond fund	54,043	54,043	-	-
Short term bond fund	199,389	199,389	-	-
Total fixed income mutual funds	<u>253,432</u>	<u>253,432</u>	<u>-</u>	<u>-</u>
Equity mutual funds:				
Large cap fund	229,569	229,569	-	-
Mid cap fund	83,302	83,302	-	-
Small cap fund	77,063	77,063	-	-
Foreign large cap fund	49,524	49,524	-	-
Total equity mutual funds	<u>439,458</u>	<u>439,458</u>	<u>-</u>	<u>-</u>
	<u>\$ 724,715</u>	<u>\$ 724,715</u>	<u>\$ -</u>	<u>\$ -</u>
<u>At June 30, 2021</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	\$ 40,024	\$ 40,024	\$ -	\$ -
Fixed income mutual funds:				
Intermediate term bond fund	54,615	54,615	-	-
Short term bond fund	146,570	146,570	-	-
Total fixed income mutual funds	<u>201,185</u>	<u>201,185</u>	<u>-</u>	<u>-</u>
Equity mutual funds:				
Large cap fund	214,180	214,180	-	-
Mid cap fund	87,232	87,232	-	-
Small cap fund	74,275	74,275	-	-
Foreign large cap fund	45,238	45,238	-	-
Total equity mutual funds	<u>420,925</u>	<u>420,925</u>	<u>-</u>	<u>-</u>
	<u>\$ 662,134</u>	<u>\$ 662,134</u>	<u>\$ -</u>	<u>\$ -</u>

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 11 CONTINGENCIES

For the years ending June 30, 2022 and 2021, 88% and 79%, 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 HARBOUR VILLAGE INVESTMENT

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 to exceed a maximum of \$ 875,000. An earnest money deposit in the amount of \$ 25,000 was paid in each of the years ended June 30, 2020, and 2021, and is included on the Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis as Harbour Village Investment. The earnest money deposit will be credited against the purchase price at closing. No additional deposits were made for the year ended June 30, 2022.

Additionally, during the year ended June 30, 2022 and June 30, 2021, \$ 136,200 and \$ 2,500 were paid to various vendors for the development of Harbour Village and is included on the Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis as Harbour Village Investment.

NOTE 13 PAYCHECK PROTECTION PROGRAM LOAN

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 would 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. Loan proceeds may be used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 24-week period after the loan is made. During the years ended June 30, 2021 and 2020, \$ 20,374 and \$ 58,126, respectively, of the PPP funds were expended for allowable costs and recognized as revenues. The loan was forgiven April 15, 2021.

NOTE 14 NOTES PAYABLE

Notes payable and related maturities consist of the following as of June 30:

	Collateral	Interest Rate	6/30/2022	6/30/2021
Note Payable - Redevelopment Authority of the County of Cumberland; original balance of \$ 70,000; noninterest bearing note due earlier of September 1, 2023 or settlement on the acquisition of the Smith Farm property.	Irrevocable Standby Letter of Credit issued by F & M Trust	0.00%	<u>\$ 70,000</u>	<u>\$ -</u>

SAFE HARBOUR, INC.
Notes to Financial Statements

NOTE 15 COMMITMENTS

The Organization has entered into an agreement with M & L 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 \$ 89,965 has been paid as of June 30, 2022.

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>2022</u>	<u>2021</u>
Financial assets at year end		
Cash and cash equivalents	\$ 594,529	\$ 668,420
Resident receivable	1,667	4,167
Endowment fund	724,715	662,134
Total financial assets	<u>1,320,911</u>	<u>1,334,721</u>
Less restricted amounts		
Board designated endowment fund	(724,715)	(662,134)
Plus yearly allocations from endowments		
Endowment spending-rate distributions and appropriations	36,236	33,107
	<u>\$ 632,432</u>	<u>\$ 705,694</u>

The Organization's board designated endowment of \$ 724,715 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, 2022 through January 14, 2023, 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, 2022, and the related statements of support, revenue, expenses, and changes in net assets and functional expenses all 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 January 14, 2023.

REPORT ON 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 or significant deficiencies may exist that were not identified.

REPORT ON 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 on 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 Kears & Company, LLC.

Carlisle, Pennsylvania
January 14, 2023