

**Today's Harbor for Children, Inc.**

Financial Statements  
and Independent Auditors' Report  
for the years ended June 30, 2019 and 2018

# Today's Harbor for Children, Inc.

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## Independent Auditors' Report

To the Board of Directors of  
Today's Harbor for Children, Inc.:

We have audited the accompanying financial statements of Today's Harbor for Children, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Today's Harbor for Children, Inc. as of June 30, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Adoption of New Accounting Standard**

As discussed in Note 2 to the financial statements, Today's Harbor for Children, Inc. adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended June 30, 2018, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

*Blazek & Vetterling*

September 23, 2019

## Today's Harbor for Children, Inc.

Statements of Financial Position as of June 30, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 437,711	\$ 631,972
Government contracts receivable	38,399	56,947
Prepaid expenses and other assets	135,904	62,168
Investments (Notes 4 and 5)	5,161,042	5,783,617
Property, net (Note 6)	<u>3,036,077</u>	<u>3,056,339</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,809,133</u></b>	<b><u>\$ 9,591,043</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 56,666	\$ 53,997
Accrued salaries and related benefits	98,426	96,436
Deferred special event revenue	<u>60,050</u>	<u>80,600</u>
Total liabilities	<u>215,142</u>	<u>231,033</u>
Net assets:		
Without donor restrictions:		
Board-designated investment reserve	5,161,042	5,783,617
Property	3,036,077	3,056,339
Undesignated	<u>294,976</u>	<u>304,634</u>
Total without donor restrictions	8,492,095	9,144,590
With donor restrictions (Note 7)	<u>101,896</u>	<u>215,420</u>
Total net assets	<u>8,593,991</u>	<u>9,360,010</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 8,809,133</u></b>	<b><u>\$ 9,591,043</u></b>

*See accompanying notes to financial statements.*

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## Today's Harbor for Children, Inc.

Statement of Activities for the year ended June 30, 2019

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contributions ( <i>Note 8</i> )	\$ 1,169,500	\$ 312,967	\$ 1,482,467
Government contract fees	499,848		499,848
Special events:			
Revenue	626,722		626,722
Cost of donor benefits	(199,716)		(199,716)
Other income	<u>41,346</u>	<u>          </u>	<u>41,346</u>
Total operating revenue	2,137,700	312,967	2,450,667
Net assets released from restrictions:			
Property improvements	89,418	(89,418)	
Program services	166,523	(166,523)	
Strategic plan	<u>170,550</u>	<u>(170,550)</u>	<u>          </u>
Total	<u>2,564,191</u>	<u>(113,524)</u>	<u>2,450,667</u>
OPERATING EXPENSES:			
Program services	2,267,431		2,267,431
Management and general	581,044		581,044
Fundraising:			
Development	382,626		382,626
Special events	<u>23,010</u>	<u>          </u>	<u>23,010</u>
Total operating expenses	<u>3,254,111</u>	<u>          </u>	<u>3,254,111</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(689,920)	(113,524)	(803,444)
NON-OPERATING TRANSACTIONS:			
Net investment return	<u>37,425</u>	<u>          </u>	<u>37,425</u>
CHANGES IN NET ASSETS	(652,495)	(113,524)	(766,019)
Net assets, beginning of year	<u>9,144,590</u>	<u>215,420</u>	<u>9,360,010</u>
Net assets, end of year	<u>\$ 8,492,095</u>	<u>\$ 101,896</u>	<u>\$ 8,593,991</u>

*See accompanying notes to financial statements.*

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## Today's Harbor for Children, Inc.

Statement of Activities for the year ended June 30, 2018

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contributions ( <i>Note 8</i> )	\$ 1,041,298	\$ 342,131	\$ 1,383,429
Government contract fees	648,720		648,720
Special events:			
Revenue	577,384	32,500	609,884
Cost of donor benefits	(162,616)		(162,616)
Other income	<u>3,981</u>		<u>3,981</u>
Total operating revenue	2,108,767	374,631	2,483,398
Net assets released from restrictions:			
Property improvements	251,864	(251,864)	
Program services	53,753	(53,753)	
Strategic plan	<u>66,220</u>	<u>(66,220)</u>	
Total	<u>2,480,604</u>	<u>2,794</u>	<u>2,483,398</u>
OPERATING EXPENSES:			
Program services	2,138,816		2,138,816
Management and general	434,042		434,042
Fundraising:			
Development	395,756		395,756
Special events	<u>20,461</u>		<u>20,461</u>
Total operating expenses	<u>2,989,075</u>		<u>2,989,075</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(508,471)	2,794	(505,677)
NON-OPERATING TRANSACTIONS:			
Net investment return	<u>449,362</u>		<u>449,362</u>
CHANGES IN NET ASSETS	(59,109)	2,794	(56,315)
Net assets, beginning of year ( <i>Note 2</i> )	<u>9,203,699</u>	<u>212,626</u>	<u>9,416,325</u>
Net assets, end of year	<u>\$ 9,144,590</u>	<u>\$ 215,420</u>	<u>\$ 9,360,010</u>

*See accompanying notes to financial statements.*

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## Today's Harbor for Children, Inc.

### Statement of Functional Expenses for the year ended June 30, 2019

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Operating expenses:				
Salaries and related benefits	\$ 1,054,641	\$ 190,086	\$ 317,774	\$ 1,562,501
Professional fees	40,206	311,014	26,638	377,858
Depreciation	328,581			328,581
Food	245,944			245,944
Insurance	183,767	5,619	5,344	194,730
Utilities	95,528	8,102	9,760	113,390
Repairs and maintenance	74,450	2,756	4,777	81,983
Supplies	43,206	23,599	1,719	68,524
Educational and residential supplies	57,158			57,158
Resident entertainment	55,113			55,113
Transportation	43,134	1,890		45,024
Travel	9,536	4,685	9,400	23,621
Rent	4,304	1,722	14,634	20,660
Conferences and training	3,593	14,438	829	18,860
Postage and printing		1,895	14,761	16,656
Dues and subscriptions	11,535			11,535
Cash allowances and gifts to residents	11,468			11,468
Contract services	5,267			5,267
Other		15,238		15,238
Total operating expenses	<u>\$ 2,267,431</u>	<u>\$ 581,044</u>	<u>\$ 405,636</u>	3,254,111
Special events:				
Cost of donor benefits				<u>199,716</u>
Total				<u>\$ 3,453,827</u>

*See accompanying notes to financial statements.*

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## Today's Harbor for Children, Inc.

### Statement of Functional Expenses for the year ended June 30, 2018

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Operating expenses:				
Salaries and related benefits	\$ 920,605	\$ 193,154	\$ 327,019	\$ 1,440,778
Professional fees	42,000	184,555	27,016	253,571
Depreciation	299,859			299,859
Food	281,597			281,597
Insurance	180,056	10,948		191,004
Utilities	118,228	7,632	11,222	137,082
Repairs and maintenance	66,928	2,110	3,785	72,823
Supplies	61,660	8,894	19,988	90,542
Educational and residential supplies	59,629			59,629
Transportation	44,231	298		44,529
Travel	17,309	2,595	513	20,417
Rent	4,107	2,591	11,845	18,543
Conferences and training	7,167	7,167		14,334
Postage and printing	1,655	406	14,829	16,890
Dues and subscriptions	11,905			11,905
Cash allowances and gifts to residents	11,668			11,668
Contract services	10,212			10,212
Other		13,692		13,692
Total operating expenses	<u>\$ 2,138,816</u>	<u>\$ 434,042</u>	<u>\$ 416,217</u>	2,989,075
Special events:				
Cost of donor benefits				<u>162,616</u>
Total				<u>\$ 3,151,691</u>

*See accompanying notes to financial statements.*

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## Today's Harbor for Children, Inc.

### Statements of Cash Flows for the years ended June 30, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (766,019)	\$ (56,315)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	328,581	299,859
Contributions restricted for property improvements		(301,485)
Net realized and unrealized (gain) loss on investments	44,558	(354,198)
Changes in operating assets and liabilities:		
Government contracts receivable	18,548	(15,950)
Prepaid expenses and other assets	(73,736)	24,164
Accounts payable, accrued salaries and related benefits	4,659	(5,198)
Deferred special event revenue	<u>(20,550)</u>	<u>20,600</u>
Net cash used by operating activities	<u>(463,959)</u>	<u>(388,523)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	3,729,613	3,401,250
Insurance proceeds for property repairs		212,951
Purchases of investments	(3,107,925)	(3,388,451)
Change in cash held as investments	(43,671)	52,838
Purchases of property	<u>(308,319)</u>	<u>(492,681)</u>
Net cash provided (used) by investing activities	<u>269,698</u>	<u>(214,093)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for property improvements		<u>301,485</u>
NET CHANGE IN CASH	(194,261)	(301,131)
Cash, beginning of year	<u>631,972</u>	<u>933,103</u>
Cash, end of year	<u>\$ 437,711</u>	<u>\$ 631,972</u>

*See accompanying notes to financial statements.*

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## Today's Harbor for Children, Inc.

Notes to Financial Statements for the years ended June 30, 2019 and 2018

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Today's Harbor for Children, Inc. (Today's Harbor) was incorporated in Texas in 1947. The mission of Today's Harbor is to provide healthy, comprehensive care for children and families in crisis. Today's Harbor operates a home in La Porte, Texas for dependent, homeless, abandoned, neglected, or underprivileged children, and promotes the general welfare of such children by teaching the principles of right living and good citizenship.

Agreement with Educational Leadership, Inc. – Today's Harbor has an agreement with Educational Leadership, Inc., a Texas nonprofit corporation, the charter holder for Southwest Schools which are Texas open enrollment charter schools that provide classes during the fall and spring terms at Today's Harbor for students in grades kindergarten to eight. Under the agreement, the charter holder has the right to seek and obtain all funds, private or public, state or federal, that are available for the provision of the educational program. The funds received by the charter holder are its sole source of remuneration for the provision of those services. In the event that Southwest Schools provide educational programs to students during the summer term, Today's Harbor reimburses Southwest Schools for the costs of the salary and associated fringe benefits of staff assigned to the summer program, netted by other funding sources for summer school services received by Southwest Schools. Except for costs of services provided during the summer term, no revenue or expenses of the charter school are recognized by Today's Harbor.

Federal income tax status – Today's Harbor is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash includes demand deposits held by financial institutions, except that cash held for investment purposes is grouped with investments in the statement of financial position and excluded from cash in the statement of cash flows. Bank deposits exceed the federally insured limit per depositor per institution.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property is reported at cost if purchased and at fair value at the date of gift if donated. Today's Harbor capitalizes additions and improvements with a cost of more than \$500. Depreciation is provided on a straight-line basis over estimated useful lives of 10 to 30 years for building and leasehold improvements, and 3 to 7 years for furniture, equipment, and vehicles.

Deferred special event revenue represents sponsorships received in advance for special events which are refundable if the events do not take place.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met. During the year ended June 30, 2019, approximately \$205,000 or 11% of contributions were from one donor.

Donated materials, use of facilities and services – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Government contract fees related to room and board from the Texas Department of Family and Protective Services and reduced lunch programs from the Texas Department of Agriculture Food and Nutrition Division are recognized in the period in which the services are provided.

Non-operating transactions include transactions not in the ordinary course of business, including investment return.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefitted. Salaries and benefits are allocated based on the estimated time and effort expended by all employees. Supplies are allocated based on an estimate of usage. Rent is allocated based on employee head counts.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. Today's Harbor is required to adopt this ASU for fiscal year 2021. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide

additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. Today's Harbor is required to apply the amendments in its June 30, 2020 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the eventual method of adoption of the ASU or the impact on the financial statements.

**NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14**

Today's Harbor adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements for the year ended June 30, 2018, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 comprise the following:

Financial assets at June 30, 2019:

Cash	\$ 437,711
Government contracts receivable	38,399
Investments	<u>5,161,042</u>
Total financial assets	5,637,152
Less financial assets not available for general expenditure:	
Board-designated investment reserve	<u>5,161,042</u>
Total financial assets available for general expenditure	<u>\$ 476,110</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Today's Harbor considers all expenditures related to its ongoing program activities of operating a home for dependent, homeless, abandoned, neglected, or underprivileged children and promoting the general welfare of such children by teaching the principles of right living and good citizenship, as well as conducting services to support those activities, to be general expenditures.

Today's Harbor is supported by contributions, government contract fees, and special events. Today's Harbor has a policy to structure its financial assets to be available as general expenditures and liabilities become due. The board-designated investment reserve is invested for current income and long-term growth. Distributions from the reserve are at the discretion of the Board.

#### NOTE 4 – INVESTMENTS

Investments consist of the following:

	<u>2019</u>	<u>2018</u>
Equity securities	\$ 3,202,341	\$ 3,991,864
Fixed-income securities	1,840,819	1,689,447
Alternatives	<u>30,732</u>	<u>58,827</u>
Total investments at fair value	5,073,892	5,740,138
Cash held in investment accounts	<u>87,150</u>	<u>43,479</u>
Total investments	<u>\$ 5,161,042</u>	<u>\$ 5,783,617</u>

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, 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 materially affect the amounts reported in the statement of financial position and statement of activities.

#### NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date. Level 2 investments are priced by independent, industry recognized vendors contracted by Today's Harbor's custodian or independent appraisals.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability. Inputs are unobservable for the asset and include situations where there is little, if any, market activity for the investment.

Assets measured at fair value at June 30, 2019 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity securities:				
U. S.:				
Large-cap value	\$ 530,636			\$ 530,636
Large-cap growth	479,715			479,715
Small-cap value	160,322			160,322
Small-cap growth	132,565			132,565
Mid-cap growth	107,213			107,213
Mid-cap value	66,543			66,543
Other	709,853			709,853
International:				
European	463,805			463,805
Japan	79,628			79,628
Asia Pacific (excluding Japan)	55,518			55,518
International small-cap	10,379			10,379
Canadian	7,599			7,599
Emerging and frontier markets:				
Asia	236,398			236,398
Emerging markets	95,533			95,533
Latin America	66,634			66,634
Fixed-income securities:				
U. S. intermediate-term		\$ 626,535		626,535
High yield		367,371		367,371
U. S. securitized		351,128		351,128
U. S. long-term		327,999		327,999
U. S. taxable core		140,330		140,330
U. S. short-term		27,456		27,456
Alternatives:				
Real estate investment trusts	29,968			29,968
Private equity	764			764
Total assets measured at fair value	<u>\$ 3,233,073</u>	<u>\$ 1,840,819</u>	<u>\$ 0</u>	<u>\$ 5,073,892</u>

Assets measured at fair value at June 30, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity securities:				
U. S.:				
Large-cap value	\$ 609,462			\$ 609,462
Large-cap growth	539,042			539,042
Small-cap value	117,740			117,740
Small-cap growth	263,803			263,803
Mid-cap growth	160,326			160,326
Mid-cap value	94,021			94,021
Other	903,433			903,433
International:				
European	649,103			649,103
Japan	113,251			113,251
Asia Pacific (excluding Japan)	90,666			90,666
Canadian	15,622			15,622
International small-cap	9,041			9,041
Emerging and frontier markets:				
Asia	165,483			165,483
Emerging markets	174,176			174,176
Latin America	86,695			86,695
Fixed-income securities:				
U. S. intermediate-term		\$ 206,663		206,663
U. S. securitized		346,026		346,026
U. S. long-term		203,842		203,842
U. S. short-term		33,397		33,397
Global		831,171		831,171
U. S. ultra short-term		68,348		68,348
Alternatives:				
Real estate investment trusts	56,699			56,699
Private equity	<u>2,128</u>			<u>2,128</u>
Total assets measured at fair value	<u>\$ 4,050,691</u>	<u>\$ 1,689,447</u>	<u>\$ 0</u>	<u>\$ 5,740,138</u>

Valuation methods used for assets measured at fair value are as follows:

- *Equity securities* and *alternatives* are valued at the closing price reported on the active market on which the individual securities are traded or at reported net asset value.
- *Fixed-income securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values.



These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Today's Harbor believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

**NOTE 6 – PROPERTY**

Property consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 320,682	\$ 320,682
Building and leasehold improvements	6,169,130	6,245,563
Furniture and equipment	1,444,092	1,384,659
Vehicles	<u>645,654</u>	<u>553,714</u>
Total property, at cost	8,579,558	8,504,618
Accumulated depreciation	<u>(5,543,481)</u>	<u>(5,448,279)</u>
Property, net	<u>\$ 3,036,077</u>	<u>\$ 3,056,339</u>

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Strategic plan	\$ 34,430	
Property improvements	28,951	\$ 134,616
Summer activities	17,835	7,890
Livestock purchases	8,987	27,393
Clothing, school, and recreational supplies	2,767	21,789
Appliances		7,099
Vehicles		5,848
Other	<u>8,926</u>	<u>10,785</u>
Total net assets with donor restrictions	<u>\$ 101,896</u>	<u>\$ 215,420</u>

**NOTE 8 – IN-KIND CONTRIBUTIONS**

Today's Harbor recognized the following in-kind contributions:

	<u>2019</u>	<u>2018</u>
Program services expenses:		
Food	\$ 209,404	\$ 252,790
Resident entertainment	55,113	
Supplies	<u>57,678</u>	<u>86,080</u>
Total in-kind contributions	<u>\$ 322,195</u>	<u>\$ 338,870</u>

## NOTE 9 – COMMITMENTS

Today’s Harbor leases office space and certain equipment under non-cancellable operating leases. Future minimum lease payments are due as follows:

2020	\$ 42,039
2021	31,700
2022	<u>32,900</u>
Total	<u>\$ 106,639</u>

Lease expense of approximately \$42,000 and \$33,000 were recognized in 2019 and 2018, respectively.

## NOTE 10 – CONDITIONAL CONTRIBUTION RECEIVABLE

At June 30, 2019, Today’s Harbor has an outstanding conditional commitment of \$141,888. As Today’s Harbor incurs certain qualifying expenditures, the conditions of the commitment will be met and the conditional contribution recognized.

## NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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