BAKER NEWMAN NOYES

Harbor Homes, Inc. and Affiliates d/b/a Harbor Care

Consolidated Financial Statements,
Supplementary Information, and Government
Reports in Accordance With Uniform Guidance

For the Year Ended June 30, 2022 With Comparative Information for the Year Ended June 30, 2021
With Independent Auditors' Report

Baker Newman & Noyes LLC
MAINE | MASSACHUSETTS | NEW HAMPSHIRE
800.244.7444 | www.bnncpa.com

HARBOR HOMES, INC. AND
AFFILIATES D/B/A HARBOR CARE

CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION, AND GOVERNMENT
REPORTS IN ACCORDANCE WITH UNIFORM GUIDANCE

For the Year Ended June 30, 2022 With Comparative
Information for the Year Ended June 30, 2021
With Independent Auditors' Report

TABLE OF CONTENTS

Independent Auditors' Report	1
Audited Consolidated Financial Statements:	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities and Changes in Net Assets	6
Consolidated Statements of Functional Expenses	8
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11
Supplementary Information:	
Schedule of Expenditures of Federal Awards	31
Notes to Schedule of Expenditures of Federal Awards	34
Government Reports in Accordance With Uniform Guidance:	
Independent Auditors' 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*	36
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	38
Schedule of Findings and Questioned Costs	41
Summary of the Status of Prior Audit Findings and Questioned Costs	43

BAKER NEWMAN NOYES

Baker Newman & Noyes LLC
MAINE I MASSACHUSETTS I NEW HAMPSHIRE
800.244.7444 I www.bnncpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Harbor Homes, Inc. and Affiliates d/b/a Harbor Care

Opinion

We have audited the consolidated financial statements of Harbor Homes, Inc. and Affiliates d/b/a Harbor Care (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the results of their operations, changes in their net assets, their functional expenses and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued.

To the Board of Directors
Harbor Homes, Inc. and Affiliates d/b/a Harbor Care

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

To the Board of Directors
Harbor Homes, Inc. and Affiliates d/b/a Harbor Care

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with GAS, we have also issued our report dated November 7, 2022 on our consideration of the Organization'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 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the Organization's internal control over financial reporting and compliance.

Baker Newman & Noyes LLC

Manchester, New Hampshire
November 7, 2022, except as to the Supplementary
Schedule of Expenditures of Federal Awards and
Report on Compliance for each Major Federal Program
for which the date is March 17, 2023

HARBOR HOMES, INC. AND AFFILIATES d/b/a HARBOR CARE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 With Summarized
Comparative Information as of June 30, 2021

ASSETS

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Current assets:				
Cash and cash equivalents	$ 4,750,908	$622,681	$ 5,373,589	$ 5,274,455
Restricted cash	803,001	–	803,001	756,358
Other accounts receivable, net	2,794,860	–	2,794,860	2,840,330
Patient receivables (FQHC)	332,464	–	332,464	293,114
Due from related organizations	50,035	–	50,035	47,318
Inventory	92,032	–	92,032	84,719
Other assets	137,715	–	137,715	17,788
Total current assets	8,961,015	622,681	9,583,696	9,314,082
Property and equipment, net	25,173,129	–	25,173,129	26,199,392
Other assets:				
Investments	72,742	–	72,742	88,306
Beneficial interest in assets held by others	–	217,237	217,237	235,208
Other assets	166,698	–	166,698	181,513
Total noncurrent assets	239,440	217,237	456,677	505,027
Total assets	$34,373,584	$839,918	$35,213,502	$36,018,501

LIABILITIES AND NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Current liabilities:				
Lines of credit	$ 499,817	$ –	$ 499,817	$ 225,120
Current portion of notes payable	530,482	–	530,482	655,636
Current portion of loan payable	–	–	–	3,338
Accounts payable	1,007,795	–	1,007,795	893,578
Accrued payroll, vacation and related expenses	570,256	–	570,256	1,051,815
Other liabilities	232,447	–	232,447	310,204
Total current liabilities	2,840,797	–	2,840,797	3,139,691
Long-term liabilities:				
Accrued payroll, vacation and related expenses	641,349	–	641,349	534,058
Notes payable, net of current portion	13,510,698	–	13,510,698	14,012,878
Notes payable, tax credits	399,523	–	399,523	455,463
Notes payable, deferred	7,568,496	–	7,568,496	7,568,496
Loan payable, net of current portion	–	–	–	146,562
Other liabilities	410,671	–	410,671	443,181
Total long-term liabilities	22,530,737	–	22,530,737	23,160,638
Total liabilities	25,371,534	–	25,371,534	26,300,329
Net assets:				
Without donor restrictions:				
Undesignated	9,002,050	–	9,002,050	9,232,741
With donor restrictions	–	839,918	839,918	485,431
Total net assets	9,002,050	839,918	9,841,968	9,718,172
Total liabilities and net assets	$34,373,584	$839,918	$35,213,502	$36,018,501

See accompanying notes.

HARBOR HOMES, INC. AND AFFILIATES d/b/a HARBOR CARE

CONSOLIDATED STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2022 With Summarized
Comparative Information for the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Support and revenues:				
Support:				
Grants:				
Federal	$11,510,337	$ –	$11,510,337	$10,263,203
State	7,428,171	–	7,428,171	8,012,492
Contributions	1,489,844	618,047	2,107,891	1,638,914
CARES Act funding	–	–	–	1,184,588
Special events, net	(6,000)	–	(6,000)	24,718
Net assets released from restrictions - operations	27,160	(27,160)	–	–
Total support	20,449,512	590,887	21,040,399	21,123,915
Revenues:				
Patient service revenues (FQHC)	5,941,669	–	5,941,669	5,794,398
Patient service revenues (other)	5,974,210	–	5,974,210	5,886,925
Veterans Administration programs	4,911,456	–	4,911,456	3,135,408
Rental income:				
Resident payments	1,233,987	–	1,233,987	978,834
Other	372,570	–	372,570	326,166
Developer fees	–	–	–	16,003
Contracted services	154,570	–	154,570	901,680
Management fees	53,282	–	53,282	53,508
Other income	62,356	–	62,356	100,609
Total revenues	18,704,100	–	18,704,100	17,193,531
Total support and revenues	39,153,612	590,887	39,744,499	38,317,446
Operating expenses:				
Program services	31,425,006	–	31,425,006	30,963,416
Management and general	6,309,222	–	6,309,222	5,413,000
Fundraising and development	390,897	–	390,897	289,276
Total operating expenses before depreciation	38,125,125	–	38,125,125	36,665,692
Depreciation expense	1,469,202	–	1,469,202	1,491,813
Total operating expenses	39,594,327	–	39,594,327	38,157,505
(Loss) income from operations	(440,715)	590,887	150,172	159,941

HARBOR HOMES, INC. AND AFFILIATES d/b/a HARBOR CARE

CONSOLIDATED STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS (CONTINUED)

For the Year Ended June 30, 2022 With Summarized
Comparative Information for the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Nonoperating (expense) revenue:				
Investment (loss) return, net	$ (8,405)	$ (17,971)	$ (26,376)	$ 93,982
Total nonoperating (expense) revenue	(8,405)	(17,971)	(26,376)	93,982
(Deficiency) excess of revenues over expenses	(449,120)	572,916	123,796	253,923
Net assets released from restrictions – capital acquisitions	218,429	(218,429)	–	–
Change in net assets	(230,691)	354,487	123,796	253,923
Net assets, beginning of year	9,232,741	485,431	9,718,172	9,464,249
Net assets, end of year	$ 9,002,050	$ 839,918	$ 9,841,968	$ 9,718,172

See accompanying notes.

HARBOR HOMES, INC. AND AFFILIATES d/b/a HARBOR CARE

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022 With Summarized
Comparative Information for the Year Ended June 30, 2021

	Program Services	Management and General	Fundraising and Development	2022	2021
Personnel expenses:					
Salaries and wages	$13,227,900	$3,836,863	$266,808	$17,331,571	$17,077,733
Payroll taxes	1,029,540	274,302	18,097	1,321,939	1,298,487
Employee benefits	2,145,133	805,412	40,836	2,991,381	2,797,662
Contract/professional services	360,854	221,198	–	582,052	1,060,094
Supplies:					
Office	242,149	29,534	4,300	275,983	175,098
Medical/dental	158,849	966	6	159,821	214,147
Building and household	128,831	3,944	30	132,805	121,815
Client services:					
Rental assistance	3,791,778	–	–	3,791,778	3,368,568
Rental application fee	515	35	–	550	811
Security deposit assistance	91,573	–	–	91,573	105,219
Utility rebate	45,139	–	–	45,139	63,488
Emergency housing	449,480	–	–	449,480	517,761
Treatment and supportive services	36,356	646	–	37,002	20,839
Training and employment assistance	10,262	–	–	10,262	12,155
Supportive services assistance	101,342	–	104	101,446	373,788
Activities, supplies and other assistance	72,367	–	–	72,367	54,003
Food, meals and nutritional assistance	262,883	–	–	262,883	201,099
Rent: office space	62,912	–	–	62,912	52,614
Condo association fees	17,003	–	–	17,003	17,343
Construction – noncapitalized	600	–	–	600	–
Building:					
Maintenance and repairs	541,278	39,904	301	581,483	545,997
Utilities	609,515	64,091	480	674,086	556,222
Interest:					
Mortgage	559,891	156,134	1,315	717,340	755,960
Other	(3,141)	28,387	–	25,246	25,947
Conference and conventions	15,609	3,446	63	19,118	8,941
Professional services	11,198	30,397	–	41,595	68,596
Accounting and audit services	93,807	73,694	–	167,501	144,629
Legal fees	6,495	106,031	–	112,526	78,782
Insurance:					
Property and liability	90,592	7,166	54	97,812	95,181
Professional	24,401	89	283	24,773	40,051
Other	–	76,579	–	76,579	71,900
Vehicle and transportation expenses	75,316	1,046	–	76,362	75,638

HARBOR HOMES, INC. AND AFFILIATES d/b/a HARBOR CARE

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2022 With Summarized
Comparative Information for the Year Ended June 30, 2021

	Program Services	Management and General	Fundraising and Development	2022	2021
Staff:					
Transportation	$ 73,832	$ 12,019	$ –	$ 85,851	$ 59,934
Education and training	93,523	36,418	166	130,107	139,793
Hiring and recruiting	41,098	18,427	–	59,525	71,600
Uniforms	3,134	–	–	3,134	1,529
Operations:					
Communication	165,023	64,210	872	230,105	209,564
Cable	12,556	417	3	12,976	12,037
Postage	15,179	6,505	888	22,572	36,984
Membership and subscriptions	70,390	37,710	6,928	115,028	77,893
Equipment lease and maintenance	55,386	14,913	488	70,787	65,534
Software licenses, maintenance and fees	675,950	275,376	427	951,753	895,560
Subrecipient and subcontracts	4,893,740	24,765	–	4,918,505	4,022,258
Property taxes	23,378	–	–	23,378	53,467
Direct program marketing and advertising	26,916	1,774	51	28,741	17,413
Marketing	1,040	6,665	2,412	10,117	20,134
Fundraising publications	8,000	718	42,720	51,438	13,871
Management and administrative fees	–	111	–	111	–
Service charges and fees	11,997	44,053	3,265	59,315	43,879
Fines and penalties	821	–	–	821	1,393
Staff and board expenses	3,507	5,277	–	8,784	2,879
Loss on disposal of fixed assets	–	–	–	–	2,003
Residual receipts recapture	36,576	–	–	36,576	–
Cost of goods sold	952,533	–	–	952,533	917,399
Total functional expenses before depreciation expense	31,425,006	6,309,222	390,897	38,125,125	36,665,692
Depreciation expense	964,018	504,363	821	1,469,202	1,491,813
Total functional expenses	$32,389,024	$6,813,585	$391,718	$39,594,327	$38,157,505

See accompanying notes.

HARBOR HOMES, INC. AND AFFILIATES d/b/a HARBOR CARE

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2022 With Summarized
Comparative Information for the Year Ended June 30, 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 123,796	$ 253,923
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Restricted contributions	(618,047)	(518,862)
Depreciation	1,469,202	1,491,813
Amortization of notes payable issuance costs	2,854	2,854
Amortization of tax credit liability	(55,940)	(72,090)
Unrealized loss (gain) on investments	15,564	(37,659)
Change in beneficial interest in assets held by others	17,971	(59,696)
Loss on disposal of fixed assets	–	2,003
Changes in operating assets and liabilities:		
Other accounts receivables, net	45,470	362,817
Patient accounts receivables	(39,350)	129,617
Due from related organizations	(2,717)	(25,944)
Inventory	(7,313)	39,562
Other assets	(105,112)	60,406
Accounts payable	114,217	(270,100)
Accrued payroll, vacation and related expenses	(374,268)	134,989
Other liabilities	(110,267)	(7,196)
Refundable advance	–	(1,265,459)
Net cash provided by operating activities	476,060	220,978
Cash flows from investing activities:		
Purchase of property and equipment	(442,939)	(366,151)
Net cash used by investing activities	(442,939)	(366,151)
Cash flows from financing activities:		
Net borrowings (payments) on line of credit	274,697	(396,652)
Proceeds from tax credits	–	40,000
Payments on notes and loans payable	(780,088)	(568,659)
Restricted contributions	618,047	518,862
Net cash provided (used) by financing activities	112,656	(406,449)
Net change in cash, cash equivalents and restricted cash	145,777	(551,622)
Cash, cash equivalents and restricted cash, beginning of year	6,030,813	6,582,435
Cash, cash equivalents and restricted cash, end of year	$6,176,590	$ 6,030,813
Reconciliation of the statement of cash flow to the statements of financial position:		
Cash and cash equivalents	$5,373,589	$ 5,274,455
Restricted cash	803,001	756,358
Total cash, cash equivalents and restricted cash	$6,176,590	$ 6,030,813
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 754,844	$ 780,724
Property acquired through the issuance of a notes payable	$ –	$ 551,000

See accompanying notes.

1. Description of Organization and Summary of Significant Accounting Policies

Harbor Homes, Inc. (d/b/a Harbor Care) (Harbor Homes) is the largest entity included in a collaboration of independent nonprofit organizations, sharing a common volunteer Board of Directors, President/CEO, and management team, that creates an innovative network to help New Hampshire families and individuals solve many of life's most challenging issues. Known collectively as "Harbor Care", the collaboration is an efficient and innovative approach to providing services to New Hampshire community members each year. This holistic approach recognizes that individuality, dignity, good health and wellness, self-respect, and a safe place to live are key to a person's ability to contribute to society.

While each nonprofit organization in the collaboration is a separate legal entity with its own 501(c)(3) public charity status, mission, budget, and staff, they share administrative resources whenever it is efficient to do so, and collaborate on service delivery when it leads to better client outcomes.

Most importantly, by sharing resources and working as one, the collaboration is able to coordinate and better deliver a comprehensive array of interventions designed to empower individuals and families and ultimately build a stronger community. Outcomes are enhanced through this model.

The members of the collaboration, and organizations included in these consolidated financial statements, include the following entities:

- *Harbor Homes* consists of Harbor Homes, Inc. and Harbor Homes Plymouth, LLC (HH Plymouth). Today known as "Harbor Care", Harbor Homes provides housing, health care, behavioral health care and services that address social determinants of health to individuals and families who are experiencing or at risk of homelessness. With specialized programs for veterans, people with chronic behavioral health disorders and other disabilities, and other vulnerable populations, the agency serves approximately 5,000 individuals each year in its housing and/or Federally Qualified Health Center (FQHC) programming. Outcomes include leading Greater Nashua's achievement of an effective end to veteran homelessness, effectively ending homelessness among those living with HIV/AIDS in Nashua, and substantially reducing chronic homelessness in the Greater Nashua region to the lowest level since data was first tracked more than a decade ago.

  HH Plymouth is a single-member New Hampshire Limited Liability Company that supported the development of Boulder Point, LLC (Boulder Point), a veterans housing project in Plymouth, NH. HH Plymouth is a 0.01% investor member for Boulder Point and it is managed by Harbor Homes, Inc. The entity does not directly serve clients.

  Harbor Homes I, Inc. (HUD 1) and *Harbor Homes VI, Inc.* (HUD VI) – These two nonprofits provide residential services to low-income individuals experiencing chronic behavioral issues or disability.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

- *Welcoming Light, Inc.*(WLI), *Harbor Homes II, Inc.*(HH II), *Harbor Homes III, Inc.* (HH III) and *HH Ownership, Inc.* (HHO) – These four nonprofits provide residential services to the elderly and/or low-income individuals experiencing chronic behavioral issues or disability, and were created as separate entities by Harbor Homes, Inc.'s Board of Directors in response to federal regulations.

- *Greater Nashua Council on Alcoholism d/b/a Keystone Hall* (GNCA) is Greater Nashua's only comprehensive substance use disorder treatment center. Every year, it catalyzes change in hundreds of individuals, including those experiencing homelessness, those without adequate insurance, and pregnant and parenting women. No one is denied treatment due to an inability to pay. While in residential treatment, clients have all basic needs met, including food, transportation, clothing, and integrated healthcare through Harbor Care. Substance use disorder treatment services are evidence-based, gender-specific, and culturally competent, and include residential (with a specific program for pregnant and parenting women and their children), outpatient, intensive outpatient, and drug court services. During fiscal year 2021, the programs and employees of GNCA were transitioned to Harbor Homes.

- *Healthy at Home, Inc.* (HAH) provides in-home health care services and is a Medicare-certified home health agency. HAH helps clients address physical and behavioral health challenges to live full, happy lives at home by providing consistent, compassionate care and daily-living assistance. Ultimately, services keep clients in their own homes, and out of hospitals, institutions, or nursing homes. Staff provide skilled nursing, physical therapy, occupational therapy, homemaking services, respite care, and Alzheimer's care and dementia care.

- *SARC (Salem Association for Retarded Citizens) Housing Needs Board, Inc.* (SARC) operates a permanent supportive housing facility (Woodview Commons) in Salem, New Hampshire and provides affordable, income based housing for individuals with disabilities. SARC serves eight individuals annually.

- *Southern New Hampshire HIV/Aids Task Force, Inc. (the Task Force)* provides HIV/AIDS services and is a leader in HIV/AIDS services in New Hampshire that provides quality, holistic services to those with HIV/AIDS. All 200 plus clients are low-income, and they may face homelessness, mental illness, and substance use disorder. Outcomes are exemplary. Whereas viral suppression rate among individuals with HIV/AIDS is 45% nationally, more than 90% of the Task Force's clients are routinely virally suppressed. In partnership with its Harbor Care affiliates, the Task Force ensures that no individual with HIV or AIDS lives in homelessness in Greater Nashua or Keene. The Task Force is the State of New Hampshire's sole contractor among AIDS Service Organizations for supportive services, subcontracting to other New Hampshire AIDS Service Organizations statewide. During fiscal year 2021, the programs and employees of the Task Force were transitioned to Harbor Homes.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Principles of Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The consolidated financial statements include the accounts of Harbor Homes, HH Plymouth, HUD I, HUD VI, WLI, HH II, HH III, HHO, GNCA, HAH, SARC and the Task Force, collectively referred to as the Organization. All significant intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk on these accounts.

Restricted Cash

Restricted cash consists primarily of cash received by the Organization for tenant deposits and certain reserves as required by the United States Department of Housing and Urban Development (HUD) and New Hampshire Housing Finance Authority (NHHFA). The Organization maintains its restricted cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced losses in such accounts and believes it is not exposed to any significant risks on these accounts.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for services and programs. The allowance for uncollectible accounts receivable is based on historical experience, an assessment of economic conditions and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. Accounts receivable are reflected within the accompanying consolidated statements of financial position within other accounts receivable. The allowance for uncollectible accounts receivable was not significant at June 30, 2022 or 2021.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Contributions Receivable

Unconditional contributions that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. The allowance for uncollectible contributions is based on historical experience, an assessment of economic conditions and a review of subsequent collections. Contributions are written off when deemed uncollectible. Management has determined that no allowance is necessary. Contributions receivable are reflected within the accompanying consolidated statements of financial position within other accounts receivable.

Grants Receivable

Grants receivable, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Amounts recorded as grants receivable represent cost-reimbursable federal and state contracts and grants, for which the incurrence of allowable qualifying expenses and/or the performance of certain requirements have been met or performed. The allowance for uncollectible grants receivable is based on historical experience and a review of subsequent collections. Management has determined that no allowance is necessary. Grants receivable are reflected within the accompanying consolidated statements of financial position within other accounts receivable.

Patient Receivables

Patient receivables relate to health care services provided by the Organization's FQHC and other billable services. For patient accounts receivable, when an unconditional right to payment exists, subject only to the passage of time, the right is treated as a receivable. Patient accounts receivable for which the unconditional right to payment exists are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. The estimated uncollectible amounts are generally considered implicit price concessions that are a direct reduction to accounts receivable and relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. The estimates for implicit price concessions are based upon management's assessment of historical writeoffs and expected net collections, business and economic conditions, and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections as a primary source of information in estimating the collectability of its accounts receivable. Management believes its regular updates to the implicit price concession amounts provide reasonable estimates of revenues and valuations of accounts receivable. These routine, regular changes in estimates have not resulted in material adjustments to the valuations of accounts receivable or period-to-period comparisons of operations.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Inventory

Inventory is comprised primarily of pharmacy items, and is stated at the lower of cost or net realizable value determined by the first-in, first-out method. No allowance has been provided as management believes none of the inventory is obsolete.

Investments

Investments are carried at fair value in the accompanying consolidated statements of financial position. See Note 5 for fair value measurement disclosures for investments. The Organization classifies its investments as trading securities. Net investment return/loss (including realized and unrealized gains and losses on investments, interest and dividends) is reported within nonoperating revenue and expense.

The Organization is the beneficiary of a certain trust held and administered by others. The interest in the trust is recorded at fair value and such amount is included in net assets with donor restrictions, with any resulting gains or losses reported as donor restricted investment income.

Property and Equipment

Property and equipment additions over $10,000 for Harbor Homes and GNCA and $5,000 for all other entities are recorded at cost, if purchased, and at fair value at the date of donation, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment in fiscal years 2022 or 2021.

Notes Payable Issuance Costs

Costs associated with the issuance of notes payable are initially capitalized and amortized to interest expense over the respective life of the related obligation. The unamortized portion of debt issuance costs is presented as a component of long-term notes payable.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Net Assets

In accordance with GAAP, the Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization records restricted contributions whose restrictions are met in the same reporting period within net assets without donor restrictions. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as either net assets released from restrictions for operations (for noncapital-related items) or net assets released from restrictions for capital-related items.

Revenue and Revenue Recognition

Support: The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue (within other liabilities) in the consolidated statements of financial position.

Revenue: The performance obligation of delivering patient services is simultaneously received and consumed by patients when services are provided, therefore the Organization recognizes patient service revenues when the services are provided. Patient service revenues are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the Organization does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

The contractual relationships with patients, in most cases, also involve a third-party payor (Medicaid, Medicare, and commercial insurance companies) and the transaction prices for the services provided are dependent upon the terms provided by Medicaid, Medicare, and commercial insurance companies, the third-party payors. The payment arrangements with third-party payors for the services provided to related patients typically specify payments at amounts less than standard charges. The Organization receives reimbursement from Medicare, Medicaid and insurance companies at defined rates for services to clients covered by such third-party payor programs. Management continually reviews the revenue recognition process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

Settlements with third-party payors are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known.

The Organization recognizes revenue from Veterans Administration programs based on units of service as services are provided. Revenue related to rental income, including rental vouchers, resident payments, and other related costs, is recognized when the performance obligation of providing the space and related costs is satisfied. Revenues derived from providing contracted services are recognized as the services are provided to the recipients. All revenue paid in advance is deferred to the period to which it relates or when the underlying event or rental takes place.

Donated Services

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, no amounts have been reflected in the accompanying consolidated financial statements for such donated services, as no objective basis is available to measure the value.

Advertising Costs

Advertising costs are expensed as incurred and totaled $10,117 and $20,134 for the years ended June 30, 2022 and 2021, respectively.

Retirement Benefits

The Organization maintains a safe harbor contributory defined contribution retirement plan which covers substantially all employees of Harbor Homes. Eligible employees may contribute up to maximum limitations (set annually by the Internal Revenue Service) of their annual salary. After six months of employment, the employee's contributions are matched by Harbor Homes. The employer match was $626,774 and $585,822 for the years ended June 30, 2022 and 2021, respectively.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

The Organization has other deferred compensation agreements with certain executives and highly compensated employees. The amounts ultimately due to the employees are to be paid upon the employees attaining certain criteria, including age. At June 30, 2022 and 2021, the plans have assets and liabilities that are consolidated, but not significant to these consolidated financial statements. Total plan expense was insignificant for the years ended June 30, 2022 and 2021.

Employee Fringe Benefits

The Organization has an "earned time" plan. Under this plan, each employee "earns" paid leave for each period worked. These hours of paid leave may be used for vacations, holidays and sick time. Hours earned but not used are vested with the employee and only vacation hours incurred are paid to the employee upon termination. The Organization accrues a liability for such paid leave as it is earned.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Performance Indicator

(Deficiency) excess of revenues over expenses is comprised of operating revenues and expenses and nonoperating revenue and expense. For purposes of display, transactions deemed by management to be ongoing, major or central to the Organization's programs and services are reported as operating revenue and expense. Peripheral or incidental transactions are reported as nonoperating revenue or expense, which includes net investment return/loss.

Income Taxes

The Organization consists of not-for-profit entities, with the exception of HH Plymouth, as described in Section 501(c)(3) of the Internal Revenue Code (the Code), and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization believes that it has appropriate support for the income tax positions taken and to be taken, and that its accruals for tax liabilities are adequate for all open tax years based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter. Management evaluated the Organization's tax positions and concluded the Organization has maintained its tax-exempt status, does not have any significant unrelated business income, has taken no significant uncertain tax positions that require disclosure in the accompanying consolidated financial statements and has no material liability for unrecognized tax benefits.

HH Plymouth is a single-member, New Hampshire Limited Liability Company, with Harbor Homes as its sole member. HH Plymouth has elected to be treated as a corporation.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* which requires that lease arrangements longer than twelve months result in an entity recognizing an asset and liability. The pronouncement is effective for the Organization on July 1, 2022. Management is currently evaluating the impact this guidance will have on the Organization's consolidated financial statements but does not expect adoption will have a significant impact on the Organization's consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* ASU 2020-07 enhances the presentation of disclosure requirements for contributed nonfinancial assets. ASU 2020-07 requires entities to present contributed nonfinancial assets as a separate line item in the statements of activities and disclose the amount of contributed nonfinancial assets recognized within the statements of operations by category that depicts the type of contributed nonfinancial assets, as well as a description of any donor-imposed restrictions associated with the contributed nonfinancial assets and the valuation techniques used to arrive at a fair value measure at initial recognition. ASU 2020-07 was effective for the Organization on July 1, 2021. The adoption of the ASU did not have a significant impact on the Organization's consolidated financial statements.

Subsequent Events

Events occurring after the consolidated statements of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the consolidated financial statements. Management has evaluated subsequent events through November 7, 2022, which is the date the consolidated financial statements were available to be issued.

2. Liquidity and Availability

Financial assets available for general expenditure within one year of the date of the consolidated statements of financial position consists of the following at June 30, 2022:

Cash and cash equivalents	$4,750,908
Receivables	3,127,324
Financial assets available to meet general expenditures over the next year	$7,878,232

2. Liquidity and Availability (Continued)

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to financial assets available to meet general expenditures over the next year, the Organization operates with a balanced budget and anticipates sufficient revenue to cover general expenditures not covered by donor-restricted resources. As part of its liquidity management plan, the Organization also has revolving credit lines available to meet cash flow needs.

3. Restricted Cash

Restricted cash consists of the following at June 30:

	2022	2021
Operating reserves (required by HUD and NHHFA)	$ 74,709	$ 74,666
Reserve for replacements (required by HUD and NHHFA)	594,520	575,923
Residual receipt deposits (required by HUD and NHHFA)	65,543	54,577
Security deposits	42,124	27,065
Other	26,105	24,127
	$803,001	$756,358

4. Patient Accounts and Other Accounts Receivables

Other accounts receivable consist of the following at June 30:

	2022	2021
Grants	$2,047,701	$2,186,674
Medicaid/Medicare	455,476	337,753
Residents and patients	277,001	220,980
Other	14,682	94,923
	$2,794,860	$2,840,330

Patient receivables, related to the Organization's FQHC, consist of the following at June 30:

	2022	2021
Medicaid/Medicare	$178,418	$188,930
Other	154,046	104,184
	$332,464	$293,114

5. Investments and Fair Value Measurements

The Organization presents investments at fair value in compliance with the FASB in ASC Topic 820, *Fair Value Measurements and Disclosures.* ASC Topic 820 establishes a framework for measuring fair value and requires assets and liabilities measured at fair value be segregated into the following three categories: (1) Level 1, fair values obtained from quoted prices in active markets for identical assets and liabilities; (2) Level 2, fair values obtained from significant other observable inputs, such as quoted prices for similar assets and liabilities in active markets; and (3) Level 3, fair values obtained from significant unobservable inputs. All of the Organization's investments measured at fair value are measured using Level 1 inputs.

In December 2006, the Organization transferred funds to the New Hampshire Charitable Foundation (NHCF) to establish an endowment fund with the Organization named as beneficiary. Under terms of the agreement, distributions from the fund can be made at the discretion of the NHCF Board of Directors at such times and in such amounts and for such charitable purposes, as they deem appropriate, in keeping with the purposes of the fund. The Organization elected for all distributions to be reinvested into the fund. At the time of the transfer, the Organization granted variance power to NHCF. That power gives NHCF the right to distribute the investment income to another not-for-profit organization of its choice if the Organization ceases to exist or if the governing board of NHCF votes that support of the Organization (a) is no longer necessary, (b) is incapable of fulfillment, or (c) is inconsistent with the needs of the community. At June 30, 2022 and 2021, the endowment fund has a value of $217,237 and $235,208, respectively, which is reported in the consolidated statements of financial position as a beneficial interest in assets held by others. The Organization's legal interest is in its pro rata portion of the trust and not the trust's underlying assets. The Organization's interest is valued based upon its pro rata ownership of the total trust. As the actual assets are not readily available to the Organization, the asset is considered to be level 3.

For the fiscal years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets has been consistent.

Investments consist of the following at June 30:

	Level 1	Level 2	Level 3	Total
2022				
Equities	$ 35,810	$ –	$ –	$ 35,810
Exchange traded funds	21,379	–	–	21,379
Mutual funds	15,553	–	–	15,553
Beneficial interest in assets held by others	–	–	217,237	217,237
	$ 72,742	$ –	$ 217,237	$ 289,979
2021				
Equities	$ 46,235	$ –	$ –	$ 46,235
Exchange traded funds	24,970	–	–	24,970
Mutual funds	17,101	–	–	17,101
Beneficial interest in assets held by others	–	–	235,208	235,208
	$ 88,306	$ –	$ 235,208	$ 323,514

5. Investments and Fair Value Measurements (Continued)

The table below presents information about the changes in the beneficial interest in assets held by others for the years ended June 30:

Beginning balance, July 1, 2020	$175,512
Investment return, net of fees	59,696
Ending balance, June 30, 2021	235,208
Investment loss, net of fees	(17,971)
Ending balance, June 30, 2022	$217,237

6. Property and Equipment

Property and equipment consists of the following at June 30:

	2022	2021
Land and land improvements	$ 4,480,228	$ 4,480,228
Buildings and building improvements	33,836,903	33,662,915
Software	535,569	516,919
Vehicles	518,497	438,497
Furniture, fixtures and equipment	516,136	366,585
Construction in progress	20,750	–
	39,908,083	39,465,144
Less accumulated depreciation	(14,734,954)	(13,265,752)
	$ 25,173,129	$ 26,199,392

Depreciation expense totaled $1,469,202 and $1,491,813 for the years ended June 30, 2022 and 2021, respectively.

7. Lines of Credit

At June 30, 2022 and 2021, the Organization had the following lines of credit available:

Harbor Homes: $3,000,000 line of credit available at June 30, 2022 from Enterprise Bank secured by all business assets. The Organization is required, at a minimum, to make monthly interest payments commencing March 14, 2022 at the Wall Street Journal Prime Rate with a floor of 3.25% (4.75% at June 30, 2022). The line of credit has a maturity date of February 28, 2023. As of June 30, 2022, the credit line had an outstanding balance of $499,817.

7. Lines of Credit (Continued)

Harbor Homes: $1,600,000 line of credit previously available at June 30, 2021 from TD Bank, N.A. secured by all business assets. The Organization was required, at a minimum, to make monthly interest payments at the Wall Street Journal Prime Rate plus 1.00%. As of June 30, 2021, the credit line had an outstanding balance of $225,120. This line of credit was paid in full and closed during fiscal year 2022.

GNCA: $750,000 line of credit available at June 30, 2022 and 2021 from Merrimack County Savings Bank, due on demand, and secured by all business assets. The Organization is required, at a minimum, to make monthly interest payments at the Wall Street Journal Prime Rate plus 1.00% (5.75% at June 30, 2022). There was no outstanding balance on the line of credit at June 30, 2022 and 2021.

The agreements above contain certain financial and nonfinancial covenants. At year end, management has determined the Organization is in compliance under the terms of these agreements.

8. Payroll Protection Program Loans

In April 2020, the Organization received $3,820,397 under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP). The PPP, established as part of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), which was enacted March 27, 2020, provided for loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses. The loans and accrued interest had original terms that were forgivable after a specified period as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness would be reduced if the borrower terminated employees or reduced salaries during the period. Certain modifications to PPP loan terms were signed into law in June 2020 that changed the forgiveness, covered period and forgiveness periods. When the proceeds were received, the Organization accounted for the PPP loan as a refundable advance. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with deferral of payments for the first ten months. The Organization believed that at June 30, 2020 a majority of the proceeds had been used for purposes consistent with the PPP requirements and recognized $2,554,938 of the PPP loan as revenue as a result of qualifying expenses incurred in fiscal year 2020. The remaining balance of the PPP loan in the amount of $1,265,459 was reflected as a refundable advance in the consolidated statement of financial position at June 30, 2020 as it was expected that the remaining proceeds would be used for purposes consistent with PPP requirements in fiscal year 2021.

During fiscal year 2021, the Organization received notification of forgiveness for the full PPP loan amounts. Upon such notification, the Organization recognized $1,184,588 as revenue in fiscal year 2021.

9. Loan Payable

In June 2020, Harbor Homes entered into an Economic Injury Disaster Loan (EIDL) with the SBA in the amount of $149,900. Proceeds were used to alleviate economic injury caused by the COVID-19 pandemic. Monthly payments of $641, including principal and interest at 2.75%, began in June 2021. During fiscal year 2022, the Organization paid this loan in full.

10. Notes Payable

Notes Payable

Notes payable consisted of the following as of June 30:

Property/Security	Monthly Payment Amount	Interest Rate	Interest Type	Maturity Date	2022 Principal Balance	2021 Principal Balance
615 Amherst Street, Nashua, NH	$ 19,631	4.00%	Adjustable	September 2042	$ 3,283,031	$ 3,384,225
75-77 Northeastern Boulevard, Nashua, NH	15,311	3.92%**	Adjustable	February 2052	3,197,109	3,269,898
75-77 Northeastern Boulevard, Nashua, NH	6,177	5.00%	Fixed	September 2029	1,187,065	1,201,443
335 Somerville Street, Manchester, NH	7,879	6.77%	Adjustable	December 2033	1,069,593	1,090,917
335 Somerville Street Manchester, NH	6,193	4.57%	Fixed	December 2033	1,017,458	1,044,580
59 Factory Street, Nashua, NH	7,768	7.05%	Adjustable	October 2040	950,968	976,141
59 Factory Street, Nashua, NH	2,692	4.75%	Adjustable	October 2040	394,093	407,321
59 Factory Street, Nashua, NH	310	4.39%	Adjustable	October 2035	37,522	39,547
46 Spring Street, Nashua, NH	5,126	6.97%	Adjustable	December 2036	550,682	572,952
46 Spring Street, Nashua, NH	3,996	4.75%	Fixed	December 2036	496,083	519,848
45 High Street, Nashua, NH	5,324	3.12%	Adjustable	August 2030	433,692	479,587
12 Auburn Street, Nashua, NH	2,863	3.85%	Adjustable	December 2045	531,890	544,375
30 Allds Street, Nashua, NH	5,276	9.25%*	Fixed	December 2026	235,779	275,276
156 Chestnut Street, Nashua, NH	3,369	9.25%*	Fixed	January 2028	175,795	198,794
99 Chestnut Street, Nashua, NH	1,538	5.67%	Adjustable	April 2042	219,597	225,990
7 Trinity Street, Claremont, NH	1,731	3.75%*	Adjustable	September 2036	187,040	195,562
7 North Main Street, Antrim, NH	3,184	9.25%*	Fixed	May 2025	101,341	128,781
2 Freedom Drive, Salem, NH	2,543	9.25%*	Fixed	April 2023	25,525	52,316
3 Winter Street, Nashua, NH	2,385	9.25%*	Fixed	August 2022	4,721	31,537
Mobile van and pharmacy inventory	3,419	1.00%	Fixed	April 2022	–	47,625
Software	3,419	1.00%	Fixed	June 2022	–	42,457
					14,098,984	14,729,172
Notes payable issuance costs					(57,804)	(60,658)
Current portion					(530,482)	(655,636)
					$13,510,698	$14,012,878

* HUD issued and backed

** During fiscal year 2022, this debt was refinanced with the bank. The maturity date was extended from October 2029 to February 2052 and the monthly payments were reduced from $18,772 to $15,311.

10. Notes Payable (Continued)

Aggregate principal payments on the notes payable due within the next five years and thereafter are as follows for the years ending June 30:

2023	$ 530,482
2024	537,562
2025	568,127
2026	563,129
2027	565,176
Thereafter	11,334,508
	$14,098,984

Certain of the above notes payable contain various financial and nonfinancial covenants. Management asserts all debt covenant requirements have been met or waived as of year end. The adjustable rate notes payable adjust at various times during the life of the respective note and are primarily based off the Federal Home Loan Amortizing Advance Rate, plus basis points ranging from 175 to 300 basis points.

Notes Payable, Tax Credits

Notes payable, tax credits consist of notes held by the Community Development Finance Authority through the Community Development Investment Program, through the sale of tax credits to donor organizations. At June 30, 2022 and 2021, these tax credits totaled $399,523 and $455,463, respectively. The tax credits self-amortize over the term of the notes, which is generally 10 years.

Notes Payable, Deferred

The Organization has deferred notes outstanding, secured by real property. These loans are interest free, and are not required to be repaid unless the Organization is in default with the terms of the loan agreements or, for certain loans, if an operating surplus occurs within that program. The deferred loans are subordinate to any nondeferred loan on the related property. Management asserts all debt covenant requirements have been met for 2022.

10. Notes Payable (Continued)

Deferred notes payable are as follows at June 30:

	2022	2021
City of Manchester:		
Somerville Street property	$ 300,000	$ 300,000
City of Nashua:		
Factory Street property	580,000	580,000
Spring Street property	491,000	491,000
Strawberry Bank condominium	80,000	80,000
High Street fire system	65,000	65,000
Total City of Nashua	1,216,000	1,216,000
HUD:		
Strawberry Bank condominium	436,400	436,400
Federal Home Loan Bank (FHLB):		
Factory Street property	400,000	400,000
Somerville Street property	400,000	400,000
Spring Street property	398,747	398,747
Amherst Street property	385,000	385,000
Total FHLB	1,583,747 (1)	1,583,747 (1)
New Hampshire Housing Finance Authority (NHHFA):		
Amherst Street property	1,500,000	1,500,000
Factory Street property	982,349	982,349
Spring Street property	550,000	550,000
Somerville Street property	1,000,000	1,000,000
Total NHHFA	4,032,349 (2)	4,032,349 (2)
	$7,568,496	$7,568,496

(1) Will be automatically forgiven at the end of the term
(2) Nonrecourse

11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following at June 30:

	2022	2021
Purpose:		
Capital improvements	$ 10,000	$218,429
Veterans programs	14,253	13,375
Miscellaneous	26,001	16,486
Special events	1,933	1,933
Consulting	23,610	–
Recruitment/retention/training	459,678	–
Client assistance	11,492	–
HIV services	57,527	–
Vaccines	18,187	–
	622,681	250,223
Perpetuity:		
Beneficial interest in assets held by others	217,237	235,208
	$839,918	$485,431

12. Patient Service Revenues

The Organization recognizes patient service revenue associated with services provided through its FQHC to patients who have Medicaid, Medicare, third-party payor, and managed care plans coverage on the basis of contractual rates for services rendered. For uninsured self-pay patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates if negotiated or provided by the Organization's policy. The Organization accepts patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies, which define charity services as those costs for which no payment is anticipated. The Organization uses federally established poverty guidelines to assess the level of discount provided to the patient. The Organization is required to provide a full discount to patients with annual incomes at or below 100% of the poverty guidelines, but may charge a nominal fee. If the patient is unable to pay the nominal fee, the amount is written off to charity care. All patients are charged in accordance with a sliding fee discount program based on household size and household income. No discounts may be provided to patients with incomes over 200% of federal poverty guidelines.

12. Patient Service Revenues (Continued)

Patient service revenues (FQHC) consists of the following for the years ended June 30:

	2022	2021
Medicaid	$3,376,968	$3,734,104
Medicare	1,699,353	1,323,310
Third party	637,252	549,453
Sliding fee/free care	87,392	50,486
Self-pay	140,704	137,045
	$5,941,669	$5,794,398

Other patient service revenues consists of the following for the years ended June 30:

	2022	2021
Medicaid	$5,733,275	$5,453,707
Medicare	164,567	247,305
Third party	47,577	107,091
Self-pay	28,791	78,822
	$5,974,210	$5,886,925

13. Lease Income

The Organization has entered into various agreements to lease certain office space to other organizations. These leases generally contain rent escalation clauses, unless either party provides advance written notice of termination. In 2022 and 2021, rental income (included in other rental income) was approximately $312,000 and $295,000, respectively.

Scheduled future lease payments, excluding opportunities for future renewals, consist of the following at June 30, 2022

2023	$230,066
2024	123,847
2025	102,196
2026	26,256

14. Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, those expenses require allocation on a reasonable basis that is consistently applied. The majority of expenses are direct costs that are charged to the applicable cost center, program, grant, and/or function. Costs that are not directly related to a cost center, program, grant, and/or function, or allocated as noted below, are accumulated into an indirect cost pool and charged using direct salaries, wages, and benefits as the allocation base. Certain individual cost elements are charged on a direct allocation basis, as follows:

Salaries, Wages and Benefits

Except for certain key members of management, employees charge their time directly to specific grants, contracts, or other activities. Charges are supported by labor distribution reports and timesheet records, which reflect the actual activities under each. Fringe benefits include unemployment insurance, workers' compensation, FICA, health insurance, dental insurance, short-term and long-term disability, and matching retirement contributions. Benefits are also directly charged, using a methodology similar to that used for salaries and wages.

Occupancy Costs

Occupancy costs are allocated as follows:

- Interest on debt-financed property is allocated based on the purpose/use of the property.
- Rent is allocated based on square footage.
- Utilities are charged based on the purpose/use of the property.
- Depreciation is allocated based on the purpose/use of the property.

15. Related Party Transactions

Boulder Point is a related party to the Organization. The following is a summary of transactions between the Organization and Boulder Point:

- Boulder Point and Harbor Homes entered into a ground lease agreement in 2018. The lease called for a one-time payment of $285,000 at inception of the lease. The lease terminates in June 2116 with optional one-year renewals. At June 30, 2022 and 2021, Harbor Homes has recorded $273,367 and $276,275, respectively, in deferred rent revenue, which is reflected within other long-term liabilities in the accompanying consolidated statements of financial position.
- Harbor Homes has an amount due from Boulder Point for project developer fees. At the end of each fiscal year, Boulder Point repays Harbor Homes to the extent the project produces sufficient cash flow. At June 30, 2022 and 2021, Harbor Homes has recorded $157,504 related to developer fees receivable, which is reflected within other long-term assets in the accompanying consolidated statements of financial position.
- Harbor Homes recognized approximately $53,000 in management fee revenue from Boulder Point for the years ended June 30, 2022 and 2021, and has also reflected approximately $50,000 and $47,000, respectively, as due from Boulder Point within due from related organizations in the accompanying consolidated statements of financial position at June 30, 2022 and 2021.

15. Related Party Transactions (Continued)

- Harbor Homes provides a guaranty of operating deficits of the Boulder Point project in the amount of $275,000. Accordingly, in the event the project were to experience financial distress, Harbor Homes would have a contingent liability for operating deficits up to $275,000. This risk has been mitigated in part through the establishment of an operating reserve.
- There is a loan between HH Plymouth and Boulder Point totaling $1,271,105. The loan is due to HH Plymouth in a balloon payment in 2039 and is the last priority of note payable. The Organization determined that the likelihood of repayment of this loan is low and collectability is not reasonably assured and therefore, the note receivable is fully reserved for by HH Plymouth as of June 30, 2022 and 2021.

HARBOR HOMES, INC. AND AFFILIATES D/B/A HARBOR CARE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Award Number	Assistance Listing Number	Amounts Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development:				
Direct programs:				
Office of Community Planning and Development:				
Continuum of Care Program	N/A	14.267	$ –	$ 2,175,951*
Housing Opportunities for Persons with AIDS	N/A	14.241	–	147,167
Office of Housing:				
Supporting Housing for Persons With Disabilities	N/A	14.181	–	100,573
Supporting Housing for Persons With Disabilities-Loan	N/A	14.181	–	31,532
Office of Public and Indian Housing:				
Section 8 Housing Assistance Payment Program	N/A	14.195	–	56,971
Section 8 Housing Assistance Payment Program-Loan	N/A	14.195	–	193,844
Mainstream Vouchers	N/A	14.879	–	2,209,465
Passed-through programs:				
Office of Community Planning and Development:				
The City of Nashua, New Hampshire:				
Community Development Block Grants – Loan	Unknown	14.228	–	65,000
Community Development Block Grants – Loan	B-05-06-MC-33-0002	14.228	–	91,000
Home Investment Partnerships Program – Loan	B-02-SP-NH-CH08	14.239	–	250,000
Home Investment Partnerships Program – Loan	Unknown	14.239	–	580,000
Housing Opportunities for Persons with AIDS	NH-H170012	14.241	–	496,822
Housing Opportunities for Persons with AIDS	NH-H2001W027	14.241	–	57,810
Community Development Block Grants/Brownfields Economic Development Initiative – Loan	B05-06-MC-33-0022	14.246	–	150,000
Merrimack Valley Assistance Program:				
Housing Opportunities for Persons with AIDS	Unknown	14.241	–	14,173
The New Hampshire Community Development Finance Authority:				
Community Development Block Grants – Loan	611512	14.228	–	300,000
Total U.S. Department of Housing and Urban Development			–	6,920,308

HARBOR HOMES, INC. AND AFFILIATES D/B/A HARBOR CARE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Award Number	Assistance Listing Number	Amounts Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Labor:				
Direct program:				
Homeless Veterans Reintegration Project	N/A	17.805	$ –	$ 224,969
U.S Department of Treasury:				
Passed-Through Program:				
Bi-State Primary Care Association:				
Social Impact Partnerships to Pay for Results Act Demonstration Projects	2022-DPHS-04- EXPAN-01	21.017	–	12,369
Federal Communications Commission:				
Direct program:				
COVID-19 Telehealth Program	N/A	32.006	–	225,776*
U.S. Department of Veterans Affairs:				
Direct programs:				
VA Homeless Providers Grant and Per Diem Programs	N/A	64.024	–	2,870,550
VA Supportive Services for Veteran Families Programs	N/A	64.033	–	1,815,937*
Total U.S. Department of Veterans Affairs			–	4,686,487
U.S. Department of Health and Human Services:				
Direct programs:				
Health Resources and Services Administration:				
Health Center Program	N/A	93.224	–	3,226,544
Provider Relief Fund and American Rescue Plan Rural Distribution	N/A	93.498	–	44,064
Grants for Capital Development in Health Centers	N/A	93.526	–	6,000
Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White HIV/AIDS Program Part C)	N/A	93.918	–	50,343
New and Expanded Services Under the Health Center Program	NA	93.527	–	208,306
Substance Abuse and Mental Health Services Administration:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	N/A	93.243	–	1,395,641*

HARBOR HOMES, INC. AND AFFILIATES D/B/A HARBOR CARE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Award Number	Assistance Listing Number	Amounts Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services (Continued):				
Passed-through programs:				
Bi-State Primary Care Association:				
Training in General, Pediatric and Public Health Dentistry	D88HP37552	93.059	$ –	$ 6,992
CDC Partner Crisis Response NOFO	2022-DPHS-04- EXPAN-01	93.391	–	6,092
Boston Public Health Commission:				
HIV Emergency Relief Project Grants (Ryan White HIV/AIDS Program Part A)	H89HA00011	93.914	129,966	408,323
First Choice Services:				
Cooperative Agreement to Support Navigators in Federally-Facilitated Exchanges	NAVCA210400	93.332	–	71,166
State of New Hampshire:				
Block Grants for Prevention and Treatment of Substance Abuse	2022-BDAS-05-PEERR-01	93.959	781,583	781,583*
Block Grants for Prevention and Treatment of Substance Abuse	2021-BDAS-04-SUBST-05	93.959	–	58,380*
Opioid STR	2021-BDAS-04-SUBST-05	93.788	–	205,435
Opioid STR	2022-BDAS-05-PEERR-01	93.788	575,000	575,000
Total U.S. Department of Health and Human Services			1,486,549	7,043,869
U.S. Department of Homeland Security:				
Passed-through programs:				
Hillsborough County Local Emergency Food and Shelter Program:				
Emergency Food and Shelter National Board Program	592600-008	97.024	–	8,000
Total Federal Expenditures			$1,486,549	$19,121,778

* Major Program

See notes to this schedule.

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the federal grant activity of Harbor Homes, Inc. and Affiliates d/b/a Harbor Care (the Organization) for the year ended June 30, 2022, and is presented on the accrual basis of accounting. The Schedule includes all applicable federal grants for the Organization. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Since the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, results of operations, changes in net assets, or cash flows of the Organization.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the Organization and agencies and departments of the federal government and all subawards to the Organization by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

2. Summary of Significant Accounting Policies

Expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in Uniform Guidance, as applicable. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. The categorization of expenditures by program included in the Schedule is based upon the Assistance Listing Number. The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Donated Personal Protective Equipment (PPE) (Unaudited)

During the year ended June 30, 2022, the Organization did not receive donated PPE.

4. Loans

Expenditures classified as loans in the Schedule include beginning of the audit period balances for loans from previous years for which the federal government imposes continuing compliance requirements. Several of these loans are not required to be repaid unless the Organization is in default with the terms of the loan agreements or if an operating surplus occurs within that program.

4. Loans (Continued)

Federal loans included in the Schedule had the following balances at June 30, 2022:

Program Title	Pass-through Identifying Number	Assistance Listing Number	Balance
Supportive Housing for Persons with Disabilities	N/A	14.181	$ 4,720
Section 8 Housing Assistance Payment Program	N/A	14.195	187,040
Community Development Block Grants	B-05-06-MC-33-0002	14.228	91,000
Community Development Block Grants	611512	14.228	300,000
Community Development Block Grants	Unknown	14.228	65,000
Home Investment Partnerships Program	B-02-SP-NH-CH08	14.239	250,000
Home Investment Partnerships Program	Unknown	14.239	580,000
Economic Development Initiative	B05-06-MC-33-0022	14.246	150,000
			$1,627,760

Baker Newman & Noyes LLC
MAINE I MASSACHUSETTS I NEW HAMPSHIRE
800.244.7444 I www.bnncpa.com

INDEPENDENT AUDITORS' 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*

To the Board of Directors
Harbor Homes, Inc. and Affiliates d/b/a Harbor Care

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* (GAS), issued by the Comptroller General of the United States, the consolidated financial statements of Harbor Homes, Inc. and Affiliates d/b/a Harbor Care (the Organization), which comprise the Organization's consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated November 7, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 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.

To the Board of Directors
Harbor Homes, Inc. and Affiliates d/b/a Harbor Care

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 GAS.

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 GAS in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Newman & Noyes LLC

Manchester, New Hampshire
November 7, 2022

Baker Newman & Noyes LLC
MAINE I MASSACHUSETTS I NEW HAMPSHIRE
800.244.7444 I www.bnncpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Harbor Homes, Inc. and Affiliates d/b/a Harbor Care

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Harbor Homes, Inc. and Affiliates d/b/a Harbor Care's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of Auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

To the Board of Directors
Harbor Homes, Inc. and Affiliates d/b/a Harbor Care

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, GAS, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole,

In performing an audit in accordance with GAAS, GAS, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

To the Board of Directors
Harbor Homes, Inc. and Affiliates d/b/a Harbor Care

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Newman & Noyes LLC

Manchester, New Hampshire
March 17, 2023

HARBOR HOMES, INC. AND AFFILIATES D/B/A HARBOR CARE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

I. <u>Summary of Auditors' Results</u>

<u>Financial Statements</u>:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	*Unmodified*			
Internal control over financial reporting:				
• Material weakness(es) identified?	____	yes	X	no
• Significant deficiency(ies) identified?	____	yes	X	none reported
Noncompliance material to financial statements noted?	____	yes	X	no

<u>Federal Awards</u>:

Internal control over major federal programs:				
• Material weakness(es) identified?	____	yes	X	no
• Significant deficiency(ies) identified?	____	yes	X	none reported
Type of auditors' report issued on compliance for major Federal programs:	*Unmodified*			
• Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200 516(a)?	____	yes	X	no

<u>Identification of Major Programs</u>:

<u>ALN</u>	<u>Name of Federal Program or Cluster</u>
14.267	U.S. Department of Housing and Urban Development: Direct program: Office of Community Planning and Development: Continuum of Care Program
32.006	Federal Communications Commission: Direct program: COVID-19 Telehealth Program
64.033	U.S. Department of Veterans Affairs: Direct program: VA Supportive Services for Veteran Families Programs
93.243	U.S. Department of Health and Human Services: Direct program: Substance Abuse and Mental Health Services Administration: Substance Abuse and Mental Health Services Projects of Regional and National Significance
93.959	U.S. Department of Health and Human Services: Passed-through program: State of New Hampshire: Block Grants for Prevention and Treatment of Substance Abuse

HARBOR HOMES, INC. AND AFFILIATES D/B/A HARBOR CARE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2022

I. Summary of Auditors' Results

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ yes _____ no

II. Financial Statement Findings

Findings related to the consolidated financial statements which are required to be reported in accordance with GAS:

No matters were reported.

III. Findings and Questioned Costs for Federal Awards

Findings and questioned costs for Federal awards which shall include findings as defined in Section 2 CFR 200 516(a):

No matters were reported.

HARBOR HOMES, INC. AND AFFILIATES D/B/A HARBOR CARE

SUMMARY OF THE STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Finding 2021-001: Timeliness of Reporting

Federal Agency:	U.S. Department of Housing and Urban Development
Award Name:	Mainstream Vouchers
Program Year:	2021
ALN #:	14.879
Criteria:	Management was responsible for submitting timely reporting based on the terms of the grant agreement.
Condition:	During compliance testing, it was identified that the required unaudited financial information was not submitted timely to the Financial Assessment Sub-System (FASS-PH).
Context:	The required unaudited financial reporting was not submitted timely based on the terms of the grant agreement.
Cause:	Management has processes and controls over the reporting process, however, these were not updated to reflect the correct due date of the required report per the grant agreement.
Effect:	As a result of the condition, the Organization required reporting was not submitted timely based on the terms of the grant agreement.
Recommendation:	In the future, the Organization should ensure it implements appropriate processes and controls to ensure required reports are filed timely in accordance with the terms of the grant agreement.
Views of Responsible Officials:	Management acknowledges the finding. The existing processes and controls will be updated to reflect the correct due date of the required unaudited financial information to the awarding agency to ensure timely filings in the future.
Corrective Actions Taken or Planned:	Management acknowledges the finding. The existing processes and controls were updated to reflect the correct due date of the required unaudited financial information to the awarding agency to ensure timely filings in the future.