

OUR CHILDREN, INC.
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

HOUR CHILDREN, INC.
JUNE 30, 2021 AND 2020

TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	10

A GARY AARONSON CPA, PLLC

CERTIFIED PUBLIC ACCOUNTANT

42 WEST 38TH STREET

SUITE 1003

NEW YORK, NEW YORK 10018

(212) 684-5770

A GARY AARONSON, CPA

FAX (212) 684-4853

Independent Auditor's Report

To the Board of Directors
Hour Children, Inc.

I have audited the accompanying financial statements of Hour Children, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

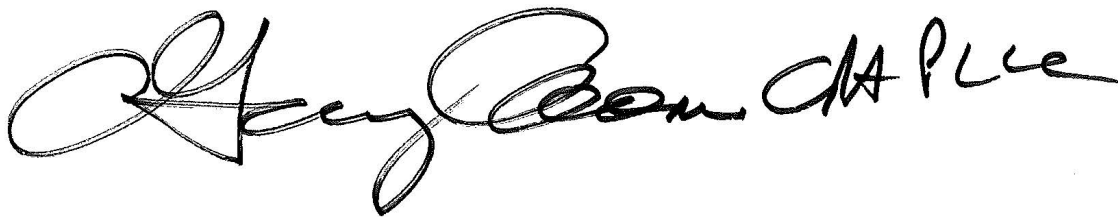
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by management, and evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hour Children, Inc. as of June 30, 2021 and 2020, the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "Jeffrey Ben CPA PLLC". The signature is written in a cursive, flowing style.

New York, New York
May 10, 2022

HOUR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
<u>Current Assets</u>		
Cash	\$ 3,440,328	\$ 1,871,565
Accounts receivable	1,260,824	1,002,793
Due from NYS Department of Correctional Services	126,135	164,621
Inventory	166,785	126,861
Due from Hour Apartment L.P.	49,208	2,733
Prepaid expenses	<u>231,871</u>	<u>184,535</u>
Total Current Assets	5,275,151	3,353,108
Fixed assets at cost - net of accumulated depreciation of \$1,834,319 in 2021 and \$1,955,997 in 2020	4,703,480	8,839,192
<u>Other Assets</u>		
Investment in Hour Apartment III	822,373	822,373
Loan receivable - Hour Apartment III	500,000	500,000
Developer's fee receivable	51,938	51,938
Security deposits	67,830	48,285
Vehicle deposits	140,588	-
Investments	<u>5,439,477</u>	<u>4,275,829</u>
Total Other Assets	<u>7,022,206</u>	<u>5,698,425</u>
TOTAL ASSETS	<u>\$ 17,000,837</u>	<u>\$ 17,890,725</u>

See accompanying notes to financial statements.

HOOR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued expense	\$ 373,035	\$ 340,429
Other payable	40,216	12,414
Accrued interest	-	10,000
Tenants' security deposits payable	2,920	2,920
Deferred Revenue	4,630	-
Due to Hour Apartment III	<u>28,534</u>	<u>47,545</u>
Total Current Liabilities	449,335	413,308
<u>Long-Term Debt</u>		
Notes payable	<u>501,360</u>	<u>4,521,000</u>
Total Long-Term Debt	<u>501,360</u>	<u>4,521,000</u>
TOTAL LIABILITIES	950,695	4,934,308
<u>Net Assets</u>		
Net Assets without Donor Restrictions	15,212,420	12,172,236
Net Assets with Donor Restrictions	<u>837,722</u>	<u>784,181</u>
Total Net Assets	<u>16,050,142</u>	<u>12,956,417</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,000,837</u>	<u>\$ 17,890,725</u>

See accompanying notes to financial statements.

HOUR CHILDREN, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
<u>Net Assets Without Donor Restrictions:</u>		
Support and Revenue		
Public contributions	\$ 1,313,313	\$ 1,277,740
Government grants	1,667,968	1,435,497
Contract income	410,000	370,000
Foundation contributions	2,154,770	1,471,308
Donated services	393,403	309,936
Fundraising events	108,628	5,230
Child care program	50,865	120,824
Rental income	263,853	285,370
Thrift shop sales	429,612	376,901
Investment income	1,178,676	291,939
PPP Loan forgiveness	521,000	-
Other income	530,576	15,757
Total Support and Revenue	9,022,664	5,960,502
Expenses		
Program Services	4,991,216	4,640,466
Support Services		
Management and general	637,918	645,149
Fundraising	353,346	319,158
Total Support Services	991,264	964,307
Total Expenses	5,982,480	5,604,773
Changes in net assets without donor restrictions	3,040,184	355,729
<u>Net Assets With Donor Restrictions:</u>		
Net assets released from restrictions	(579,910)	(116,836)
Contributions	633,451	676,291
Changes in net assets with donor restrictions	53,541	559,455
Changes in Net Assets	3,093,725	915,184
Net Assets - Beginning of Year	12,956,417	12,041,233
Net Assets - End of Year	\$ 16,050,142	\$ 12,956,417

See accompanying notes to financial statements.

HOOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Support Services			Total Expenses
		Management and general	Fund Raising	Total Supporting	
Salaries	\$ 2,100,060	\$ 254,737	\$ 222,506	\$ 477,243	\$ 2,577,303
Payroll taxes	182,546	20,496	18,866	39,362	221,908
Employee benefits	137,369	42,107	10,250	52,357	189,726
Stipends	167,657	105,600	28,380	133,980	301,637
Rent	396,478	11,850	-	11,850	408,328
Insurance	194,190	38,101	1,155	39,256	233,446
Utilities	121,288	5,820	-	5,820	127,108
Telephone	17,683	10,479	608	11,087	28,770
Repairs and maintenance	147,753	659	-	659	148,412
Equipment rental	9,132	2,321	-	2,321	11,453
Office expense and supplies	111,535	10,758	32,421	43,179	154,714
Payroll processing fees	11,142	1,352	1,181	2,533	13,675
Professional fees	84,268	73,125	19,200	92,325	176,593
Donated services	-	-	-	-	-
Donated legal services	393,403	-	-	-	393,403
Client assistance	202,061	-	-	-	202,061
Parties and outings	6,484	-	-	-	6,484
Client food	130,995	812	-	812	131,807
Advertising	445	-	45	45	490
Fundraising event	-	-	3,766	3,766	3,766
Dues and subscriptions	19,110	3,880	12,910	16,790	35,900
Postage	1,487	2,449	1,768	4,217	5,704
Auto and van expense	19,666	-	-	-	19,666
Professional development	8,718	847	208	1,055	9,773
Project costs	90,000	-	-	-	90,000
Travel and transportation	26,212	93	82	175	26,387
Taxes, licenses and fees	927	574	-	574	1,501
Bank charges	8,836	674	-	674	9,510
Interest	103,871	-	-	-	103,871
Investment fees	-	14,302	-	14,302	14,302
Miscellaneous	12,117	-	-	-	12,117
Bad Debt Expenses	-	36,882	-	36,882	36,882
Depreciation	285,783	-	-	-	285,783
	<u>\$ 4,991,216</u>	<u>\$ 637,918</u>	<u>\$ 353,346</u>	<u>\$ 991,264</u>	<u>\$ 5,982,480</u>

See independent auditor's report

HOOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Support Services			Total Expenses
		Management and general	Fund Raising	Total Supporting	
Salaries	\$ 2,074,610	\$ 334,917	\$ 204,379	\$ 539,296	\$ 2,613,906
Payroll taxes	184,165	26,091	16,879	42,970	227,135
Employee benefits	109,681	54,493	7,992	62,485	172,166
Stipends	132,195	104,690	28,379	133,069	265,264
Rent	375,298	11,617	-	11,617	386,915
Insurance	216,293	6,220	1,851	8,071	224,364
Utilities	79,587	6,670	-	6,670	86,257
Telephone	14,286	873	617	1,490	15,776
Repairs and maintenance	164,243	177	-	177	164,420
Equipment rental	8,670	2,551	-	2,551	11,221
Office expense and supplies	97,290	21,285	25,574	46,859	144,149
Payroll processing fees	8,930	1,383	929	2,312	11,242
Professional fees	79,975	27,225	82,592	109,817	189,792
Donated services	-	8,250	-	8,250	8,250
Donated legal services	301,686	-	-	-	301,686
Client assistance	128,045	900	-	900	128,945
Parties and outings	13,858	-	-	-	13,858
Client food	136,523	4,408	-	4,408	140,931
Advertising	-	-	133	133	133
Fundraising event	-	-	(60,654)	(60,654)	(60,654)
Dues and subscriptions	3,700	13,555	6,186	19,741	23,441
Postage	2,320	2,914	4,301	7,215	9,535
Auto and van expense	30,684	-	-	-	30,684
Professional development	1,991	700	-	700	2,691
Travel and transportation	31,130	196	-	196	31,326
Taxes, licenses and fees	5,637	2,935	-	2,935	8,572
Bank charges	7,293	1,079	-	1,079	8,372
Interest	120,000	-	-	-	120,000
Investment fees	-	11,945	-	11,945	11,945
Miscellaneous	7,565	75	-	75	7,640
Depreciation	304,811	-	-	-	304,811
	<u>\$ 4,640,466</u>	<u>\$ 645,149</u>	<u>\$ 319,158</u>	<u>\$ 964,307</u>	<u>\$ 5,604,773</u>

See independent auditor's report

HOUR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Cash flows from operating activities:</u>		
Changes in net assets	\$ 3,093,725	\$ 915,184
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	285,783	304,811
Unrealized gain on investment	(935,318)	(208,622)
Realized (gain) loss on investment	(168,252)	29,761
PPP Loan forgiveness	(521,000)	-
Donated investments	-	(3,034)
Bad debts	36,882	-
(Increase) Decrease in operating assets:		
Accounts receivable	(294,913)	(544,948)
Due from NYS Department of Correctional services	38,486	(1,600)
Due from Hour Apartment L.P.	(46,475)	18,252
Inventory	(39,924)	(38,557)
Prepaid expenses	(47,336)	(31,081)
Developer's fee receivable	-	218,062
Security deposits	(19,545)	-
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued expenses	32,606	7,025
Security deposits	-	20
Accrued interest	(10,000)	-
Other payable	27,802	-
Due to Hour Apartment III	(19,011)	14,314
Deferred revenue	<u>4,630</u>	<u>-</u>
Total adjustments	<u>(1,675,585)</u>	<u>(235,597)</u>
Net cash provided by operating activities	1,418,140	679,587

See accompanying notes to financial statements.

HOUR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(CONTINUED)

	<u>2021</u>	<u>2020</u>
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	-	(20,687)
Disposition of fixed assets	3,849,929	-
Payments of vehicle deposit	(140,588)	-
Proceeds from sale of investments	2,144,407	2,629,442
Purchases of investments	<u>(1,796,417)</u>	<u>(2,290,854)</u>
Net cash provided by investing activities	4,057,331	317,901
<u>Cash flows from financing activities:</u>		
Payments of loan principal	(4,000,000)	-
Loan proceeds	<u>501,360</u>	<u>521,000</u>
Net cash (used in) provided by financing activities	<u>(3,498,640)</u>	<u>521,000</u>
Net increase in cash and restricted cash	1,976,831	1,518,488
Cash and restricted cash - Beginning of Year	<u>1,946,777</u>	<u>428,289</u>
Cash and restricted cash - End of Year	<u>\$ 3,923,608</u>	<u>\$ 1,946,777</u>
 <u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the years for interest	<u>\$ 113,871</u>	<u>\$ 120,000</u>

See accompanying notes to financial statements.

HOURL CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 - ORGANIZATION

Hour Children, Inc. ("the Corporation") was incorporated in 1995 in the state of New York. The Corporation is a 501(c)(3) non-profit corporation committed to the compassionate and loving care of children of incarcerated women. Its outreach includes support and empowerment for mothers upon reunification with their families. All persons are encouraged to live and interact with dignity and respect.

Hour Children provides transitional housing and services at five locations and permanent housing at three locations for formerly incarcerated mothers and their children. The Corporation offers intense care management to residents including counseling and job readiness, relapse prevention services, child care, an after-school program, and mentoring programs for children whose parents are incarcerated and for women upon reentry.

Hour Children's three thrift shops offer employment training to residents while providing organizational revenue and needed resources. Services to the local community include the Thrift Stores and Community Food Pantry and a teen program.

In addition, Hour Children runs the Family Service Program in Bedford Hills and Taconic Correctional Facilities which includes a Nursery Program, Children's Center, Advocacy, Parenting and Domestic Violence Programs. An Advocacy program is also run in Rose M. Singer at Rikers Island. Outreach services are provided for women on work release at Edgecombe Correctional Facility.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Corporation are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The financial statements report net assets and changes in net assets into two classes that are based upon the existence or absence of restrictions on use that are placed by their donors, as follows:

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Net Assets without Donor Restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Corporation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and other that are entered into in the course of its operations.

Net Assets with Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Corporation must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted supports that increase net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

HOURLY CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation

Fixed assets are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method for financial reporting purposes. The estimated service lives of the assets for depreciation purposes may be different from their actual economic useful lives. For financial statement purposes, the following estimated useful lives are used:

	<u>Estimated useful lives</u>	<u>Method</u>
Buildings and Improvements	15-40 Years	Straight-Line
Vehicles and Transportation	5 Years	Straight-Line
Furniture	7 Years	Straight-Line
Equipment	5-10 Years	Straight-Line

Impairment

The Corporation reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. For assets held and used, if management's estimate of the aggregate future cash flows to be generated by the property, undiscounted and without interest charges, by the rental property including any estimated proceeds from the eventual disposition of the real estate are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. The determination of undiscounted cash flows requires significant estimates by management. Subsequent changes in estimated undiscounted cash flows could impact the determination of whether impairment exists. No impairment loss has been recognized during the years ended June 30, 2021 and 2020.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are charged to operations when incurred.

Donated Assets

In general, assets donated to the Corporation, such as stock, property, and equipment, are recorded as contributions at their estimated fair values at the date of donation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in United States of America 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

Inventory consists of merchandise that is contributed by individuals to the Corporation's thrift shops and is recorded at fair value.

Investments

Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments held by Not-for-Profit Organizations*, requires that investments be reported at fair value.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosure*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurements. Valuation techniques were used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Under the standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets and liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Government Grants

Government grants are recognized when the qualifying costs are incurred for cost-reimbursement contracts and grants or when a unit of service is provided for performance grants. Contracts from government agencies are subject to an independent audit. The audit could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Corporation's management believes that costs ultimately disallowed, if any, would not affect materially the financial position of the Corporation.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rental Income

Rental income is recognized as it earns. Rental payments received in advance are deferred and classified as liabilities until earned or recouped.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest-bearing amounts due from grantors on cost reimbursement or performance grants. Management believes that all outstanding accounts receivable are collectible in full. Therefore, no allowance for uncollectible receivables has been provided.

Income Taxes

The Corporation has been determined by the Internal Revenue Service to be exempt from Federal income taxes under section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal, New York State, and New York City income taxes is included in the financial statements.

Fair Value of Financial Instruments

The Corporation's financial instruments consist primarily of cash, accounts receivable, investments, accounts payable and debt instruments. The carrying values of cash, accounts receivable, investment, and accounts payable are considered to be representative of their respective fair values. The carrying values of the Corporation's debt instruments approximate their fair values as of June 30, 2021 and 2020, based on current incremental borrowing rates for similar types of borrowing arrangements.

Adoption of Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance

OUR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncements

will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional.

In November 2016, the Financial Accounting Standards Board (FASB) published Accounting Standards Update (ASU) No. 2016-18, which changes the presentation and disclosure of cash, cash equivalents and restricted cash or restricted equivalents in the statement of cash flows. The ASU requires that restricted cash and equivalents be included in the total cash and cash equivalent at the beginning and end of the period for which changes are shown in the statement of cash flows. It also requires that the face of the statement of cash flows or the notes to the financial statements present a reconciliation when cash and cash equivalents (restricted or unrestricted) are shown in more than one line on the statement of financial position. The standard does not change the definitions of restricted cash or restricted cash equivalents. Previous U.S. GAAP allowed changes in restricted cash to be shown as investing activities.

NOTE 3 - FIXED ASSETS

Fixed assets consist of the following:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 5,199,404	\$ 9,390,811
Building improvements	929,860	929,860
Vehicles and transportation	240,163	306,146
Furniture	48,788	48,788
Equipment	<u>19,584</u>	<u>119,584</u>
	6,537,799	10,795,189
Accumulated depreciation	<u>(1,834,319)</u>	<u>(1,955,997)</u>
Net Fixed Assets	<u>\$ 4,703,480</u>	<u>\$ 8,839,192</u>

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 - DONATED SERVICES

Donated services represent the estimated fair value of services provided to the Corporation. Donated services are recognized if the services received create or enhance non-financial assets or if the services received require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such contributed services are \$393,403 in 2021 and \$309,936 in 2020 respectively.

NOTE 5 - INVESTMENTS

The costs and market values of the Corporation's investments at June 30, 2021 are as follows:

	<u>Cost</u>	<u>Market</u>
Cash - Money Market	\$ 483,280	\$ 483,280
Equity Securities	1,236,235	2,520,036
Mutual Funds	<u>2,077,032</u>	<u>2,436,161</u>
TOTAL	<u>\$ 3,796,547</u>	<u>\$ 5,439,477</u>

The costs and market values of the Corporation's investments at June 30, 2020 are as follows:

	<u>Cost</u>	<u>Market</u>
Cash - Money Market	\$ 75,212	\$ 75,212
Equity Securities	1,139,905	1,726,775
Mutual Funds	<u>2,353,177</u>	<u>2,473,842</u>
TOTAL	<u>\$ 3,568,294</u>	<u>\$ 4,275,829</u>

The investments are maintained in an account with a brokerage firm. The account contains cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Security Investor Protection Corporation. The brokerage firm maintains additional insurance to cover any significant credit risk on all cash, cash equivalents and securities held by the broker. This insurance does not cover any

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 - INVESTMENTS (CONTINUED)

loss on market value of all cash, cash equivalents and securities held but losses due to the actions of the brokerage firm. The Corporation has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash, cash equivalents and securities.

NOTE 6 - FAIR VALUE MEASUREMENT

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Level 1 Inputs		
Mutual funds	\$ 2,436,161	\$ 2,473,842
Level 2 Inputs		
Corporate Securities	2,520,036	1,675,955
Corporate Bonds	-	50,820
Level 3 Inputs		
Investment in Hour Apartment III	<u>822,373</u>	<u>822,373</u>
	5,778,570	5,022,990
Cash alternative - money market	<u>483,280</u>	<u>75,212</u>
	<u>\$ 6,261,850</u>	<u>\$ 5,098,202</u>

As of June 30, 2021 and 2020, the contractual maturities of all debt securities classified as government securities or corporate bonds are as follows:

	<u>2021</u>	<u>2020</u>
Maturing within one year	\$ -	\$ 50,820
Maturing in 2-5 years	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 50,820</u>

OUR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 - ACCOUNTS RECEIVABLE

As of June 30, 2021 and 2020, accounts receivable consisted of as follow:

	2021	2020
Government grants receivable	\$ 760,255	\$ 544,465
Contract receivable	442,500	397,500
Rent receivable	50,773	20,697
Child care receivable	3,035	5,594
Contribution receivable	4,000	33,791
Other receivable	261	746
	<u>\$ 1,260,824</u>	<u>\$ 1,002,793</u>

NOTE 8 - GOVERNMENT GRANTS

The Corporation entered into a contract with New York State Office of Temporary and Disability Assistance (OTDA) from January 1, 2016 to December 31, 2026 to provide the formal job training program. For the years ended June 30, 2021 and 2020, the Corporation earned \$177,510 and \$151,081 respectively. As of June 30, 2021 and 2020, the Corporation had receivable of \$41,666 and \$40,992 from OTDA respectively.

The Corporation entered into a contract with NYS Department of Correctional Services to provide family services programs at Bedford Correctional Facility and Taconic Correctional Facility for the contract period from December 1, 2012 to November 30, 2016. The Corporation extended the contract to January 31, 2024. For the years ended June 30, 2021 and 2020, the Corporation earned \$570,032 and \$620,985 respectively, of which \$124,563 and \$161,791 was receivable as of June 30, 2021 and 2020.

The Corporation also entered into a contract with NYS Department of Correctional Services to run a visiting center (Hospitality center) at Bedford correctional facility. The contract was for the contract period from May 15, 2012 to June 30, 2018. The Corporation extended the contract to June 30, 2023. For the years ended June 30, 2021 and 2020, the Corporation earned \$1,572 and \$13,677 respectively, of which \$1,572 and \$2,831 was receivable as of June 30, 2021 and 2020.

HOURL CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 - GOVERNMENT GRANTS (CONTINUED)

Effective September 1, 2013, the Corporation entered into a contract with New York City Department of Health and Mental Hygiene (DOHMH) to provide supportive housing and social services to the tenants of Hour Apartment House III. The Corporation renewed the contract providing the same services with DOHMH to June 30, 2022. For the years ended June 30, 2021 and 2020, the Corporation earned \$351,728 and \$392,536 respectively. As of June 30, 2021 and 2020, the Corporation had receivable of \$263,437 and \$309,479 from DOHMH respectively.

Effective July 1, 2016, the Corporation entered into a contract with New York City Department of Youth and Community Development for support of the community food pantry program. For the years ended June 30, 2021 and 2020, the Corporation earned \$0 and \$13,000 respectively, of which \$8,000 was receivable as of June 30, 2021 and 2020.

Effective August 1, 2019, the Corporation entered into a contract with OTDA for the Empire State Supportive Housing Initiative Program. Hour Children is to provide housing support services for women re-entering the community from incarceration. The contract is through July 31, 2024. For the years ended June 30, 2021 and 2020, the Corporation earned \$218,143 and \$200,056 of which \$202,700 and \$185,994 was receivable at June 30, 2021 and 2020.

Effective August 1, 2020, the Corporation entered into a second contract with OTDA for the Empire State Supportive Housing Initiative Program. Hour Children is to provide housing support services for women re-entering the community from incarceration. The contract is through July, 31, 2025. For the year ended June 30, 2021, the Corporation earned \$166,023 of which \$96,452 was receivable at June 30, 2021.

The Corporation is in the process of finalizing a contract effective April 1, 2020 with New York City Mayor's office of Criminal Justice to provide counseling and family service programs at Riker's Island Correctional Facility. The Corporation has been incurring expenses which are allowable to be billed once the contract is finalized. The Corporation recognized revenue of \$148,000 for the year ended June 30, 2021. The accounts receivable at June 30, 2021 was \$148,000.

OUR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 - GOVERNMENT GRANTS (CONTINUED)

For the years ended June 30, 2021 and 2020, the government grants earned were as follows:

	<u>2021</u>	<u>2020</u>
OTDA	\$ 561,676	\$ 351,137
NYS Department of Correctional Services	571,604	634,662
DOHMH	351,728	392,536
Federal Emergency Food and Shelter Program	34,960	28,386
NYC Mayor’s Office of Criminal Justice	148,000	-
Child and Adult Care Food Program	-	15,776
NYC DYCD	<u>-</u>	<u>13,000</u>
	<u>\$ 1,667,968</u>	<u>\$ 1,435,497</u>

NOTE 9 - DUE FROM HOUR APARTMENT, L.P.

The Corporation owns Hour Apartment GP Inc., which is the general partner of Hour Apartments, L.P.(Hour Apartment). Hour Apartment rehabilitated an eight unit apartment building, which was occupied in June 2005 by tenants receiving social services from the Corporation. The Corporation charges Hour Apartment for various costs that were incurred on behalf of Hour Apartment. Total costs charged in 2021 and 2020 were \$46,476 and \$43,724 respectively. As of June 30, 2021 and 2020, the amount due from Hour Apartment was \$49,208 and \$2,733 respectively.

NOTE 10 - LEASE COMMITMENTS

The Corporation entered into various lease agreements for office facilities and residential facilities. The rental expense is recognized using the straight-line method under which the contractual rent increases are recognized equally over the lease term. The rental expense recorded on the straight-line method in excess of the rent billed is recognized as accrued rent. Totals of \$69,284 in 2021 and \$40,375 in 2020 represent accrued rent and are included in accounts payable and accrued expenses in the accompanying financial statements. The Corporation also has leases on a monthly basis. The total monthly basis rents were \$12,000 and \$30,000 for the years ended June 30, 2021 and 2020.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 - LEASE COMMITMENTS (CONTINUED)

The total minimum rental payments required under these leases are as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Amounts</u>
2022	\$ 430,146
2023	398,048
2024	256,807
2025	228,160
2026	192,479
Thereafter	<u>760,441</u>
Total	<u>\$ 2,266,081</u>

NOTE 11 - HOUR APARTMENT III L.P.

In January 2009, the Corporation acquired the property that houses its general and administrative office as well as a residence for eight families and part of its thrift shop operations. The total purchase price of the property was \$610,000. The Corporation re-zoned the property in connection with the construction of a supportive housing apartment building containing 18 residential units, which are for low income families. In October 2011, a new entity, Hour Apartment House III, L.P.(the Partnership), was formed to own the supportive housing apartment building. The Partnership has been granted an allocation of low income tax credits from the New York State Division of Housing & Community Renewal(DHCR).

An affiliate of the Corporation is a general partner in the Partnership and in October 2011, the Corporation contributed the land and building that it had acquired as part of their capital contribution. The contribution was recorded at the appraisal value of \$1,100,000, which resulted in a gain of \$531,709. The limited partner is Enterprise - UIG Affordable Housing Fund LLC, which is affiliated with Enterprise Community Investment Inc.

Prior to construction of the building, the existing structure was removed in October 2011. The Partnership obtained construction and permanent financing loans from the

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 - HOOR APARTMENT III L.P. (CONTINUED)

New York State Homeless Housing and Assistance Corporation (HHAC) and from the New York City Department of Housing Preservation and Development for the total amount of \$5,365,767. The total cost of the project was \$9,407,471.

In connection with the development of Hour Apartment III, the Corporation earned a developer's fee of \$270,000. As of June 30, 2015, the total developer's fee was earned. In March 2020, the Corporation received payment of \$218,062 for developer's fee from Hour Apartment House III. The developer's fee receivable balance as of June 30, 2021 and 2020 was \$51,938. The Corporation also provided assistance to furnish the apartments of Hour Apartment House III L.P. and various consulting charges of the project.

In accordance with the partnership agreement, the Corporation through the affiliated general partner was required to make a capital contribution of \$548,789, which is reported as Investment in Hour Apartment III on the accompanying financial statements. The \$548,789 was contributed as of June 30, 2014. During the year ended June 30, 2019, the balance of investment in Hour Apartment III was increased to reflect additional construction cost overruns that the Corporation had to fund. As of June 30, 2021 and 2020, the balance of investment in Hour Apartment III was \$822,373. Additionally, the Corporation was required to lend an additional \$500,000.

The Corporation provides property management to Hour Apartment III. Total fees received in 2021 and 2020 were \$4,439 and \$15,115 respectively, which were recorded as other income. The Corporation also charges Hour Apartment III for various operating costs that were incurred on behalf of Hour Apartment III. Total costs charged in 2021 and 2020 were \$97,404 and \$84,100 respectively. The Corporation provides a rent subsidy assistance to Hour Apartment III in accordance with the contract with DOHMH. For the years ended June 30, 2021 and 2020, the rent subsidy assistance was \$84,560, which was included in client assistance.

As of June 30, 2021 and 2020, due to Hour Apartment III was \$28,534 and \$47,545 respectively.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 - CONCENTRATION OF RISK

The Corporation maintains cash balances in financial institutions with balances that, at times, may exceed federally insured limit of \$250,000. At June 30, 2021 and 2020, cash exceeding this limit totaled \$3,257,537 and \$1,460,134 respectively.

NOTE 13 - RESIDENTIAL FACILITY - CORONA, NEW YORK

In June 2009, the Corporation purchased a residential facility in Corona, New York. The total purchase price was approximately \$808,000. The property was planned as a residence for 16 client women and their children. The Corporation incurred refurbishing costs in the amount of \$1,237,000, which has been capitalized and included in fixed assets in the accompanying financial statements.

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

The Corporation received grants in connection with programs to be performed in the following year of which receipts were included in net assets with donor restrictions in the accompanying financial statements. Net assets with donor restrictions as of June 30, 2021 and 2020 consist of the receipts of:

	<u>2021</u>	<u>2020</u>
Trinity Church	\$ 16,667	\$ -
The Tow Foundation	50,000	-
Viking Foundation	41,557	19,702
Porticus North America Foundation	36,090	36,090
Elmezzi Foundation	30,000	30,000
Maldari Foundation	12,500	14,583
Helen Wolk Foundation	6,800	6,800
NY Community Trust	-	71,176
Dunn Development Corp.	50,000	50,000
Boston Foundation	-	25,000
Mother Cabrini Health Foundation	570,539	439,910
Wasily Foundation	-	50,000
Other	<u>23,569</u>	<u>40,920</u>
Total	<u>\$ 837,722</u>	<u>\$ 784,181</u>

OUR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 15 - FUNCTIONAL EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services in a reasonable ratio determined by management.

NOTE 16 - RETIREMENT PLAN

Effective October 1, 2015, the Corporation adopted a 401(k) retirement plan, which permits eligible employees to make salary deduction contributions. Effective November 1, 2018, the Corporation amended the retirement plan and began discretionary employer match contributions. The employer match contribution was up to 2% of the salary of participating employees. During the years ended June 30, 2021 and 2020, the Corporation made matching contributions of \$35,796 and \$34,828 respectively for the eligible employees.

NOTE 17 - NOTES PAYABLE

In July 2017, the Corporation acquired a building in Long Island City for \$5,000,000, which will be used for social programs. In connection with the acquisition, the Corporation issued a seller note for \$4,000,000 to complete the acquisition. The note bears an interest rate of 3% per annum and starting July 17, 2017 requires only monthly interest payments of \$10,000. The entire principal balance of the note and all accrued interest was fully paid off on May 2021 using proceeds received from the sale of a portion of the building (See Note 18). The interest expense for the years ended June 30, 2021 and 2020 was \$103,871 and \$120,000. As of June 30, 2021 and 2020, the balance of the note payable is \$0 and \$4,000,000, respectively.

In May 2020, the Corporation borrowed \$521,000 under the Small Business Administration Payroll Protection Program. Under this program, the loan may be forgiven if certain payroll and non-payroll costs are spent in accordance with the loan. The loan was forgiven in June 2021 and was recognized as income in the 2021 accompanying financial statements.

In March 2021, the Corporation borrowed \$501,360 under the Small Business Administration Payroll Protection Program. Under this program, the loan may be forgiven if certain payroll and non-payroll costs are spent in accordance with the

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 17 - NOTES PAYABLE (CONTINUED)

loan. The Corporation received full forgiveness of the loan in May 2022. The forgiveness for this loan was not reflected in the accompanying 2021 financial statements.

A summary of the 2021 and 2020 notes payable is as follow:

	2021	2020
Building acquisition loan	\$ -	\$ 4,000,000
SBA PPP loan	501,360	521,000
	\$ 501,360	\$ 4,521,000

NOTE 18 - SALE OF BUILDING

In May 2021, the Corporation sold a building for \$4,500,000 that was acquired in July 2017. The sale proceeds were used to pay off the building acquisition loan, accrued interest owed (See Note 17) and to pay various selling costs. The net gain realized on the sale of the building was \$459,463 and is included in other income in the accompanying 2021 financial statements.

NOTE 19 - CONTRACT INCOME

The Corporation entered into a subcontract agreement with Osbourne Treatment Service, Inc. (Osbourne), who has a contract with the City of New York acting through its Mayor’s office of Criminal Justice, for the contract period from July 1, 2017 to June 30, 2022. The Corporation agreed to support diversion for women facing detention or incarceration by providing traditional housing services. For the years ended June 30, 2021 and 2020, the Corporation earned \$410,000 and \$370,000 respectively. As of June 30, 2021 and 2020, the Corporation had a receivable of \$410,000 and \$397,500 respectively from Osbourne which is included in accounts receivable in the accompanying financial statements.

NOTE 20 - CASH AND RESTRICTED CASH

The balances in cash and restricted cash as reflected in the statements of cash flows consist of the following:

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 20 - CASH AND RESTRICTED CASH (CONTINUED)

	2021	2020
Cash	\$ 3,440,328	\$ 1,871,565
Investments	483,280	75,212
	\$ 3,923,608	\$ 1,946,777

NOTE 21 - LIQUIDITY

At June 30, 2021, the Corporation has \$4,994,072 of liquid assets, consisting of cash of \$3,440,328 and accounts receivable of \$1,386,959 and inventory of \$166,785 available to meet needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the Corporation in the next 12 months.

In addition, the Corporation maintains funds in investments. Such funds are not considered by the Corporation to have donor restrictions.

The Corporation manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Corporation are expected to be met on a monthly basis from the rents of project units. In general, the Corporation maintains sufficient financial assets on hand to meet 30 days worth of normal operating expenses

NOTE 22 - PROJECT COSTS

The Corporation plans to provide housing support services at the Thomas Berry Place, located in Jamaica Estates, New York. During the year ended June 30, 2021, the Corporation made a payment of \$140,000 to Thomas Berry Place. Of the total paid, \$90,000 was spent for renovation costs of the residences and is shown as project costs on the accompanying 2021 financial statements. The remaining \$50,000 is being held in escrow and will be applied to tenants' rent once the project is ready for occupancy. The remaining \$50,000 is included in prepaid expenses on the accompanying 2021 financial statements.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 23 - CORONAVIRUS PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S., including New York State, have declared a state of emergency. It is anticipated that these impacts will continue for some time. The Corporation's operations have continued, with the exception of the thrift stores and administrative offices, which were both closed for a period of time. Services provided under certain contracts had to be curtailed or eliminated altogether. Future potential impacts may include disruptions or restrictions on employees' ability to work or the tenant's ability to pay the required monthly rent.

NOTE 24 - SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions occurring through May 10, 2022, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.