

FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT
THE UPPER VALLEY HAVEN, INC.
MARCH 31, 2021

THE UPPER VALLEY HAVEN, INC.

MARCH 31, 2021

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Independent Auditor's Report

To the Board of Directors and Finance Committee of
The Upper Valley Haven, Inc.,

Report on the Financial Statements

We have audited the accompanying financial statements of The Upper Valley Haven, Inc., (a nonprofit corporation) which comprise the statement of financial position as of March 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Upper Valley Haven, Inc., as of March 31, 2021, and the changes in its net assets, its functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Gallagher, Flynn & Company, LLP

South Burlington, Vermont
August 23, 2021

THE UPPER VALLEY HAVEN, INC.
STATEMENT OF FINANCIAL POSITION

MARCH 31, 2021

ASSETS

Cash and cash equivalents	\$ 3,042,799
Accounts, pledges and grants receivable	184,599
Inventory	143,148
Prepaid expenses and other assets	56,369
Investments	3,178,157
Land, buildings and equipment, net	<u>3,091,651</u>
Total assets	<u><u>\$ 9,696,723</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 90,348
Accrued expenses	238,907
Funds held on behalf of others	85,382
Unearned revenues	29,749
Long-term debt - Paycheck Protection Program loan	<u>427,200</u>
Total liabilities	<u><u>871,586</u></u>

NET ASSETS

Without donor restrictions	
Available for general operations	4,909,291
Board-designated	<u>1,546,741</u>
Total without donor restrictions	<u><u>6,456,032</u></u>
With donor restrictions	
Time or purpose	1,139,827
Perpetual	<u>1,229,278</u>
Total with donor restrictions	<u><u>2,369,105</u></u>
Total net assets	<u><u>8,825,137</u></u>
Total liabilities and net assets	<u><u>\$ 9,696,723</u></u>

The accompanying notes are an integral part of these statements.

THE UPPER VALLEY HAVEN, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Support:			
Contributions	\$ 3,535,751	\$ 1,083,035	\$ 4,618,786
In-kind contributions	2,025,451	-	2,025,451
Grant revenues	505,069		505,069
Other	12,647	-	12,647
Investment return allocated to support operations	22,214	22,786	45,000
Net assets released from restrictions	979,909	(979,909)	-
Total support and revenues	7,081,041	125,912	7,206,953
EXPENSES			
Program:			
Food service	2,441,780	-	2,441,780
Service coordination	819,490	-	819,490
Shelter services	738,727	-	738,727
Children's program	224,571	-	224,571
Volunteer services	124,741	-	124,741
Adult Programs	6,861	-	6,861
Total program expenses	4,356,170	-	4,356,170
Supporting expenses:			
General administration	763,617	-	763,617
Fundraising and development	462,569	-	462,569
Total supporting expenses	1,226,186	-	1,226,186
Total expenses	5,582,356	-	5,582,356
INCREASE IN NET ASSETS FROM OPERATIONS	1,498,685	125,912	1,624,597
NON-OPERATING GAINS			
Total return on investments, net of amounts allocated to support operations	353,765	359,149	712,914
INCREASE IN NET ASSETS	1,852,450	485,061	2,337,511
NET ASSETS, BEGINNING OF YEAR	4,603,582	1,884,044	6,487,626
NET ASSETS, END OF YEAR	\$ 6,456,032	\$ 2,369,105	\$ 8,825,137

The accompanying notes are an integral part of these statements.

THE UPPER VALLEY HAVEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2021

	PROGRAM EXPENSES							SUPPORTING EXPENSES			
	Food Service	Service Coordination	Shelter Services	Children's Program	Volunteer Services	Adult Programs	Total Program	General Administration	Fundraising and Development	Total Supporting	Total Expenses
Salaries and wages	\$ 269,418	\$ 461,842	\$ 430,181	\$ 135,641	\$ 98,754	\$ 2,602	\$ 1,398,438	\$ 386,939	\$ 232,964	\$ 619,903	\$ 2,018,341
Payroll taxes	19,431	35,546	28,847	9,232	7,651	197	100,904	29,343	18,179	47,522	148,426
Employee benefits	58,369	67,812	76,353	20,665	12,476	3,036	238,711	82,285	31,861	114,146	352,857
Total personnel	347,218	565,200	535,381	165,538	118,881	5,835	1,738,053	498,567	283,004	781,571	2,519,624
Food and commodities:											
In-kind	1,868,076	-	-	-	-	-	1,868,076	-	-	-	1,868,076
Purchased	113,466	474	1,415	4,409	-	-	119,764	12	-	12	119,776
Professional services	14,951	3,714	1,682	4,846	-	-	25,193	143,498	39,819	183,317	208,510
Other expenses	31,734	3,560	14,259	19,158	3,913	-	72,624	69,929	59,095	129,024	201,648
Direct assistance	589	185,876	4,371	-	146	-	190,982	-	-	-	190,982
Depreciation	19,322	28,875	89,676	13,662	878	532	152,945	878	1,750	2,628	155,573
Occupancy	38,340	24,293	71,244	12,208	624	378	147,087	624	1,244	1,868	148,955
Office expenses	799	99	68	208	108	-	1,282	12,879	59,572	72,451	73,733
Information technology	1,850	394	394	-	-	-	2,638	37,039	17,704	54,743	57,381
Insurance	5,435	7,005	20,237	4,542	191	116	37,526	191	381	572	38,098
Total	\$ 2,441,780	\$ 819,490	\$ 738,727	\$ 224,571	\$ 124,741	\$ 6,861	\$ 4,356,170	\$ 763,617	\$ 462,569	\$ 1,226,186	\$ 5,582,356

The accompanying notes are an integral part of these statements.

THE UPPER VALLEY HAVEN, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2021

INCREASE IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	<u>\$ 2,337,511</u>
Noncash items included in increase in net assets:	
Depreciation and amortization	155,573
Net realized and unrealized gains on investments	(707,560)
Contributions of investment securities	(71,072)
Bad debt expense	1,178
Changes in assets and liabilities:	
Accounts, pledges and grants receivable	(52,486)
Inventory	(143,148)
Prepaid expenses and other assets	(10,790)
Accounts payable	(30,967)
Accrued expenses	27,570
Funds held on behalf of others	(14,758)
Unearned revenues	9,904
	<u>(836,556)</u>
Net cash provided by operating activities	<u>1,500,955</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(46,732)
Proceeds from sales of investments	190,557
Purchases of buildings and equipment	<u>(132,187)</u>
Net cash provided by investing activities	<u>11,638</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Paycheck Protection Program loan	<u>427,200</u>
Net cash provided by financing activities	<u>427,200</u>

Net increase in cash and cash equivalents 1,939,793

CASH AND CASH EQUIVALENTS, beginning of year 1,103,006

CASH AND CASH EQUIVALENTS, end of year \$ 3,042,799

Supplemental Disclosures of Cash Flows Information

Cash paid during the year for:	
Interest expense	<u>\$ 1,716</u>

The accompanying notes are an integral part of these statements.

THE UPPER VALLEY HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES

Overview of operations:

The Upper Valley Haven, Inc. (“the Organization”) was incorporated in 1980 under the laws of the State of Vermont as a nonprofit corporation. The Organization is located in White River Junction, Vermont, serving the Upper Valley of Vermont and New Hampshire. Its primary purpose is to assist those who are experiencing poverty to be free from hunger, to be securely housed and to pursue a self-directed life. The Organization employs many programs to achieve this purpose including the Food Shelf, community food programs, adult and family shelters, supportive housing, community outreach, case management, and children’s after school and summer camp programs.

Accounting policies:

A summary of the Organization’s significant accounting policies applied in the preparation of the Organization’s financial statements follows:

1. Basis of accounting

The Organization’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the Organization 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. These net assets may be used at the discretion of management and the Board of Directors (the Board) and include board-designated funds that may be expended with approval of the Board.

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.

2. Revenue recognition and receivables

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a robust framework for addressing customer-related revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current GAAP. Effective April 1, 2020, the Organization adopted the new revenue recognition guidance which provides a single framework in which revenue is required to be recognized to depict the transfer of goods or services to customers in amounts that reflect the consideration to which an organization expects to be entitled in exchange for those goods for services. The adoption of this standard in 2021 did not have a material impact upon the Organization’s financial statements.

THE UPPER VALLEY HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

2. Revenue recognition and receivables (continued)

Contribution and grant revenue, and receivables

Support consists of public support from individuals, private organizations, foundations, other tax-exempt organizations, grants from the State of Vermont, special event income, and gifts in-kind.

The Organization recognizes contributions received in accordance with Topic 958-605, *Revenue Recognition*. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions, that are not conditional promises to give, that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as contributions with donor restrictions and are reclassified as net assets released from restrictions in the same year. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Conditional promises to give, including grant revenues, are not recorded until the conditions are substantially met. Conditional grant revenues are recognized as reimbursable costs are incurred. Donor-restricted contributions that are initially conditional contributions whose restrictions are met in the same period as the revenue is recognized are reported within net assets without donor restrictions.

Contributions of cash, promises to give, or securities that must be used to acquire or construct real property or equipment and real property and equipment donated with specific restrictions regarding their use are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the related acquired, constructed, or donated assets are placed in service.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. Pledges receivable, totaling approximately \$38,000 at March 31, 2021, are substantially due within one year.

The Organization maintains allowances for uncollectible pledges for estimated losses resulting from the inability of donors to make required payments. Management considers a donor's individual circumstance when determining the collectability of pledges receivable. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to operations and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Allowances for uncollectible pledges were not significant at March 31, 2021.

THE UPPER VALLEY HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

2. Revenue recognition and receivables (continued)

Donated goods and services

The Organization reports the fair value of donated commodities (including food and other household goods) over which it has control as without restriction public support and, shortly thereafter, as expense when distributed. During the year ended March 31, 2021, the Organization received approximately 1.2 million pounds and distributed approximately 1.1 million pounds of donated commodities. Effective April 1, 2020, the Organization changed their accounting policy for valuing donated goods to utilizing the approximate average wholesale value of one pound of donated goods using an industry-recognized benchmark. The approximate average wholesale value of one pound of donated product was determined to be \$1.74 based upon a product valuation study performed by Feeding America. The dollar amount of the received and distributed pounds is approximately \$2,006,000 and \$1,868,000, respectively, and is reported in the statement of activities.

Contributions of qualified services are recorded as revenues at fair value in the period received. Contributed services must either create or enhance nonfinancial assets of the Organization and require a specialized skill that the Organization would otherwise need to purchase in order to be recognized and recorded in the financial statements. Revenues recognized in connection with contributed services were not significant in 2021.

3. Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash balances related to long-term investments are accounted for as investments.

4. Inventory

Donated inventory is valued at the approximate average wholesale value of one pound, \$1.74. Purchased inventory is stated at the lower of cost or net realizable value.

THE UPPER VALLEY HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

5. Investments

Investments are recorded at fair value in the statement of financial position with changes in fair value during the period included in the change in net assets. Fair value is defined as the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses the market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the investment, including assumptions about risk or the risk inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Investments carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Organization has access to.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the investment has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the investment.

Level 3: Inputs that are unobservable inputs for the investment.

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

THE UPPER VALLEY HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

5. Investments (continued)

The following is a description of the valuation methodologies used for instruments measured at fair value:

Equity securities and exchange traded funds

The fair value of corporate stocks and exchange traded funds are the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Purchases and sales of investment securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned and dividends are accrued as of the ex-dividend date. Investment returns that are restricted by the donor are reported as changes in net assets without donor restrictions if the restrictions expire in the period in which the investment returns are recognized.

6. Land, buildings and equipment, net

Purchased land, buildings and equipment are recorded at cost. Donations of land, buildings and equipment are recorded as contributions at their estimated fair market value.

The Organization depreciates assets on a straight-line basis over their estimated useful lives, which are generally as follows: buildings – 39 years; building improvements – 10 to 20 years; equipment, furniture and fixtures – 5 to 10 years; vehicles and website – 5 years. Land is carried at cost and is not depreciated.

7. Impairment of long-lived assets

Long-lived assets, such as land, buildings and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no charges to operations related to impairment during 2021.

THE UPPER VALLEY HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

8. Endowment

The Organization's endowment consists of four individual funds, which were established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Organization is subject to the State Uniform Prudent Management of Institutional Funds Act (SUPMIFA), and therefore classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. Certain of those net assets are also subject to purpose restrictions that must be met before reclassifying to net assets without donor restrictions. The Board has interpreted SUPMIFA as requiring the maintenance of purchasing power of the original gift amount contributed to a donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gifts donated to the fund and (b) any accumulations to the fund that are required to be made in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted SUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of the Organization and the donor-restricted endowment fund.
- 3) Other resources of the Organization.
- 4) The investment policies of the Organization.
- 5) Where appropriate, alternatives to spending from the institutional fund and the possible effects of those alternatives.

THE UPPER VALLEY HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

8. Endowment (continued)

Underwater endowment funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SUPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies may occur from unfavorable market fluctuations that occur after the receipt of contributions of investments with donor restrictions. Deficiencies of this nature would be reported as net assets with donor restrictions. There were no underwater endowments as of March 31, 2021, nor were there any appropriations from underwater funds during the year then ended.

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment and other investment funds to create a diversified portfolio of growth and income producing investments consistent with the needs and circumstances of the Organization. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designed funds. The investment goal of the portfolio is to exceed the average annual return of the Lipper Balanced Funds Index over a three to five year timeframe.

Strategies employed for achieving objectives

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

Spending policy and how the investment objective relates to the spending policy

As permitted by individual fund restrictions (if any) and operative legal restrictions, the long-term investment fund may provide to the operating fund of the Organization an ongoing contribution of up to 4.5% of assets per annum as determined by the market value as of the last business day of the preceding calendar year. The spending percentage is applied to the three-year average of the December market value. The Organization's investment objective for short-term investment funds is to maintain principal stability with income to be earned consistent with this objective; the investment objective for long-term investments is to produce a total rate of return over time sufficient to provide for both the reasonable spending needs of the Organization while also seeking to protect the purchasing power of the assets after inflation.

THE UPPER VALLEY HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

9. Funds held on behalf of others

The Organization acts as a fiscal agent for other non-profit organizations. The Organization disburses funds upon request by those organizations.

10. Functional expenses and allocation of shared costs

The costs of providing programs and activities have been summarized on a functional basis. Expenses are charged to program and supporting services based on direct expenses incurred and allocations of common costs. Common costs are allocated based upon related utilization. Depreciation, occupancy and insurance expenses are allocated based on square footage allocation to functional areas. Salaries, payroll taxes and employee benefits are allocated based upon budgeted employee time incurred by functional area. Substantially all other expenses are directly identifiable to a specific function and are therefore charged directly to each functional expense category.

11. Income taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. However, income from certain activities not directly related to the Organization's tax-exempt purposes would be subject to taxation as unrelated business income, if incurred. Accordingly, the Organization has not provided for income taxes in these financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, therefore, do not need to be measured or disclosed in these financial statements. Tax returns for years subsequent to March 31, 2017 are subject to examination by tax authorities.

12. Measure of operations

The statement of activities reports all changes in net assets, including those related to programs, supporting activities, and non-operating activities. Non-operating activities are limited to contributions, investment returns, and other resources that are board-designated or restricted by donors for long-term investment, and the related releases of those designations and restrictions.

13. Use of estimates

In preparing financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE UPPER VALLEY HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

A) SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES (continued)

14. Recently issued accounting pronouncement

Leases

In February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842)*. This ASU was issued in three parts: (a) Section A, Leases: Amendments to the FASB Accounting Standards Codification, (b) Section B, Conforming Amendments Related to Leases: Amendments to the FASB Accounting Standards Codification, and (c) Section C, Background Information and Basis for Conclusions. While both lessees and lessors are affected by the new guidance which includes many changes, the effects on lessees are much more significant. The most significant change for lessees is the requirement to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases, affecting leases which were previously accounted for as operating leases. This ASU is effective for years beginning after December 15, 2021 and must be implemented using a modified retrospective approach. The Organization is currently evaluating the impact on its financial statements of adopting this recently issued accounting pronouncement.

15. Evaluation of subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 23, 2021, the date the financial statements were available to be issued.

THE UPPER VALLEY HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

B) AVAILABILITY AND LIQUIDITY

The following reflects the Organization's financial assets that are estimated to be available to meet general expenditure needs within one year as of March 31, 2021:

Financial assets:	
Cash and cash equivalents	\$ 3,043,000
Accounts, pledges and grants receivable due within one year	185,000
Investments	3,178,000
	<u>6,406,000</u>
Less those unavailable for general expenditures within one year due to:	
Board-designated endowment	(1,547,000)
Unexpended investment income from perpetual donor restricted investments	(357,000)
Investments with perpetual donor restrictions	(1,229,000)
Restrictions by donor with purpose restrictions	(783,000)
	<u>\$ 2,490,000</u>

As part of its liquidity management process, the Organization structures its financial assets to be available as general and program expenditures, liabilities, and other obligations become due. The Organization's investments include board-designated funds that are not subject to donor restrictions. Should an unforeseen need arise, approximately \$1,487,000, which is exclusive of the amount approved for the upcoming fiscal year, would be available to draw on with Board approval.

C) UNCERTAINTIES, RISKS AND CONCENTRATIONS

Coronavirus pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization resides. While it is unknown how long these conditions will last and what the complete financial effect will be, the Organization did not experience a significant negative impact on revenue during the year ended March 31, 2021 as a result of the pandemic. The Organization continues to meet its cash flow needs, aided by receipt of a \$427,200 Payroll Protection Program loan (see Note F).

Additionally, it is possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

THE UPPER VALLEY HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

C) UNCERTAINTIES, RISKS AND CONCENTRATIONS (continued)

Major donors

In 2021, the Organization received a substantial portion of its revenue from one donor. Total contributions from this donor were approximately \$915,000 (13% of total revenue excluding investment returns), of which approximately \$842,000 was food donations. At March 31, 2021, there were no amounts outstanding from this donor.

Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risks consist principally of cash, cash equivalents and investments. The Organization maintains bank account balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses with these accounts. The investment accounts at Charles Schwab are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC). At times, the investment balances may be in excess of the SIPC limit. In addition to SIPC insurance, Charles Schwab also carries excess liability insurance for up to \$600 million in assets. Management believes the Organization is not exposed to any significant credit risk on cash, cash equivalents and investments.

D) INVESTMENTS

A summary of the Organization's investments at fair value (all Level 1) are as follows at March 31, 2021:

Cash and cash equivalents	\$ 108,752
Corporate stocks - domestic	923
Exchange traded funds:	
Common stocks - domestic	1,969,364
Common stocks - international	158,642
Corporate bonds - domestic, international and U.S. government	655,933
Corporate bonds - domestic	284,543
	<u>\$ 3,178,157</u>

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D) INVESTMENTS (continued)

The following schedule summarizes the composition of investment returns and their classifications in the statement of activities for the year ended March 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 27,489	\$ 22,865	\$ 50,354
Net realized and unrealized gains	<u>348,490</u>	<u>359,070</u>	<u>707,560</u>
Total return on investments	375,979	381,935	757,914
Amounts allocated to operations	<u>22,214</u>	<u>22,786</u>	<u>45,000</u>
Total return on investments - non-operating	<u>\$ 353,765</u>	<u>\$ 359,149</u>	<u>\$ 712,914</u>

E) LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at March 31, 2021:

Land	\$ 201,018
Buildings and improvements	4,301,412
Furniture and fixtures	79,548
Equipment	272,150
Website	37,491
Vehicles	<u>135,353</u>
	5,026,972
Less accumulated depreciation	<u>1,935,321</u>
	<u>\$ 3,091,651</u>

F) LONG-TERM DEBT AND SUBSEQUENT EVENT

During April 2020, the Organization received through Mascoma Bank, a United States Small Business Administration (SBA) Paycheck Protection Program (the “Program” or “PPP”) loan, established under the federal government Coronavirus Aid, Relief, and Economic Security (CARES) Act, in the amount of \$427,200, which is included in long-term debt at March 31, 2021. All or a portion of the loan may be forgiven if the Organization meets certain criteria as established under the Program, including incurring qualified payroll and other costs. The note is unsecured and does not require any personal guarantees.

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F) LONG-TERM DEBT AND SUBSEQUENT EVENT (continued)

On June 5, 2020, Congress enacted the Paycheck Protection Program Flexibility Act of 2020, which amends the PPP forgiveness criteria, provides for deferral of loan repayment up to 16 months, and permits lenders to amend PPP loan agreements to provide borrowers up to five years to repay any amounts not forgiven. However, additional guidance may be issued by the SBA, U.S. Department of the Treasury, the bank, or other regulators, which could impact the loan and related forgiveness.

During April 2021, the Organization received full loan forgiveness from the SBA. The loan forgiveness will be recognized as a gain in 2022.

G) RETIREMENT PLANS

The Organization provides a defined contribution retirement plan in the form of a tax-sheltered annuity pursuant to Section 403(b) of the Internal Revenue Code for its employees whereby employees may contribute a portion of their pay. The Organization did not make any matching contributions to the plan for the year ended March 31, 2021.

H) RELATED PARTY TRANSACTIONS

Contributions from Board members approximated \$65,000 in 2021. Pledges receivable from Board members was not significant at March 31, 2021.

The Organization uses a private investment company to manage its investment funds. A member of this private investment company is also a member of the Board of Directors. No investment fees were paid to this investment company for the year ended March 31, 2021. The investment management services provided by this private investment company were considered donated services to the Organization. The estimated amount of donated services was approximately \$19,000 in 2021.

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D) NET ASSETS

A portion of the Organization's net assets without donor restrictions has been designated by the Board as a quasi-endowment, the earnings of which are to be used to support operations. Total board-designated amounts at March 31, 2021 were \$1,546,743.

Net assets with donor restrictions consist of the following at March 31:

Endowment funds:

Amounts required to be held in perpetuity:

Capital improvements, operations and food	\$ 1,103,278
Food services	126,000
	1,229,278

Accumulated unexpended earnings, subject to donor restriction and spending policy for the following purposes:

Capital improvements, operations and food	304,930
Food services	52,319
	357,249
Total endowment fund	1,586,527

Net assets restricted by donors for use for the following purposes:

Sustainable Haven Fund	646,713
Other specified programs	135,865
	782,578
Total net assets with donor restrictions	\$ 2,369,105

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I) NET ASSETS (continued)

Changes in endowment-related net assets are as follows for the year ended March 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of the year	<u>\$ 1,196,600</u>	<u>\$ 1,227,378</u>	<u>\$ 2,423,978</u>
Investment return:			
Investment income	22,292	22,865	45,157
Net appreciation (realized and unrealized)	<u>350,065</u>	<u>359,070</u>	<u>709,135</u>
Total investment return	372,357	381,935	754,292
Appropriation of endowment assets for expenditure	<u>(22,214)</u>	<u>(22,786)</u>	<u>(45,000)</u>
Balance, end of the year	<u>\$ 1,546,743</u>	<u>\$ 1,586,527</u>	<u>\$ 3,133,270</u>

J) COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENT

Grants and contracts require the fulfillment of certain conditions as set forth in the agreements. Failure to fulfill the conditions could result in the return of the funds to grantors. Management deems this contingency remote, since by accepting the awards and their terms, it has accommodated the objectives of the Organization to the provisions of the grants.

During June 2021, the Organization signed a purchase and sale agreement to purchase a property for \$500,000. The closing of this purchase transaction is scheduled for September 2021.