

The Upper Valley Haven, Inc.

Financial Report
March 31, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Upper Valley Haven, Inc. (the Organization), which comprise the statements of financial position as of March 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of March 31, 2022 and 2021, and the results of its operations, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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, 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.

Gallagher, Flynn & Company, LLP

South Burlington, Vermont
August 15, 2022

The Upper Valley Haven, Inc.

**Statements of Financial Position
March 31, 2022 and 2021**

	2022	2021
Assets		
Cash and cash equivalents	\$ 2,893,214	\$ 3,042,799
Accounts, pledges and grants receivable	327,942	184,599
Inventory	93,556	143,148
Prepaid expenses and other assets	76,920	56,369
Investments	3,377,009	3,178,157
Land, buildings and equipment, net	3,649,983	3,091,651
Total assets	\$ 10,418,624	\$ 9,696,723
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 93,244	\$ 90,348
Accrued expenses	125,305	238,907
Funds held on behalf of others	57,988	85,382
Unearned revenues	27,281	29,749
Long-term debt - Paycheck Protection Program loan	-	427,200
Total liabilities	303,818	871,586
Net assets:		
Without donor restrictions:		
Available for general operations	6,493,375	4,909,291
Board-designated	1,612,513	1,546,741
Total without donor restrictions	8,105,888	6,456,032
With donor restrictions:		
Time or purpose	714,640	1,139,827
Perpetual	1,294,278	1,229,278
Total with donor restrictions	2,008,918	2,369,105
Total net assets	10,114,806	8,825,137
Total liabilities and net assets	\$ 10,418,624	\$ 9,696,723

The Upper Valley Haven, Inc.

**Statement of Activities
Year Ended March 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Support:			
Contributions	\$ 2,881,823	\$ 947,820	\$ 3,829,643
In-kind contributions	1,737,981	-	1,737,981
Grant revenues	741,605	-	741,605
Other	13,491	-	13,491
Investment return allocated to support operations	55,640	57,072	112,712
Net assets released from restrictions	926,054	(926,054)	-
Total operating revenues	6,356,594	78,838	6,435,432
Expenses:			
Program expenses:			
Food service	2,414,964	-	2,414,964
Service coordination	938,745	-	938,745
Shelter services	713,537	-	713,537
Children's program	230,294	-	230,294
Volunteer services	126,043	-	126,043
Adult programs	3,949	-	3,949
Total program expenses	4,427,532	-	4,427,532
Supporting expenses:			
General administration	812,705	-	812,705
Fundraising and development	496,326	-	496,326
Total supporting expenses	1,309,031	-	1,309,031
Total expenses	5,736,563	-	5,736,563
Increase in net assets from operations	620,031	78,838	698,869
Nonoperating activities:			
Net assets released from restrictions	506,489	(506,489)	-
Other income and gains	455,877	-	455,877
Total return on investments, net of amounts allocated to support operations	67,459	67,464	134,923
Increase (decrease) in net assets from nonoperating activities	1,029,825	(439,025)	590,800
Increase (decrease) in net assets	1,649,856	(360,187)	1,289,669
Net assets, beginning of year	6,456,032	2,369,105	8,825,137
Net assets, end of year	\$ 8,105,888	\$ 2,008,918	\$ 10,114,806

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	877,056	(877,056)	-
Total operating revenues	6,978,188	228,765	7,206,953
Expenses:			
Program expenses:			
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	1,395,832	228,765	1,624,597
Nonoperating activities:			
Net assets released from restrictions	102,853	(102,853)	-
Total return on investments, net of amounts allocated to support operations	353,765	359,149	712,914
Increase in net assets from nonoperating activities	456,618	256,296	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, 2022

	Program Expenses						Supporting Expenses			Total Expenses	
	Food Service	Service Coordination	Shelter Services	Children's Program	Volunteer Services	Adult Programs	Total Program	General Administration	Fundraising and Development		Total Supporting
Salaries and wages	\$ 310,971	\$ 528,997	\$ 396,206	\$ 133,637	\$ 98,989	\$ 1,637	\$ 1,470,437	\$ 392,739	\$ 257,179	\$ 649,918	\$ 2,120,355
Payroll taxes	22,848	37,294	27,457	9,480	7,080	125	104,284	26,155	19,185	45,340	149,624
Employee benefits	65,227	84,573	63,182	23,541	16,656	1,106	254,285	42,059	33,342	75,401	329,686
Total personnel	399,046	650,864	486,845	166,658	122,725	2,868	1,829,006	460,953	309,706	770,659	2,599,665
Food and commodities:											
In-kind	1,765,028	-	-	-	-	-	1,765,028	-	-	-	1,765,028
Purchased	143,706	21	399	1,186	-	-	145,312	49	-	49	145,361
Professional services	7,306	7,587	5,827	7,489	-	-	28,209	161,906	37,969	199,875	228,084
Other expenses	27,616	7,464	16,668	23,472	1,340	-	76,560	61,671	52,001	113,672	190,232
Direct assistance	800	213,141	2,674	-	-	-	216,615	239	-	239	216,854
Depreciation	19,474	28,028	90,379	12,304	885	536	151,606	20,403	5,346	25,749	177,355
Occupancy	44,931	24,519	89,429	15,002	700	424	175,005	31,466	4,230	35,696	210,701
Office expenses	407	216	341	144	193	-	1,301	13,060	67,243	80,303	81,604
Information technology	1,266	-	-	-	-	-	1,266	58,354	18,625	76,979	78,245
Insurance	5,384	6,905	20,975	4,039	200	121	37,624	4,604	1,206	5,810	43,434
Total	\$ 2,414,964	\$ 938,745	\$ 713,537	\$ 230,294	\$ 126,043	\$ 3,949	\$ 4,427,532	\$ 812,705	\$ 496,326	\$ 1,309,031	\$ 5,736,563

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			Total Expenses	
	Food Service	Service Coordination	Shelter Services	Children's Program	Volunteer Services	Adult Programs	Total Program	General Administration	Fundraising and Development		Total Supporting
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.

Statements of Cash Flows
Years Ended March 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 1,289,669	\$ 2,337,511
Noncash items included in increase in net assets:		
Depreciation	177,355	155,573
Net realized and unrealized gains on investments	(195,573)	(707,560)
Contributions of investment securities	(167,181)	(71,072)
Bad debt expense	-	1,178
Forgiveness of Paycheck Protection Program loan	(427,200)	-
Gain on sale of equipment	(12,250)	-
Changes in assets and liabilities:		
Accounts, pledges and grants receivable	(143,343)	(52,486)
Inventory	49,592	(143,148)
Prepaid expenses and other assets	(20,551)	(10,790)
Accounts payable	2,896	(30,967)
Accrued expenses	(113,602)	27,570
Funds held on behalf of others	(27,394)	(14,758)
Unearned revenues	(2,468)	9,904
	<u>(879,719)</u>	<u>(836,556)</u>
Net cash provided by operating activities	409,950	1,500,955
Cash flows from investing activities:		
Purchases of investments	(50,375)	(46,732)
Proceeds from sales of investments	214,277	190,557
Proceeds from sale of equipment	12,250	-
Purchases of land, buildings and equipment	(735,687)	(132,187)
Net cash provided by (used in) investing activities	(559,535)	11,638
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	427,200
Net cash provided by financing activities	-	427,200
Net increase (decrease) in cash and cash equivalents	(149,585)	1,939,793
Cash and cash equivalents, beginning of year	<u>3,042,799</u>	<u>1,103,006</u>
Cash and cash equivalents, end of year	<u>\$ 2,893,214</u>	<u>\$ 3,042,799</u>
Supplemental disclosure of cash flows information:		
Cash paid during the year for:		
Interest expense	\$ -	\$ 1,716

The accompanying notes are an integral part of these statements.

The Upper Valley Haven, Inc.

Notes to Financial Statements

Note 1. 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.

Note 2. Summary of Significant Accounting Policies

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

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 the 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.

Revenue recognition:

Contribution and grant revenue: Revenue consists of public support from individuals, private organizations, foundations and other tax-exempt organizations; grants from the State of Vermont; special event income; and gifts-in-kind.

The Upper Valley Haven, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

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 and are used for the purpose specified by the donor in the same year that 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 that the revenue is recognized are reported within net assets without donor restrictions. The Organization has been advised that it has been named in various unprobated wills with an estimated value of approximately \$1,800,000 as of March 31, 2022.

Contributions of cash, promises to give, or securities that must be used to acquire or construct real property or equipment, and real property or 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.

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 years ended March 31, 2022 and 2021, the Organization received approximately 1.0 million and 1.2 million pounds, respectively, of donated commodities and distributed approximately 1.0 million and 1.1 million pounds, respectively. The Organization values donated goods using an industry-recognized benchmark. The approximate average wholesale value of one pound of donated product was determined to be \$1.79 and \$1.74 for fiscal years 2022 and 2021, respectively, based upon a product valuation study performed by Feeding America. The dollar amounts of the received and distributed commodities, reported in the statements of activities, are approximately \$1,715,000 and \$1,765,000, respectively, in 2022 and approximately \$2,006,000 and \$1,868,000, respectively, in 2021.

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 2022 or 2021.

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.

The Upper Valley Haven, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Accounts, pledges and grants receivable: Unconditional promises to give that are expected to be collected within one year are recorded at the 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 \$72,000 and \$38,000 at March 31, 2022 and 2021, respectively, are substantially due within one year. Pledges receivable totaling approximately \$57,000 and \$0 at March 31, 2022 and 2021, respectively, are due after one year.

The Organization maintains allowances for uncollectible receivables for estimated losses resulting from the inability to make required payments. Management considers individual circumstances when determining the collectability of receivables. 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 receivables. Allowances for uncollectible receivables were not significant at March 31, 2022 or 2021.

Inventory: Donated inventory is valued at the approximate average wholesale value of one pound, which was \$1.79 and \$1.74 at March 31, 2022 and 2021, respectively. Purchased inventory is stated at the lower of cost or net realizable value.

Investments: Investments are recorded at fair value in the statements of financial position, with changes in fair value during the period included in the increase in net assets.

Fair value measurements: The Financial Accounting Standards Board's (FASB) authoritative guidance on fair value measurements establishes a framework for measuring fair value and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or observable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The fair value of equity securities and exchange-traded funds is based on quoted market rates.

The Upper Valley Haven, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

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	10-20 years
Equipment, furniture and fixtures	5-10 years
Vehicles and website	5 years

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 its fair value. There were no charges to operations related to impairment during 2022 or 2021.

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 Upper Valley Haven, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

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; and
5. Where appropriate, alternatives to spending from the institutional fund and the possible effects of those alternatives.

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, 2022 or 2021, nor were there any appropriations from underwater funds during the years 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 the reasonable spending needs of the Organization while also seeking to protect the purchasing power of the assets after inflation.

Funds held on behalf of others: The Organization acts as a fiscal agent for other nonprofit organizations. The Organization disburses funds upon request by those organizations.

The Upper Valley Haven, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

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.

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 Internal Revenue 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, 2018 are subject to examination by tax authorities.

Measure of operations: The statements of activities report all changes in net assets, including those related to programs, supporting activities, and nonoperating activities. Nonoperating activities are limited to contributions, investment returns, and other resources, including those that are Board-designated or restricted by donors for long-term investment and the related releases of those designations and restrictions.

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.

Recently issued accounting pronouncements: The Organization is currently evaluating the impact of adopting the following recently issued accounting pronouncements on its financial statements:

Gifts-in-kind: In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU will require organizations to present contributed nonfinancial assets as a separate line item in the statement of activities and disclose the disaggregated amount of contributed nonfinancial assets by type, as well as additional qualitative disclosures. This ASU is effective for years beginning after June 15, 2021 and must be implemented using a retrospective approach.

The Upper Valley Haven, Inc.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

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 that 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.

Evaluation of subsequent events: In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 15, 2022, the date the financial statements were available to be issued.

Note 3. Availability and Liquidity

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,893,000	\$ 3,043,000
Accounts, pledges and grants receivable due within one year	271,000	185,000
Investments	<u>3,377,000</u>	<u>3,178,000</u>
	6,541,000	6,406,000
Less those unavailable for general expenditures within one year due to:		
Board-designated endowment	(1,613,000)	(1,547,000)
Unexpended investment income from perpetual donor-restricted investments	(425,000)	(357,000)
Investments with perpetual donor restrictions	(1,294,000)	(1,229,000)
Restrictions by donor with time or purpose restrictions	(290,000)	(783,000)
	<u>\$ 2,919,000</u>	<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 \$1,613,000 would be available to draw on with Board approval.

The Upper Valley Haven, Inc.

Notes to Financial Statements

Note 4. Uncertainties, Risks and Concentrations

Coronavirus pandemic: On January 30, 2020, the World Health Organization (WHO) declared the coronavirus outbreak a Public Health Emergency of International Concern, and on March 10, 2020, WHO declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, 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, 2022 as a result of the pandemic. The Organization continues to meet its cash flow needs.

Major donors: In 2022, the Organization received a substantial portion of its revenue from one donor. Total contributions from this donor were approximately \$657,000 (10% of total revenue, excluding investment returns and other income), of which approximately \$654,000 was in-kind food donations. At March 31, 2022, there were no amounts outstanding from this donor.

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 and other income), of which approximately \$842,000 was in-kind 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 that, 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.

The Upper Valley Haven, Inc.

Notes to Financial Statements

Note 5. Investments

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

	2022	2021
Cash and cash equivalents	\$ 268,906	\$ 108,752
Corporate stocks - domestic	-	923
Exchange-traded funds:		
Common stocks - domestic	2,099,674	1,969,364
Common stocks - international	144,527	158,642
Corporate bonds - domestic, international and U.S. government	863,902	940,476
	\$ 3,377,009	\$ 3,178,157

The following tables summarize the composition of investment returns and their classifications in the statements of activities for the years ended March 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 29,569	\$ 22,493	\$ 52,062
Net realized and unrealized gains	93,530	102,043	195,573
Total return on investments	123,099	124,536	247,635
Amounts allocated to operations	55,640	57,072	112,712
Total return on investments - nonoperating	\$ 67,459	\$ 67,464	\$ 134,923
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 27,489	\$ 22,865	\$ 50,354
Net realized and unrealized gains	348,490	359,070	707,560
Total return on investments	375,979	381,935	757,914
Amounts allocated to operations	22,214	22,786	45,000
Total return on investments - nonoperating	\$ 353,765	\$ 359,149	\$ 712,914

The Upper Valley Haven, Inc.

Notes to Financial Statements

Note 6. Land, Buildings and Equipment

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

	<u>2022</u>	<u>2021</u>
Land	\$ 356,018	\$ 201,018
Buildings and improvements	4,761,546	4,301,412
Furniture and fixtures	79,548	79,548
Equipment	297,169	272,150
Website	59,091	37,491
Vehicles	50,000	135,353
Construction in progress	48,280	-
	<u>5,651,652</u>	<u>5,026,972</u>
Less accumulated depreciation	<u>2,001,669</u>	<u>1,935,321</u>
	<u>\$ 3,649,983</u>	<u>\$ 3,091,651</u>

Note 7. Long-Term Debt and Forgiveness of Debt Income

During April 2020, the Organization received through Mascoma Bank a U.S. Small Business Administration Paycheck Protection Program (the Program) loan, established under the federal Coronavirus Aid, Relief, and Economic Security Act, in the amount of \$427,200, which is included in long-term debt at March 31, 2021. The loan was forgiven in full on April 26, 2021, and accordingly, the Organization recognized a related gain of \$427,200 during 2022, which is included in other income in the statement of activities.

Should the Organization be audited or reviewed by federal or state regulatory authorities as a result of filing an application for forgiveness of the Program loan or otherwise, such audit or review could result in a change in the Organization's estimate of the amount of forgiveness recorded in the financial statements. The audit period extends for six years beyond the forgiveness date of the loan.

Note 8. Related-Party Transactions

Contributions from Board members approximated \$59,000 in 2022 and \$65,000 in 2021. Pledges receivable from Board members were not significant at March 31, 2022 or 2021.

The Organization uses a private investment company to manage its investment funds. A member of this private investment company was also a member of the Board until March 31, 2021. 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.

The Upper Valley Haven, Inc.

Notes to Financial Statements

Note 9. Retirement Plan

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 years ended March 31, 2022 or 2021.

Note 10. 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, 2022 and 2021 were \$1,612,513 and \$1,546,743, respectively.

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

	<u>2022</u>	<u>2021</u>
Endowment funds:		
Amounts required to be held in perpetuity:		
Capital improvements, operations and food	\$ 1,168,278	\$ 1,103,278
Food services	126,000	126,000
	<u>1,294,278</u>	<u>1,229,278</u>
Accumulated unexpended earnings, subject to donor restrictions and spending policy for the following purposes:		
Capital improvements, operations and food	364,811	304,930
Food services	59,902	52,319
	<u>424,713</u>	<u>357,249</u>
Total endowment funds	<u>1,718,991</u>	<u>1,586,527</u>
Net assets restricted by donors for use for the following purposes:		
Sustainable Haven Fund	-	646,713
Time restricted for future periods	128,518	-
Other specified programs	161,409	135,865
	<u>289,927</u>	<u>782,578</u>
Total net assets with donor restrictions	<u>\$ 2,008,918</u>	<u>\$ 2,369,105</u>

The Upper Valley Haven, Inc.

Notes to Financial Statements

Note 10. Net Assets (continued)

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	<u>\$ 1,546,743</u>	<u>\$ 1,586,527</u>	<u>\$ 3,133,270</u>
Investment return:			
Investment income	21,926	22,493	44,419
Net appreciation	99,484	102,043	201,527
Total investment return	<u>121,410</u>	<u>124,536</u>	<u>245,946</u>
Contributions	<u>-</u>	<u>65,000</u>	<u>65,000</u>
Appropriation of endowment assets for expenditure	<u>(55,640)</u>	<u>(57,072)</u>	<u>(112,712)</u>
Balance, end of year	<u><u>\$ 1,612,513</u></u>	<u><u>\$ 1,718,991</u></u>	<u><u>\$ 3,331,504</u></u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of 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	350,065	359,070	709,135
Total investment return	<u>372,357</u>	<u>381,935</u>	<u>754,292</u>
Appropriation of endowment assets for expenditure	<u>(22,214)</u>	<u>(22,786)</u>	<u>(45,000)</u>
Balance, end of year	<u><u>\$ 1,546,743</u></u>	<u><u>\$ 1,586,527</u></u>	<u><u>\$ 3,133,270</u></u>

The Upper Valley Haven, Inc.

Notes to Financial Statements

Note 11. Commitments and Contingencies

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.