

THE UPPER VALLEY HAVEN, INC.

**Financial Statements
and
Independent Auditors' Report**

As of and for the Years Ended
March 31, 2020 and 2019

The Upper Valley Haven, Inc.

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TYLER, SIMMS & ST. SAUVEUR, CPAs, P.C.
Certified Public Accountants & Business Consultants

Independent Auditors' Report

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

We have audited the accompanying financial statements of The Upper Valley Haven, Inc. (a not-for-profit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities and changes in net assets, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform 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, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, as of March 31, 2020, The Upper Valley Haven, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs and direction for consistency about information provided about expenses and investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and disclosures related to net assets. Our opinion is not modified with respect to this matter.

Tyler, Lemms and St. Severeur, CPAs, P.C.

Lebanon, New Hampshire
September 21, 2020

Registration No. 92-545

THE UPPER VALLEY HAVEN, INC.

Statements of Financial Position

As of March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 245,298	\$ 239,905
Cash - board designated	100,903	100,725
Cash - with donor restrictions	649,176	113,502
Total cash and cash equivalents	<u>995,377</u>	<u>454,132</u>
Restricted cash	100,140	73,917
Accounts receivable, less doubtful accounts of \$0 in 2020 and \$5,048 in 2019	61,453	38,742
Employee advances receivable	100	1,082
Grants receivable	71,838	61,191
Prepaid expenses	45,479	53,364
Total current assets	<u>1,274,387</u>	<u>682,428</u>
Other assets		
Donor restricted cash for capital investment	<u>7,489</u>	<u>176,000</u>
Investments, at fair market value	<u>2,543,350</u>	<u>1,526,090</u>
Property and equipment, net	<u>3,115,037</u>	<u>3,178,607</u>
Total assets	<u>\$ 6,940,263</u>	<u>\$ 5,563,125</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 121,315	\$ 50,277
Funds held for others	100,140	73,917
Accrued payroll, vacation and related employee benefits	153,863	129,672
Other accrued expenses	16,600	16,600
Deferred revenue	19,845	40,595
Current portion of capital lease obligation	22,077	21,666
Total current liabilities	<u>433,840</u>	<u>332,727</u>
Noncurrent liabilities		
Obligation under capital lease	<u>18,797</u>	<u>40,875</u>
Total noncurrent liabilities	<u>18,797</u>	<u>40,875</u>
Total liabilities	<u>452,637</u>	<u>373,602</u>
Net assets		
Without donor restrictions		
Available for general operations	3,406,982	3,373,931
Board designated	1,196,600	1,375,127
Total without donor restrictions	<u>4,603,582</u>	<u>4,749,058</u>
With donor restrictions		
Time or purpose	654,766	208,965
Perpetual	1,229,278	231,500
Total with donor restrictions	<u>1,884,044</u>	<u>440,465</u>
Total net assets	<u>6,487,626</u>	<u>5,189,523</u>
Total liabilities and net assets	<u>\$ 6,940,263</u>	<u>\$ 5,563,125</u>

The accompanying notes to financial statements are an integral part of these statements.

THE UPPER VALLEY HAVEN, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended March 31, 2020 with Comparative Totals for the Year Ended March 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2020 <u>Total</u>	2019 <u>Total</u>
Operating activities:				
Support, revenues and gains				
Support				
Public support	\$ 1,689,387	\$ 2,170,050	\$ 3,859,437	\$ 2,207,197
Grants and appropriations	307,322	119,400	426,722	490,434
Event income	214,581	-	214,581	140,922
Gifts in-kind	3,208,283	-	3,208,283	2,547,252
Revenues and gains				
Case management services	283,147	-	283,147	97,200
Reimbursements for veterans' stays	-	-	-	2,470
Interest and dividend income	24,817	14,698	39,515	31,837
Miscellaneous income	3,833	-	3,833	8,393
Net realized and unrealized gain (loss) on investments	(47,490)	(53,418)	(100,908)	67,440
Net assets released for operations	764,640	(764,640)	-	-
Total support, revenues and gains	<u>6,448,520</u>	<u>1,486,090</u>	<u>7,934,610</u>	<u>5,593,145</u>
Expenses				
Program	5,588,914	-	5,588,914	5,202,209
Management and general	640,702	-	640,702	259,233
Fundraising	440,069	-	440,069	469,980
Total expenses	<u>6,669,685</u>	<u>-</u>	<u>6,669,685</u>	<u>5,931,422</u>
Change in net assets from operating activities	<u>(221,165)</u>	<u>1,486,090</u>	<u>1,264,925</u>	<u>(338,277)</u>
Non-operating activities:				
Non-operating support	-	33,178	33,178	50,000
Net assets released for capital	75,689	(75,689)	-	-
Change in net assets from non-operating activities	<u>75,689</u>	<u>(42,511)</u>	<u>33,178</u>	<u>50,000</u>
Change in net assets	(145,476)	1,443,579	1,298,103	(288,277)
Net assets, beginning of year	<u>4,749,058</u>	<u>440,465</u>	<u>5,189,523</u>	<u>5,477,800</u>
Net assets, end of year	<u>\$ 4,603,582</u>	<u>\$ 1,884,044</u>	<u>\$ 6,487,626</u>	<u>\$ 5,189,523</u>

The accompanying notes to financial statements are an integral part of these statements.

THE UPPER VALLEY HAVEN, INC.
Statement of Activities and Changes in Net Assets (continued)
For the Year Ended March 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating activities:			
Support, revenues and gains			
Support			
Public support	\$ 2,189,572	\$ 17,625	\$ 2,207,197
Grants and appropriations	418,363	72,071	490,434
Event income	140,922	-	140,922
Gifts in-kind	2,547,252	-	2,547,252
Revenues and gains			
Case management services	97,200	-	97,200
Reimbursements for veterans' stays	2,470	-	2,470
Interest and dividend income	29,642	2,195	31,837
Miscellaneous income	8,393	-	8,393
Net realized and unrealized gain on investments	62,778	4,662	67,440
Net assets released for operations	95,413	(95,413)	-
Total support, revenues and gains	<u>5,592,005</u>	<u>1,140</u>	<u>5,593,145</u>
Expenses			
Program	5,202,209	-	5,202,209
Management and general	259,233	-	259,233
Fundraising	469,980	-	469,980
Total expenses	<u>5,931,422</u>	<u>-</u>	<u>5,931,422</u>
Change in net assets from operating activities	<u>(339,417)</u>	<u>1,140</u>	<u>(338,277)</u>
Nonoperating activities:			
Nonoperating support	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Change in net assets from non-operating activities	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Change in net assets	(339,417)	51,140	(288,277)
Net assets, beginning of year	<u>5,088,475</u>	<u>389,325</u>	<u>5,477,800</u>
Net assets, end of year	<u>\$ 4,749,058</u>	<u>\$ 440,465</u>	<u>\$ 5,189,523</u>

The accompanying notes to financial statements are an integral part of these statements.

THE UPPER VALLEY HAVEN, INC.

Statements of Functional Expenses

For the Year Ended March 31, 2020

	Food Expense	Service Coordination	Shelter Services	Children's Program	Adult Programs	Volunteer Services	Total Programs	Management and General	Fundraising	Total 2020
Salaries and wages	\$ 206,558	\$ 291,524	\$ 524,077	\$ 130,485	\$ 15,746	\$ 86,573	\$ 1,254,963	\$ 335,160	\$ 212,008	\$ 1,802,131
Payroll taxes	15,412	22,012	39,554	9,865	1,213	6,616	94,672	25,069	16,176	135,917
Employee benefits	46,053	61,407	74,319	21,305	3,318	11,017	217,419	52,404	26,469	296,292
Travel expenses	30	2,594	986	208	977	-	4,795	2,636	1,170	8,601
Insurance	2,107	1,101	1,101	2,397	-	-	6,706	23,493	-	30,199
Information technology expenses	-	-	-	-	-	-	-	36,455	16,929	53,384
Occupancy expenses	15,279	6,796	84,632	11,001	611	611	118,931	20,261	3,406	142,598
Food procurement	371,440	177	7,204	535	194	43	379,593	17	-	379,610
Professional development expenses	518	1,755	2,866	704	649	108	6,600	661	1,286	8,547
Depreciation	17,842	27,506	84,215	12,847	714	714	143,838	714	1,513	146,065
In-kind donation expenses	3,193,706	-	-	-	-	-	3,193,706	14,577	-	3,208,283
Office expenses	-	237	-	-	-	-	237	11,341	40,435	52,013
Direct assistance	-	69,156	6,105	-	-	-	75,261	20	-	75,281
Grant expenses	-	-	-	-	-	-	-	-	-	-
Professional services	116	1,366	3,141	8,537	-	-	13,160	85,350	32,053	130,563
Advertising	-	-	-	-	-	-	-	-	30,263	30,263
Event expenses	-	-	-	-	-	-	-	-	46,232	46,232
Subscriptions and dues	563	-	-	-	-	-	563	13,500	860	14,923
Other expenses	16,574	1,299	22,520	24,464	3,338	10,275	78,470	19,044	11,269	108,783
Total expenses	\$ 3,886,198	\$ 486,930	\$ 850,720	\$ 222,348	\$ 26,760	\$ 115,957	\$ 5,588,914	\$ 640,702	\$ 440,069	\$ 6,669,685

The accompanying notes to financial statements are an integral part of these statements.

THE UPPER VALLEY HAVEN, INC.

Statement of Functional Expenses

For the Year Ended March 31, 2019

	Food Expense	Service Coordination	Shelter Services	Children's Program	Adult Programs	Total Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 244,317	\$ 487,798	\$ 472,201	\$ 165,141	\$ 68,371	\$ 1,437,828	\$ 80,765	\$ 253,472	\$ 1,772,065
Payroll taxes	18,754	36,320	35,628	12,400	5,045	108,147	6,026	19,239	133,412
Employee benefits	56,263	80,490	92,757	38,992	8,990	277,492	6,465	35,055	319,012
Travel expenses	19,506	8,365	4,440	9,141	480	41,932	402	1,348	43,682
Insurance	4,075	2,036	13,004	3,776	103	22,994	2,724	513	26,231
Information technology expenses	4,115	8,477	5,016	3,132	-	20,740	8,125	20,412	49,277
Occupancy expenses	14,269	6,347	79,607	10,274	571	111,068	18,921	3,181	133,170
Food procurement	361,123	-	7,154	883	-	369,160	-	-	369,160
Professional development expenses	755	1,516	741	1,377	243	4,632	2,127	1,290	8,049
Depreciation	17,827	7,930	84,145	12,836	713	123,451	18,926	3,565	145,942
In-kind donation expenses	2,511,519	-	-	-	-	2,511,519	11,389	-	2,522,908
Office expenses	-	-	-	-	-	-	8,433	43,700	52,133
Direct assistance	-	91,980	-	-	-	91,980	-	-	91,980
Grant expenses	-	1,969	-	-	-	1,969	-	-	1,969
Professional services	-	-	-	12,871	-	12,871	77,076	-	89,947
Advertising	-	-	-	-	-	-	-	34,530	34,530
Event expenses	-	-	-	-	-	-	-	40,682	40,682
Subscriptions and dues	-	-	-	-	-	-	7,167	-	7,167
Other expenses	16,645	120	19,194	16,854	13,613	66,426	10,687	12,993	90,106
Total expenses	<u>\$ 3,269,168</u>	<u>\$ 733,348</u>	<u>\$ 813,887</u>	<u>\$ 287,677</u>	<u>\$ 98,129</u>	<u>\$ 5,202,209</u>	<u>\$ 259,233</u>	<u>\$ 469,980</u>	<u>\$ 5,931,422</u>

The accompanying notes to financial statements are an integral part of these statements.

THE UPPER VALLEY HAVEN, INC.

Statements of Cash Flows

For the Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 1,298,103	\$ (288,277)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	146,065	145,942
Provision for bad debts	-	5,048
Property and equipment gift in-kind	-	(24,344)
Unrealized gain on investments	118,396	(67,506)
Net realized (gain) loss on investments	(17,488)	66
Contributions restricted for long-term investment	(33,178)	(50,000)
(Increase) decrease in following asset accounts:		
Accounts receivable	(22,711)	(19,830)
Employee advances receivable	982	(1,032)
Grants receivable	(10,647)	(36,131)
Prepaid expenses	7,885	8,526
Increase (decrease) in following liability accounts:		
Accounts payable	71,038	7,834
Funds held for others	26,223	17,694
Accrued payroll, vacation and related employee benefits	24,191	12,838
Other accrued expenses	-	700
Deferred revenue	(20,750)	18,550
Net cash provided by (used in) operating activities	<u>1,588,109</u>	<u>(269,922)</u>
Cash flows from investing activities		
Proceeds on sale of investments	-	197,551
Purchases of investments	(1,118,168)	(93,267)
Purchases of property and equipment	(82,495)	(19,328)
Net cash provided by (used in) investing activities	<u>(1,200,663)</u>	<u>84,956</u>
Cash flows from financing activities		
Principal payments on capital lease obligations	(21,667)	(21,262)
Contributions restricted for long-term investment	33,178	50,000
Net cash provided by financing activities	<u>11,511</u>	<u>28,738</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	398,957	(156,228)
Cash, cash equivalents and restricted cash, beginning of year	704,049	860,277
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,103,006</u>	<u>\$ 704,049</u>
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 995,377	\$ 454,132
Restricted cash	100,140	73,917
Restricted cash included in other long-term assets	7,489	176,000
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 1,103,006</u>	<u>\$ 704,049</u>

The accompanying notes to financial statements are an integral part of these statements.

THE UPPER VALLEY HAVEN, INC.
Statements of Cash Flows (continued)
For the Years Ended March 31, 2020 and 2019

Supplemental Disclosures of Cash Flow Information

	<u>2020</u>	<u>2019</u>
Interest paid	\$ <u>1,495</u>	\$ <u>1,474</u>

Supplemental Disclosures of Non-Cash Transactions

During 2019, the Organization received a gift in-kind of vehicles and equipment in the amount of \$24,344.

The accompanying notes to financial statements are an integral part of these statements.

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2020 and 2019

1. Organizational Structure:

The Upper Valley Haven, Inc. (“the Organization”) was incorporated in 1980 under the laws of Vermont as a non-profit corporation. The Organization is located in White River Junction, Vermont and its primary purpose is to serve people struggling with poverty by providing shelter and education to homeless families and food and support to anyone in need. The Organization employs multiple programs to achieve this purpose, including the family shelter, a second shelter for adults without children, community case management, education for kids, education for adults and the food shelf. The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

2. Summary of Significant Accounting Policies:

Basis of Accounting – The Organization’s financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation – The financial statements are prepared in accordance with recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958, *Financial Statements of Not-for-Profit Organizations*. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. These net asset classifications are described as follows:

Net assets without donor restrictions:

Board Designated – The Board of Directors has designated the investments that have no donor restrictions (see Note 6) as an “endowment fund”. Earnings of the investments are accumulated as Board-designated assets until authorized by the Board of Directors to meet capital and operating needs.

Net assets with donor restrictions:

Time or Purpose – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or by the passage of time.

Perpetual – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Short-term highly liquid investments with an original maturity of more than three months are classified as short-term investments.

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued):

Restricted Cash – The Organization identifies cash held for others as restricted cash under current assets on the statements of financial position. The Organization also classifies cash received with donor-imposed restrictions limiting its use to long-term purposes as restricted cash under other long-term assets on the statements of financial position. Restricted cash consisted of the following as of March 31:

	<u>2020</u>	<u>2019</u>
Restricted cash held for others	\$ 100,140	\$ 73,917
Restricted cash with donor restrictions	649,176	113,502
Restricted cash held for long-term investment as net assets with purpose donor restrictions	7,489	50,000
Restricted cash held for long-term investment as net assets with perpetual donor restrictions	<u>-</u>	<u>126,000</u>
Total restricted cash	\$ <u>756,805</u>	\$ <u>363,419</u>

Accounts Receivable – The Organization provides an allowance for doubtful accounts which approximates the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change. The Organization estimated the allowance for uncollectible accounts to be \$0 and \$5,048 at March 31, 2020 and 2019, respectively. Credit is generally extended on a short-term basis and therefore does not bear interest.

Employee Advances Receivable – The Organization allows employees to take advances from their payroll and pay back through future payroll withholdings. The total employee advances receivable was \$100 and \$1,082 as of March 31, 2020 and 2019, respectively.

Property and Equipment – Property and equipment are recorded at cost if purchased or fair market value on the date of gift if donated. Betterments or improvements are capitalized and repairs and maintenance are charged to current year expenses.

The Organization follows the policy of charging to expenses annual amounts of depreciation that allocate the cost of assets over their estimated useful lives. The Organization employs the straight-line method over the useful life of the asset as follows:

	<u>Years</u>
Vehicles	5
Website	5
Furniture and fixtures	5 – 10
Equipment	5 – 10
Buildings and improvements	10 – 39

Support, Revenue and Gains – Support consists of public support that includes contributions from individuals, private organizations, companies and foundations. Support also consists of grants and appropriations from the State of Vermont, other foundations and other organizations; event income and gifts in-kind. Revenue consists of case management services, reimbursement for veterans' stays, investment income and other miscellaneous sources.

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued):

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions with donor restrictions 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.

Contributions of cash or other assets which a donor has stipulated be used to acquire property and equipment are reported as non-operating revenue under net assets with donor restrictions. The restricted contributions are released when assets are placed into service.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between applicable classes of net assets.

Gifts In-Kind – The Organization receives public donations for food, household goods and fixed assets. The total estimated in-kind donation for the years ended March 31, 2020 and 2019 was \$3,208,283 and \$2,547,252, respectively. The in-kind donation was comprised of food for \$3,193,706 and \$2,511,519 in fiscal years 2020 and 2019, respectively. In-kind donations also included donated investment management services for \$14,577 and \$11,389 in fiscal years 2020 and 2019, respectively. In addition, in fiscal year 2019 there was a donation of two vehicles for \$24,344. The in-kind donation value is based on management's estimates and fair value of donated products at the date of receipt.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Values of Financial Instruments – The carrying amounts of cash, accounts receivable and accounts payable approximate fair value because of the short maturity of those instruments. Investments are carried at estimated fair values based on quoted market prices.

Concentration of Credit Risk – Financial instruments that potentially subject the Organization to concentrations of credit and market risks consist principally of cash and investments. Cash deposits that are placed in any one financial institution are limited in order to reduce risk. The accounts at the brokerage firms are insured up to \$500,000, with a limit of \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). At times, such cash and investments may be in excess of the SIPC insurance limit. In addition to SIPC insurance, Schwab also carries excess liability insurance for up to \$600 million in assets.

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued):

Advertising – The Organization expenses advertising costs as they are incurred. A majority of the advertising costs relate to advertisement in local newspapers regarding position openings and for public awareness. Advertising costs for the years ended March 31, 2020 and 2019 was \$30,263 and \$34,530, respectively.

Donated Services and Stocks – A number of volunteers have made significant contributions of time to the Organization's programs and fundraising campaign. The value of this contributed time does not meet the criteria for recognition as contributed service revenue or expense and, accordingly, is not reflected in the accompanying financial statements.

The Organization also receives stocks as donations. The amounts received for the years ended March 31, 2020 and 2019 was \$1,079,486 and \$62,447, respectively. The stock is valued at the date of transfer and is added to the long-term investment fund as permitted investments under the Investment Guidelines approved by the Board of Directors. Judgments are made on the best timing for the sale of such gifts by the investment advisor and Finance Committee.

The Organization received donated investment management services from a private investment company (In-Kind Donations Note).

Functional Allocation of Expense – The costs of providing programs and activities have been summarized on a functional basis. Any support expenses not directly chargeable to program costs are allocated based on square footage allocation to functional areas. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) 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. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A), and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Organization adopted the accounting methods under FASB ASC Subtopic 740-10 for Uncertain Tax Positions (UTP) on July 1, 2009. The UTP rules prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in an organization's tax return. The Organization believes that it has appropriate support for the tax positions taken and, as such, does not have any uncertain tax positions that might result in a material impact on the Organization's statements of financial position, activities and changes in net assets and cash flows. The Organization believes it is no longer subject to examinations for the years prior to 2015.

Reclassifications – Certain reclassifications have been made to the 2020 financial statements to conform to the 2019 presentation.

Liquidity – Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued):

Change in Accounting Principle – Effective April 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the places in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. Net assets previously reported as temporarily restricted are now reported as net assets with time or purpose donor restrictions. Net assets previously reported as permanently restricted are now reported as net assets with perpetual donor restrictions. Likewise, net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

Recent Accounting Pronouncements – In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments assist entities in (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. Emphasis is made on assisting stakeholders in characterizing grants and similar contracts with resource providers as either exchange transactions or contributions and in determining whether a contribution is conditional when applying the guidance in Subtopic 958-605, *Not-for-Profit Entities - Revenue Recognition*. The ASU is effective for years beginning after December 15, 2018 and early adoption is allowed. The Organization has not elected early adoption of ASU 2018-08 and is evaluating its impact.

In February 2016, the FASB issued ASU 2016-02, *Leases*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The update is effective for financial statements issued for fiscal years beginning after December 15, 2019, with early adoption permitted, using a modified retrospective approach. The Organization has not elected early adoption of the provisions of ASU 2016-02 and is evaluating its impact.

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

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3. Grants and Appropriations:

The Organization receives grant support and appropriations from the State of Vermont, other private foundations and organizations. Grants and appropriations were reported as net assets with or without donor restrictions in 2020 and 2019. Grants and appropriations consisted of the following for the years ended March 31:

	<u>2020</u>	<u>2019</u>
HOP - State of Vermont- OEO	\$ 87,158	\$ 74,406
HOAHP - State of Vermont - OEO	-	17,086
VT Coordinated	40,327	51,744
EFSP	16,822	28,440
Other government grants less than \$25,000	<u>15,640</u>	<u>15,958</u>
Total government	<u>159,947</u>	<u>187,634</u>
Foundations and other grantors	<u>266,775</u>	<u>302,800</u>
	<u>\$ 426,722</u>	<u>\$ 490,434</u>

Grants receivable were \$71,838 and \$61,191 as of March 31, 2020 and 2019, respectively.

4. Investments:

ASC Topic 820 and 825 prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include listed equities held in the name of the Organization, and exclude listed equities and other securities held indirectly through commingled funds.

Level II – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Judgment about inputs into the determination of fair value shall be developed based on the best information available in the circumstances.

THE UPPER VALLEY HAVEN, INC.

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4. Investments (continued):

The Organization adopted ASC Topic 820 and 825. At times, the Organization carries investments in marketable securities with readily determinable values at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets in the accompanying statement of activities and changes in net assets. The following table summarizes the valuation of the Organization's investment carried in accordance with Topic 820 by the fair value hierarchy levels as of March 31, 2020:

	Fair Value at March 31, 2020	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets measured at fair value on a recurring basis:				
Cash	\$ 531,811	\$ 531,811	\$ -	\$ -
Mutual funds	<u>2,011,539</u>	<u>2,011,539</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,543,350</u>	<u>\$ 2,543,350</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes the valuation of the Organization's investment carried in accordance with Topic 820 by the fair value hierarchy levels as of March 31, 2019:

	Fair Value at March 31, 2019	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets measured at fair value on a recurring basis:				
Cash	\$ 23,858	\$ 23,858	\$ -	\$ -
Mutual funds	<u>1,502,232</u>	<u>1,502,232</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,526,090</u>	<u>\$ 1,526,090</u>	<u>\$ -</u>	<u>\$ -</u>

Investments consisted of the following as of March 31:

	2020		2019	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash	\$ 531,811	\$ 531,811	\$ 23,858	\$ 23,858
Mutual funds	<u>1,605,631</u>	<u>2,011,539</u>	<u>942,055</u>	<u>1,502,232</u>
Total investments	<u>\$ 2,137,442</u>	<u>\$ 2,543,350</u>	<u>\$ 965,913</u>	<u>\$ 1,526,090</u>

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2020 and 2019

4. Investments (continued):

Investments consisted of the following by type of restriction at March 31:

	<u>2020</u>	<u>2019</u>
Board designated funds	\$ 1,196,599	\$ 1,375,127
Undesignated funds	119,372	-
Donor time or purpose restricted	(1,899)	45,463
Donor perpetual restriction	<u>1,229,278</u>	<u>105,500</u>
	<u>\$ 2,543,350</u>	<u>\$ 1,526,090</u>

5. Property and Equipment:

Property and equipment consisted of the following at March 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 201,018	\$ 201,018
Buildings and improvements	4,206,847	4,159,194
Furniture and fixtures	58,513	49,538
Equipment	257,127	244,196
Website	22,991	22,991
Vehicles	153,153	153,153
Construction in process	<u>12,936</u>	<u>-</u>
	4,912,585	4,830,090
Less: accumulated depreciation	<u>(1,797,548)</u>	<u>(1,651,483)</u>
Property and equipment, net	<u>\$ 3,115,037</u>	<u>\$ 3,178,607</u>

Depreciation expense was \$146,065 and \$145,942 for the years ended March 31, 2020 and 2019, respectively.

6. Funds Held for Others:

The Organization has held funds for outside entities throughout the years. Outside entities deposit a certain amount of money in the Organization to fund their future event expenses. FASB ASC Section 958-605-25, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, establishes standards for transactions in which an organization accepts a contribution or grant from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. As of March 31, 2020 and 2019, funds held for others were \$100,140 and \$73,917, respectively. Those funds are shown as restricted cash on the statements of financial position.

7. Retirement Plan Liability:

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. As of March 31, 2020, eight employees participated in the plan. The Organization did not make any matching contributions to the plan for the years ended March 31, 2020 and 2019.

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8. Net Assets with Donor Restrictions:

Net assets with donor restrictions consisted of the following by asset allocations as of March 31:

	<u>2020</u>	<u>2019</u>
Time or purpose		
Unexpected investment income from perpetual donor-restricted investments	\$ (1,899)	\$ 45,463
Donor restricted for food services	26,010	16,926
Donor restricted for community and service coordination	29,375	68,324
Donor restricted for Sustainable Haven Fund	575,225	
Donor restricted for children's programs	12,001	13,120
Donor restricted for adult programs	6,565	15,132
Donor restricted for capital	7,489	50,000
	<u>654,766</u>	<u>208,965</u>
Perpetual		
Investments	1,229,278	105,500
Restricted cash	-	126,000
	<u>1,229,278</u>	<u>231,500</u>
Total net assets with donor restrictions	<u>\$ 1,884,044</u>	<u>\$ 440,465</u>
Net assets with donor restrictions		
Investments	\$ 1,227,379	\$ 150,963
Cash	656,665	113,502
Restricted cash	-	176,000
	<u>\$ 1,884,044</u>	<u>\$ 440,465</u>

9. Commitments and Contingencies:

Capital Lease – During 2017, the Organization entered into a capital lease for a vehicle that will expire November 2021. During 2018, the Organization entered into a capital lease for a copier that will expire October 2022. The vehicle and copier are capitalized and being amortized over the term of the leases. The cost of the assets under capital lease at March 31, 2020 and 2019 was \$103,417. Accumulated amortization on assets under capital lease at March 31, 2020 and 2019 was \$68,754 and \$47,089, respectively.

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Notes to Financial Statements
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9. Commitments and Contingencies (continued):

The following is a schedule, by year, of the future minimum lease payments under capital leases as of March 31, 2020:

2021	\$ 22,656
2022	16,504
2023	<u>2,484</u>
Total minimum lease payments	41,644
Less: amount representing interest	<u>770</u>
Present value of minimum lease payments	40,874
Less: Current portion	<u>22,077</u>
Long-term capital lease obligations	\$ <u>18,797</u>

10. Board Designated and Donor-Restricted Endowment Funds:

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. Under this policy, as approved by the Board of Directors, investment vehicles may include mutual and similarly regulated pooled funds such as exchange traded funds as well as individual securities. Index type funds are specifically included as permitted investments under this policy.

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 Objectives Relate 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 4.5% of assets per annum. 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

As of and For the Years Ended March 31, 2020 and 2019

10. Board Designated and Donor-Restricted Endowment Funds (continued):

The following tables outline the Board and donor endowment by type of fund as of March 31:

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 1,227,378	\$ 1,227,378
Board-designated endowment funds	<u>1,196,600</u>	<u>-</u>	<u>1,196,600</u>
Total funds	<u>\$ 1,196,600</u>	<u>\$ 1,227,378</u>	<u>\$ 2,423,978</u>

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 276,963	\$ 276,963
Board-designated endowment funds	<u>1,375,127</u>	<u>-</u>	<u>1,375,127</u>
Total funds	<u>\$ 1,375,127</u>	<u>\$ 276,963</u>	<u>\$ 1,652,090</u>

Uniform Prudent Management of Institutional Funds Act – Effective May 5, 2009, the State of Vermont adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted as bill H.287. This act replaces its predecessor, the Uniform Management of Institutional Funds Act, and provides guidance and special rules for the management of endowment funds.

Endowment net asset composition by Type of Fund was as follows as of March 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board and donor endowment funds, beginning of year	<u>\$ 1,375,127</u>	<u>\$ 276,963</u>	<u>\$ 1,652,090</u>
Investment return:			
Investment income	23,044	14,698	37,742
Net depreciation (realized and unrealized)	<u>(39,214)</u>	<u>(53,418)</u>	<u>(92,632)</u>
Total investment return	<u>(16,170)</u>	<u>(38,720)</u>	<u>(54,890)</u>
Contributions	-	997,778	997,778
Transfers	(126,000)	-	(126,000)
Appropriation of endowment assets for expenditure	<u>(36,357)</u>	<u>(8,643)</u>	<u>(45,000)</u>
Endowment net assets, end of year	<u>\$ 1,196,600</u>	<u>\$ 1,227,378</u>	<u>\$ 2,423,978</u>

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10. Board Designated and Donor-Restricted Endowment Funds (continued):

Endowment net asset composition by type of fund was as follows as of March 31, 2019:

	<u>Donor Restrictions</u>	<u>Donor Restrictions</u>	<u>Total</u>
Board and donor endowment funds, beginning of year	\$ 1,418,828	\$ 270,106	\$ 1,688,934
Investment return:			
Investment income	29,642	2,195	31,837
Net appreciation (realized and unrealized)	62,778	4,662	67,440
Total investment return	<u>92,420</u>	<u>6,857</u>	<u>99,277</u>
Contributions	<u>62,447</u>	<u>-</u>	<u>62,447</u>
Appropriation of endowment assets for expenditure	<u>(198,568)</u>	<u>-</u>	<u>(198,568)</u>
Endowment net assets, end of year	<u>\$ 1,375,127</u>	<u>\$ 276,963</u>	<u>\$ 1,652,090</u>

11. Related Party Transactions:

During fiscal years 2020 and 2019, the Organization used a private investment company to manage its Board restricted investment funds (Note 2). 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 years ended March 31, 2020 and 2019. The investment management services provided by this private company were considered donated services to the Organization. The estimated amount of donated services was \$11,389 and \$10,379 for the years ended March 31, 2020 and 2019, respectively.

12. Liquidity and Availability of Financial Assets:

Operating liquidity comes from public support, grants and appropriations, event income, case management support and reimbursement for veterans' stays. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash.

Financial assets are considered unavailable when not convertible to cash within one year or because the governing board has set aside the funds in a long-term, board-designated fund. The Organization's board-designated investments are invested for purposes of generating portfolio appreciation and current income but may ultimately be utilized through board approved action.

THE UPPER VALLEY HAVEN, INC.

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12. Liquidity and Availability of Financial Assets (continued):

The following reflects the Organization's financial assets as of March 31, 2020 and 2019, reduced by amounts not available for general use. Amounts not available include the amounts set aside for long-term investment in board designated funds that could be drawn upon if the governing board approves the action.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 995,377	\$ 454,132
Accounts receivable	61,453	38,742
Employee advances receivable	100	1,082
Grants receivable	71,838	61,191
Restricted cash	107,629	249,917
Investments	<u>2,543,350</u>	<u>1,526,090</u>
Total financial assets as of March 31	<u>3,779,747</u>	<u>2,331,154</u>
Less amounts not available to be used within one year due to:		
Restricted cash - held for others	(100,140)	(73,917)
Restricted cash - held for long-term investment	(7,489)	(176,000)
Board designated investments	(1,196,600)	(1,375,127)
Unexpended investment income from perpetual donor restricted investments	1,899	(45,463)
Investments with perpetual donor restrictions	<u>(1,229,278)</u>	<u>(105,500)</u>
	<u>(2,531,608)</u>	<u>(1,776,007)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,248,139</u>	<u>\$ 555,147</u>

13. Subsequent Events:

The Organization has reviewed events occurring after March 31, 2020 through September 21, 2020, the date that the financial statements were made available to the Board of Directors. Subsequent to March 31, 2020, the Organization received \$427,200 as part of the federal government's Payroll Protection Plan loan program. Under this program, it is possible that the entire amount received may be forgiven. Amounts which remain unforgiven will be required to be repaid over a period of years. As of the date of the financial statements, the forgivable amount is undetermined.

The Organization has not reviewed events occurring after the report date for their potential impact on the information contained in these financial statements.