

THE UPPER VALLEY HAVEN, INC.

**Financial Statements
and
Independent Auditors' Report**

As of and for the Years Ended
March 31, 2018 and 2017

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 statement of financial position as of March 31, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Upper Valley Haven, Inc. as of March 31, 2018, 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.

Prior Period Financial Statements

The 2017 financial statements were reviewed by us, and our report thereon, dated July 31, 2017, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information appearing on pages 20 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tyler, Simms and St. Severe, CPAs, P.C.

Lebanon, New Hampshire
August 9, 2018

Registration No. 92-545

THE UPPER VALLEY HAVEN, INC.

Statements of Financial Position

As of March 31, 2018 and 2017

	<u>2018</u> (Audited)	<u>2017</u> (Unaudited)
Assets		
Current assets		
Cash and cash equivalents	\$ 503,549	\$ 96,781
Cash - board designated	50,238	50,016
Cash - temporarily restricted	119,219	213,563
Total cash and cash equivalents	<u>673,006</u>	<u>360,360</u>
Restricted cash	61,271	42,195
Accounts receivable, less doubtful accounts of \$5,048 and \$0 in 2018 and 2017, respectively	23,960	24,050
Employee advances receivable	50	3,713
Rental assistance receivable	-	4,000
Grants receivable	25,060	94,770
Pledges receivable, net	-	25,000
Prepaid expenses	61,890	68,595
Total current assets	<u>845,237</u>	<u>622,683</u>
Other assets		
Restricted cash	<u>126,000</u>	<u>126,000</u>
Investments, at fair market value	<u>1,562,934</u>	<u>1,475,773</u>
Property and equipment, net	<u>3,280,877</u>	<u>3,403,029</u>
Total assets	<u>\$ 5,815,048</u>	<u>\$ 5,627,485</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 42,443	\$ 53,117
Funds held for others	56,223	42,195
Accrued payroll and related employee benefits	116,834	112,524
Accrued expenses	15,900	10,558
Deferred revenue	22,045	24,247
Current portion of capital lease obligation	21,263	17,053
Total current liabilities	<u>274,708</u>	<u>259,694</u>
Noncurrent liabilities		
Obligation under capital lease	<u>62,540</u>	<u>65,342</u>
Total noncurrent liabilities	<u>62,540</u>	<u>65,342</u>
Total liabilities	<u>337,248</u>	<u>325,036</u>
Net assets		
Unrestricted		
Undesignated	3,669,647	3,487,113
Board designated	1,418,828	1,340,704
Temporarily restricted	157,825	243,132
Permanently restricted	231,500	231,500
Total net assets	<u>5,477,800</u>	<u>5,302,449</u>
Total liabilities and net assets	<u>\$ 5,815,048</u>	<u>\$ 5,627,485</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, 2018

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	2018 <u>Total</u> (Audited)
Support, revenues and gains				
Support				
Public support	\$ 2,765,405	\$ 95,847	\$ -	\$ 2,861,252
Grants and appropriations	260,797	35,000	-	295,797
Event income	122,729	-	-	122,729
Gifts in-kind	2,688,327	-	-	2,688,327
Revenues and gains				
Interest and dividend income	27,126	1,957	-	29,083
Reimbursements for veterans' stays	33,936	-	-	33,936
Direct assistance payback	10,218	-	-	10,218
Miscellaneous income	943	-	-	943
Net realized and unrealized gain on investments	97,803	7,080	-	104,883
Net assets released for operations	225,191	(225,191)	-	-
Total support, revenues and gains	<u>6,232,475</u>	<u>(85,307)</u>	<u>-</u>	<u>6,147,168</u>
Expenses				
Salaries and wages	1,633,136	-	-	1,633,136
Employee benefits and payroll taxes	402,130	-	-	402,130
Occupancy expenses	261,452	-	-	261,452
Food procurement	393,919	-	-	393,919
Development expenses	107,925	-	-	107,925
Depreciation	148,603	-	-	148,603
In-kind donation expenses	2,684,659	-	-	2,684,659
Other expenses	339,993	-	-	339,993
Total expenses	<u>5,971,817</u>	<u>-</u>	<u>-</u>	<u>5,971,817</u>
Increase (decrease) in net assets	260,658	(85,307)	-	175,351
Net assets, beginning of year	<u>4,827,817</u>	<u>243,132</u>	<u>231,500</u>	<u>5,302,449</u>
Net assets, end of year	<u>\$ 5,088,475</u>	<u>\$ 157,825</u>	<u>\$ 231,500</u>	<u>\$ 5,477,800</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, 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	2017 <u>Total</u> (Unaudited)
Support, revenues and gains				
Support				
Public support	\$ 2,046,801	\$ 233,785	\$ -	\$ 2,280,586
Grants and appropriations	359,158	-	-	359,158
Event income	118,030	-	-	118,030
Gifts in-kind	2,184,036	-	-	2,184,036
Revenues and gains				
Interest and dividend income	26,388	2,032	-	28,420
Reimbursements for veterans' stays	24,512	-	-	24,512
Rental assistance	43,332	-	-	43,332
Direct assistance payback	11,007	-	-	11,007
Miscellaneous income	650	-	-	650
Gain on sale of assets	900	-	-	900
Net realized and unrealized gain on investments	107,889	8,307	-	116,196
Net assets released for operations	179,849	(179,849)	-	-
Total support, revenues and gains	<u>5,102,552</u>	<u>64,275</u>	<u>-</u>	<u>5,166,827</u>
Expenses				
Salaries and wages	1,524,995	-	-	1,524,995
Employee benefits and payroll taxes	419,753	-	-	419,753
Occupancy expenses	222,095	-	-	222,095
Food procurement	342,755	-	-	342,755
Development expenses	119,980	-	-	119,980
Depreciation	141,250	-	-	141,250
In-kind donation expenses	2,184,036	-	-	2,184,036
Other expenses	364,206	-	-	364,206
Total expenses	<u>5,319,070</u>	<u>-</u>	<u>-</u>	<u>5,319,070</u>
Increase (decrease) in net assets	(216,518)	64,275	-	(152,243)
Net assets, beginning of year	<u>5,044,335</u>	<u>178,857</u>	<u>231,500</u>	<u>5,454,692</u>
Net assets, end of year	<u>\$ 4,827,817</u>	<u>\$ 243,132</u>	<u>\$ 231,500</u>	<u>\$ 5,302,449</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
	(Audited)	(Unaudited)
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 175,351	\$ (152,243)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation expense	148,603	141,250
Provision for bad debts	5,048	-
Property and equipment gift in-kind	(3,668)	-
Gain on disposal of property and equipment	-	(900)
Unrealized gain on investments	(71,932)	(97,358)
Net realized gain on investments	(32,951)	(18,838)
(Increase) decrease in following asset accounts:		
Accounts receivable	(4,958)	(22,328)
Employee advances receivable	3,663	1,452
Rental assistance receivable	4,000	2,208
Grants receivable	69,710	(14,909)
Pledges receivable	25,000	(25,000)
Prepaid expenses	6,705	(25,154)
Increase (decrease) in following liability accounts:		
Accounts payable	(10,674)	33,707
Funds held for others	14,028	(5,458)
Accrued payroll and related employee benefits	4,310	14,373
Accrued expenses	5,342	(815)
Deferred revenue	(2,202)	(2,503)
Net cash provided by (used in) operating activities	<u>335,375</u>	<u>(172,516)</u>
Cash flows from investing activities		
Proceeds on sale of investments	113,680	321,732
Proceeds on sale of property and equipment	-	900
Purchases of investments	(95,958)	(74,458)
Purchases of property and equipment	(2,723)	(9,449)
Net cash provided by investing activities	<u>14,999</u>	<u>238,725</u>
Cash flows from financing activities		
Principal payments on capital lease obligations	(18,652)	(5,614)
Net cash used in financing activities	<u>(18,652)</u>	<u>(5,614)</u>
Net increase in cash, cash equivalents and restricted cash	331,722	60,595
Cash, cash equivalents and restricted cash, beginning of year	528,555	467,960
Cash, cash equivalents and restricted cash, end of year	<u>\$ 860,277</u>	<u>\$ 528,555</u>
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 673,006	\$ 360,360
Restricted cash	61,271	42,195
Restricted cash included in other long-term assets	126,000	126,000
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 860,277</u>	<u>\$ 528,555</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, 2018 and 2017

Supplemental Disclosures of Cash Flow Information

	<u>2018</u> (Audited)	<u>2017</u> (Unaudited)
Interest paid	\$ <u>1,709</u>	\$ <u>585</u>

Supplemental Disclosures of Non-Cash Transactions

During 2018, the Organization entered into a capital lease agreement for a copier in the amount of \$20,060.

During 2018, the Organization received a gift in-kind of equipment in the amount of \$3,668.

During 2017, the Organization entered into a capital lease agreement for a vehicle in the amount of \$88,009.

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, 2018 and 2017

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. These net asset classifications are described as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors. Unrestricted net assets include donations from individuals, private foundations and business units.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be retained and invested permanently by the Organization. Generally, the net appreciation after application of the endowment spending policy is included in the temporarily restricted net assets class.

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.

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>2018</u> (Audited)	<u>2017</u> (Unaudited)
Restricted cash, held for others	\$ 61,271	\$ 42,195
Restricted cash held for long-term investment as permanently restricted net assets	<u>126,000</u>	<u>126,000</u>
Total restricted cash	\$ <u>187,271</u>	\$ <u>168,195</u>

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued):

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. Credit is generally extended on a short-term basis and therefore does not bear interest.

Pledges Receivable – Pledges receivable consist of amounts due on contributions pledged mainly by individuals and businesses in the Upper Valley. The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization’s estimate is based on understanding and relationship with donors. It is reasonably possible that the Organization’s estimate of the allowance for doubtful accounts will change. Pledges receivable are presented net of allowance for doubtful accounts of \$0 and \$25,000 as of March 31, 2018 and 2017, respectively.

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 \$50 and \$3,713 as of March 31, 2018 and 2017, respectively.

Investments – Investments are stated at fair market value in the statement of financial position. Investments consist of cash and mutual funds.

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

Revenue and Support – The Organization recognizes public support contributions received and made as revenue in the period received or made. Public support includes donations from individuals, private organizations, companies and foundations. Public support received is reported as unrestricted support, temporarily restricted support or permanently restricted support. Temporarily restricted contributions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as temporarily restricted contributions and are reclassified as net assets released from restrictions in the same year.

In-Kind Donations – The Organization receives public donations for food, household goods and fixed assets. The total estimated in-kind donation for the years ended March 31, 2018 and 2017 was \$2,688,327 and \$2,184,036, respectively. The in-kind donation was comprised of food for \$2,674,280 and \$2,172,720, in fiscal years 2018 and 2017, respectively. In-kind donations also included donated investment management services for \$10,379 and \$11,316 in fiscal years 2018 and 2017, respectively. The in-kind donation value is based on management’s estimates and fair value of donated products at the date of receipt. In addition, in fiscal year 2018 there was a donation of a refrigerator of \$3,668, which is included in property and equipment.

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued):

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.

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, 2018 and 2017 was \$32,303 and \$41,506, 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, 2018 and 2017 was \$67,393 and \$46,245, 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 – Expenses are allocated to each program where they were actually incurred.

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 UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued):

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 2014.

Reclassifications – Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

Recent Accounting Pronouncements – In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities*. This ASU changes the current three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions; continues to allow the use of either the direct or indirect method of reporting the statement of cash flows; requires entities to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses; and eliminates the option to release donor-imposed restrictions on long-lived assets over the estimated useful life of the acquired asset. It also enhances the disclosures regarding: board designations, composition of net assets with donor restrictions, how a not-for-profit will meet its cash needs for general expenditures within one year of the balance sheet date, amounts of expenses by both their natural and functional classification, method used to allocate costs among program and support functions and underwater endowment funds. The update is effective for financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted and requires that it be applied retrospectively. The Organization has not elected early adoption of the provisions of ASU 2016-14.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows - Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update is effective for financial statements issued for fiscal years beginning after December 15, 2018, with early adoption permitted and requires that it be applied retrospectively. The Organization has elected early adoption of the provisions of ASU 2016-18.

3. Pledges Receivable:

Pledges receivable consisted of the following at March 31:

	<u>2018</u> (Audited)	<u>2017</u> (Unaudited)
Pledges receivable - gross	\$ -	\$ 25,000
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	\$ <u>-</u>	\$ <u>25,000</u>

THE UPPER VALLEY HAVEN, INC.
Notes to Financial Statements
As of and For the Years Ended March 31, 2018 and 2017

3. Pledges Receivable (continued):

Pledges receivable are due as follows:

	<u>2018</u> (Audited)	<u>2017</u> (Unaudited)
Due in less than one year	\$ -	\$ 25,000
Due in one to five years	<u>-</u>	<u>-</u>
	\$ <u>-</u>	\$ <u>25,000</u>

4. Grant Revenue:

The Organization receives grant support from the State of Vermont, other private foundations and organizations. Grant revenue was reported as unrestricted or temporarily restricted net assets in 2018 and 2017. Grant revenue consisted of the following for the years ended March 31:

	<u>2018</u> (Audited)	<u>2017</u> (Unaudited)
Family Supportive Housing	\$ 8,000	\$ 33,251
HOP - State of Vermont- OEO	46,958	13,500
HOAHP - State of Vermont - OEO	99,067	190,390
Granite United Way	28,500	34,000
Salmon Foundation	25,000	20,000
Bridges Out of Poverty	35,000	30,000
Other grants less than \$25,000	<u>53,272</u>	<u>38,017</u>
	\$ <u>295,797</u>	\$ <u>359,158</u>

Grants receivable were \$25,060 and \$94,770 as of March 31, 2018 and 2017, respectively.

5. 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.

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2018 and 2017

5. Investments (continued):

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 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, 2018:

	Fair Value at March 31, 2018 (Audited)	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	\$ 128,103	\$ 128,103	\$ -	\$ -
Mutual funds	<u>1,434,831</u>	<u>1,434,831</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,562,934</u>	<u>\$ 1,562,934</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, 2017:

	Fair Value at March 31, 2017 (Unaudited)	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	\$ 115,441	\$ 115,441	\$ -	\$ -
Mutual funds	<u>1,360,332</u>	<u>1,360,332</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,475,773</u>	<u>\$ 1,475,773</u>	<u>\$ -</u>	<u>\$ -</u>

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2018 and 2017

5. Investments (continued):

Investments consisted of the following as of March 31:

	2018 (Audited)		2017 (Unaudited)	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash	\$ 128,103	\$ 128,103	\$ 115,441	\$ 115,441
Mutual funds	<u>942,055</u>	<u>1,434,831</u>	<u>933,210</u>	<u>1,360,332</u>
Total investments	<u>\$ 1,070,158</u>	<u>\$ 1,562,934</u>	<u>\$ 1,048,651</u>	<u>\$ 1,475,773</u>

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

	<u>2018</u> (Audited)	<u>2017</u> (Unaudited)
Board restricted	\$ 1,418,828	\$ 1,340,704
Temporarily restricted	38,606	29,569
Permanently restricted	<u>105,500</u>	<u>105,500</u>
	<u>\$ 1,562,934</u>	<u>\$ 1,475,773</u>

6. Property and Equipment:

Property and equipment consisted of the following at March 31:

	<u>2018</u> (Audited)	<u>2017</u> (Unaudited)
Land	\$ 201,018	\$ 201,018
Buildings and improvements	4,145,818	4,143,095
Furniture and fixtures	43,586	39,918
Equipment	244,196	224,137
Website	22,991	22,991
Vehicles	<u>128,809</u>	<u>128,809</u>
	4,786,418	4,759,968
Less: accumulated depreciation	<u>(1,505,541)</u>	<u>(1,356,939)</u>
Property and equipment, net	<u>\$ 3,280,877</u>	<u>\$ 3,403,029</u>

Depreciation expense was \$148,603 and \$141,250 for the years ended March 31, 2018 and 2017, respectively.

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2018 and 2017

7. 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, 2018 and 2017, funds held for others were \$56,223 and \$42,195, respectively. Those funds are shown as restricted cash on the statements of financial position.

8. 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, 2018, three employees participated in the plan. The Organization did not make any matching contributions to the plan for the years ended March 31, 2018 and 2017.

9. Commitments and Contingencies:

Operating Lease – The Organization has entered into various operating leases for office equipment throughout the years. Future minimum lease payments are as follows for the year ending March 31:

2019	\$	647
2020		647
2021		<u>377</u>
	\$	<u>1,671</u>

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, 2018 and 2017 was \$108,069 and \$88,009, respectively. Accumulated amortization on assets under capital lease at March 31, 2018 and 2017 was \$25,475 and \$5,876, respectively, and the total depreciation expense on the leases was \$19,608 and \$5,867 for the years ended March 31, 2018 and 2017, respectively.

THE UPPER VALLEY HAVEN, INC.
Notes to Financial Statements
As of and For the Years Ended March 31, 2018 and 2017

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, 2018:

2019	\$ 22,656
2020	22,656
2021	22,656
2022	16,504
2023	<u>2,484</u>
Total minimum lease payments	86,956
Less: amount representing interest	<u>3,153</u>
Present value of minimum lease payments	83,803
Less: Current portion	<u>21,263</u>
Long-term capital lease obligations	\$ <u>62,540</u>

10. Temporarily Restricted Net Assets:

Temporarily restricted net assets consisted of the following by type of restrictions as of March 31:

	<u>2018</u> (Audited)	<u>2017</u> (Unaudited)
Unexpended permanently restricted investment income	\$ 38,606	\$ 29,569
Temporarily restricted funds for operations	<u>119,219</u>	<u>213,563</u>
Total temporarily restricted net assets	\$ <u>157,825</u>	\$ <u>243,132</u>

Temporarily restricted net assets consisted of the following by asset allocations as of March 31:

	<u>2018</u> (Audited)	<u>2017</u> (Unaudited)
Investments	\$ 38,606	\$ 29,569
Cash	<u>119,219</u>	<u>213,563</u>
Total temporarily restricted net assets	\$ <u>157,825</u>	\$ <u>243,132</u>

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2018 and 2017

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

	2018 (Audited)			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 38,606	\$ 231,500	\$ 270,106
Board-designated endowment funds	<u>1,418,828</u>	<u>-</u>	<u>-</u>	<u>1,418,828</u>
Total funds	<u>\$ 1,418,828</u>	<u>\$ 38,606</u>	<u>\$ 231,500</u>	<u>\$ 1,688,934</u>

	2017 (Unaudited)			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 29,569	\$ 231,500	\$ 261,069
Board-designated endowment funds	<u>1,340,704</u>	<u>-</u>	<u>-</u>	<u>1,340,704</u>
Total funds	<u>\$ 1,340,704</u>	<u>\$ 29,569</u>	<u>\$ 231,500</u>	<u>\$ 1,601,773</u>

THE UPPER VALLEY HAVEN, INC.

Notes to Financial Statements

As of and For the Years Ended March 31, 2018 and 2017

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

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. In addition, unexpended investment income on permanently restricted net assets is now required to be reported as temporarily restricted net assets until expended.

Endowment net asset composition by Type of Fund was as follows as of March 31, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total (Audited)</u>
Board and donor endowment funds, beginning of year	\$ 1,340,704	\$ 29,569	\$ 231,500	\$ 1,601,773
Investment return:				
Investment income	27,126	1,957	-	29,083
Net appreciation (realized and unrealized)	97,803	7,080	-	104,883
Total investment return	<u>124,929</u>	<u>9,037</u>	<u>-</u>	<u>133,966</u>
Contributions	<u>67,393</u>	<u>-</u>	<u>-</u>	<u>67,393</u>
Appropriation of endowment assets for expenditure	<u>(114,107)</u>	<u>-</u>	<u>-</u>	<u>(114,107)</u>
Endowment net assets, end of year	<u>\$ 1,418,919</u>	<u>\$ 38,606</u>	<u>\$ 231,500</u>	<u>\$ 1,689,025</u>

Endowment net asset composition by type of fund was as follows as of March 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total (Unaudited)</u>
Board and donor endowment funds, beginning of year	\$ 1,477,373	\$ 23,978	\$ 231,500	\$ 1,732,851
Investment return:				
Investment income	26,388	2,032	-	28,420
Net appreciation (realized and unrealized)	107,889	8,307	-	116,196
Total investment return	<u>134,277</u>	<u>10,339</u>	<u>-</u>	<u>144,616</u>
Contributions	<u>46,245</u>	<u>-</u>	<u>-</u>	<u>46,245</u>
Appropriation of endowment assets for expenditure	<u>(317,191)</u>	<u>(4,748)</u>	<u>-</u>	<u>(321,939)</u>
Endowment net assets, end of year	<u>\$ 1,340,704</u>	<u>\$ 29,569</u>	<u>\$ 231,500</u>	<u>\$ 1,601,773</u>

THE UPPER VALLEY HAVEN, INC.
Notes to Financial Statements
As of and For the Years Ended March 31, 2018 and 2017

12. Permanently Restricted Net Assets:

Permanently restricted net assets consisted of the following by asset allocation at March 31:

	<u>2018</u>	<u>2017</u>
Investments	\$ 105,500	\$ 105,500
Restricted cash	<u>126,000</u>	<u>126,000</u>
Total permanently restricted net assets	<u>\$ 231,500</u>	<u>\$ 231,500</u>

13. Related Party Transactions:

During fiscal years 2018 and 2017, 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, 2018 and 2017. The investment management services provided by this private company were considered donated services to the Organization. The estimated amount of donated services was \$10,379 and \$11,316 for the years ended March 31, 2018 and 2017, respectively.

14. Prior Period Adjustment:

The Organization receives public support that is subject to donor-imposed stipulations and therefore is classified as temporarily restricted net assets until fulfilled by actions of the Organization to meet the stipulations. During 2018, the Organization identified public support received during 2017, that was subject to donor-imposed stipulations, but had been classified as unrestricted. The Organization also identified temporarily restricted net assets whose restriction had been fulfilled during 2017. As a result, the financial statements for the year ended March 31, 2017 have been restated.

At March 31, 2017, unrestricted net assets were reduced by \$98,768 and temporarily restricted net assets were increased by \$98,768.

15. Subsequent Events:

The Organization has reviewed events occurring after March 31, 2018 through August 9, 2018, the date that the financial statements were made available to the Board of Directors. The Organization does not believe that any events requiring recognition or disclosure have occurred during that period. The Organization has not reviewed events occurring after the report date for their potential impact on the information contained in these financial statements.

THE UPPER VALLEY HAVEN, INC.
Supplemental Schedule of Functional Expenses
For the Year Ended March 31, 2018

	<u>Food Expense</u>	<u>Service Coordination</u>	<u>Shelter Services</u>	<u>Children's Program</u>	<u>Adult Programs</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total 2018 (Audited)</u>
Salaries and wages	\$ 234,365	\$ 414,431	\$ 487,494	\$ 144,011	\$ 68,892	\$ 218,079	\$ 65,864	\$ 1,633,136
Employee benefits and payroll taxes	63,305	104,490	113,967	40,607	18,820	45,931	15,010	402,130
Occupancy expenses	42,190	21,030	119,021	22,332	670	30,414	25,795	261,452
Food procurement	383,164	-	9,646	1,109	-	-	-	393,919
Development expenses	1,727	5,565	2,656	1,213	17,333	74,239	5,192	107,925
Depreciation	18,152	8,074	85,680	13,070	726	3,630	19,271	148,603
In-kind donation expenses	2,674,280	-	-	-	-	-	10,379	2,684,659
Other expenses	<u>16,305</u>	<u>150,505</u>	<u>6,260</u>	<u>24,051</u>	<u>21,587</u>	<u>57,496</u>	<u>63,789</u>	<u>339,993</u>
Total expenses	<u>\$ 3,433,488</u>	<u>\$ 704,095</u>	<u>\$ 824,724</u>	<u>\$ 246,393</u>	<u>\$ 128,028</u>	<u>\$ 429,789</u>	<u>\$ 205,300</u>	<u>\$ 5,971,817</u>

THE UPPER VALLEY HAVEN, INC.
Supplemental Schedule of Functional Expenses
For the Year Ended March 31, 2017

	<u>Food Expense</u>	<u>Service Coordination</u>	<u>Shelter Services</u>	<u>Children's Program</u>	<u>Adult Programs</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total 2017 (Unaudited)</u>
Salaries and wages	\$ 226,478	\$ 392,215	\$ 461,488	\$ 134,025	\$ 64,115	\$ 198,463	\$ 48,211	\$ 1,524,995
Employee benefits and payroll taxes	63,662	110,379	129,805	38,085	17,651	47,848	12,323	419,753
Occupancy expenses	54,672	19,811	95,289	8,645	4,654	24,163	14,861	222,095
Food procurement	331,316	-	11,439	-	-	-	-	342,755
Development expenses	5,026	1,053	2,747	2,320	33,153	71,620	4,061	119,980
Depreciation	27,911	19,223	70,541	13,629	-	5,959	3,987	141,250
In-kind donation expenses	2,142,400	-	11,111	19,209	-	-	11,316	2,184,036
Other expenses	<u>44,516</u>	<u>139,936</u>	<u>35,847</u>	<u>28,671</u>	<u>-</u>	<u>56,179</u>	<u>59,057</u>	<u>364,206</u>
Total expenses	<u>\$ 2,895,981</u>	<u>\$ 682,617</u>	<u>\$ 818,267</u>	<u>\$ 244,584</u>	<u>\$ 119,573</u>	<u>\$ 404,232</u>	<u>\$ 153,816</u>	<u>\$ 5,319,070</u>