

HAVEN HOUSE, INC.

FINANCIAL STATEMENTS AND COMPLIANCE REPORT

YEAR ENDED JUNE 30, 2020

(With Comparative Totals for Year Ended June 30, 2019)



HAVEN HOUSE, INC.

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Independent Auditor's Report

To the Board of Directors
Haven House, Inc.
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Haven House, Inc. (a nonprofit corporation) ("Haven House"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Haven House'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 Haven House'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 Haven House, Inc. as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Haven House's 2019 financial statements, and our report dated October 22, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for additional information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of Haven House's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Haven House's internal control over financial reporting and compliance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
October 28, 2020

HAVEN HOUSE, INC.
Statement of Financial Position
June 30, 2020
With Comparative Totals for June 30, 2019

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 1,647,179	\$ 883,747
Investments	-	503,500
Grants and accounts receivable, net	334,092	297,582
Sales tax receivable	4,067	2,522
Prepaid expenses	19,566	14,937
Security deposits	9,792	-
Total current assets	<u>2,014,696</u>	<u>1,702,288</u>
Capital assets, net	<u>153,930</u>	<u>135,839</u>
Noncurrent assets:		
Security deposits	-	9,792
Total assets	<u>\$ 2,168,626</u>	<u>\$ 1,847,919</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable	\$ 59,080	\$ 25,492
Accrued compensated absences	76,124	59,664
Paycheck Protection Program loan	302,700	-
Total current liabilities	<u>437,904</u>	<u>85,156</u>
Net assets:		
Without donor restrictions	270,932	178,082
Without donor restrictions - Investment in Capital Assets	153,930	135,839
Without donor restrictions - Operating Reserve	563,098	525,874
Without donor restrictions - Building Reserve	706,010	729,710
	<u>1,693,970</u>	<u>1,569,505</u>
With donor restrictions	36,752	193,258
Total net assets	<u>1,730,722</u>	<u>1,762,763</u>
Total liabilities and net assets	<u>\$ 2,168,626</u>	<u>\$ 1,847,919</u>

HAVEN HOUSE, INC.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020
With Comparative Totals for Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support and Revenue:				
Federal and state grants:				
NC Department of Public Safety	\$ 834,737	\$ -	\$ 834,737	\$ 880,667
NC DHHS	3,999	-	3,999	6,000
Runaway Youth Basic Center	203,100	-	203,100	200,262
Transitional Living programs	407,694	-	407,694	336,087
Street Outreach	169,039	-	169,039	155,065
Housing and Urban Development	88,589	-	88,589	67,564
County and City grants:				
Alliance Behavioral Health	306,567	-	306,567	306,567
City of Raleigh	24,800	-	24,800	21,961
Chatham County	19,000	-	19,000	19,000
Orange County	19,000	-	19,000	19,000
Wake County	4,949	-	4,949	-
Fee revenues	520,859	-	520,859	582,411
United Way:				
United Way of Wake County	2,006	-	2,006	20,817
Interact Collaborative	16,668	-	16,668	17,500
John Rex Endowment	-	-	-	97,172
Contributions from Foundations	30,819	6,001	36,820	83,501
Other contributions	588,681	8,225	596,906	332,718
Special events	57,250	-	57,250	110,253
In-kind contributions	10,698	-	10,698	4,300
Gain on sale of capital assets	-	-	-	666,959
Other income	58,500	-	58,500	13,212
Total support and revenue	<u>3,366,955</u>	<u>14,226</u>	<u>3,381,181</u>	<u>3,941,016</u>
Net assets released from restrictions	170,732	(170,732)	-	-
Total support and revenue after releases from restriction	<u>3,537,687</u>	<u>(156,506)</u>	<u>3,381,181</u>	<u>3,941,016</u>
Expenses:				
Program services	2,701,272	-	2,701,272	2,515,610
Resource development	236,588	-	236,588	234,492
Administrative	475,362	-	475,362	429,844
Total expenses	<u>3,413,222</u>	<u>-</u>	<u>3,413,222</u>	<u>3,179,946</u>
Changes in net assets	124,465	(156,506)	(32,041)	761,070
Net assets - beginning of period	<u>1,569,505</u>	<u>193,258</u>	<u>1,762,763</u>	<u>1,001,693</u>
Net assets - end of period	<u>\$ 1,693,970</u>	<u>\$ 36,752</u>	<u>\$ 1,730,722</u>	<u>\$ 1,762,763</u>

See Notes to Financial Statements

HAVEN HOUSE, INC.
Statement of Functional Expenses
Year Ended June 30, 2020

With Comparative Totals for Year Ended June 30, 2019

	Wrenn House (Runaway Center)	Street Outreach & Transitional Living Programs	Multi Systemic Services	Juvenile Diversion Team	2nd Round & Gang Outreach	Restitution & Community Service	Community Alternatives Program	Juvenile Assessment Team
Salaries	\$ 258,953	\$ 281,688	\$ 276,549	\$ 71,348	\$ 161,361	\$ 139,440	\$ 104,801	\$ 106,585
Payroll taxes	18,714	21,034	19,732	5,151	11,680	10,240	7,651	7,944
Employee benefits	30,339	48,372	45,315	17,525	29,265	23,173	20,052	18,466
Total salaries and related expenses	308,006	351,094	341,596	94,024	202,306	172,853	132,504	132,995
Professional services	14,884	9,984	43,080	5,525	9,880	12,152	5,252	10,746
Food and supplies	9,081	3,210	2,511	775	2,965	4,120	2,246	1,135
Travel	1,113	5,242	2,178	756	763	2,025	195	309
Telephone and postage	8,452	9,373	8,130	3,124	3,988	2,690	3,153	2,780
Utilities	6,262	2,262	1,980	849	1,672	1,211	849	849
Other supplies	54	165	85	62	134	70	62	62
Maintenance and repairs	37,957	1,468	1,081	468	1,004	849	712	444
Garbage collection	65	313	274	117	230	174	117	117
Employee training	1,842	1,910	1,551	2,880	499	4,650	2,717	344
Rent	7,233	19,989	17,490	7,496	31,466	12,376	7,496	7,496
Insurance and bonding	11,425	12,668	7,377	682	7,190	3,272	820	468
Dues and allowances	1,338	1,664	1,104	563	1,105	862	594	1,032
Uncapitalized equipment	-	9,212	571	1,332	1,537	2,320	137	117
Stipends	-	243,526	-	-	-	-	-	-
Restitution payments	-	-	-	-	-	6,116	-	-
Miscellaneous	23,003	2,624	7,161	30	426	61	373	2,908
Total expenses before depreciation of property and equipment	430,715	674,704	436,169	118,683	265,165	225,801	157,227	161,802
Depreciation of property and equipment	14,538	1,832	-	-	596	17,269	-	-
Total expenses	\$ 445,253	\$ 676,536	\$ 436,169	\$ 118,683	\$ 265,761	\$ 243,070	\$ 157,227	\$ 161,802

See Notes to Financial Statements

HAVEN HOUSE, INC.
Statement of Functional Expenses (Continued)
Year Ended June 30, 2020
With Comparative Totals for Year Ended June 30, 2019

	Youth Career Options	House Wake	General Program Services	Total Program Services	Resource Development	Administrative	2020 Total	2019 Total
Salaries	\$ 22,425	\$ 954	\$ 32,231	\$ 1,456,335	\$ 161,037	\$ 317,941	\$ 1,935,313	\$ 1,941,162
Payroll taxes	1,674	69	2,464	106,353	12,065	21,936	140,354	139,202
Employee benefits	2,445	187	3,532	238,671	13,330	36,454	288,455	276,504
Total salaries and related expenses	26,544	1,210	38,227	1,801,359	186,432	376,331	2,364,122	2,356,868
Professional services	1,114	33	81,015	193,665	17,962	32,115	243,742	169,970
Food and supplies	647	8	450	27,148	2,631	2,686	32,465	50,226
Travel	3	-	-	12,584	114	168	12,866	19,111
Telephone and postage	437	19	292	42,438	3,097	4,468	50,003	45,563
Utilities	198	39	-	16,171	883	2,545	19,599	22,347
Other supplies	10	-	-	704	1,640	528	2,872	5,636
Maintenance and repairs	333	28	-	44,344	569	1,351	46,264	19,521
Garbage collection	33	8	-	1,448	117	352	1,917	2,577
Employee training	4,360	38	4,112	24,903	853	4,305	30,061	20,808
Rent	2,060	526	-	113,628	7,496	22,487	143,611	140,965
Insurance and bonding	162	276	-	44,340	980	6,462	51,782	50,747
Dues and allowances	995	-	1,725	10,982	3,102	4,290	18,374	15,574
Uncapitalized equipment	1,797	620	8,205	25,848	1,071	1,114	28,033	9,469
Stipends	-	-	-	243,526	-	-	243,526	168,568
Restitution payments	-	-	-	6,116	-	-	6,116	12,919
Miscellaneous	20,955	-	292	57,833	9,641	15,763	83,237	44,375
Total expenses before depreciation of property and equipment	59,648	2,805	134,318	2,667,037	236,588	474,965	3,378,590	3,155,244
Depreciation of property and equipment	-	-	-	34,235	-	397	34,632	24,702
Total expenses	\$ 59,648	\$ 2,805	\$ 134,318	\$ 2,701,272	\$ 236,588	\$ 475,362	\$ 3,413,222	\$ 3,179,946

See Notes to Financial Statements

HAVEN HOUSE, INC.
Statement of Cash Flows
Year Ended June 30, 2020
With Comparative Totals for Year Ended June 30, 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Changes in net assets	\$ (32,041)	\$ 761,070
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	34,632	24,702
Debt forgiveness	(145,000)	-
Gain on sale of capital assets	-	(666,959)
(Increase) decrease in:		
Grants and accounts receivable, net	(36,510)	(46,204)
Sales tax receivable	(1,545)	(150)
Prepaid expenses	(4,629)	189
Security deposits	-	(1,300)
Increase (decrease) in:		
Accounts payable	33,588	3,169
Accrued compensated absences	16,460	7,172
Net cash provided by (used in) operating activities	<u>(135,045)</u>	<u>81,689</u>
Cash flows from capital and financing activities:		
Proceeds from Paycheck Protection Program loan	447,700	-
Net cash provided by capital and financing activities	<u>447,700</u>	<u>-</u>
Cash flows from investing activities:		
Acquisition of capital assets	(52,723)	(51,000)
Proceeds from the sale of capital assets	-	732,809
Purchase of investments	-	(503,500)
Proceeds from the sale of investments	503,500	-
Net cash provided by investing activities	<u>450,777</u>	<u>178,309</u>
Increase in cash	763,432	259,998
Cash, beginning of year	883,747	623,749
Cash, end of year	<u>\$ 1,647,179</u>	<u>\$ 883,747</u>
Supplemental disclosure of noncash activities:		
Fair market value of in-kind contributions	<u>\$ 10,698</u>	<u>\$ 4,300</u>

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES

Haven House, Inc. ("Haven House") was incorporated in 1973, as a non-profit, non-stock corporation to provide small group care homes for children. Currently, Haven House operates several programs providing services to youth and families. Included are outreach programs, a crisis shelter (Wrenn House), restitution and community services, in-home family counseling services, case management services, supportive services to homeless youth, and gang prevention.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The accrual method records revenue when earned and expenses when incurred. As a result, receivables are recorded as assets, and obligations due are shown as liabilities.

Haven House adopted Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, effective for fiscal years beginning after December 15, 2018. The adoption of the standard resulted in no changes to the financial statements.

For financial reporting purposes, Haven House classifies its assets in the following categories: net assets without donor restrictions and net assets with donor restrictions. Each category is described below:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions which will be met either by action of Haven House and/or the passage of time. Donor restricted funds may only be utilized in accordance with the purposes established by the donor of such funds. Donor restrictions that are satisfied in the period the contribution is received as support are reported as support and net assets without donor restrictions.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, Haven House considers accounts that have withdrawal restrictions of less than 90 days to be cash equivalents.

Investments

Investments consisted of a non-negotiable certificate of deposit with an original maturity of more than three months. Certificates of deposit maturing within one year are shown as current. The certificate of deposit is reported at fair market value, which is cost plus accrued interest to date.

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Accounts Receivable

Grants and accounts receivable are comprised of amounts due to Haven House for grants and service fees. Accounts outstanding longer than the contractual payment terms are considered past due. Management provides for an allowance for bad debts related to billable service receivables based on collection history. The allowance at June 30, 2020 totaled approximately \$968. All federal grants are drawn on a reimbursement basis.

Capital Assets

Capital assets consist of land, buildings and improvements, equipment, and vehicles. Capital assets with a cost of \$1,000 or more are capitalized on the statement of financial position and are depreciated on a straight-line basis over their useful lives. Donated property is recorded at estimated fair market value on the date of donation. The useful lives of the assets are as follows: buildings and improvements, 10 - 27 years; equipment, 5 - 10 years; and vehicles, 5 years.

Revenue and Support

Revenue is derived primarily from grants, contributions, service fees and special events. Grants are reported as contributions if the transaction is unreciprocal and as program revenues if the transaction is reciprocal. Unconditional contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restriction. Conditional contributions are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. Donor restrictions that are satisfied in the period the contribution is received as support are reported as support and net assets without donor restrictions.

Accounts Payable

Accounts payable at June 30, 2020, includes paybacks of approximately \$26,097 related to state awards that are passed through specific counties.

Accrued Compensated Absences

The personnel policy of Haven House provides for the accumulation of vacation leave up to 30 days. Upon separation from employment, the employee will be paid the amount of the earned vacation leave in one lump sum. The liability for accrued compensated absences was \$76,124 at June 30, 2020.

Income Taxes

Haven House is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

It is Haven House's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for 2020. Any changes in the amount of a tax position will be recognized in the period the change occurs.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services, resource development, and administrative services.

Directly identifiable expenses are charged to specific programs or services. Expenses related to more than one function are charged to program services, resource development, and administrative services on the following basis:

- Personnel expenses are allocated based on time and effort.
- Rent, insurance and utilities are allocated based on the allocation of personnel expenses.
- Depreciation expenses are allocated based on the usage of the related asset.
- Other expenses are allocated based on the estimated cost incurred by each function.

NOTE 3 - DEPOSITS AND INVESTMENTS

Haven House's deposits include cash on deposit and money market accounts with commercial financial institutions. No investments were held at June 30, 2020.

Haven House's deposits at each commercial bank are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. At June 30, 2020, the uninsured balances were \$1,187,347, all of which related to uninsured amounts in Haven House's checking or money market accounts.

NOTE 4 - CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2020:

Land, buildings and improvements	\$ 296,406
Equipment	92,979
Vehicles	246,152
	<hr/>
	635,537
Less accumulated depreciation	481,607
Total	<hr/>
	\$ 153,930
	<hr/>

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 5 - LEASE COMMITMENTS

Haven House renewed the lease for its facilities for an additional five years effective December 1, 2016. The lease provides for monthly payments of \$8,453, increasing by three percent annually, plus reimbursement of a portion of the insurance and tax costs paid by the landlord, to be reassessed annually. The lease provides an option for either party to terminate the lease on or after the end of the second lease year (November 30, 2018), giving not less than one year's prior written notice. Subsequent to year-end, the lease was amended to extend the lease term through January 2021.

Haven House also leases two copiers under separate lease agreements: one lease for its administrative office for five years expiring May 2021, with monthly payments of \$569; and the other lease for Wrenn House for five years expiring February 2022, with monthly payments of \$218.

Rent expense for all leases totaled \$143,611 for the year ended June 30, 2020. Future minimum lease payments, by year and in the aggregate, are due as follows:

<u>Years Ending June 30,</u>	
2021	\$ 61,046
2022	1,526
	<u>\$ 62,572</u>

NOTE 6 - RETIREMENT BENEFITS

Haven House has a 401(k) profit sharing plan in which it matches employee deferrals up to 6% of employee compensation. Employees are eligible for plan participation upon the attainment of age 21 and the completion of one year of service in which they worked a minimum of 1,000 hours. Employees may defer additional amounts above the matched amounts. Employee deferrals vest immediately and employer contributions vest prorated over a six-year period of time. Employer contributions for the year ended June 30, 2020, totaled \$48,524.

NOTE 7 - ENDOWMENT

Haven House is the beneficiary of an endowment gift at the North Carolina Community Foundation ("NCCF") and is entitled to an income distribution each year as calculated by NCCF. A distribution of \$2,430 was received during the fiscal year and the endowment balance was \$46,724 at June 30, 2020. Due to the variance power granted to NCCF for the endowment, the endowment balance is not included in the accompanying financial statements of Haven House.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2020:

John Rex Endowment - Juvenile Justice and Behavioral Health Transformation	\$ 5,756
Wrenn House - Runaway	14,849
Transitional Living programs	7,500
Federal Street Outreach	6,726
Other program services	1,921
	<u>\$ 36,752</u>

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from donor restrictions were as follows for the year ended June 30, 2020:

John Rex Endowment - Capacity Building	\$ 21,455
John Rex Endowment - Juvenile Justice and Behavioral Health Transformation	91,416
The BeeHive Collective - Intake and Assessment Process	15,000
2nd Round & Gang Outreach	2,500
Wrenn House - Runaway	32,453
Federal Street Outreach	2,241
Other program services	5,667
	<u>\$ 170,732</u>

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Included in net assets without donor restrictions are amounts management and the Board of Directors have designated for certain purposes. The *Operating Reserve* is estimated based on two months of operating expenses less depreciation in the prior fiscal year. The *Building Reserve* is equal to the proceeds from the sale of the Outreach Center and is designated for the purchase and renovations of new facilities as discussed in Note 16.

The following designations of net assets without donor restrictions as of June 30, 2020 represent management's estimates that are subject to change based on perceived operating conditions and situations.

Operating Reserve	\$ 563,098
Building Reserve	706,010
	<u>\$1,269,108</u>

NOTE 10 - LINE OF CREDIT

Haven House has a line of credit agreement for \$300,000 effective April 26, 2019 and maturing April 26, 2021 at the prime rate of interest. There was no outstanding balance on the line of credit at June 30, 2020 and no borrowings were made against the line of credit during the year.

NOTE 11 - PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief and Economic Security ("CARES") Act that created up to \$349 billion in forgivable loans ("Paycheck Protection Program") to businesses and not-for-profit organizations to pay employees during the COVID-19 pandemic. Haven House obtained a Paycheck Protection Program loan in April 2020 totaling \$447,700. The loan carries an interest rate of 1% with payments of \$25,200 beginning November 29, 2020, in the event the loan is not forgiven based on the criteria below.

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 11 - PAYCHECK PROTECTION PROGRAM LOAN (Continued)

For Paycheck Protection Program loans, if Haven House uses the Payroll Protection Program (PPP) loan funds to cover payroll costs, mortgage interest, rent and utility costs over an 8 or 24 week period after the loan was made and maintained employee and compensation levels, they can request forgiveness of the loan. In accordance with ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*, the forgiveness of the PPP loan is a nonreciprocal, conditional contribution, which is not recognized as income until the conditions are substantially met. At June 30, 2020, management believes Haven House has substantially met the necessary conditions associated with the Paycheck Protection Program to qualify for loan forgiveness in the estimated amount of \$145,000. Therefore, Haven House recognized this portion of the loan proceeds as revenue which is included in other contributions in the Statement of Activities and Changes in Net Assets for the year ended June 30, 2020. The balance of the loan, \$302,700, is recorded as a liability in the Statement of Financial Position as of June 30, 2020. Subsequent to June 30, 2020, Haven House has incurred additional qualified expenses; therefore, management anticipates additional amounts will be forgiven in the next fiscal year.

NOTE 12 - LIQUIDITY

Haven House is partially supported by contributions, a portion of which are restricted by the donors as to purpose or time. Because a donor's restriction requires resources to be used in a particular manner and/or in a future period, Haven House must maintain sufficient resources to meet those responsibilities to its donors. Thus, a portion of financial assets may not be available for expenditure within one year.

As part of Haven House's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities come due. Haven House utilizes an approved operating budget to monitor income and expenses and could draw on a \$300,000 line of credit in the event of an unanticipated liquidity need. Proceeds from the Paycheck Protection Program loan are available for payroll and other eligible expenditures for a period of time as discussed in Note 11. Additionally, the Board of Directors reviews financial activity on a regular basis and reviews designated amounts periodically to ensure adequate funds are available.

The information below reflects Haven House's financial assets at June 30, 2020, reduced by amounts that are not available for general use within one year.

Cash	\$ 1,647,179
Receivables, current, net	338,159
Total financial assets	<u>1,985,338</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions	(36,752)
Board-designated funds	<u>(1,269,108)</u>
	<u>(1,305,860)</u>
Financial assets available for general expenditures within one year	<u>\$ 679,478</u>

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 13 - FUTURE GRANT FUNDING

As of June 30, 2020, Haven House had the following approximate grant funds available under reimbursement type grants that are conditional based on actual expenditures through the grant periods:

<u>Program</u>	<u>Grant Period Ending</u>	<u>Grant Funds Remaining</u>
Federal MGH	9/30/2020	\$ 106,600
Federal Wrenn	9/30/2020	37,900
Federal Street Outreach	9/30/2020	35,600
Federal TLP	9/30/2020	130,400
HUD MGH	9/30/2020	13,500
Wake County HACR	12/31/2020	239,300
		<u>\$ 563,300</u>

NOTE 14 - MEMORANDUM TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Haven House's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

NOTE 15 - RISKS AND CONTINGENCIES

Haven House's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which has been declared a pandemic by the World Health Organization. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on Haven House's financial position, operations and cash flows in future periods.

NOTE 16 - SUBSEQUENT EVENTS

Management of Haven House evaluated subsequent events through October 28, 2020, which is the date the financial statements were available to be issued. Management was not aware of any additional subsequent events that should be disclosed other than that noted below.

In October 2020 Haven House agreed to terms to purchase a new office building. The purchase was financed through a note in the amount of \$1,785,000 with a variable interest rate based on the Wall Street Journal Prime Rate, beginning at 3.7%. Haven House will make interest only payments for 9 months beginning on November 20, 2020, and interest and principle payments beginning in August 2021 through maturity on October 10, 2030. The note is secured by a deed of trust on the purchased property. Haven House paid \$215,935 out of the Building Reserve (Note 9) as a down payment on the purchase of the property.

HAVEN HOUSE, INC.
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2020

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures
Federal Awards:		
U. S. Department of Health & Human Services		
Direct Awards:		
Runaway Youth Basic Center	93.623	\$ 203,100
Transitional Living Program and Maternity Group Homes	93.550	407,694
Street Outreach	93.557	169,039
Total U. S. Department of Health & Human Services		779,833
U. S. Department of Housing and Urban Development		
Direct Award:		
Supportive Housing Program	14.235	88,589
Total federal expenditures		868,422
State Awards:		
North Carolina Department of Public Safety/Juvenile Justice		
Passed through Juvenile Crime Prevention Council/Wake County	N/A	803,807
Passed through Juvenile Crime Prevention Council/Orange County		14,940
Passed through Juvenile Crime Prevention Council/Chatham County		15,990
Total North Carolina Department of Public Safety/Juvenile Justice		834,737
North Carolina Department of Health and Human Services:		
EHR Funding Program for Behavioral Health/IDD Providers	N/A	3,999
Total state expenditures		838,736
Total federal and state expenditures		\$ 1,707,158

HAVEN HOUSE, INC.

Note to Schedule of Expenditures of Federal and State Awards

NOTE 1 - BASIS OF PRESENTATION

This schedule includes the federal and state grant activity of Haven House, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The schedule presents only a selected portion of the operations of Haven House, Inc. and it is not intended to and does not present the financial position, change in net assets, or cash flows of Haven House, Inc.



**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors
Haven House, Inc.
Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Haven House, Inc. ("Haven House"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Haven House's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Haven House's internal control. Accordingly, we do not express an opinion on the effectiveness of Haven House's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Haven House's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Haven House's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Haven House's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Haven House's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
October 28, 2020



**Independent Auditor's Report on Compliance For
Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Haven House, Inc.
Raleigh, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Haven House, Inc.'s ("Haven House") compliance with the types of compliance requirements described in the *Compliance Supplement* that could have a direct and material effect on each of Haven House's major federal programs for the year ended June 30, 2020. Haven House's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Haven House's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Haven House's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Haven House's compliance.

Opinion on The Major Federal Programs

In our opinion, Haven House, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Haven House is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Haven House's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Haven House's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
October 28, 2020

HAVEN HOUSE, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Items required to be reported under 2 CFR section 200.515(d):

Section I - Summary of Auditor's Results

Financial Statements

- (i) Type of auditor's report issued: Unmodified
- (ii) Internal control over financial reporting:
 - (a) Material weakness(es) identified? yes no
 - (b) Significant deficiency(ies) identified? yes none reported
- (iii) Noncompliance material to financial statements noted? yes no

Federal Awards

- (i) Internal control over major programs:
 - (a) Material weakness(es) identified yes no
 - (b) Significant deficiency(ies) identified? yes none reported
- (ii) Type of auditor's report issued on compliance for major programs: Unmodified
- (iii) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no
- (iv) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.623	Runaway Youth Basic Center
93.550	Street Outreach

- (v) Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
- (vi) Auditee qualified as low-risk auditee? yes no

Section II - Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards:

Deficiencies

None reported

Section III - Findings and questioned costs relating to the major programs which are required to be reported as defined by the Uniform Guidance of [2 CFR 200.516(a)]:

Findings and Questioned Costs

None reported

Section IV - Summary Schedule of Prior Year Audit Findings and Questioned Costs:

There were no audit findings and questioned costs in the prior year.