

HAVEN HOUSE, INC.

Table of Contents

	<u>Page No.</u>
Independent Auditor's Report	1
<i>Financial Statements</i>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	7
Notes to Financial Statements	8
<i>Supplementary Information</i>	
Schedule of Expenditures of Federal and State Awards	16
Notes to Schedule of Expenditures of Federal and State Awards	17
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 <i>Government Auditing Standards</i>	18
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	20
Schedule of Findings and Questioned Costs	22

Report on Summarized Comparative Information

We have previously audited Haven House's 2020 financial statements, and our report dated October 28, 2020 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, 2020, 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 DATE, 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
December 1, 2021

HAVEN HOUSE, INC.
Statement of Financial Position
June 30, 2021
With Comparative Totals for June 30, 2020

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current assets:		
Cash	\$ 1,367,751	\$ 1,647,179
Grants and accounts receivable, net	208,172	334,092
Sales tax receivable	7,411	4,067
Prepaid expenses	28,462	19,566
Security deposits	4,112	9,792
Total current assets	<u>1,615,908</u>	<u>2,014,696</u>
Capital assets, net	<u>2,233,746</u>	153,930
Total assets	<u>\$ 3,849,654</u>	<u>\$ 2,168,626</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable	\$ 64,240	\$ 59,080
Accrued compensated absences	75,316	76,124
Note payable	99,666	-
Paycheck Protection Program loan	-	302,700
Total current liabilities	<u>239,222</u>	<u>437,904</u>
Noncurrent liabilities:		
Note payable	<u>1,522,915</u>	-
Total liabilities	<u>1,762,137</u>	<u>437,904</u>
Net assets:		
Without donor restrictions	150,019	270,932
Without donor restrictions - Investment in Capital Assets	611,165	153,930
Without donor restrictions - Operating Reserve	609,915	563,098
Without donor restrictions - Building Reserve	489,751	706,010
	<u>1,860,850</u>	<u>1,693,970</u>
With donor restrictions	226,667	36,752
Total net assets	<u>2,087,517</u>	<u>1,730,722</u>
Total liabilities and net assets	<u>\$ 3,849,654</u>	<u>\$ 2,168,626</u>

HAVEN HOUSE, INC.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021
With Comparative Totals for Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Support and Revenue:				
Federal and State grants:				
NC Department of Public Safety	\$ 1,007,816	\$ -	\$ 1,007,816	\$ 834,737
NC Department of Health & Human Services	37,145	-	37,145	3,999
Runaway Youth Basic Center	223,324	-	223,324	203,100
Transitional Living programs	398,024	-	398,024	407,694
Street Outreach	159,563	-	159,563	169,039
Housing and Urban Development	21,503	-	21,503	88,589
Emergency Solutions Grant to Address COVID-19	33,823	-	33,823	-
Governor's Crime Commission	39,913	-	39,913	-
County and City grants:				
Alliance Behavioral Health	188,622	-	188,622	306,567
City of Raleigh	11,201	-	11,201	24,800
Chatham County	19,000	-	19,000	19,000
Orange County	19,000	-	19,000	19,000
Wake County	173,409	-	173,409	4,949
Fee revenues	414,407	-	414,407	520,859
United Way:				
United Way of Wake County	3,735	-	3,735	2,006
Interact Collaborative	-	-	-	16,668
John Rex Endowment	14,901	65,099	80,000	-
Contributions from Foundations	33,639	39,033	72,672	36,820
Paycheck Protection Program	302,700	-	302,700	145,000
Other contributions	702,767	29,852	732,619	451,906
<i>A Haven for Good</i> capital campaign	34,087	75,913	110,000	-
Special events	8,293	-	8,293	57,250
In-kind contributions	25,088	-	25,088	10,698
Other income	25,189	-	25,189	58,500
Total support and revenue	<u>3,897,149</u>	<u>209,897</u>	<u>4,107,046</u>	<u>3,381,181</u>
Net assets released from restrictions	<u>19,982</u>	<u>(19,982)</u>	<u>-</u>	<u>-</u>
Total support and revenue after releases from restriction	<u>3,917,131</u>	<u>189,915</u>	<u>4,107,046</u>	<u>3,381,181</u>
Expenses:				
Program services	2,951,993	-	2,951,993	2,701,272
Resource development	317,617	-	317,617	236,588
Administrative	480,641	-	480,641	475,362
Total expenses	<u>3,750,251</u>	<u>-</u>	<u>3,750,251</u>	<u>3,413,222</u>
Changes in net assets	166,880	189,915	356,795	(32,041)
Net assets - beginning of period	<u>1,693,970</u>	<u>36,752</u>	<u>1,730,722</u>	<u>1,762,763</u>
Net assets - end of period	<u>\$ 1,860,850</u>	<u>\$ 226,667</u>	<u>\$ 2,087,517</u>	<u>\$ 1,730,722</u>

HAVEN HOUSE, INC.
Statement of Functional Expenses
Year Ended June 30, 2021
With Comparative Totals for Year Ended June 30, 2020

	Wrenn House (Runaway Center)	Street Outreach & Transitional Living Programs	Multi Systemic Services	Juvenile Diversion Team	2nd Round & Gang Reduction and Intervention	Restitution & Community Service	Community Alternatives Program	Juvenile Assessment Team	Youth Career Options
Salaries	\$ 294,045	\$ 305,102	\$ 302,362	\$ 100,964	\$ 150,529	\$ 159,006	\$ 106,800	\$ 103,438	\$ 84,866
Payroll taxes	22,102	23,245	21,913	7,525	11,139	11,756	7,850	7,711	6,354
Employee benefits	35,841	49,575	50,551	18,722	25,646	27,643	20,153	18,929	13,402
Total salaries and related expenses	351,988	377,922	374,826	127,211	187,314	198,405	134,803	130,078	104,622
Professional services	17,207	23,877	39,421	6,194	9,416	11,537	5,174	5,337	6,256
Food and supplies	12,683	7,805	1,697	907	4,740	3,341	1,665	357	2,474
Travel	464	1,012	130	1,061	423	2,630	167	69	16
Telephone and postage	7,887	9,435	6,862	2,757	4,202	2,774	2,842	2,356	1,678
Utilities	6,373	2,833	2,479	1,369	1,653	2,251	1,062	1,062	1,062
Other supplies	295	211	51	51	77	51	64	51	26
Maintenance and repairs	3,825	285	476	114	465	209	125	107	107
Garbage collection	106	511	446	249	297	419	191	191	191
Employee training	1,780	3,914	1,978	453	2,102	696	506	423	286
Rent	5,800	10,927	9,562	5,041	16,542	9,514	4,098	4,098	3,655
Insurance and bonding	11,157	14,544	8,638	742	9,424	3,831	962	550	369
Dues and allowances	1,807	1,904	1,098	712	1,133	1,040	632	1,130	1,387
Uncapitalized equipment	2,490	9,169	1,930	-	2,325	5,931	-	43	12,401
Stipends	-	172,055	-	-	-	-	-	-	-
Restitution payments	-	-	-	-	-	9,601	-	-	-
Interest expense	1,378	3,924	3,433	1,576	6,375	3,371	1,471	1,471	911
Miscellaneous	4,621	3,678	7,713	196	274	681	204	2,318	156
Total expenses before depreciation of property and equipment	429,861	644,006	460,740	148,633	246,762	256,282	153,966	149,641	135,597
Depreciation of property and equipment	16,277	3,092	-	-	671	23,655	-	-	-
Total expenses	\$ 446,138	\$ 647,098	\$ 460,740	\$ 148,633	\$ 247,433	\$ 279,937	\$ 153,966	\$ 149,641	\$ 135,597

See Notes to Financial Statements

HAVEN HOUSE, INC.
Statement of Functional Expenses (Continued)
Year Ended June 30, 2021
With Comparative Totals for Year Ended June 30, 2020

	House Wake	General Program Services	Total Program Services	Resource Development	Administrative	2021 Total	2020 Total
Salaries	\$ 45,420	\$ 9,361	\$ 1,661,893	\$ 187,901	\$ 327,190	\$ 2,176,984	\$ 1,935,313
Payroll taxes	3,475	438	123,508	14,112	24,300	161,920	140,354
Employee benefits	2,981	667	264,110	15,885	41,545	321,540	288,455
Total salaries and related expenses	51,876	10,466	2,049,511	217,898	393,035	2,660,444	2,364,122
Professional services	485	39,102	164,006	64,965	37,312	266,283	243,742
Food and supplies	131	2,006	37,806	1,179	2,123	41,108	32,465
Travel	203	-	6,175	185	22	6,382	12,866
Telephone and postage	1,170	-	41,963	5,182	4,236	51,381	50,003
Utilities	302	-	20,446	1,611	3,187	25,244	19,599
Other supplies	-	-	877	2,389	560	3,826	2,872
Maintenance and repairs	80	-	5,793	154	320	6,267	46,264
Garbage collection	53	-	2,654	276	573	3,503	1,917
Employee training	213	295	12,646	566	1,950	15,162	30,061
Rent	2,582	-	71,819	5,920	12,294	90,033	143,611
Insurance and bonding	1,163	-	51,380	1,150	7,548	60,078	51,782
Dues and allowances	-	725	11,568	5,833	8,371	25,772	18,374
Uncapitalized equipment	600	26,297	61,186	1,932	1,543	64,661	28,033
Stipends	81,073	-	253,128	-	-	253,128	243,526
Restitution payments	-	-	9,601	-	-	9,601	6,116
Interest expense	272	-	24,182	2,125	4,414	30,721	-
Miscellaneous	2,759	14,189	36,789	6,252	2,855	45,896	83,237
Total expenses before depreciation of property and equipment	142,962	93,080	2,861,530	317,617	480,343	3,659,490	3,378,590
Depreciation of property and equipment	-	46,768	90,463	-	298	90,761	34,632
Total expenses	\$ 142,962	\$ 139,848	\$ 2,951,993	\$ 317,617	\$ 480,641	\$ 3,750,251	\$ 3,413,222

See Notes to Financial Statements

HAVEN HOUSE, INC.
Statement of Cash Flows
Year Ended June 30, 2021
With Comparative Totals for Year Ended June 30, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets	\$ 356,795	\$ (32,041)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	90,761	34,632
Payroll Protection Program loan forgiveness	(302,700)	(145,000)
(Increase) decrease in:		
Grants and accounts receivable, net	125,920	(36,510)
Sales tax receivable	(3,344)	(1,545)
Prepaid expenses	(8,896)	(4,629)
Security deposits	5,680	-
Increase (decrease) in:		
Accounts payable	5,160	33,588
Accrued compensated absences	(808)	16,460
Net cash provided by (used in) operating activities	<u>268,568</u>	<u>(135,045)</u>
Cash flows from capital and financing activities:		
Proceeds from note payable	1,622,581	-
Proceeds from Paycheck Protection Program loan	-	447,700
Net cash provided by capital and financing activities	<u>1,622,581</u>	<u>447,700</u>
Cash flows from investing activities:		
Acquisition of capital assets	(2,170,577)	(52,723)
Proceeds from the sale of investments	-	503,500
Net cash provided by (used in) investing activities	<u>(2,170,577)</u>	<u>450,777</u>
Increase (decrease) in cash	(279,428)	763,432
Cash, beginning of year	<u>1,647,179</u>	<u>883,747</u>
Cash, end of year	<u>\$ 1,367,751</u>	<u>\$ 1,647,179</u>
Supplemental disclosure of noncash activities:		
Fair market value of in-kind contributions	<u>\$ 25,088</u>	<u>\$ 10,698</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 30,721</u>	<u>\$ -</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) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The standard’s core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard includes expanded disclosure requirements that result in an entity providing the users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue. Haven House adopted this standard during the year ended June 30, 2021 using the full retrospective approach, and has adjusted the presentation of the statements accordingly. Analysis of the various provisions of this standard resulted in no significant changes in the way Haven House recognizes revenue; therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2021 totaled \$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 promises to give are recognized as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted support received and released in same period is reported in net assets without donor restrictions.

Exchange activities and program service fees have performance obligations with applicable transaction prices to perform services or provide products. The applicable revenues are recognized as the performance obligations are satisfied. Program services fees are recognized when the applicable service is fulfilled.

Accounts Payable

Accounts payable at June 30, 2021, includes paybacks of approximately \$2,300 related to state awards that are passed through specific counties.

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$75,316 at June 30, 2021.

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.

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 2021. 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

Haven House's deposits include cash on deposit and money market accounts with commercial financial institutions.

Haven House's deposits at each commercial bank are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. At June 30, 2021, the uninsured balances were \$866,363, all of which related to uninsured amounts in Haven House's checking or money market accounts.

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 4 - CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2021:

Land, buildings and improvements	\$2,368,146
Equipment	140,997
Vehicles	253,314
	<u>2,762,457</u>
Less accumulated depreciation	528,711
Total	<u>\$2,233,746</u>

NOTE 5 - LEASE COMMITMENTS

Haven House leases two copiers under separate lease agreements: one lease for its administrative office for five years expiring April 2026, with monthly payments of \$786; and the other lease for Wrenn House for five years expiring February 2022, with monthly payments of \$218. Haven House also leased its office facilities through March 31, 2021.

Rent expense totaled \$90,033 for the year ended June 30, 2021. Future minimum lease payments, by year and in the aggregate, are due as follows:

<u>Years Ending June 30,</u>	
2022	\$ 10,954
2023	9,428
2024	9,428
2025	9,428
2026	7,071
	<u>\$ 46,309</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, 2021, totaled \$56,715.

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 \$2,410 was received during the fiscal year and the endowment balance was \$59,092 at June 30, 2021. 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.

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2021:

John Rex Endowment - Capacity Building	\$ 65,099
Wrenn House - Runaway	19,701
Juvenile Diversion	6,667
Second Round	6,667
Street Outreach	44,034
Community Alternative Programs	6,666
Other program services	1,920
<i>A Haven for Good</i> capital campaign	75,913
	<u>\$ 226,667</u>

Net assets released from donor restrictions were as follows for the year ended June 30, 2021:

John Rex Endowment - Juvenile Justice and Behavioral Health Transformation	\$ 5,756
Transitional Living programs	7,500
Street Outreach	6,726
	<u>\$ 19,982</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.

Haven House paid approximately \$216,000 out of the Building Reserve for the down payment on the purchase of the new office building.

The following designations of net assets without donor restrictions as of June 30, 2021 represent management's estimates that are subject to change based on perceived operating conditions and situations.

Operating Reserve	\$ 609,915
Building Reserve	489,751
	<u>\$ 1,099,666</u>

NOTE 10 - LINE OF CREDIT

Haven House has a line of credit agreement for \$300,000 effective April 29, 2021 and maturing April 26, 2023 at the prime rate of interest. There was no outstanding balance on the line of credit at June 30, 2021 and no borrowings were made against the line of credit during the year.

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 11 - NOTE PAYABLE

In October 2020, Haven House entered into a loan agreement for \$1,785,000 to purchase an office building. During the construction phase, the loan calls for interest only payments beginning November 10, 2020 through December 10, 2021, using a variable interest rate based on the Wall Street Journal Prime Rate, beginning at 3.75%, after which monthly principal and interest payments are due through October 10, 2030, using an interest rate of 3.7%. As of June 30, 2021, the loan balance was \$1,622,581. The note is secured by a deed of trust on the purchased property.

Interest expense totaled \$30,271 and \$0 for the years ended June 30, 2021 and 2020, respectively.

Estimated future principal payments under the loan agreement are as follows:

Years Ending June 30,	
2022	\$ 99,666
2023	175,934
2024	182,555
2025	189,425
2026	196,554
Thereafter	778,447
	<u>\$ 1,622,581</u>

NOTE 12 - 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. If the businesses and not-for-profit organizations used 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 level, 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 considered to be a nonreciprocal or non-exchange transaction conditional contribution, which is recognized as income when the conditions are substantially met. Haven House obtained a PPP loan in April 2020 for \$447,700.

At June 30, 2020 and 2021, management believed Haven House substantially met the necessary conditions associated with the PPP to qualify for loan forgiveness in the amount of \$145,000 and \$302,700, respectively. Therefore, Haven House recognized this portion of the loan proceeds as income in the accompanying Statement of Activities and Changes in Net Assets. As of June 30, 2021, there are no remaining PPP loan balances on the Statement of Financial Position. The PPP loan in the amount of \$447,700 was forgiven in April 2021.

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 13 - *A HAVEN FOR GOOD* - CAPITAL CAMPAIGN

In 2021, Haven House began a capital campaign, *A Haven for Good*, to raise funds for the new building. Haven House began accepting contributions to the campaign in December 2020. As of June 30, 2021, pledges totaled \$310,000 of which \$110,000 was received during the year ended June 30, 2021. Included in the \$310,000 of pledges is one pledge for \$250,000, of which \$50,000 is to be paid equally over five years, subject to matching requirements. The first payment of \$50,000 was received and recognized as donor restricted contributions during the year ended June 30, 2021. The balance of \$200,000 is considered a conditional contribution which will be recognized as the matching conditions are met. Haven House entered into a contract with a professional capital campaign consultant for approximately \$58,000, of which approximately \$34,000 was paid as of June 30, 2021. Subsequent to June 30, 2021, additional pledges were received totaling \$158,600, of which \$22,790 was received as of the date of these financial statements.

NOTE 14 - 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. 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, 2021, reduced by amounts that are not available for general use within one year. Amounts not available include internal designations that could be drawn upon if the governing board approves that action, and amounts restricted by donors.

Cash	\$ 1,367,751
Receivables, current, net	215,583
Total financial assets	<u>1,583,334</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions	(226,667)
Board-designated funds	<u>(1,099,666)</u>
	<u>(1,326,333)</u>
Financial assets available for general expenditures within one year	<u>\$ 257,001</u>

HAVEN HOUSE, INC.
Notes to Financial Statements

NOTE 15 - FUTURE GRANT FUNDING

As of June 30, 2021, 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	9/30/2021	\$ 132,000
Federal Wrenn	9/30/2021	103,600
Federal Street Outreach	9/30/2021	53,000
Federal TLP	9/30/2021	160,000
Federal GCC	12/31/2022	80,000
Federal ESG	6/30/2022	225,500
		<u>\$ 754,100</u>

NOTE 16 - 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, 2020, from which the summarized information was derived.

NOTE 17 - RISKS AND CONTINGENCIES

Haven House's operations may be affected by the 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.

Subsequent to year-end Haven House was notified of potential paybacks related to state awards totaling approximately \$64,000. Haven House requested these paybacks be forgiven due to the fact they were unable to meet certain in-kind requirements due to the pandemic preventing Haven House from using volunteers. Based on preliminary meetings with the Juvenile Crime Prevention Council, management believes it is probable these payback amounts will be forgiven. Therefore, these potential liabilities have not been accrued in the accompanying financial statements as of June 30, 2021.

NOTE 18 - RECLASSIFICATION

Certain amounts in the prior year summarized comparative information were reclassified to conform with the current year presentation.

NOTE 19 - SUBSEQUENT EVENTS

Management of Haven House evaluated subsequent events through December 1, 2021, 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.

HAVEN HOUSE, INC.
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2021

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	\$ 200,000
Transitional Living Program and Maternity Group Homes	93.550	355,695
Street Outreach	93.557	152,058
Supplemental COVID-19 awards:		
Runaway Youth Basic Center	93.623	23,324
Transitional Living Program and Maternity Group Homes	93.550	42,329
Street Outreach	93.557	7,505
Total U. S. Department of Health & Human Services		780,911
U. S. Department of Housing and Urban Development		
Direct Award:		
Supportive Housing Program	14.235	21,503
Emergency Solutions Grant to Address COVID-19	14.231	33,823
Total U. S. Department of Housing and Urban Development		55,326
U. S. Department of Justice		
Direct Award:		
Governor's Crime Commission - Juvenile Diversion	16.540	39,913
Total federal expenditures		876,150
State Awards:		
North Carolina Department of Public Safety/Juvenile Justice		
Passed through Juvenile Crime Prevention Council/Wake County	N/A	972,934
Passed through Juvenile Crime Prevention Council/Orange County		21,416
Passed through Juvenile Crime Prevention Council/Chatham County		13,466
Total North Carolina Department of Public Safety/Juvenile Justice		1,007,816
North Carolina Department of Health and Human Services:		
Coronavirus Relief Funds	N/A	37,145
Total state expenditures		1,044,961
Total federal and state expenditures		\$ 1,921,111

HAVEN HOUSE, INC.

Notes 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.

NOTE 2 - DE MINIMIS COST RATE

Haven House, Inc. used the de minimis cost rate for federal grants.

Bernard Robinson & Company, L.L.P.

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, 2021, 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 December 1, 2021.

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
December 1, 2021



**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, 2021. 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, 2021.

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, 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
December 1, 2021

HAVEN HOUSE, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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>
93.550	Maternity Group Homes

- (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.