

HAVEN HOUSE, INC.

FINANCIAL STATEMENTS AND COMPLIANCE REPORT

YEAR ENDED JUNE 30, 2022

(With Comparative Totals for Year Ended June 30, 2021)



**HAVEN HOUSE, INC.**

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## Independent Auditor's Report

To the Budget, Finance and Audit Committee  
Haven House  
Raleigh, North Carolina

### **Opinion**

We have audited the accompanying financial statements of Haven House (a North Carolina nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haven House as of June 30, 2022, 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.

### ***Basis for Opinion***

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

### ***Responsibility of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Haven House's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists.

### ***Auditor's Responsibility for the Audit of the Financial Statements (Continued)***

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we: □

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Haven House's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Haven House's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited Haven House's 2021 financial statements, and our report dated December 1, 2021 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, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived. □

### ***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 awards, 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 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 schedule of expenditures of federal awards 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 March 17, 2023, 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 solely 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 the effectiveness of Haven House's 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  
March 17, 2023

**HAVEN HOUSE, INC.**  
**Statement of Financial Position**  
**June 30, 2022**  
**With Comparative Totals for June 30, 2021**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current assets:		
Cash	\$ 1,877,380	\$ 1,367,751
Grants and accounts receivable, net	1,461,023	208,172
Sales tax receivable	9,584	7,411
Prepaid expenses	24,836	28,462
Security deposits	4,112	4,112
Total current assets	<u>3,376,935</u>	<u>1,615,908</u>
Capital assets, net	<u>2,338,189</u>	2,233,746
Total assets	<u>\$ 5,715,124</u>	<u>\$ 3,849,654</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable	\$ 23,365	\$ 64,240
Accrued compensated absences	59,220	75,316
Note payable	52,879	99,666
Total current liabilities	<u>135,464</u>	<u>239,222</u>
Noncurrent liabilities:		
Note payable	<u>1,633,148</u>	1,522,915
Total liabilities	<u>1,768,612</u>	<u>1,762,137</u>
Net assets:		
Without donor restrictions	902,566	150,019
Without donor restrictions - Net Investment in Capital Assets	652,162	611,165
Without donor restrictions - Operating Reserve	638,725	609,915
Without donor restrictions - Building Reserve	489,751	489,751
	<u>2,683,204</u>	1,860,850
With donor restrictions	<u>1,263,308</u>	226,667
Total net assets	<u>3,946,512</u>	<u>2,087,517</u>
Total liabilities and net assets	<u>\$ 5,715,124</u>	<u>\$ 3,849,654</u>

**HAVEN HOUSE, INC.**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2022**  
**With Comparative Totals for Year Ended June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
Support and Revenue:				
Federal and State grants:				
NC Department of Public Safety	\$ 1,122,700	\$ -	\$1,122,700	\$ 1,007,816
NC Department of Health & Human Services	-	-	-	37,145
Runaway Youth Basic Center	200,000	-	200,000	223,324
Transitional Living programs	350,994	-	350,994	398,024
Street Outreach	149,151	-	149,151	159,563
Housing and Urban Development	-	-	-	21,503
Emergency Solutions Grant to Address COVID-19	120,625	-	120,625	33,823
Governor's Crime Commission	66,961	-	66,961	39,913
Coronavirus State and Local Fiscal Recovery Funds	460,499	-	460,499	-
Paycheck Protection Program	-	-	-	302,700
County and City grants:				
Alliance Behavioral Health	159,516	-	159,516	188,622
City of Raleigh	41,511	-	41,511	11,201
Chatham County	19,000	-	19,000	19,000
Orange County	19,000	-	19,000	19,000
Wake County	-	-	-	173,409
Fee revenues	640,358	-	640,358	414,407
United Way	1,970	-	1,970	3,735
John Rex Endowment	53,941	241,889	295,830	80,000
Contributions from Foundations	49,831	27,500	77,331	72,672
Other contributions	821,642	570,177	1,391,819	732,619
<i>A Haven for Good</i> capital campaign	264,495	388,685	653,180	110,000
Special events	46,895	-	46,895	8,293
In-kind contributions	13,895	-	13,895	25,088
Other income	1,321	-	1,321	25,189
Total support and revenue	<u>4,604,305</u>	<u>1,228,251</u>	<u>5,832,556</u>	<u>4,107,046</u>
Net assets released from restrictions	<u>191,610</u>	<u>(191,610)</u>	<u>-</u>	<u>-</u>
Total support and revenue after releases from restriction	<u>4,795,915</u>	<u>1,036,641</u>	<u>5,832,556</u>	<u>4,107,046</u>
Expenses:				
Program services	3,016,058	-	3,016,058	2,951,993
Resource development	439,400	-	439,400	317,617
Administrative	518,103	-	518,103	480,641
Total expenses	<u>3,973,561</u>	<u>-</u>	<u>3,973,561</u>	<u>3,750,251</u>
Changes in net assets	822,354	1,036,641	1,858,995	356,795
Net assets - beginning of period	<u>1,860,850</u>	<u>226,667</u>	<u>2,087,517</u>	<u>1,730,722</u>
Net assets - end of period	<u>\$ 2,683,204</u>	<u>\$1,263,308</u>	<u>\$3,946,512</u>	<u>\$ 2,087,517</u>

**HAVEN HOUSE, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**  
**With Comparative Totals for Year Ended June 30, 2021**

	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	\$ 271,906	\$ 272,480	\$ 303,616	\$ 148,232	\$ 183,406	\$ 171,733	\$ 109,116	\$ 122,147	\$ 90,972
Payroll taxes	20,513	20,639	22,730	11,152	13,209	12,160	8,144	9,281	6,853
Employee benefits	35,616	44,065	54,972	26,682	30,596	29,442	18,290	19,264	16,785
Total salaries and related expenses	328,035	337,184	381,318	186,066	227,211	213,335	135,550	150,692	114,610
Professional services	14,257	19,692	42,846	7,371	10,390	12,219	5,580	6,832	2,868
Food and supplies	16,309	4,500	2,853	1,882	5,200	4,621	1,569	1,000	1,129
Travel	945	249	1,570	1,430	342	3,447	593	707	23
Telephone and postage	9,396	9,359	6,442	3,481	4,005	3,422	2,797	2,339	2,313
Utilities	7,201	2,800	2,481	1,381	1,487	1,567	956	956	956
Other supplies	109	283	117	102	148	91	78	89	79
Maintenance and repairs	11,252	927	916	453	607	1,058	1,063	315	315
Advertising	-	-	-	-	-	-	-	-	-
Garbage collection	9	48	43	23	25	23	16	16	16
Employee training	2,451	2,543	1,502	1,471	2,027	2,544	1,822	289	306
Rent	-	-	-	-	-	-	-	-	-
Insurance and bonding	11,220	12,039	8,758	891	14,770	4,828	974	559	375
Dues and allowances	1,429	2,397	1,486	811	989	1,126	627	1,310	1,585
Uncapitalized equipment	6,264	1,363	1,079	3,132	2,577	3,023	104	104	2,661
Stipends	-	225,051	-	-	-	-	-	-	-
Restitution payments	-	-	-	-	-	10,038	-	-	-
Interest expense	1,963	9,328	7,483	4,186	12,556	4,839	2,898	2,898	2,544
Miscellaneous	7,971	4,152	8,336	779	1,093	1,015	586	3,750	562
Total expenses before depreciation of property and equipment	418,811	631,915	467,230	213,459	283,427	267,196	155,213	171,856	130,342
Depreciation of property and equipment	19,738	5,300	-	-	1,491	23,114	-	-	-
Total expenses	\$ 438,549	\$ 637,215	\$ 467,230	\$ 213,459	\$ 284,918	\$ 290,310	\$ 155,213	\$ 171,856	\$ 130,342

See Notes to Financial Statements



**HAVEN HOUSE, INC.**  
**Statement of Functional Expenses (Continued)**  
**Year Ended June 30, 2022**  
**With Comparative Totals for Year Ended June 30, 2021**

	General Program Services	Total Program Services	Resource Development	Administrative	2022 Total	2021 Total
Salaries	\$ 26,290	\$ 1,699,898	\$ 231,720	\$ 349,676	\$ 2,281,294	\$ 2,176,984
Payroll taxes	2,047	126,728	21,417	23,773	171,918	161,920
Employee benefits	4,350	280,062	20,798	50,229	351,089	321,540
Total salaries and related expenses	32,687	2,106,688	273,935	423,678	2,804,301	2,660,444
Professional services	45,450	167,505	81,005	44,896	293,406	266,283
Food and supplies	1,440	40,503	5,771	4,773	51,047	41,108
Travel	-	9,306	200	143	9,649	6,382
Telephone and postage	458	44,012	7,041	4,113	55,166	51,381
Utilities	664	20,449	1,797	2,205	24,451	25,244
Other supplies	2,050	3,146	9,586	502	13,234	3,826
Maintenance and repairs	498	17,404	1,369	716	19,489	6,267
Advertising	140	140	-	1,994	2,134	-
Garbage collection	14	233	32	34	299	3,503
Employee training	8,314	23,269	4,110	5,334	32,713	15,162
Rent	-	-	-	-	-	90,033
Insurance and bonding	1,307	55,721	1,343	7,884	64,948	60,078
Dues and allowances	811	12,571	16,377	11,920	40,868	25,772
Uncapitalized equipment	22,865	43,172	2,295	942	46,409	64,661
Stipends	-	225,051	-	-	225,051	253,128
Restitution payments	-	10,038	-	-	10,038	9,601
Interest expense	1,922	50,617	5,387	6,771	62,775	30,721
Miscellaneous	16,777	45,021	29,152	2,198	76,371	45,896
Total expenses before depreciation of property and equipment	135,397	2,874,846	439,400	518,103	3,832,349	3,659,490
Depreciation of property and equipment	91,569	141,212	-	-	141,212	90,761
Total expenses	\$ 226,966	\$ 3,016,058	\$ 439,400	\$ 518,103	\$ 3,973,561	\$ 3,750,251

*See Notes to Financial Statements*

**HAVEN HOUSE, INC.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2022**  
**With Comparative Totals for Year Ended June 30, 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 1,858,995	\$ 356,795
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	141,212	90,761
Payroll Protection Program loan forgiveness	-	(302,700)
(Increase) decrease in:		
Grants and accounts receivable, net	(1,252,851)	125,920
Sales tax receivable	(2,173)	(3,344)
Prepaid expenses	3,626	(8,896)
Security deposits	-	5,680
Increase (decrease) in:		
Accounts payable	(40,875)	5,160
Accrued compensated absences	(16,096)	(808)
Net cash provided by operating activities	<u>691,838</u>	<u>268,568</u>
Cash flows from capital and financing activities:		
Proceeds from note payable	99,102	1,622,581
Principal payments on note payable	(35,656)	-
Net cash provided by capital and financing activities	<u>63,446</u>	<u>1,622,581</u>
Cash flows from investing activities:		
Acquisition of capital assets	(245,655)	(2,170,577)
Net cash used in investing activities	<u>(245,655)</u>	<u>(2,170,577)</u>
Increase (decrease) in cash	509,629	(279,428)
Cash, beginning of year	<u>1,367,751</u>	<u>1,647,179</u>
Cash, end of year	<u>\$ 1,877,380</u>	<u>\$ 1,367,751</u>
Supplemental disclosure of noncash activities:		
Fair market value of in-kind contributions	<u>\$ 13,895</u>	<u>\$ 25,088</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 62,775</u>	<u>\$ 30,721</u>

**HAVEN HOUSE, INC.**  
**Notes to Financial Statements**

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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) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, during the year ended June 30, 2022. The standard’s core principle is to enhance disclosures related to contributed nonfinancial assets. The presentation and disclosures have been updated 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.

**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, 2022 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.

**HAVEN HOUSE, INC.**  
**Notes to Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Capital Assets (Continued)**

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, 2022, includes paybacks of approximately \$2,538 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 \$59,220 at June 30, 2022.

**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 2022. Any changes in the amount of a tax position will be recognized in the period the change occurs.

**HAVEN HOUSE, INC.**  
**Notes to Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.

**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.
- Interest, 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, 2022, the uninsured balances were \$1,393,744, 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, 2022:

Land, buildings and improvements	\$2,576,668
Equipment	178,130
Vehicles	253,314
	<u>3,008,112</u>
Less accumulated depreciation	669,923
Total	<u><u>\$2,338,189</u></u>

**HAVEN HOUSE, INC.**  
**Notes to Financial Statements**

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NOTE 5 - LEASE COMMITMENTS

Haven House leases copiers for five years expiring April 2026, with minimum monthly payments of \$786.

Lease expense totaled \$13,199 for the year ended June 30, 2022. Future minimum lease payments, by year and in the aggregate, are due as follows:

<u>Years Ending June 30,</u>	
2023	\$ 9,428
2024	9,428
2025	9,428
2026	<u>7,071</u>
	<u><u>\$ 35,355</u></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, 2022, totaled \$52,952.

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 \$2,540 was received during the fiscal year and the endowment balance was \$47,528 at June 30, 2022. 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, 2022:

<i>A Haven for Good</i> capital campaign	\$ 388,685
Wake County Community Capital	540,000
John Rex Endowment - JJBH	241,889
John Rex Endowment - Capacity Building	14,683
Street Outreach	55,954
Juvenile Diversion	12,500
Other program services	<u>9,597</u>
	<u><u>\$ 1,263,308</u></u>

**HAVEN HOUSE, INC.**  
**Notes to Financial Statements**

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NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from donor restrictions were as follows for the year ended June 30, 2022:

<i>A Haven for Good</i> capital campaign	\$ 75,913
John Rex Endowment - Capacity Building	50,416
Street Outreach	18,080
Transitional Living Program	7,500
Juvenile Diversion	6,667
Second Round	6,667
Community Alternative Programs	6,666
Wrenn House - Runaway	19,352
Other program services	349
	<u>\$ 191,610</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 remaining proceeds from the sale of the Outreach Center and is designated for the purchase and renovations of new facilities.

The following designations of net assets without donor restrictions as of June 30, 2022 represent management's estimates that are subject to change based on perceived operating conditions and situations.

Operating Reserve	\$ 638,725
Building Reserve	489,751
	<u>\$ 1,128,476</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, 2022 and no borrowings were made against the line of credit during the year.

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 called for interest only payments beginning November 10, 2020 through January 12, 2022, 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, 2022, the loan balance was \$1,686,027. The note is secured by a deed of trust on the purchased property.

Interest expense totaled \$62,775 for the year ended June 30, 2022.

**HAVEN HOUSE, INC.**  
**Notes to Financial Statements**

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NOTE 11 - NOTE PAYABLE (Continued)

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

<u>Years Ending June 30,</u>	
2023	\$ 52,879
2024	53,911
2025	55,940
2026	58,045
2027	60,230
Thereafter	<u>1,405,022</u>
	<u>\$ 1,686,027</u>

Subsequent to year-end, Haven House made a \$540,000 principal only payment on the note payable.

NOTE 12 - *A HAVEN FOR GOOD* - CAPITAL CAMPAIGN

In 2021, Haven House began a capital campaign, A Haven for Good, to raise funds for building expenses with a total goal of \$3,400,000. Haven House began accepting contributions to the campaign in December 2020. As of June 30, 2022, Haven House has received approximately \$765,000 towards the goal, of which approximately \$655,000 was received in the fiscal year ended June 30, 2022. Campaign pledges are considered conditional contributions which will be recognized as the relevant conditions are met.

NOTE 13 - DONATED SERVICES

Haven House receives various in-kind contributions. In-kind contributions are recorded at estimated fair value on the financial statements. In-kind contributions for June 30, 2022 consisted of the following:

	<u>2022</u>
In-kind for professional services	<u>\$ 13,895</u>

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.



**HAVEN HOUSE, INC.**  
**Notes to Financial Statements**

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NOTE 14 - LIQUIDITY (Continued)

The information below reflects Haven House's financial assets at June 30, 2022, reduced by amounts not available for general use within one year. Amounts not available include internal designations that may be drawn upon if the governing board approves that action, and amounts restricted by donors.

Cash	\$ 1,877,380
Receivables, current, net	<u>1,470,607</u>
Total financial assets	<u>3,347,987</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions	(1,263,308)
Board-designated funds	<u>(1,128,476)</u>
	<u>(2,391,784)</u>
Financial assets available for general expenditures within one year	<u>\$ 956,203</u>

NOTE 15 - CONDITIONAL GRANT FUNDING

As of June 30, 2022, Haven House had the following approximate grant funds available under reimbursement type grants that are conditional through the grant periods:

<u>Grant</u>	<u>Grant Period</u>	
Federal MGH	9/30/2022	\$ 142,680
Federal Wrenn	9/30/2022	50,000
Federal Street Outreach	9/30/2022	64,624
Federal TLP	9/30/2022	178,409
Federal GCC	12/31/2022	12,844
Federal ESG	6/30/2022	104,652
City of Raleigh (American Rescue Plan)	12/31/2024	764,501
		<u>\$ 1,317,710</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, 2021, from which the summarized information was derived.

NOTE 17 - RECLASSIFICATION

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

**HAVEN HOUSE, INC.**  
**Notes to Financial Statements**

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NOTE 18 - SUBSEQUENT EVENTS

Management of Haven House evaluated subsequent events through March 17, 2023, 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 principal payment disclosed in Note 11.

**HAVEN HOUSE, INC.**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2022**

Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Expenditures
<b>Federal Awards:</b>		
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	350,994
Street Outreach	93.557	149,151
Total U. S. Department of Health & Human Services		<u>700,145</u>
U. S. Department of Housing and Urban Development		
Direct Award:		
Emergency Solutions Grant to Address COVID-19	14.231	<u>120,625</u>
U. S. Department of Justice		
Direct Award:		
Governor's Crime Commission - Juvenile Diversion	16.540	<u>66,961</u>
U. S. Department of the Treasury		
Passed through City of Raleigh		
Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>460,499</u>
Total federal expenditures		<u>1,348,230</u>
<b>State Awards:</b>		
North Carolina Department of Public Safety/Juvenile Justice	N/A	
Passed through Juvenile Crime Prevention Council/Wake County		1,057,839
Passed through Juvenile Crime Prevention Council/Orange County		49,831
Passed through Juvenile Crime Prevention Council/Chatham County		15,030
Total North Carolina Department of Public Safety/Juvenile Justice		<u>1,122,700</u>
Total state expenditures		<u>1,122,700</u>
Total federal and state expenditures		<u>\$ 2,470,930</u>

**HAVEN HOUSE, INC.**

**Notes to Schedule of Expenditures of Federal and State Awards**

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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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, where in certain types of expenditures are not allowable or are limited as to reimbursement.

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



**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, 2022, 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 March 17, 2023.

**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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, Finding 2022-1, that we consider to be significant deficiency.

## **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*.

## **Haven House's Response to Findings**

Haven House's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Haven House's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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  
March 17, 2023



**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**

***Opinion on the Major Federal Programs***

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, 2022. Haven House's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

***Basis for Opinion on the Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Haven House and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Haven House's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Haven House's federal program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Haven House's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Haven House's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Haven House's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Haven House's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Haven House's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Bernard Robinson & Company, L.L.P.*

Raleigh, North Carolina  
March 17, 2023

**HAVEN HOUSE, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2022**

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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:

Assistance Listing Number(s)  
93.623

Name of Federal Program  
Runaway Youth Basic Center

- (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:**

**Finding 2022-1:** Timely Year-End Journal Entries

**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.

**HAVEN HOUSE, INC.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2022**

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**Finding 2022-1: Controls Should Be Strengthened Over Timely Year-End Journal Entries**

**Type of Finding: Significant Deficiency**

*Criteria:* An organization should have controls over year-end journal entry postings to allow for timely approved entries.

*Condition:* Some year-end balances required correction.

*Cause:* The condition was caused by the resignation of the Chief Financial Officer near the end of the fiscal year.

*Effect of possible effect:* Material errors in the financial statements.

*Recommendation:* Management should develop a process for posting year-end entries.

*Management's Response:* Management at Haven House Services has developed a plan of correction that includes creating a year-end checklist for closing the books and recording year-end journal entries, meeting with the external auditors each June prior to year-end, and communicating with the external auditors and the Finance and Audit Committees of the Board throughout year to review non-routine accounting/grant funding transactions.