VANDERHEYDEN HALL, INC.
FINANCIAL REPORT
JUNE 30, 2019

VANDERHEYDEN HALL, INC.

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MARVIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
A History of Shaping Futures

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vanderheyden Hall, Inc.

We have audited the accompanying financial statements of Vanderheyden Hall, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vanderheyden Hall, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Effect of New Accounting Standard

As discussed in Note 1, Vanderheyden Hall, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profits Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 22-23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Vanderheyden Hall, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marvin and Company, P.C.

Latham, NY
November 4, 2019

VANDERHEYDEN HALL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
Current Assets		
Cash and cash equivalents	$ 252,036	$ 155,490
Investments	1,373,080	1,304,528
Accounts receivable, net of allowance for doubtful accounts of $75,256 and $75,256		
Government	2,757,363	2,443,297
Other	52,912	89,025
Pledges receivable, current	20,000	20,000
Prepaid expenses	155,190	117,976
Total Current Assets	4,610,581	4,130,316
Property, Plant and Equipment		
Land and improvements	585,107	585,107
Buildings and improvements	16,110,820	16,063,217
Furniture, fixtures and equipment	1,664,409	1,608,099
Vehicles	63,955	63,955
Total	18,424,291	18,320,378
Less accumulated depreciation	16,136,892	15,518,334
Net Property, Plant and Equipment	2,287,399	2,802,044
Other Assets		
Pledges receivable, long term	40,000	60,000
Restricted cash	109,691	82,678
Investment in CHHUNY	25,000	25,000
Escrow	118,627	118,627
Total Other Assets	293,318	286,305
TOTAL ASSETS	$ 7,191,298	$ 7,218,665

See accompanying notes to financial statements.

VANDERHEYDEN HALL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS (DEFICIT)

	2019	2018
Current Liabilities		
Note payable - line of credit	$ 907,251	$ 738,886
Current installments of long-term debt	317,099	157,588
Accrued pension	75,000	-
Accounts payable	278,966	540,645
Accrued expenses	1,186,856	1,093,961
Deferred revenue	271,481	541,950
Total Current Liabilities	3,036,653	3,073,030
Other Liabilities		
Accrued pension, net of current	2,073,373	1,506,604
Accrued expenses	559,285	559,285
Long-term debt, net of current installments	4,663,910	5,052,835
Total Other Liabilities	7,296,568	7,118,724
Total Liabilities	10,333,221	10,191,754
Net Assets (Deficit)		
Without donor restrictions	(1,226,377)	(1,640,259)
Pension fund liability	(2,148,373)	(1,506,604)
With donor restrictions	232,827	173,774
Total Net Assets (Deficit)	(3,141,923)	(2,973,089)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 7,191,298	$ 7,218,665

See accompanying notes to financial statements.

VANDERHEYDEN HALL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Change in Unrestricted Net Assets		
Support and Revenue		
Program	$ 21,007,849	$ 20,203,749
Nonprogram	244,742	335,065
Released from restrictions	15,947	-
Total Support and Revenue	21,268,538	20,538,814
Expenses		
Program Services		
Education	4,605,265	4,597,203
Residential	5,348,372	5,153,510
Community residence	4,776,255	4,770,644
Group homes	1,704,755	1,542,693
Independent living	395,792	313,621
Community services	781,813	527,469
Medicaid	988,377	1,038,101
Total Program Services	18,600,629	17,943,241
Supporting Services		
Development fund (fundraising)	138,760	129,893
Administration	2,104,560	2,013,406
Total Supporting Services	2,243,320	2,143,299
Total Expenses	20,843,949	20,086,540
Change in Unrestricted Net Assets Before the Effect of Actuarial Gains (Losses)	424,589	452,274
Effect of Actuarial Gains (Losses)	(652,476)	(34,238)
Increase (Decrease) in Net Assets Without Donor Restrictions	(227,887)	418,036
Change in Net Assets With Donor Restrictions		
Contributions and bequests	75,000	132,000
Amounts released from restrictions	(15,947)	-
Increase in Net Assets with Donor Restrictions	59,053	132,000
Change in Net Assets	(168,834)	550,036
Net Assets (Deficit), Beginning of Year	(2,973,089)	(3,523,125)
Net Assets (Deficit), End of Year	$ (3,141,923)	$ (2,973,089)

See accompanying notes to financial statements.

VANDERHEYDEN HALL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	Education	Residential	Community Residence	Group Homes	Independent Living
Functional Expenses					
Personal services	$ 2,844,281	$ 3,528,897	$ 3,062,841	$ 1,115,756	$ 159,897
Fringe benefits	651,828	738,872	693,081	252,965	36,361
Transportation and worker's expense	8,453	49,331	51,239	11,735	7,335
Children's allowances	-	8,799	4,125	2,946	22,782
Children's activities	3,980	49,018	7,773	18,909	727
Related school expenses	-	-	17	69	3
Purchase of services	30,276	20,500	26,327	14,247	540
Purchase of health services	50,983	3,280	1,285	1,665	855
Food	113,882	120,845	125,203	43,644	20,807
Clothing	160	15,923	12,103	5,449	2,670
Bedding and linen	-	(16)	(25)	-	-
Program and household supplies	167,668	75,419	67,480	17,662	21,849
Medical supplies and prescriptions	-	28	8,564	33,509	499
Rent - equipment	16,932	12,757	11,164	4,770	1,764
- vehicles	10,437	36,718	53,396	17,901	2,240
- property	-	620	172,454	321	79,296
Utilities	75,208	105,245	78,491	31,774	1,224
Plant and equipment maintenance	92,203	89,618	78,984	25,552	4,922
Vehicle maintenance	5,621	18,350	34,182	6,450	966
Telephone	10,078	16,398	92,324	17,781	9,033
Postage	27	(96)	84	(44)	-
Dues, licenses and permits	8,187	24,888	9,217	8,632	5,096
Office supplies	6,475	5,004	2,436	1,311	340
Subscriptions and publications	252	35	25	13	-
Conference expense	4,133	3,890	5,629	1,553	550
Miscellaneous	842	3,966	457	122	49
Professional fees	-	-	-	-	-
Insurance	67,656	63,375	84,169	20,206	7,829
Interest and finance charges	29,757	187,657	44,649	27,908	6,473
Real estate taxes	13,075	14,603	3,702	9,719	105
Publicity and recruitment	2,406	4,014	3,991	1,350	647
Community Services	-	-	-	-	-
Medical transportation	-	-	-	-	-
Bad debt expense (recovery)	(11,763)	(1,562)	1,467	(127)	58
Depreciation	402,228	151,996	39,421	11,007	875
Total Functional Expenses	4,605,265	5,348,372	4,776,255	1,704,755	395,792
Allocation of Administration Expenses	499,305	604,117	538,935	199,493	36,733
Total Functional Expenses	$ 5,104,570	$ 5,952,489	$ 5,315,190	$ 1,904,248	$ 432,525

VANDERHEYDEN HALL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	Community Services	Medicaid	Development Fund	Adminis- tration	2019 Totals	2018 Totals
Functional Expenses						
Personal services	$ 499,918	$ 598,409	$ 50,069	$ 1,164,955	$ 13,025,023	$ 12,492,347
Fringe benefits	112,559	135,024	11,255	277,622	2,909,567	2,951,598
Transportation and worker's expense	26,167	2,419	109	8,860	165,648	149,355
Children's allowances	-	-	-	-	38,652	20,770
Children's activities	6,327	20	4,225	304	91,283	81,214
Related school expenses	-	-	-	-	89	50
Purchase of services	1,151	21,624	4,514	165,521	284,700	385,397
Purchase of health services	-	164,483	-	-	222,551	254,339
Food	1,009	1,540	6,712	13,026	446,668	401,473
Clothing	12	-	-	1,505	37,822	29,762
Bedding and linen	-	-	-	-	(41)	1,248
Program and household supplies	11,248	2,393	34,826	26,640	425,185	325,178
Medical supplies and prescriptions	24	10,152	-	-	52,776	171,038
Rent - equipment	990	2,763	726	19,427	71,293	46,863
- vehicles	21,321	3,588	63	10,639	156,303	146,636
- property	29,701	1,086	-	2,535	286,013	234,903
Utilities	4,383	8,421	652	28,056	333,454	290,641
Plant and equipment maintenance	7,264	5,216	18,308	67,375	389,442	306,393
Vehicle maintenance	11,746	921	18	2,085	80,339	76,339
Telephone	11,504	7,248	54	24,317	188,737	170,823
Postage	26	4,308	-	11,416	15,721	15,199
Dues, licenses and permits	2,215	724	434	61,620	121,013	98,285
Office supplies	980	1,960	184	11,170	29,860	20,344
Subscriptions and publications	-	3	-	5,844	6,172	2,550
Conference expense	1,196	1,387	-	15,837	34,175	19,005
Miscellaneous	-	342	3,596	24,970	34,344	40,951
Professional fees	200	-	-	90,161	90,361	50,552
Insurance	10,300	2,356	1,669	10,096	267,656	254,047
Interest and finance charges	-	-	-	26,562	323,006	274,513
Real estate taxes	-	1,067	86	4,671	47,028	31,862
Publicity and recruitment	-	53	947	4,323	17,731	20,152
Community Services	18,244	-	-	-	18,244	6,442
Medical transportation	-	3,069	-	-	3,069	392
Bad debt expense (recovery)	2,869	4,225	-	-	(4,833)	53,307
Depreciation	459	3,576	313	25,023	634,898	662,572
Total Functional Expenses	781,813	988,377	138,760	2,104,560	20,843,949	20,086,540
Allocation of Administration Expenses	89,453	121,745	14,779	(2,104,560)	-	-
Total Functional Expenses	$ 871,266	$ 1,110,122	$ 153,539	$ -	$ 20,843,949	$ 20,086,540

VANDERHEYDEN HALL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	$ (168,834)	$ 550,036
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	634,898	662,572
Amortization classified as interest expense	30,793	4,989
Bad debts (recovery)	(4,833)	53,307
Net realized/unrealized gain on investments	(42,298)	(69,766)
Actuarial loss	652,476	34,238
(Increase) Decrease in assets:		
Restricted cash	(27,013)	(21,811)
Receivables	(273,120)	(310,747)
Pledges receivable	20,000	(80,000)
Prepaid expenses	(37,214)	(67,364)
Increase (Decrease) in liabilities:		
Cash overdraft	-	(83,883)
Accounts payable	(261,679)	54,550
Accrued expenses	82,188	(89,308)
Deferred revenue	(270,469)	(133,408)
Net Cash Provided by Operating Activities	334,895	503,405
Cash Flows From Investing Activities		
Proceeds of investments, net	(26,254)	(23,668)
Expenditures for property, plant and equipment	(120,253)	(149,816)
Net Cash Used by Investing Activities	(146,507)	(173,484)
Cash Flows From Financing Activities		
Net proceeds (repayments) on line of credit	168,365	(158,610)
Repayment of long-term debt	(156,998)	(141,821)
Payment of closing costs on long-term debt	(103,209)	-
Proceeds from long-term debt	-	126,000
Net Cash Used by Financing Activities	(91,842)	(174,431)
Net Increase in Cash and Cash Equivalents	96,546	155,490
Cash and Cash Equivalents, Beginning of Year	155,490	-
Cash and Cash Equivalents, End of Year	$ 252,036	$ 155,490
Supplemental Information:		
Cash paid for interest	$ 292,213	$ 269,525

See accompanying notes to financial statements.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Vanderheyden Hall, Inc. (the Agency) is a nonprofit human services organization assisting children and persons with mental illness and developmental disabilities. The Agency operates residential, diagnostic, educational, and respite programs. Revenues are derived from fees charged to county governments, school districts, Medicaid, New York State Office for Persons with Developmental Disabilities (OPWDD), grants and individual contributions. The Agency receives the majority of its support from New York State, county, and local governments through negotiated contracts and service fees to provide services in its child care programs.

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, the Agency adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied in accordance with the ASU to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Revenue Recognition

Revenue from governmental agencies is recognized when services are rendered at approved rates. These rates are primarily cost based as determined by allowable expenditures in rate setting periods. Costs are subject to audit by third party payers and changes, if any, are recognized in the year known.

Contributions

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. If the restrictions are met in the same year in which the contributions are received, they are reported as increases in net assets without donor restrictions.

Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments with an initial maturity of three months or less that are not held for investment purposes to be cash equivalents.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Pledges Receivable

Pledges receivable represent amounts promised by donors. Uncollectible promises are expected to be insignificant. Pledges receivable are expected to be received within four years.

Pledges are expected to be realized in the following periods:

	2019	2018
In one year or less	$ 20,000	$ 20,000
Between one and four years	40,000	60,000
Total	$ 60,000	$ 80,000

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Agency provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of funding sources to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Agency's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Bad debt expense (recovery) totaled $(4,833) and $53,307 for the years ended June 30, 2019 and 2018, respectively.

Property, Plant, Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations on a straight-line basis over the following estimated useful lives:

	Years
Buildings and improvements	10 - 40
Furniture, fixtures and equipment	5 - 15
Vehicles	5

Depreciation expense was $634,898 and $662,572 for the years ended June 30, 2019 and 2018, respectively.

Maintenance and repairs are charged to operations when incurred; betterments and renewals are capitalized. The Agency follows a capitalization policy in accordance with the New York State Consolidated Fiscal Reporting Manual. Items with a cost of $5,000 and a useful life greater than two years are capitalized. When property, plant and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved and any gain or loss is included in operations.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Income Tax Status

The Agency is exempt from federal income taxes as a not-for-profit corporation under tax section 501(c)(3) as determined by the Internal Revenue Service. The Agency has been designated as an organization other than a private foundation. Under Accounting Standards Codification (ASC) Section 740, the tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize tax-exempt status. Management of the Agency is not aware of any events that could jeopardize tax exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements.

Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services using specific allocation methods. The allocation methods for expenses related to more than one function include:

Allocated based on Census: Quality Assurance and Training Department Expenses; Residential Administrative Expenses.

Allocated based on Square Footage: All maintenance department expenses; various campus wide expenses such as insurance, telecommunication, utilities, and other purchased services.

Administration expenses include those expenses that are not directly identifiable with any specific function but provide overall support and direction of the Agency and are allocated based on total direct program expenses to total direct expenses, the ratio-value method.

Investment in CHHUNY

During the year ended June 30, 2016, the Agency purchased a 5.3% share of CHHUNY, LLC, a New York Limited Liability Company. Membership in CHHUNY is limited to nonprofit corporations described in Code Section 501(c)(3) and 509(a), qualified to conduct activities in the State of New York and licensed, as required, or otherwise qualified to provide services to eligible Medicaid Managed Care members.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Deferred Loan Costs

The Agency has adopted ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* regarding the presentation on the statement of financial position of the costs of issuance of debt and related amortization expense in the statement of activities. The new guidance requires presenting such unamortized costs as a direct reduction from the unpaid principal of the debt. (See Note 5, Long-Term Debt). Amortization is required to be included with interest expense in the statement of functional expenses.

Fair Value Measurements

Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides for a fair value hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The asset's fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used at June 30, 2019 and June 30, 2018.

Most investments are traded in public markets and are valued at their closing price on the last day of the fiscal year and are valued using level 1 inputs based on quoted market prices within active markets. Other investments are traded on public markets, but at times are not actively traded daily. These investments are valued using level 2 inputs using prices obtained from pricing services using primarily matrix pricing, which considers observable data that may include dealer quotes, market spreads, the bond's terms and conditions among other inputs.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Fair Value Measurements

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2019 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	$ 23,467	$ 23,467	$ -	$ -
Equities				
Consumer Discretionary	46,181	46,181	-	-
Energy	30,759	30,759	-	-
Financials	83,394	83,394	-	-
Health Care	41,496	41,496	-	-
Industrials	71,033	71,033	-	-
Information Technology	73,243	73,243	-	-
Telecommunications	37,273	37,273	-	-
Consumer Cyclical	59,322	59,322	-	-
Exchange Traded Funds				
Equity	472,045	472,045	-	-
Fixed Income	28,148	28,148	-	-
Other	18,752	18,752		
Corporate Debt Securities	163,381	-	163,381	-
Government Bonds	224,586	-	224,586	-
Total Fair Value Measures	$ 1,373,080	$ 985,113	$ 387,967	$ -

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis at June 30, 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	$ 174,762	$ 174,762	$ -	$ -
Equities				
Consumer Discretionary	86,038	86,038	-	-
Consumer Staples	24,985	24,985	-	-
Energy	57,223	57,223	-	-
Financials	87,047	87,047	-	-
Health Care	46,917	46,917	-	-
Industrials	71,153	71,153	-	-
Information Technology	202,375	202,375	-	-
Telecommunications	11,206	11,206	-	-
American Depository Receipts	7,557	-	7,557	-
Mutual Funds				
Exchange Traded Funds				
Equity	298,236	298,236	-	-
Fixed Income	93,812	93,812	-	-
Corporate Debt Securities	69,784	-	69,784	-
Government Bonds	73,433	-	73,433	-
Total Fair Value Measures	$ 1,304,528	$ 1,153,754	$ 150,774	$ -

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Agency regularly monitors liquidity required to meet the operating needs of the organization. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Agency considers all expenditures related to its ongoing activities of providing benefits to its clients and takes this into consideration during the annual budget process. To help manage unanticipated liquidity needs, the Agency has a committed line of credit of $1,500,000, which it could draw upon.

The Board has funds that are invested in equity and fixed income mutual funds for long term appreciation but are available and may be spent at the discretion of the Board. In cases when expenses exceed operating income for a period of time, the Budget and Finance Committee will assess and make the determination if it is necessary to withdraw funds from the investment reserves for operating expenses.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Agency's current financial assets as of June 30, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions, or internal board designations, or reserved for other uses.

	2019	2018
Total current assets	$ 4,610,581	$ 4,130,316
Less unavailable for general expenditures within one year:		
Prepaid expenses	155,190	117,976
Current assets with donor restrictions	192,827	58,627
Financial assets available to meet cash needs for general expenditures within one year	$ 4,262,564	$ 3,953,713

3. INVESTMENTS

Investments are carried at fair value.

	2019	2018
Cash equivalents	$ 23,467	$ 174,762
Equities	442,701	594,501
Exchange traded funds	518,945	392,048
Debt securities	387,967	143,217
Total	$ 1,373,080	$ 1,304,528

The Agency realized net gains (losses) on sales of investments of $(1,588) and $40,014 for the years ended June 30, 2019 and 2018, respectively. Net unrealized gains were $43,886 and $29,752 for the years ended June 30, 2019 and 2018, respectively. The Agency's investment securities are classified as net assets without donor restrictions. Therefore, investment income and unrealized gains or losses are considered unrestricted.

4. LINE OF CREDIT

The Agency has available a $1,500,000 working capital line of credit with Key Bank NA which is due on demand. The outstanding balance on this note was $907,251 at June 30, 2019 and $738,886 at June 30, 2018. The interest rate on the note is variable based on Key Bank's prime rate plus 1.00% (6.50% and 6.00% at June 30, 2019 and 2018, respectively). The loan is secured by business assets, certain real estate and investments.

See Note 5, for term note relating to debt restructuring of $1,450,000 portion of the June 30, 2018, outstanding balance.

5. LONG-TERM DEBT

	2019	2018
Mortgage payable to Community Preservation Corp. (CPC), variable interest rate (4.29% at June 30, 2019). Payments through April 1, 2026, secured by buildings.	$ 3,139,361	$ 3,213,920
Mortgage payable to Pioneer Savings Bank, interest of 7.00% at June 30, 2019, Maturing November 30, 2021, secured by building.	56,337	75,371
Mortgage payable to Facilities Development Corporation, interest at 6.33%, payments due through 2018, secured by a building.	178,030	178,030
Mortgage payable through Key Bank NA, interest at 6.00%, payments due through July, 2020 secured by buildings.	94,341	106,127
Mortgage payable to Key Bank NA, interest at 4.98%, payments due through April 2031, secured by building.	160,708	170,324
Term loan, payable to Key Bank NA, variable interest rate at Key Bank prime rate plus 1% (6.50% at June 30, 2019). Interest only payments through January 2020. In January 2020, principal payment of $97,667, plus interest is due. Commencing February 2020, monthly principal payments based 15-year amortization of $8,056 plus interest, maturing January 2021, secured by buildings. Loan covenant of a debt service coverage ratio is included in the term loan. For the year ended June 30, 2019 this covenant was met.	1,450,000	1,450,000
Kila-Watt Energy & Lighting LLC, interest at 0%, payments through September 2020.	52,500	94,500
Total Long-Term Debt	5,131,277	5,288,272
Less current installments	317,099	157,588
Long-Term Debt, net of current installments	4,814,178	5,130,684
Less deferred financing costs	150,268	77,849
Long-Term Debt less unamortized financing costs	$ 4,663,910	$ 5,052,835

Total interest expense was $323,006 and $274,513 for the years ended June 30, 2019 and 2018, respectively.

5. LONG-TERM DEBT

Long-term debt is payable in each of the next five years as follows:

2020	$ 317,099
2021	1,433,859
2022	109,866
2023	103,608
2024	108,412
Thereafter	3,058,433

6. ESCROW DEPOSITS

The Agency has received financing through a loan with the Community Preservation Corporation with a requirement to maintain an escrow account to be held until the end of the mortgage term. Part of the terms of this financing was that additional monies would be required to be maintained in escrow. The amounts in escrow at June 30, 2019 and 2018, totaled $118,627.

7. OPERATING LEASES

The Agency leases property and equipment under operating leases expiring at various dates. Minimum future rental payments under the non-cancelable operating leases having a remaining term in excess of one year as of June 30, 2019, and for each of the remaining years are:

2020	$ 421,944
2021	207,627
2022	164,720
2023	68,912
Total Minimum Future Rental Payments	$ 863,203

Rental expense was $513,609 and $428,402 for the years ended June 30, 2019 and 2018, respectively.

8. DEFINED BENEFIT PLAN

The Agency has a defined benefit pension plan that covers employees hired prior to June 2010. Benefits are based upon years of service and compensation. On June 30, 2010, the agency permanently froze accrual of additional benefits for the Defined Benefit Plan (the Plan). No employees are currently accruing benefits under the Plan. It is the Agency's intent to continue to fund the Plan as required until such time as the Plan is fully funded. The Plan's measurement date is June 30. It is at least reasonably possible that these estimates could change in the near-term. Plan assets consist of a variety of domestic equities, real estate income securities and limited partnerships. The Plan was noncontributory.

8. DEFINED BENEFIT PLAN

The following sets forth the funded status of the Plan in accordance with generally accepted accounting principles at June 30, 2019 and 2018:

	2019	2018
Accumulated benefit obligation at June 30	$ 8,033,110	$ 7,285,034
Fair value of plan assets at June 30	$ 5,859,737	$ 5,778,430
Accumulated benefit obligation at June 30	8,033,110	7,285,034
Funded Status	$ (2,173,373)	$ (1,506,604)
Weighted average assumptions as of June 30		
Discount rate	3.50%	4.00%
Expected long-term return on plan assets	6.00%	6.00%
Rate of compensation increase	n/a	n/a
Net Periodic Benefit Cost	$ 14,293	$ (9,415)
Employer Contributions	$ -	$ -
Benefits Paid	$ (142,786)	$ (420,546)

	2019	2018
Amounts Recognized in the statement of financial position		
Accrued Pension Liability	$ (2,173,373)	$ (1,506,604)
Total	$ (2,173,373)	$ (1,506,604)
Amounts Recognized in the statement of activities		
Actuarial Gains and (Losses)	$ (652,476)	$ (34,238)
Interest cost	(287,781)	(272,537)
Expected return on plan assets	341,275	342,466
Actuarial amortization	(67,787)	(60,514)
Total	$ (666,769)	$ (24,823)
Expected Effect in Unrestricted Net Assets in the next fiscal year		
Losses	$ (67,787)	$ (60,514)
Expected Employer Contributions for the year ended June 30, 2020	$ 100,000	$ -

8. DEFINED BENEFIT PLAN

Expected Future Benefit Payments

The following are the expected future benefit payments:

2020	$ 185,599
2021	221,125
2022	256,846
2023	299,105
2024	329,333
2025 - 2028	2,073,852

Plan Assets by Category

The following are the assets by major category as of June 30:

	2019	%	2018	%
Equities	$ 3,769,605	64	$ 3,884,624	67
Fixed income	1,671,323	28	1,562,540	27
Cash and equivalents	209,230	4	151,279	3
Other securities	209,579	4	179,987	3
Total	$ 5,859,737	100	$ 5,778,430	100

The Plan's investments are invested in securities as disclosed above and are valued at the fair values of the investments as traded in public markets. Management considers these assets to be classified as a Level 1 in the fair value hierarchy as described in Note 1.

Investment Policy

The Plan’s investment objective is preservation of capital. Each transaction shall seek first to ensure the capital losses are mitigated, whether they be from securities defaults or erosion of market value. Investment decisions should favor stability of principal over income. This primary objective of capital preservation over income applies to the portion of investment portfolio used to meet liquidity needs.

It is the policy of the Plan to diversify its investment portfolio. All funds shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity and from a specific issuer of a specific class of securities. Performance of the fund shall be regularly measured against the S&P 500, Bloomberg Barclays US Aggregate Bond Index, and MSCI.

Other Assumptions

Mortality: Non-annuitant and annuitant; RP-2014 mortality table
Assumed Retirement Age: Normal retirement age or age attained, if greater

9. OTHER RETIREMENT PLANS

Tax Deferred Annuity Plan: The Agency contributes to a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all eligible employees who choose to participate. Employees can make contributions to the plan up to the maximum amount allowed by law. The Agency matches an employee's contribution up to a maximum established by the Board of Directors. Contributions to the Plan were $49,998 and $43,152 for the years ended June 30, 2019 and 2018, respectively.

457b Plan: The agency contributes to a defined contribution plan which qualifies under section 457b of the Internal Revenue Code. This plan is available to all staff at the Vice President level and above. The value of the plan assets was $109,691 and $82,678 as of June 30, 2019 and June 30, 2018, respectively.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent amounts restricted by donors for programs to assist individuals served by the Agency in career development skills and opportunities.

11. WORKERS' COMPENSATION ACCRUAL

Vanderheyden Hall, Inc. participated in the Provider Agency Trust for Human Services (PATH Trust) for mandated workers' compensation coverage from January 1, 2001 to December 31, 2005. The trust was dissolved on February 28, 2006 and is now run by the Workers Compensation Board of New York State (WCB). Significant assessments were imposed on the former participants of the PATH Trust. The WCB hired a public accounting firm to do a review of the trust, its service agreement, financial documents and to determine if there was any fraudulent or negligent activity. A liability for the workers' compensation assessment imposed on Vanderheyden Hall, Inc. of $559,285 has been recorded in the accompanying financial statements. The liability has been recorded based on the current assessment which is based on actuarial assumptions and may change as the claims run off occurs in future years. It is at least reasonably possible this estimate could change in the near-term.

12. RISKS AND UNCERTAINTIES

The Agency invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statement of financial position.

13. NET DEFICITS/MANAGEMENT'S PLANS

At June 30, 2019, the Agency's current assets exceed its current liabilities by $1,573,928, and the Agency has a net accumulated deficit of $3,141,923 (including net accumulated deficit of $2,148,373 related to the defined benefit pension plan (Note 8)). The Agency's increase (decrease) in net assets for the years ended June 30, 2019 and 2018, was $(168,834) and $550,036, respectively. Included in the increase (decrease) in net assets were losses from the defined benefit plan in the amount $(652,479) and ($34,238) for the years ended June 30, 2019 and 2018, respectively.

13. NET DEFICITS/MANAGEMENT'S PLANS

Before the effect of the actuarial losses, the agency had an increase in net assets of $424,589 for the year ended June 30, 2019. Due to the significant losses from the frozen defined benefit plan, management has realized the need to actively explore de-risking options in order to reduce this liability over time. Management plans on meeting with various defined benefit plan administrators to explore the most effective way to begin this process. During the year ended June 30, 2019, census for some programs were higher compared to the year ended June 30, 2018, while others lagged. Management continues to work with counties, school districts, and OPWDD to fill client openings. Management plans to grow new programs that were implemented in the past year, as these new revenue streams have not yet reached their full potential. Not only will this enhance revenue but also expand the programs the Agency delivers. Additionally, the school recently received approval to increase its day student census by 8 students. Management continues to practice fiscally conservative initiatives to reduce expenses, and also to analyze cost reporting methodology to maximize reimbursement rates. Management continues to seek affiliate partners to enable the Agency to achieve economies of scale in cost of services by utilizing shared services and group buying. The Agency's management is optimistic that the work being done collaboratively with the Board of Directors to ensure the Agency's financial strength moving forward will be effective.

14. SUBSEQUENT EVENTS

Management has evaluated all events subsequent to the statement of financial position date of June 30, 2019 through November 4, 2019, which is the date these financial statements were available to be issued.

VANDERHEYDEN HALL, INC.
SCHEDULE OF SUPPORT AND REVENUE RELATED TO FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	Education	Residential	Community Residence	Group Homes	Independent Living
Program Support and Revenue					
Counties	$ 1,070,111	$ 5,613,686	$ -	$ 1,764,367	$ 415,520
School districts	3,146,283	639,785	-	-	-
Medicaid	-	89,081	4,445,611	-	-
Social security	-	843	582,168	-	-
OPWDD	-	-	12,375	-	-
DASNY	-	-	-	-	-
Community services	-	-	-	-	-
Grants	162,967	-	-	-	-
USDA	64,954	33,874	2,395	16,557	-
Health Home	-	-	-	-	-
Miscellaneous income	-	796	130,572	150	2,109
Retroactive revenue adjustments	388,883	37,774	(1)	25,286	404
Released from restrictions	-	-	-	-	-
Total Program Support and Revenue	4,833,198	6,415,839	5,173,120	1,806,360	418,033
Nonprogram Support and Revenue					
Interest and dividends	-	-	-	-	-
Contributions and bequests	50,015	4,357	1,147	-	-
Miscellaneous income	-	-	-	-	-
Net realized/unrealized gains	-	-	-	-	-
Total Nonprogram Support and Revenue	50,015	4,357	1,147	-	-
Total Support and Revenue Related to Functional Expenses	4,883,213	6,420,196	5,174,267	1,806,360	418,033
Total Functional Expenses	5,104,570	5,952,489	5,315,190	1,904,248	432,525
Excess (Deficiency) of Support and Revenue Over Expense	$ (221,357)	$ 467,707	$ (140,923)	$ (97,888)	$ (14,492)

VANDERHEYDEN HALL, INC.
SCHEDULE OF SUPPORT AND REVENUE RELATED TO FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR JUNE 30, 2018

	Community Services	Medicaid	Development Fund	2019 Totals	2018 Totals
Program Support and Revenue					
Counties	$ 25,498	$ -	$ -	$ 8,889,182	$ 8,371,620
School districts	-	-	-	3,786,068	3,610,537
Medicaid	641,449	1,256,627	-	6,432,768	6,487,335
Social security	344	-	-	583,355	507,701
OPWDD	-	-	-	12,375	12,500
DASNY	-	-	-	-	-
Community services	1,612	-	17,500	19,112	46,326
Grants	-	-	27,002	189,969	165,923
USDA	-	-	-	117,780	109,586
Health Home	309,903	-	-	309,903	176,677
Miscellaneous income	-	400	10,738	144,765	102,714
Retroactive revenue adjustments	4,907	58,559	6,760	522,572	612,830
Released from restrictions	-	-	15,947	15,947	-
Total Program Support and Revenue	983,713	1,315,586	77,947	21,023,796	20,203,749
Nonprogram Support and Revenue					
Interest and dividends	-	-	37,704	37,704	33,778
Contributions and bequests	-	-	109,221	164,740	231,522
Miscellaneous income	-	-	-	-	-
Net realized/unrealized gains	-	-	42,298	42,298	69,765
Total Nonprogram Support and Revenue	-	-	189,223	244,742	335,065
Total Support and Revenue Related to Functional Expenses	983,713	1,315,586	267,170	21,268,538	20,538,814
Total Functional Expenses	871,266	1,110,122	153,539	20,843,949	20,086,540
Excess (Deficiency) of Support and Revenue Over Expense	$ 112,447	$ 205,464	$ 113,631	$ 424,589	$ 452,274