

**VANDERHEYDEN HALL, INC.  
FINANCIAL REPORT  
JUNE 30, 2020**

**VANDERHEYDEN HALL, INC.**

**TABLE OF CONTENTS**

	<b>PAGE</b>
INDEPENDENT AUDITOR'S REPORT	1-2
<b>FINANCIAL STATEMENTS</b>	
STATEMENTS OF FINANCIAL POSITION	3-4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF FUNCTIONAL EXPENSES	6-9
STATEMENTS OF CASH FLOWS	10
NOTES TO FINANCIAL STATEMENTS	11-25
<b>SUPPLEMENTAL INFORMATION</b>	
SCHEDULE OF SUPPORT AND REVENUE RELATED TO FUNCTIONAL EXPENSES	26-27

## 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, 2020 and 2019, 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, 2020 and 2019, 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.

## 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 26-27 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.

*Marvin and Company, P.C.*

Queensbury, NY  
December 21, 2020

**VANDERHEYDEN HALL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,485,066	\$ 252,036
Investments	1,162,767	1,373,080
Accounts receivable, net of allowance for doubtful accounts of \$75,256, respectively		
Government	3,142,477	2,757,363
Other	1,334	52,912
Pledges receivable, current	20,100	20,000
Prepaid expenses	163,731	155,190
Total Current Assets	5,975,475	4,610,581
<b>Property, Plant and Equipment</b>		
Land and improvements	771,716	585,107
Buildings and improvements	16,205,402	16,110,820
Furniture, fixtures and equipment	1,659,709	1,664,409
Vehicles	63,955	63,955
Total	18,700,782	18,424,291
Less accumulated depreciation	16,593,391	16,136,892
Net Property, Plant and Equipment	2,107,391	2,287,399
<b>Other Assets</b>		
Pledges receivable, long term	20,000	40,000
Restricted investment	131,842	109,691
Investment in CHHUNY	25,000	25,000
Escrow	118,627	118,627
Total Other Assets	295,469	293,318
<b>TOTAL ASSETS</b>	<b>\$ 8,378,335</b>	<b>\$ 7,191,298</b>

**VANDERHEYDEN HALL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

**LIABILITIES AND NET ASSETS (DEFICIT)**

	<u>2020</u>	<u>2019</u>
<b>Current Liabilities</b>		
Note payable - line of credit	\$ -	\$ 907,251
Current installments of long-term debt	1,590,732	317,099
Accrued pension	166,000	75,000
Accounts payable	219,798	278,966
Accrued expenses	1,510,235	1,186,856
Deferred revenue	267,290	271,481
Refundable advances	3,279,700	-
Total Current Liabilities	<u>7,033,755</u>	<u>3,036,653</u>
<b>Other Liabilities</b>		
Accrued pension, net of current	3,299,845	2,073,373
Accrued expenses	559,285	559,285
Long-term debt, net of current installments	3,152,141	4,663,910
Total Other Liabilities	<u>7,011,271</u>	<u>7,296,568</u>
Total Liabilities	<u>14,045,026</u>	<u>10,333,221</u>
<b>Net Assets (Deficit)</b>		
Without donor restrictions	(2,433,673)	(1,226,377)
Pension fund liability	(3,465,845)	(2,148,373)
With donor restrictions	232,827	232,827
Total Net Assets (Deficit)	<u>(5,666,691)</u>	<u>(3,141,923)</u>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIT)</b>	<u>\$ 8,378,335</u>	<u>\$ 7,191,298</u>

See accompanying notes to financial statements.

**VANDERHEYDEN HALL, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Change in Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Program	\$ 21,343,517	\$ 21,007,849
Nonprogram	348,850	244,742
Released from restrictions	-	15,947
Total Support and Revenue	<u>21,692,367</u>	<u>21,268,538</u>
<b>Expenses</b>		
Program Services		
Education	4,736,152	4,605,265
Residential	6,017,533	5,348,372
Community residence	5,096,194	4,776,255
Group homes	1,839,561	1,704,755
Independent living	386,739	395,792
Community services	1,475,543	781,813
Medicaid	1,025,426	988,377
Total Program Services	<u>20,577,148</u>	<u>18,600,629</u>
Supporting Services		
Development fund (fundraising)	162,526	138,760
Administration	2,145,984	2,104,560
Total Supporting Services	<u>2,308,510</u>	<u>2,243,320</u>
Total Expenses	<u>22,885,658</u>	<u>20,843,949</u>
<b>Change in Unrestricted Net Assets Before the Effect of Actuarial Gains (Losses)</b>	<u>(1,193,291)</u>	424,589
Effect of Actuarial Gains (Losses)	<u>(1,331,477)</u>	<u>(652,476)</u>
<b>Increase (Decrease) in Net Assets Without Donor Restrictions</b>	<u>(2,524,768)</u>	<u>(227,887)</u>
<b>Change in Net Assets With Donor Restrictions</b>		
Contributions and bequests	-	75,000
Amounts released from restrictions	-	(15,947)
Increase in Net Assets with Donor Restrictions	<u>-</u>	<u>59,053</u>
<b>Change in Net Assets</b>	<u>(2,524,768)</u>	<u>(168,834)</u>
Net Assets (Deficit), Beginning of Year	<u>(3,141,923)</u>	<u>(2,973,089)</u>
<b>Net Assets (Deficit), End of Year</b>	<u>\$ (5,666,691)</u>	<u>\$ (3,141,923)</u>

See accompanying notes to financial statements.

**VANDERHEYDEN HALL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Education</u>	<u>Residential</u>	<u>Community Residence</u>	<u>Group Homes</u>	<u>Independent Living</u>
<b>Functional Expenses</b>					
Personal services	\$ 3,067,314	\$ 4,043,198	\$ 3,292,898	\$ 1,239,320	\$ 168,649
Fringe benefits	672,288	883,014	705,131	266,150	36,036
Transportation and worker's expense	9,057	37,503	45,474	10,862	5,725
Children's allowances	-	7,677	3,182	4,225	11,091
Children's activities	(961)	59,123	2,652	7,337	25
Related school expenses					
Purchase of services	53,465	35,313	38,594	11,871	1,081
Purchase of health services	29,564	2,211	1,828	941	-
Food	103,887	117,610	129,854	47,492	16,473
Clothing	-	9,946	7,473	4,550	1,841
Bedding and linen	541	60	5,297	-	-
Program and household supplies	132,427	85,145	66,986	20,929	15,166
Medical supplies and prescriptions	51	12	13,422	26,403	562
Rent - equipment	33,882	6,932	10,093	3,209	1,812
- vehicles	17,876	35,113	73,425	21,180	9,062
- property	-	-	173,964	-	69,289
Utilities	67,242	81,916	69,917	26,713	1,712
Plant and equipment maintenance	138,318	95,581	96,375	28,634	8,881
Vehicle maintenance	4,845	12,973	30,968	6,720	4,250
Telephone	15,784	25,161	92,389	16,503	7,100
Postage	3,227	2,910	3,074	1,074	194
Dues, licenses and permits	14,502	38,354	16,142	11,946	6,973
Office supplies	2,807	6,900	2,322	687	254
Subscriptions and publications	82	4	3	1	-
Conference expense	4,959	1,249	5,796	1,663	785
Miscellaneous	1,355	1,545	928	403	172
Professional fees	-	-	16	6	2
Insurance	72,645	72,078	102,355	22,096	9,583
Interest and finance charges	30,143	185,021	43,334	28,154	6,555
Real estate taxes	7,998	9,325	8,522	15,014	65
Publicity and recruitment	5,239	7,727	16,109	5,806	2,798
Community services	-	-	-	-	-
Bad debt expense (recovery)	7,490	340	-	3,029	57
Depreciation	240,125	153,592	37,671	6,643	546
Total Functional Expenses	<u>4,736,152</u>	<u>6,017,533</u>	<u>5,096,194</u>	<u>1,839,561</u>	<u>386,739</u>
Allocation of Administration Expenses	<u>480,898</u>	<u>625,875</u>	<u>521,625</u>	<u>196,551</u>	<u>32,205</u>
<b>Total Functional Expenses</b>	<u><u>\$ 5,217,050</u></u>	<u><u>\$ 6,643,408</u></u>	<u><u>\$ 5,617,819</u></u>	<u><u>\$ 2,036,112</u></u>	<u><u>\$ 418,944</u></u>



**VANDERHEYDEN HALL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Community Services</u>	<u>Medicaid</u>	<u>Development Fund</u>	<u>Adminis- tration</u>	<u>2020 Totals</u>
<b>Functional Expenses</b>					
Personal services	\$ 1,022,303	\$ 642,421	\$ 44,851	\$ 1,335,093	\$ 14,856,047
Fringe benefits	219,324	137,897	9,566	344,650	3,274,056
Transportation and worker's expense	21,588	696	21	7,428	138,354
Children's allowances	-	-	-	-	26,175
Children's activities	7,357	-	3,584	40	79,157
Related school expenses	-	-	-	-	-
Purchase of services	7,364	3,091	2,512	55,064	208,355
Purchase of health services	-	142,048	-	142	176,734
Food	1,760	1,301	1,790	11,287	431,454
Clothing	-	-	13	-	23,823
Bedding and linen	40	-	-	-	5,938
Program and household supplies	8,779	2,053	54,331	34,778	420,594
Medical supplies and prescriptions	208	51,821	-	4	92,483
Rent - equipment	711	3,427	(54)	15,405	75,417
- vehicles	46,342	966	71	11,768	215,803
- property	36,568	-	-	-	279,821
Utilities	5,571	6,067	878	22,524	282,540
Plant and equipment maintenance	8,879	3,235	15,286	25,081	420,270
Vehicle maintenance	19,609	307	23	4,369	84,064
Telephone	16,257	11,230	192	19,213	203,829
Postage	1,139	5,450	2,063	2,569	21,700
Dues, licenses and permits	7,632	563	69	21,283	117,464
Office supplies	1,061	960	48	7,062	22,101
Subscriptions and publications	-	-	-	5,618	5,708
Conference expense	877	3,270	490	7,528	26,617
Miscellaneous	40	691	24,247	37,397	66,778
Professional fees	-	-	-	81,407	81,431
Insurance	18,677	2,651	1,870	11,326	313,281
Interest and finance charges	-	-	-	56,575	349,782
Real estate taxes	-	654	53	2,864	44,495
Publicity and recruitment	2,114	128	309	1,063	41,293
Community services	18,733	-	-	-	18,733
Bad debt expense (recovery)	2,112	782	-	-	13,810
Depreciation	498	3,717	313	24,446	467,551
Total Functional Expenses	<u>1,475,543</u>	<u>1,025,426</u>	<u>162,526</u>	<u>2,145,984</u>	<u>22,885,658</u>
Allocation of Administration Expenses	<u>156,342</u>	<u>115,867</u>	<u>16,621</u>	<u>(2,145,984)</u>	<u>-</u>
<b>Total Functional Expenses</b>	<u>\$ 1,631,885</u>	<u>\$ 1,141,293</u>	<u>\$ 179,147</u>	<u>\$ -</u>	<u>\$ 22,885,658</u>

**VANDERHEYDEN HALL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Education</u>	<u>Residential</u>	<u>Community Residence</u>	<u>Group Homes</u>	<u>Independent Living</u>
<b>Functional Expenses</b>					
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	-	-	-	-	-
Contributions	-	-	-	-	-
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	<u>4,605,265</u>	<u>5,348,372</u>	<u>4,776,255</u>	<u>1,704,755</u>	<u>395,792</u>
Allocation of Administration Expenses	<u>499,305</u>	<u>604,117</u>	<u>538,935</u>	<u>199,493</u>	<u>36,733</u>
<b>Total Functional Expenses</b>	<u>\$ 5,104,570</u>	<u>\$ 5,952,489</u>	<u>\$ 5,315,190</u>	<u>\$ 1,904,248</u>	<u>\$ 432,525</u>

**VANDERHEYDEN HALL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

**VANDERHEYDEN HALL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (2,524,768)	\$ (168,834)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	467,551	634,898
Amortization classified as interest expense	60,795	30,793
Bad debts (recovery)	13,810	(4,833)
Loss on disposal of property, plant, and equipment	9,383	-
Net realized/unrealized gain on investments	(54,997)	(42,298)
Actuarial loss	1,331,477	652,476
(Increase) Decrease in assets:		
Receivables	(347,346)	(273,120)
Pledges receivable	19,900	20,000
Prepaid expenses	(8,541)	(37,214)
Increase (Decrease) in liabilities:		
Accounts payable	(59,168)	(261,679)
Accrued expenses	309,374	82,188
Deferred revenue	(4,191)	(270,469)
Refundable advances	3,279,700	-
Net Cash Provided by Operating Activities	<u>2,492,979</u>	<u>361,908</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(166,597)	(56,187)
Proceeds from sale of investments	409,756	2,920
Expenditures for property, plant and equipment	(296,926)	(120,253)
Net Cash Used by Investing Activities	<u>(53,767)</u>	<u>(173,520)</u>
<b>Cash Flows From Financing Activities</b>		
Net proceeds (repayments) on line of credit	(907,251)	168,365
Repayment of long-term debt	(298,931)	(156,998)
Payment of closing costs on long-term debt	-	(103,209)
Net Cash Used by Financing Activities	<u>(1,206,182)</u>	<u>(91,842)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,233,030	96,546
Cash and Cash Equivalents, Beginning of Year	<u>370,663</u>	<u>274,117</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>1,603,693</u>	<u>370,663</u>
<b>Reconciliation of Cash, End of Year</b>		
Cash and cash equivalents	1,485,066	252,036
Restricted cash included in other assets	<u>118,627</u>	<u>118,627</u>
<b>Total Cash, End of Year</b>	<u>\$ 1,603,693</u>	<u>\$ 370,663</u>
<b>Supplemental Information:</b>		
Cash paid for interest	<u>\$ 288,987</u>	<u>\$ 292,213</u>

See accompanying notes to financial statements.

**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**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 childcare programs.

***Adoption of New Accounting Pronouncement***

In June 2018, the Financial Accounting Standards Board (FASB) issued standard ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Agency adopted this standard on July 1, 2019, using the modified prospective basis for contracts not yet completed as of, or entered into subsequent to, the beginning of the fiscal year. The adoption did not result in a material change to how the Agency accounts for revenue from contributions, grants and contracts.

In May 2014, the FASB issued ASU 2014-19, *Revenue from Contracts with Customers (Topic 606)*. This guidance provides a single comprehensive model to account for revenue from contracts with customers, which is retrospective to January 1, 2018. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which delays the implementation of ASU 2014-19 until years beginning after December 15, 2019. The Agency adopted ASU 2020-05 and will delay implementation of ASU 2014-19 until July 1, 2020.

The Agency has implemented ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* - effective for fiscal years beginning after December 15, 2018. Implementation required balances identified as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning and ending balances on the statements of cash flows. The statement of cash flows includes the reconciliation of total cash to the statement of financial position. This statement did not have a material impact on the financial statements.

The Agency has implemented ASU 2017-17, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Cost and Net Periodic Postretirement Cost* – effective for fiscal years beginning after December 15, 2018. Implementation required that an employer report the service cost component separately from other components of net benefit cost. The service cost component is reported in the same line of the statement of functional expenses as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are reported as non-operating activities. This statement did not have a material impact on the financial statements.

**VANDERHEYDEN HALL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

***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.

***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:

	<u>2020</u>	<u>2019</u>
In one year or less	\$ 20,100	\$ 20,000
Between one and four years	<u>20,000</u>	<u>40,000</u>
Total	<u>\$ 40,100</u>	<u>\$ 60,000</u>

***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 \$13,810 and \$(4,833) for the years ended June 30, 2020 and 2019, respectively.

**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

***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:

	<u>Years</u>
Buildings and improvements	10 - 40
Furniture, fixtures and equipment	5 - 15
Vehicles	5

Depreciation expense was \$467,551 and \$634,898 for the years ended June 30, 2020 and 2019, 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.

***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.

**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

***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***

The Agency has 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.

***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 6, 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, 2020 and June 30, 2019.



**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

***Fair Value Measurements***

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 and other inputs.

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, 2020 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash Equivalents	\$ 163,844	\$ 163,844	\$ -	\$ -
Equities				
Consumer Discretionary	37,988	37,988	-	-
Energy	15,635	15,635	-	-
Financials	53,684	53,684	-	-
Health Care	37,220	37,220	-	-
Industrials	55,361	55,361	-	-
Information Technology	74,007	74,007	-	-
Telecommunications	47,140	47,140	-	-
Consumer Cyclical	45,391	45,391	-	-
Exchange Traded Funds				
Equity	265,901	265,901	-	-
Fixed Income	91,774	91,774	-	-
Other	13,576	13,576	-	-
Mutual Funds				
Target date fund	131,842	131,842	-	-
Corporate Debt Securities	155,060	-	155,060	-
Government Bonds	106,186	-	106,186	-
<b>Total Fair Value Measures</b>	<b><u>\$ 1,294,609</u></b>	<b><u>\$ 1,033,363</u></b>	<b><u>\$ 261,246</u></b>	<b><u>\$ -</u></b>

**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**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, 2019 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
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	-	-
Mutual Funds				
Target date fund	109,691	109,691	-	-
Corporate Debt Securities	163,381	-	163,381	-
Government Bonds	<u>224,586</u>	<u>-</u>	<u>224,586</u>	<u>-</u>
<b>Total Fair Value Measures</b>	<b>\$ 1,482,771</b>	<b>\$ 1,094,804</b>	<b>\$ 387,967</b>	<b>\$ -</b>

***Reclassifications***

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**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.

The following table reflects the Agency's current financial assets as of June 30, 2020 and 2019, 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.

	<u>2020</u>	<u>2019</u>
Total current assets	\$ 5,975,475	\$ 4,610,581
Less unavailable for general expenditures within one year:		
Prepaid expenses	163,730	155,190
Current assets with donor restrictions	<u>212,827</u>	<u>192,827</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,598,917</u>	<u>\$ 4,262,564</u>

**3. INVESTMENTS - UNRESTRICTED**

Investments are carried at fair value.

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 163,844	\$ 23,467
Equities	366,426	442,701
Exchange traded funds	371,251	518,945
Debt securities	<u>261,246</u>	<u>387,967</u>
Total	<u>\$ 1,162,767</u>	<u>\$ 1,373,080</u>

The Agency realized net gains (losses) on sales of investments of \$-0- and \$(1,588) for the years ended June 30, 2020 and 2019, respectively. Net unrealized gains were \$54,997 and \$43,886 for the years ended June 30, 2020 and 2019, 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.

**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**4. REFUNDABLE ADVANCES**

To assist the economy of the United States during the pandemic, the United States Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act on March 27, 2020. Part of the CARES Act is the Payroll Protection Program (PPP), which is available to small businesses and not-for-profit entities that provides short term financial assistance to assist eligible entities to maintain payroll, hire back employees who may have been laid off, and cover applicable overhead. The Agency applied for and received a PPP loan in the amount of \$3,279,700. The funds will be used by The Agency in accordance with the rules and regulations of the PPP loan program to assist the Agency during 2020. In accordance with the rules and regulations of the PPP loan program, if the loan proceeds are used to pay qualifying expenses and the Agency meets other parameters outlined in the PPP program the loan would be forgiven. Any amount not forgiven would be converted into a two-year term loan at 1% interest with payments deferred for the first six months. The Agency considers this funding as a conditional grant and accordingly is following the guidance in ASU 201-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* for determination of the revenue recognition.

**5. 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 \$-0- at June 30, 2020 and \$907,251 at June 30, 2019. The interest rate on the note is variable based on Key Bank's prime rate plus 1.00% (4.25% and 6.50% at June 30, 2020 and 2019, respectively). The loan is secured by business assets, certain real estate and investments.

**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**6. LONG-TERM DEBT**

	<u>2020</u>	<u>2019</u>
Mortgage payable to Community Preservation Corp. (CPC), variable interest rate (4.29% at June 30, 2019). Payments through April 1, 2043, secured by buildings.	\$ 3,061,540	\$ 3,139,361
Mortgage payable to Pioneer Savings Bank, interest of 7.00% at June 30, 2019, Maturing November 30, 2021, secured by building.	35,900	56,337
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.	82,472	94,341
Mortgage payable to Key Bank NA, interest at 4.98%, payments due through April 2031, secured by building.	150,847	160,708
Term loan, payable to Key Bank NA, variable interest rate at Key Bank prime rate plus 1% (4.25% at June 30, 2020). 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 on a 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, 2020 this covenant was not met. The balance of the loan included in the current installments.	1,313,056	1,450,000
Kila-Watt Energy & Lighting LLC, interest at 0%, payments through September 2020.	<u>10,500</u>	<u>52,500</u>
Total Long-Term Debt	4,832,345	5,131,277
Less current installments	<u>1,590,732</u>	<u>317,099</u>
Long-Term Debt, net of current installments	3,241,613	4,814,178
Less deferred financing costs	<u>89,472</u>	<u>150,268</u>
Long-Term Debt less unamortized financing costs	<u>\$ 3,152,141</u>	<u>\$ 4,663,910</u>

Total interest expense was \$349,782 and \$323,006 for the years ended June 30, 2020 and 2019, respectively.

**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**6. LONG-TERM DEBT**

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

2021	\$ 1,590,732
2022	109,886
2023	103,608
2024	108,412
2025	113,443
Thereafter	2,806,264

**7. 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, 2020 and 2019, totaled \$118,627.

**8. 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, 2020, and for each of the remaining years are:

2021	\$ 396,471
2022	242,003
2023	160,387
2024	21,703
	<u>1,778</u>
Total Minimum Future Rental Payments	<u>\$ 822,342</u>

Rental expense was \$571,041 and \$513,609 for the years ended June 30, 2020 and 2019, respectively.

**9. 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.

**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**9. DEFINED BENEFIT PLAN**

The following sets forth the funded status of the Plan in accordance with generally accepted accounting principles at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Accumulated benefit obligation at June 30	\$ <u>9,146,478</u>	\$ <u>8,033,110</u>
Fair value of plan assets at June 30	\$ 5,680,633	\$ 5,859,737
Accumulated benefit obligation at June 30	<u>9,146,478</u>	<u>8,033,110</u>
Funded Status	<u>\$ (3,465,845)</u>	<u>\$ (2,173,373)</u>
Weighted average assumptions as of June 30		
Discount rate	2.50%	3.50%
Expected long-term return on plan assets	6.00%	6.00%
Rate of compensation increase	n/a	n/a
Net Periodic Benefit Cost	\$ <u>60,995</u>	\$ <u>14,293</u>
Employer Contributions	\$ <u>100,000</u>	\$ <u>-</u>
Benefits Paid	\$ <u>(304,572)</u>	\$ <u>(142,786)</u>
	<u>2020</u>	<u>2019</u>
<i>Amounts Recognized in the statement of financial position</i>		
Accrued Pension Liability	\$ <u>(3,465,845)</u>	\$ <u>(2,173,373)</u>
Total	<u>\$ (3,465,845)</u>	<u>\$ (2,173,373)</u>
<i>Amounts Recognized in the statement of activities</i>		
Actuarial Gains and (Losses)	\$ (1,331,477)	\$ (652,476)
Interest cost	(275,240)	(287,781)
Expected return on plan assets	344,625	341,275
Actuarial amortization	<u>(130,380)</u>	<u>(67,787)</u>
Total	<u>\$ (1,392,472)</u>	<u>\$ (666,769)</u>
<i>Expected Effect in Unrestricted Net Assets in the next fiscal year</i>		
Losses	\$ <u>(130,380)</u>	\$ <u>(67,787)</u>
Expected Employer Contributions for the year ended June 30, 2021	<u>\$ 166,000</u>	

**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**9. DEFINED BENEFIT PLAN**

*Components of Net Periodic Benefit Costs consist of*

	<u>2020</u>	<u>2019</u>
Service cost	\$ -	\$ -
Interest cost	(275,240)	(287,781)
Expected return on plan assets	344,625	341,275
Actuarial amortization gain (loss)	<u>(130,380)</u>	<u>(67,787)</u>
Total	<u>\$ (60,995)</u>	<u>\$ (14,293)</u>

***Expected Future Benefit Payments***

The following are the expected future benefit payments:

2021	\$ 243,907
2022	\$ 266,491
2023	\$ 301,488
2024	\$ 319,596
2025	\$ 367,221
2026 - 2029	\$2,094,626

***Plan Assets by Category***

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

	<u>2020</u>	<u>%</u>	<u>2019</u>	<u>%</u>
Equities	\$ 3,992,123	70	\$ 3,769,605	64
Fixed income	1,381,626	24	1,671,323	28
Cash and equivalents	226,154	4	209,230	4
Other securities	<u>80,730</u>	<u>2</u>	<u>209,579</u>	<u>4</u>
Total	<u>\$ 5,680,633</u>	<u>100</u>	<u>\$ 5,859,737</u>	<u>100</u>

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.

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.



**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**9. DEFINED BENEFIT PLAN**

***Investment Policy***

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  
Cost method: Projected unit credit.

**10. 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 \$59,540 and \$49,998 for the years ended June 30, 2020 and 2019, 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 \$131,842 and \$109,691 as of June 30, 2020 and June 30, 2019, respectively.

**11. 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.

**12. 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.

**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**13. RISKS AND UNCERTAINTIES**

The Agency maintains cash balances in financial institution located in New York State. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2020, the Agency's uninsured balances totaled approximately \$1,287,000.

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.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a respiratory disease, to be a pandemic. It is uncertain as to the full magnitude that the pandemic will have on the Agency's financial condition, liquidity, and future results of operations. Access to grants, funding and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak will likely have a continued material adverse impact on the economy and cost of providing services. The full impact of the COVID-19 outbreak continues to evolve as of the date these financial statements were available to be issued.

**14. NET DEFICITS/MANAGEMENT'S PLANS**

At June 30, 2020, the Agency's current liabilities exceed its current assets by \$1,058,280. The current liabilities include a refundable advance of \$3,279,700 from PPP funds (Note 4) received in April 2020, which is expected to be forgiven. The current liabilities also include a term loan of \$1,313,056 which matures in January 2021. The Agency is working with Key Bank NA to refinance this term loan to extend the maturity date. With the PPP and term loan amounts excluded from the current liabilities, current assets will exceed current liabilities by \$3,534,476.

The Agency has a net accumulated deficit of \$5,666,691 (including net accumulated deficit of \$3,465,845 related to the defined benefit pension plan (Note 9)). The Agency's decrease in net assets for the years ended June 30, 2020 and 2019, was \$2,524,768 and \$168,834, respectively. Included in the decrease in net assets were losses from the defined benefit plan in the amount \$1,331,477 and \$652,479 for the years ended June 30, 2020 and 2019, respectively.

**VANDERHEYDEN HALL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**14. NET DEFICITS/MANAGEMENT'S PLANS**

Before the effect of the actuarial losses, the agency had a decrease in net assets of \$1,193,291 for the year ended June 30, 2020. Of this decrease, approximately \$1,080,000 can be attributed to COVID-19 impacts on revenue and expenses. Due to the significant losses from the frozen defined benefit plan, management has recently completed the transition to a new defined benefit plan administrator. With this transition, the agency expects to decrease the plan liability over time by decreasing administrative costs and improved asset management. During the year ended June 30, 2020, census for some programs were higher compared to the year ended June 30, 2019. Management continues to work with counties, school districts, OPWDD, and OMH to fill client openings. Management is expanding its community service programs, as these revenue streams have shown steady growth. Additionally, the school is expected to fill the census increase of 8 students that SED allowed due to the agencies continued excellence in education. 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.

**15. FUTURE ACCOUNTING STANDARDS**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842), which was effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Subsequently in November 2019, FASB issued ASU 2019-10 extending the effective date to fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. In June 2020, the FASB issued ASU 2020-05 extending the effective date to fiscal years beginning after December 31, 2021. The Agency's management is currently evaluating the impact of this standard on their financial statement.

**16. SUBSEQUENT EVENTS**

In July 2020, the Agency received \$150,000 Economic Injury Disaster Loan (EIDL) from the U.S. Small Business Administration. The EIDL will mature in 30 years, with interest fixed at 2.75% with no pre-payment penalty or fees, monthly payments are deferred for one year with interest accruing during the deferral period.

In July 2020 and December 2020, the Agency received in total approximately \$1,170,000 from the U.S. Department of Health and Human Services for the Provider Relief Funds program that is a part of the CARES Act.

Management has evaluated all events subsequent to the statement of financial position date of June 30, 2019 through December 21, 2020, 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, 2020**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2019**

	<u>Education</u>	<u>Residential</u>	<u>Community Residence</u>	<u>Group Homes</u>	<u>Independent Living</u>
<b>Program Support and Revenue</b>					
Counties	\$ 1,139,502	\$ 5,309,434	\$ -	\$ 1,986,306	\$ 312,042
School districts	3,173,763	531,626	-	-	-
Medicaid	-	-	4,443,653	-	-
Social security	-	24	530,977	-	-
OPWDD	-	-	12,500	-	-
Community services	-	-	-	-	-
Grants	188,423	-	-	-	-
USDA	63,805	34,047	2,460	21,942	-
Health Home	-	-	-	-	-
Miscellaneous income	-	(9,562)	173,902	193	194
Retroactive revenue adjustments	141,183	(848)	2,017	635	448
Released from restrictions	-	-	-	-	-
Total Program Support and Revenue	<u>4,706,676</u>	<u>5,864,721</u>	<u>5,165,509</u>	<u>2,009,076</u>	<u>312,684</u>
<b>Nonprogram Support and Revenue</b>					
Interest and dividends	-	-	-	-	-
Contributions and bequests	-	1,865	1,019	320	226
Net realized/unrealized gains	-	-	-	-	-
Total Nonprogram Support and Revenue	<u>-</u>	<u>1,865</u>	<u>1,019</u>	<u>320</u>	<u>226</u>
<b>Total Support and Revenue Related to Functional Expenses</b>					
	4,706,676	5,866,586	5,166,528	2,009,396	312,910
Total Functional Expenses	<u>5,217,050</u>	<u>6,643,408</u>	<u>5,617,819</u>	<u>2,036,112</u>	<u>418,944</u>
<b>Excess (Deficiency) of Support and Revenue Over Expense</b>					
	<u>\$ (510,374)</u>	<u>\$ (776,822)</u>	<u>\$ (451,291)</u>	<u>\$ (26,716)</u>	<u>\$ (106,034)</u>

**VANDERHEYDEN HALL, INC.**  
**SCHEDULE OF SUPPORT AND REVENUE RELATED TO FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2019**

	<b>Community Services</b>	<b>Medicaid</b>	<b>Development Fund</b>	<b>2020 Totals</b>	<b>2019 Totals</b>
<b>Program Support and Revenue</b>					
Counties	\$ 183,859	-	-	\$ 8,931,143	\$ 8,889,182
School districts	-	-	-	3,705,389	3,786,068
Medicaid	1,129,871	1,442,867	-	7,016,391	6,432,768
Social security	(4,590)	-	-	526,411	583,355
OPWDD	-	-	-	12,500	12,375
Community services	-	-	39,500	39,500	19,112
Grants	-	-	15,007	203,430	189,969
USDA	-	-	-	122,254	117,780
Health Home	475,816	-	-	475,816	309,903
Miscellaneous income	203	-	3,592	168,522	144,765
Retroactive revenue adjustments	(903)	(371)	-	142,161	522,572
Released from restrictions	-	-	-	-	15,947
<b>Total Program Support and Revenue</b>	<u>1,784,256</u>	<u>1,442,496</u>	<u>58,099</u>	<u>21,343,517</u>	<u>21,023,796</u>
<b>Nonprogram Support and Revenue</b>					
Interest and dividends	-	-	47,638	47,638	37,704
Contributions and bequests	472	-	242,313	246,215	164,740
Net realized/unrealized gains	-	-	54,997	54,997	42,298
<b>Total Nonprogram Support and Revenue</b>	<u>472</u>	<u>-</u>	<u>344,948</u>	<u>348,850</u>	<u>244,742</u>
<b>Total Support and Revenue Related to Functional Expenses</b>	1,784,728	1,442,496	403,047	21,692,367	21,268,538
<b>Total Functional Expenses</b>	<u>1,631,885</u>	<u>1,141,293</u>	<u>179,147</u>	<u>22,885,658</u>	<u>20,843,949</u>
<b>Excess (Deficiency) of Support and Revenue Over Expense</b>	<u>\$ 152,843</u>	<u>\$ 301,203</u>	<u>\$ 223,900</u>	<u>\$ (1,193,291)</u>	<u>\$ 424,589</u>