

**VANDERHEYDEN HALL, INC.
FINANCIAL REPORT
JUNE 30, 2021**

VANDERHEYDEN HALL, INC.

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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, 2021 and 2020, 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, 2021 and 2020, 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 27-28 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
November 10, 2021

VANDERHEYDEN HALL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 2,726,060	\$ 1,485,066
Investments	1,440,322	1,162,767
Accounts receivable, net of allowance for doubtful accounts of \$112,204 and \$75,256, respectively		
Government	3,171,945	3,142,477
Other	1,334	1,334
Pledges receivable, current	20,000	20,100
Prepaid expenses	199,573	163,731
Total Current Assets	7,559,234	5,975,475
Property, Plant and Equipment		
Land and improvements	804,991	771,716
Buildings and improvements	16,496,398	16,205,402
Furniture, fixtures and equipment	1,945,411	1,659,709
Vehicles	63,955	63,955
Total	19,310,755	18,700,782
Less accumulated depreciation	16,929,705	16,593,391
Net Property, Plant and Equipment	2,381,050	2,107,391
Other Assets		
Pledges receivable, long term	-	20,000
Restricted investment	189,636	131,842
Investment in CHHUNY	25,000	25,000
Escrow	-	118,627
Total Other Assets	214,636	295,469
TOTAL ASSETS	\$ 10,154,920	\$ 8,378,335

See accompanying notes to financial statements.

VANDERHEYDEN HALL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

LIABILITIES AND NET ASSETS (DEFICIT)

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Current installments of long-term debt	148,204	1,590,732
Current installments of capital lease	35,280	-
Accrued pension	160,000	166,000
Accounts payable	334,334	219,798
Accrued expenses	1,514,193	1,510,235
Deferred revenue	382,080	267,290
Refundable advances	10,000	3,279,700
Total Current Liabilities	<u>2,584,091</u>	<u>7,033,755</u>
Other Liabilities		
Accrued pension, net of current	2,030,907	3,299,845
Accrued expenses	559,285	559,285
Capital lease, net of current installments	41,160	-
Long-term debt, net of current installments	4,511,590	3,152,141
Total Other Liabilities	<u>7,142,942</u>	<u>7,011,271</u>
Total Liabilities	<u>9,727,033</u>	<u>14,045,026</u>
Net Assets (Deficit)		
Without donor restrictions	2,385,967	(2,433,673)
Pension fund liability	(2,190,907)	(3,465,845)
With donor restrictions	232,827	232,827
Total Net Assets (Deficit)	<u>427,887</u>	<u>(5,666,691)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 10,154,920</u>	<u>\$ 8,378,335</u>

See accompanying notes to financial statements.

VANDERHEYDEN HALL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Change in Unrestricted Net Assets		
Support and Revenue		
Program	\$ 22,290,691	\$ 21,343,517
Nonprogram	5,008,521	348,850
Total Support and Revenue	<u>27,299,212</u>	<u>21,692,367</u>
Expenses		
Program Services		
Education	4,471,018	4,736,152
Residential	5,898,240	6,017,533
Community residence	4,865,893	5,096,194
Group homes	1,724,409	1,839,561
Independent living	299,535	386,739
Community services	1,942,643	1,475,543
Medicaid	980,380	1,025,426
Total Program Services	<u>20,182,118</u>	<u>20,577,148</u>
Supporting Services		
Development fund (fundraising)	99,251	162,526
Administration	2,164,642	2,145,984
Total Supporting Services	<u>2,263,893</u>	<u>2,308,510</u>
Total Expenses	<u>22,446,011</u>	<u>22,885,658</u>
Change in Unrestricted Net Assets Before the Effect of Actuarial Gains (Losses)	4,853,201	(1,193,291)
Effect of Actuarial Gains (Losses)	<u>1,241,377</u>	<u>(1,331,477)</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>6,094,578</u>	<u>(2,524,768)</u>
Change in Net Assets	6,094,578	(2,524,768)
Net Assets (Deficit), Beginning of Year	<u>(5,666,691)</u>	<u>(3,141,923)</u>
Net Assets (Deficit), End of Year	<u>\$ 427,887</u>	<u>\$ (5,666,691)</u>

See accompanying notes to financial statements.

VANDERHEYDEN HALL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Education</u>	<u>Residential</u>	<u>Community Residence</u>	<u>Group Homes</u>	<u>Independent Living</u>
Functional Expenses					
Personal services	\$ 3,053,511	\$ 3,786,048	\$ 3,150,200	\$ 1,151,673	\$ 140,140
Fringe benefits	671,630	854,241	685,036	250,880	29,957
Transportation and worker's expense	7,032	20,888	28,685	8,858	3,100
Children's allowances	-	6,539	2,058	2,824	8,293
Children's activities	1,487	65,196	2,044	11,144	430
Related school expenses	-	-	-	-	10
Purchase of services	28,808	43,371	33,214	9,543	1,883
Purchase of health services	29,628	7,572	109	1,160	-
Food	136,403	116,718	122,577	36,708	11,006
Clothing	62	13,940	7,287	6,775	1,158
Bedding and linen	-	-	3,673	-	-
Program and household supplies	108,677	116,274	75,041	35,698	14,963
Medical supplies and prescriptions	5,598	1,465	11,562	15,146	154
Rent - equipment	16,147	6,120	10,865	3,557	1,882
- vehicles	15,146	35,727	74,193	20,722	5,714
- property	121	135	155,807	47	50,765
Utilities	45,568	75,077	65,079	27,149	2,013
Plant and equipment maintenance	116,997	76,781	88,760	34,359	1,987
Vehicle maintenance	2,862	9,744	19,457	8,198	853
Telephone	23,537	34,628	83,562	15,955	6,936
Postage	835	967	916	316	52
Dues, licenses and permits	24,443	41,485	23,549	12,889	6,630
Office supplies	8,047	9,472	3,804	1,770	485
Subscriptions and publications	452	-	-	-	-
Conference expense	1,490	2,504	2,264	533	401
Miscellaneous	2,812	40,466	5,817	2,374	904
Professional fees	-	-	-	-	-
Insurance	65,796	61,941	116,399	20,016	7,429
Interest and finance charges	13,604	193,108	43,897	16,608	3,111
Real estate taxes	10,727	13,099	16,856	15,894	714
Publicity and recruitment	4,828	4,463	3,827	1,429	788
Community services	-	-	-	-	-
Medical transportation	-	-	60	-	-
Bad debt expense	10,117	92,338	(19,656)	613	(3,377)
Depreciation	64,653	167,933	48,951	11,571	1,154
Total Functional Expenses	<u>4,471,018</u>	<u>5,898,240</u>	<u>4,865,893</u>	<u>1,724,409</u>	<u>299,535</u>
Allocation of Administration Expenses	<u>487,052</u>	<u>624,429</u>	<u>503,686</u>	<u>187,167</u>	<u>26,501</u>
Total Functional Expenses	<u>\$ 4,958,070</u>	<u>\$ 6,522,669</u>	<u>\$ 5,369,579</u>	<u>\$ 1,911,576</u>	<u>\$ 326,036</u>

See accompanying notes to financial statements.

VANDERHEYDEN HALL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Community Services</u>	<u>Medicaid</u>	<u>Development Fund</u>	<u>Adminis- tration</u>	<u>2021 Totals</u>
Functional Expenses					
Personal services	\$ 1,352,560	\$ 576,507	\$ 30,130	\$ 1,329,638	\$ 14,570,407
Fringe benefits	296,197	127,512	6,531	435,522	3,357,506
Transportation and worker's expense	18,571	409	25	6,128	93,696
Children's allowances	-	18	-	-	19,732
Children's activities	11,745	10	2,234	146	94,436
Related school expenses	-	-	-	-	10
Purchase of services	6,137	2,796	235	26,075	152,062
Purchase of health services	-	176,538	-	-	215,007
Food	533	1,190	2,974	7,835	435,944
Clothing	(200)	2	-	(90)	28,934
Bedding and linen	-	-	-	-	3,673
Program and household supplies	28,685	2,863	39,692	24,475	446,368
Medical supplies and prescriptions	1	36,973	-	11	70,910
Rent - equipment	1,035	3,099	8	13,507	56,220
- vehicles	49,202	922	68	7,498	209,192
- property	46,684	23	1	43	253,626
Utilities	4,563	5,625	377	28,755	254,206
Plant and equipment maintenance	3,035	3,758	234	23,182	349,093
Vehicle maintenance	18,266	188	14	2,560	62,142
Telephone	22,443	7,706	109	17,865	212,741
Postage	338	824	13	11,557	15,818
Dues, licenses and permits	10,287	1,071	87	18,893	139,334
Office supplies	1,978	1,221	65	10,918	37,760
Subscriptions and publications	-	-	2,506	2,751	5,709
Conference expense	3,278	1,282	-	2,990	14,742
Miscellaneous	597	3,771	11,485	29,455	97,681
Professional fees	-	-	-	87,739	87,739
Insurance	23,336	2,409	1,525	10,033	308,884
Interest and finance charges	-	-	-	26,151	296,479
Real estate taxes	4,646	1,621	174	3,913	67,644
Publicity and recruitment	839	192	237	5,451	22,054
Community services	17,062	-	-	-	17,062
Medical transportation	-	-	-	-	60
Bad debt expense	18,498	17,695	100	-	116,328
Depreciation	2,327	4,155	427	31,641	332,812
Total Functional Expenses	<u>1,942,643</u>	<u>980,380</u>	<u>99,251</u>	<u>2,164,642</u>	<u>22,446,011</u>
Allocation of Administration Expenses	<u>211,794</u>	<u>112,699</u>	<u>11,314</u>	<u>(2,164,642)</u>	<u>-</u>
Total Functional Expenses	<u>\$ 2,154,437</u>	<u>\$ 1,093,079</u>	<u>\$ 110,565</u>	<u>\$ -</u>	<u>\$ 22,446,011</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>
Functional Expenses					
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	-	-	-	-	-
Contributions					
Bad debt expense	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>
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>

See accompanying notes to financial statements.

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>
Functional Expenses					
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
Contributions					-
Medical transportation					-
Bad debt expense	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>
Total Functional Expenses	<u>\$ 1,631,885</u>	<u>\$ 1,141,293</u>	<u>\$ 179,147</u>	<u>\$ -</u>	<u>\$ 22,885,658</u>

See accompanying notes to financial statements.

VANDERHEYDEN HALL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 6,094,578	\$ (2,524,768)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	332,812	467,551
Amortization classified as interest expense	89,472	60,795
Bad debts	116,328	13,810
Loss on disposal of property, plant, and equipment	-	9,383
Net realized/unrealized gain on investments	(290,644)	(54,997)
Actuarial loss (gain)	(1,241,377)	1,331,477
Noncash contribution	(140,000)	-
(Increase) Decrease in assets:		
Receivables	(182,744)	(347,346)
Pledges receivable	20,100	19,900
Prepaid expenses	(35,842)	(8,541)
Increase (Decrease) in liabilities:		
Accounts payable	114,536	(59,168)
Accrued expenses	(107,780)	309,374
Deferred revenue	114,790	(4,191)
Refundable advances	(3,269,700)	3,279,700
Net Cash Provided by Operating Activities	<u>1,614,529</u>	<u>2,492,979</u>
Cash Flows From Investing Activities		
Purchase of investments	(44,705)	(166,597)
Proceeds from sale of investments	-	409,756
Expenditures for property, plant and equipment	(294,112)	(296,926)
Escrow Withdrawals (Deposits)	118,627	-
Net Cash Used by Investing Activities	<u>(220,190)</u>	<u>(53,767)</u>
Cash Flows From Financing Activities		
Net proceeds (repayments) on line of credit	-	(907,251)
Repayment of long-term debt	(4,642,608)	(298,931)
Repayment of capital lease	(29,399)	-
Payment of closing costs on long-term debt	(49,965)	-
Proceeds from long-term debt	4,450,000	-
Net Cash Used by Financing Activities	<u>(271,972)</u>	<u>(1,206,182)</u>
Net Increase in Cash, Cash Equivalents and Restricted Cash	1,122,367	1,233,030
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>1,603,693</u>	<u>370,663</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u><u>2,726,060</u></u>	<u><u>1,603,693</u></u>
Reconciliation of Cash Balances Included in the Statements of Cash Flows with Those in the Statements of Financial Position		
Cash and cash equivalents	2,726,060	1,485,066
Restricted cash included in other assets	<u>-</u>	<u>118,627</u>
Total Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 2,726,060</u>	<u>\$ 1,603,693</u>

See accompanying notes to financial statements.

VANDERHEYDEN HALL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Supplemental Information:		
Cash paid for interest	\$ 207,007	\$ 288,987
Noncash Investing Activities		
Donation of land and building	\$ 140,000	\$ -
Equipment acquired with capital lease	105,839	-
Equipment acquired with note payable	70,022	-
Total Noncash Investing Activities	<u>\$ 315,861</u>	<u>\$ -</u>
Noncash Financing Activities		
Capital lease obligation	\$ 105,839	\$ -
Note payable	70,022	-
	<u>\$ 175,861</u>	<u>\$ -</u>

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 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 implemented ASU 2014-19 on July 1, 2020. Adoption of this standard did not have a material impact on the revenue recognized by the Agency for the year ended June 30, 2021.

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.

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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:

	<u>2021</u>	<u>2020</u>
In one year or less	\$ 20,000	\$ 20,100
Between one and four years	<u>-</u>	<u>20,000</u>
Total	<u>\$ 20,000</u>	<u>\$ 40,100</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 \$116,328 and \$13,810 for the years ended June 30, 2021 and 2020, 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:

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

Depreciation expense was \$332,812 and \$467,551 for the years ended June 30, 2021 and 2020, 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.

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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.

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Deferred Financing Costs

In accordance with ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): *Simplifying the Presentation of Debt Issuance Costs* the unamortized financing fees are presented as direct reductions from the unpaid principal of debt (See Note 7). Amortization expense of \$89,472 and \$60,795 for the years ended June 30, 2021 and 2020, respectively, is included with interest expense to the statement of functional expense.

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, 2021 and 2020.

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.

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Fair values of assets and liabilities measured on a recurring basis at June 30, 2021 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	\$ 154,751	\$ 154,751	\$ -	\$ -
Equities				
Consumer Discretionary	43,046	43,046	-	-
Energy	21,671	21,671	-	-
Financials	86,680	86,680	-	-
Health Care	52,491	52,491	-	-
Industrials	49,026	49,026	-	-
Information Technology	205,340	205,340	-	-
Telecommunications	44,706	44,706	-	-
Consumer Cyclical	33,945	33,945	-	-
Exchange Traded Funds				
Equity	367,044	367,044	-	-
Fixed Income	167,685	167,685	-	-
Other	17,289	17,289	-	-
Mutual Funds				
Target date fund	189,636	189,636	-	-
Corporate Debt Securities	92,696	-	92,696	-
Government Bonds	103,952	-	103,952	-
Total Fair Value Measures	<u>\$ 1,629,958</u>	<u>\$ 1,433,310</u>	<u>\$ 196,648</u>	<u>\$ -</u>

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 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	36,325	36,325	-	-
Information Technology	133,371	133,371	-	-
Telecommunications	28,556	28,556	-	-
Consumer Cyclical	23,647	23,647	-	-
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	-
Total Fair Value Measures	<u>\$ 1,294,609</u>	<u>\$ 1,033,363</u>	<u>\$ 261,246</u>	<u>\$ -</u>

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.

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Agency's current financial assets as of June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Total current assets	\$ 7,559,234	\$ 5,975,475
Less unavailable for general expenditures within one year:		
Prepaid expenses	199,573	163,731
Current assets with donor restrictions	<u>232,827</u>	<u>212,827</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,126,834</u>	<u>\$ 5,598,917</u>

3. INVESTMENTS - UNRESTRICTED

Investments are carried at fair value.

	<u>2021</u>	<u>2020</u>
Cash equivalents	\$ 154,751	\$ 163,844
Equities	536,905	366,426
Exchange traded funds	552,018	371,251
Debt securities	<u>196,648</u>	<u>261,246</u>
Total	<u>\$ 1,440,322</u>	<u>\$ 1,162,767</u>

The Agency realized net gains (losses) on sales of investments of \$-0- for the years ended June 30, 2021 and 2020, respectively. Net unrealized gains were \$290,644 and \$54,997 for the years ended June 30, 2021 and 2020, 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. REFUNDABLE ADVANCES

During the year ended June 30, 2020, the Agency received a \$3,279,700 Paycheck Protection Program (PPP) loan from the U.S. Small Business Administration administered through a local financial institution. In accordance with the rules and regulations of the PPP loan program, if the loan proceeds were used to pay qualifying expenses and the Agency meets other parameters outlined in the PPP program the loan would be forgiven. Amounts 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. During the year ended June 30, 2021, the Agency received forgiveness of \$3,269,699 which is reported as a component of nonprogram revenue in the Statement of Activities.

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and June 30, 2020. The interest rate on the note is variable based on Key Bank's prime rate plus 1.00% (4.25% at June 30, 2021). The loan is secured by business assets, certain real estate and investments.

6. CAPITAL LEASE OBLIGATION

The Agency is the lessee of equipment under a capital lease expiring in August 2023. The economic substance of the lease is that the Agency is financing the acquisition of the asset through the lease, and, accordingly, it is recorded in the Agency's assets and liabilities. The equipment is being amortized over its estimated useful life and is included into depreciation expense.

Following is a summary of property held under capital leases:

Furniture, fixtures, and equipment	\$	105,839
Accumulated amortization		<u>(15,876)</u>
	\$	<u>89,963</u>

Future minimum lease payments are as follows:

2022	\$	35,280
2023		35,280
2024		<u>5,880</u>
2025	\$	<u>76,440</u>

The imputed interest necessary to reduce the net minimum lease payments to present value is considered immaterial.

7. LONG-TERM DEBT

	<u>2021</u>	<u>2020</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. (A)	\$ 6,952	\$ 3,061,540
Mortgage payable to Pioneer Savings Bank, interest of 7.00% at June 30, 2019, Maturing November 30, 2021, secured by building.	-	35,900
Mortgage payable through Key Bank NA, interest at 6.00%, payments due through July 2021 secured by buildings. (A)	12,014	82,472

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

7. LONG-TERM DEBT

	<u>2021</u>	<u>2020</u>
Mortgage payable to Facilities Development Corporation, interest at 6.33%, payments due through 2018, secured by building.	\$ 178,030	\$ 178,030
Mortgage payable to Key Bank NA, interest at 4.98%, payments due through April 2031, secured by building. (A)	910	150,847
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. (A)	-	1,313,056
Term note, payable to M&T Bank, fixed interest rate (3.68%) monthly payments based on a 20-year amortization period of \$25,464 through August 2026. Remaining outstanding principal due in August 2026. Secured by business assets, certain real estate and investments. (A)	4,300,000	-
Note payable to Kubota Credit Corporation, U.S.A., payment of \$1,167 at 0.0% interest through November 2025. Secured by equipment.	61,853	-
Note payable to U.S. Small Business Administration, (Economic Injury Disaster Loan), fixed interest rate (2.75%) monthly principal and interest payment of \$641, through June 2049. Secured by tangible personal property.	150,000	-
Kila-Watt Energy & Lighting LLC, interest at 0%, payments through September 2020.	-	10,500
Total Long-Term Debt	4,709,759	4,832,345
Less current installments	148,204	1,590,732
Long-Term Debt, net of current installments	4,561,555	3,241,613
Less deferred financing costs	49,965	89,472
Long-Term Debt less unamortized financing costs	\$ 4,511,590	\$ 3,152,141

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

7. LONG-TERM DEBT

Total interest expense was \$296,479 and \$349,782 for the years ended June 30, 2021 and 2020, respectively.

Imputed interest on 0.0% notes payable is considered immaterial.

(A) Subsequent to year end, M&T Bank provide with a term note of \$4,300,000 to with proceeds used to retire short-term and long-term debt.

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

2022	\$	148,204
2023		170,159
2024		175,968
2025		181,994
2026		180,076
Thereafter		3,853,359

8. 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, 2021 and 2020, totaled \$-0- and \$118,627, respectively. During the year ended June 30, 2021, the Community Preservation Corporation approved the use of the escrow deposit to retire a portion of the outstanding mortgage payable.

9. 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, 2021, and for each of the remaining years are:

2022	\$	454,546
2023		263,207
2024		<u>21,703</u>
Total Minimum Future Rental Payments	\$	<u>739,456</u>

Rental expense was \$519,038 and \$571,041 for the years ended June 30, 2021 and 2020, respectively.

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

10. 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.

The following sets forth the funded status of the Plan in accordance with generally accepted accounting principles at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Accumulated benefit obligation at June 30	\$ 8,845,432	\$ 9,146,478
Fair value of plan assets at June 30	\$ 6,614,525	\$ 5,680,633
Accumulated benefit obligation at June 30	<u>8,845,432</u>	<u>9,146,478</u>
Funded Status	<u>\$ (2,230,907)</u>	<u>\$ (3,465,845)</u>
Weighted average assumptions as of June 30		
Discount rate	2.75%	2.50%
Expected long-term return on plan assets	6.00%	6.00%
Rate of compensation increase	n/a	n/a
Net Periodic Benefit Cost	<u>\$ 126,439</u>	<u>\$ 60,995</u>
Employer Contributions	<u>\$ 120,000</u>	<u>\$ 100,000</u>
Benefits Paid	<u>\$ (182,459)</u>	<u>\$ (304,572)</u>
	<u>2021</u>	<u>2020</u>
<i>Amounts Recognized in the statement of financial position</i>		
Accrued Pension Liability	<u>\$ (2,190,907)</u>	<u>\$ (3,465,845)</u>
Total	<u>\$ (2,190,907)</u>	<u>\$ (3,465,845)</u>
<i>Amounts Recognized in the statement of activities</i>		
Actuarial Gains and (Losses)	\$ 1,241,377	\$ (1,331,477)
Interest cost	(226,381)	(275,240)
Expected return on plan assets	339,493	344,625
Actuarial amortization	<u>(239,551)</u>	<u>(130,380)</u>
Total	<u>\$ 1,114,939</u>	<u>\$ (1,392,472)</u>
<i>Expected Effect in Unrestricted Net Assets in the next fiscal year</i>		
Losses	<u>\$ (239,551)</u>	<u>\$ (130,380)</u>
Expected Employer Contributions for the year ended June 30, 2022	<u>\$ 160,000</u>	

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

10. DEFINED BENEFIT PLAN

Components of Net Periodic Benefit Costs consist of

	<u>2021</u>	<u>2020</u>
Service cost	\$ -	\$ -
Interest cost	(226,381)	(275,240)
Expected return on plan assets	339,493	344,625
Actuarial amortization gain (loss)	<u>(239,551)</u>	<u>(130,380)</u>
Total	<u>\$ (126,439)</u>	<u>\$ (60,995)</u>

Expected Future Benefit Payments

The following are the expected future benefit payments:

2022	\$ 290,000
2023	\$ 320,000
2024	\$ 320,000
2025	\$ 390,000
2026	\$ 410,000
2027 – 2031	\$ 2,230,000

Plan Assets by Category

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

	<u>2021</u>	<u>%</u>	<u>2020</u>	<u>%</u>
Equities	\$ 3,563,948	54	\$ 3,992,123	70
Fixed income	2,648,324	40	1,381,626	24
Cash and equivalents	-	0	226,154	4
Other securities	<u>402,253</u>	<u>6</u>	<u>80,730</u>	<u>2</u>
Total	<u>\$ 6,614,525</u>	<u>100</u>	<u>\$ 5,680,633</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.

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.

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

10. DEFINED BENEFIT PLAN

Other Assumptions

Mortality: Non-annuitant and annuitant; Principal Mortality Improvement Scale (Principal 2016-10).

Assumed Retirement Age: Normal retirement age or age attained, if greater

Cost method: Projected unit credit.

11. 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 \$ 69,296 and \$59,540 for the years ended June 30, 2021 and 2020, 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 \$189,636 and \$131,842 as of June 30, 2021 and June 30, 2020, respectively.

12. 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.

13. 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.

14. 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, 2021, the Agency's uninsured balances totaled approximately \$2,595,000.

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

14. 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.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a respiratory disease, to be a pandemic. 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 and the impact of this situation on the Agency and its future results and financial position is presently undeterminable.

15. CHANGE IN NET DEFICIT AND MANAGEMENT'S PLANS

At June 30, 2021, the Agency's assets exceeded its liabilities by \$427,887. The positive fund balance was a change of \$6,094,578 from the June 30, 2020 net deficit balance of \$(5,666,691). Included in the fund balance change for June 30, 2021 was a forgiven refundable advance of \$3,279,700 from PPP loan program, and \$1,169,627 of Provider Relief Funds (PRF) received from the U.S. Department of Health and Human Services that were part of the CARES Act. Also included in the fund balance change was a liability reduction of approximately \$1,241,000 to the frozen defined benefit plan (Pension). This was due to gains in the pension asset account, as well as changes to the liability based on the actuarial calculations.

In July of 2021, long term debt refinancing of \$4.3M was completed with M&T Bank at a rate of 3.68% amortized over 20 years. This refinanced debt was comprised of \$2,900,000 owed to the Community Preservation Corp. at 4.29%, and \$1,200,000 owed to Key Bank at 4.25%. M&T also extended a \$1.5M line of credit, which was the amount that Key Bank had previously offered. This debt refinancing is reflected on the June 30, 2021 financial statements.

Before the effect of the PPP funds, PRF funds, and the pension changes, the agency had a net surplus of \$553,000 from operations. During the year ended June 30, 2021, census for some programs were higher compared to the year ended June 30, 2020. Management continues to work with counties, school districts, OCFS, OPWDD, and OMH to fill client openings. Management continues the expansion of its community service programs, as these revenue streams have shown steady growth. Additionally, the school has yet to reach its full census of 96, as COVID continued to have an impact on the school census during 2020-2021.

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.

VANDERHEYDEN HALL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

16. 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 15, 2021. The Agency's management is currently evaluating the impact of this standard on their financial statement.

In August 2018, the FASB ASU 2018-14 *Compensation-Retirement Benefits-Defined Benefit Plans-General* (Subtopic 715-20). This update will change disclosure requirements the defined benefit plans and will become effective for years beginning after December 15, 2021. The Agency's management is currently evaluating the impact of this standard on their financial statement.

17. SUBSEQUENT EVENTS

In July 2021, the Agency obtained a \$1,500,000 revolving line of credit with M&T Bank which is due on demand, interest at one-month LIBOR + 3.25%.

In July 2021, the Agency's working capital line of credit with Key Bank NA was terminated.

Management has evaluated all events subsequent to the statement of financial position date of June 30, 2021 through November 10, 2021, 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, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	<u>Education</u>	<u>Residential</u>	<u>Community Residence</u>	<u>Group Homes</u>	<u>Independent Living</u>
Program Support and Revenue					
Counties	\$ 1,182,280	\$ 5,704,844	\$ -	\$ 1,795,938	\$ 204,328
School districts	3,313,992	440,909	-	-	-
Medicaid	-	173,608	4,429,983	4,265	-
Social security	-	-	516,699	-	-
OPWDD	-	-	12,250	-	-
Community services	-	-	-	-	-
Grants	193,147	-	-	-	-
USDA	76,542	39,602	1,048	17,971	-
Health Home	-	-	-	-	-
Miscellaneous income	-	-	145,331	-	330
Retroactive revenue adjustments	(16,848)	76,507	45,210	-	-
Released from restrictions	-	-	-	-	-
Total Program Support and Revenue	<u>4,749,113</u>	<u>6,435,470</u>	<u>5,150,521</u>	<u>1,818,174</u>	<u>204,658</u>
Nonprogram Support and Revenue					
Interest and dividends	-	-	-	-	-
Contributions and bequests	7,985	-	-	-	-
Covid-19 stimulus funding					
Paycheck Protection Porgam	667,944	796,637	724,187	308,036	35,665
Provider Relief Funds	91,609	215,897	100,656	311,227	115,311
Economic Injury Disaster Loan	-	-	-	-	-
Net realized/unrealized gains	-	-	-	-	-
Total Nonprogram Support and Revenue	<u>767,538</u>	<u>1,012,534</u>	<u>824,843</u>	<u>619,263</u>	<u>150,976</u>
Total Support and Revenue Related to Functional Expenses	5,516,651	7,448,004	5,975,364	2,437,437	355,634
Total Functional Expenses	<u>4,958,070</u>	<u>6,522,669</u>	<u>5,369,579</u>	<u>1,911,576</u>	<u>326,036</u>
Excess (Deficiency) of Support and Revenue Over Expense	<u>\$ 558,581</u>	<u>\$ 925,335</u>	<u>\$ 605,785</u>	<u>\$ 525,861</u>	<u>\$ 29,598</u>

VANDERHEYDEN HALL, INC.
SCHEDULE OF SUPPORT AND REVENUE RELATED TO FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	<u>Community Services</u>	<u>Medicaid</u>	<u>Development Fund</u>	<u>2021 Totals</u>	<u>2020 Totals</u>
Program Support and Revenue					
Counties	\$ 243,499	\$ -	\$ -	\$ 9,130,889	\$ 8,931,143
School districts	-	-	-	3,754,901	3,705,389
Medicaid	1,633,507	1,367,066	-	7,608,429	7,016,391
Social security	-	-	-	516,699	526,411
OPWDD	-	-	-	12,250	12,500
Community services	-	-	-	-	39,500
Grants	-	-	83	193,230	203,430
USDA	-	-	-	135,163	122,254
Health Home	550,775	-	-	550,775	475,816
Miscellaneous income	100	-	144,158	289,919	168,522
Retroactive revenue adjustments	(15,203)	8,770	-	98,436	142,161
Released from restrictions	-	-	-	-	-
Total Program Support and Revenue	<u>2,412,678</u>	<u>1,375,836</u>	<u>144,241</u>	<u>22,290,691</u>	<u>21,343,517</u>
Nonprogram Support and Revenue					
Interest and dividends	-	-	34,003	34,003	47,638
Contributions and bequests	170	-	226,390	234,545	246,215
Covid-19 stimulus funding					
Paycheck Protection Porgam	346,958	108,408	281,866	3,269,701	-
Provider Relief Funds	254,317	25,960	54,651	1,169,628	-
Economic Injury Disaster Loan	-	-	10,000	10,000	-
Net realized/unrealized gains	-	-	290,644	290,644	54,997
Total Nonprogram Support and Revenue	<u>601,445</u>	<u>134,368</u>	<u>897,554</u>	<u>5,008,521</u>	<u>348,850</u>
Total Support and Revenue Related to Functional Expenses	<u>3,014,123</u>	<u>1,510,204</u>	<u>1,041,795</u>	<u>27,299,212</u>	<u>21,692,367</u>
Total Functional Expenses	<u>2,154,437</u>	<u>1,093,079</u>	<u>110,565</u>	<u>22,446,011</u>	<u>22,885,658</u>
Excess (Deficiency) of Support and Revenue Over Expense	<u>\$ 859,686</u>	<u>\$ 417,125</u>	<u>\$ 931,230</u>	<u>\$ 4,853,201</u>	<u>\$ (1,193,291)</u>