VANDERHEYDEN HALL, INC.
FINANCIAL REPORT
JUNE 30, 2017

VANDERHEYDEN HALL, INC.

TABLE OF CONTENTS

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vanderheyden Hall, Inc.

Report on the Financial Statements

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, 2017 and 2016, and the related statements of activities 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, 2017 and 2016, 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 20-23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Marvin and Company, P.C.

Latham, NY
December 1, 2017

VANDERHEYDEN HALL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
Current Assets		
Cash and cash equivalents	$ -	$ 81,843
Investments	1,211,094	1,090,603
Accounts receivable, net of allowance of $75,256 and $75,000, respectively		
Government	2,163,355	2,990,634
Other	111,527	26,209
Pledges receivable	-	1,810
Prepaid expenses	50,612	43,956
Total Current Assets	3,536,588	4,235,055
Property, Plant and Equipment		
Land and improvements	585,107	341,468
Buildings and improvements	15,871,807	15,617,020
Furniture, fixtures and equipment	1,594,996	1,553,028
Vehicles	63,955	63,955
Construction in progress	48,599	434,499
Total	18,164,464	18,009,970
Less accumulated depreciation	14,849,664	14,117,446
Net Property, Plant and Equipment	3,314,800	3,892,524
Other Assets		
Trust accounts - restricted		
Cash	-	702,425
U.S. Treasury Notes	-	1,299,925
Restricted cash	60,867	36,744
Investment in CHHUNY	25,000	25,000
Escrow	118,627	118,627
Total Other Assets	204,494	2,182,721
TOTAL ASSETS	$ 7,055,882	$ 10,310,300

See accompanying notes to financial statements.

VANDERHEYDEN HALL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

LIABILITIES AND NET ASSETS (DEFICIT)

	2017	2016
Current Liabilities		
Cash overdraft	$ 83,883	$ -
Note payable - line of credit	2,347,496	2,005,029
Current installments of long-term debt	154,378	796,264
Accrued pension	125,000	-
Accounts payable	486,095	283,723
Accrued expenses	1,048,854	946,294
Deferred revenue	675,358	794,288
Total Current Liabilities	4,921,064	4,825,598
Other Liabilities		
Accrued pension, net of current	1,481,781	2,509,526
Accrued expenses	559,285	559,285
Long-term debt, net of current installments	3,616,877	5,148,657
Total Other Liabilities	5,657,943	8,217,468
Total Liabilities	10,579,007	13,043,066
Net Assets (Deficit)		
Unrestricted		
Undesignated	(1,958,118)	(242,321)
Pension fund liability	(1,606,781)	(2,509,526)
Temporarily restricted	41,774	19,081
Total Net Assets (Deficit)	(3,523,125)	(2,732,766)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 7,055,882	$ 10,310,300

VANDERHEYDEN HALL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Change in Unrestricted Net Assets		
Support and Revenue		
Program	$ 18,897,133	$ 19,866,540
Nonprogram	243,548	128,536
Released from restrictions	8,999	-
Total Support and Revenue	19,149,680	19,995,076
Expenses		
Program Services		
Education	4,858,858	4,217,831
Residential	5,449,752	5,184,045
Community residence	5,162,741	5,116,216
Group homes	1,575,339	1,649,510
Independent living	278,926	295,705
Community services	388,264	238,411
Medicaid	1,036,353	944,220
Total Program Services	18,750,233	17,645,938
Supporting Services		
Development fund (fundraising)	102,548	95,941
Administration	2,086,986	1,798,372
Total Supporting Services	2,189,534	1,894,313
Total Expenses	20,939,767	19,540,251
Change in Unrestricted Net Assets Before the Effect of Actuarial Gains (Losses)	(1,790,087)	454,825
Effect of Actuarial Gains (Losses)	977,035	(900,832)
Decrease in Unrestricted Net Assets	(813,052)	(446,007)
Change in Temporarily Restricted Net Assets		
Contributions and bequests	31,692	10
Amounts released from restrictions	(8,999)	-
Increase in Temporarily Restricted Net Assets	22,693	10
Change in Net Assets	(790,359)	(445,997)
Net Assets (Deficit), Beginning of Year	(2,732,766)	(2,286,769)
Net Assets (Deficit), End of Year	$ (3,523,125)	$ (2,732,766)

See accompanying notes to financial statements.

VANDERHEYDEN HALL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	$ (790,359)	$ (445,997)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	732,215	726,643
Amortization classified as interest expense	6,012	6,012
Bad debts	21,393	16,320
Gain on sale of property, plant, and equipment	-	(3,283)
Net realized/unrealized (gain) loss on investments	(104,630)	20,013
Actuarial (gain) loss	(977,035)	900,832
(Increase) Decrease in assets:		
Restricted cash	(24,123)	(17,923)
Receivables	722,378	(49,076)
Prepaid expenses	(6,656)	31,961
Increase (Decrease) in liabilities:		
Cash overdraft	83,883	-
Accounts payable	202,372	(157,799)
Accrued expenses	176,850	(79,465)
Deferred revenue	(118,930)	236,685
Net Cash Provided (Used) by Operating Activities	(76,630)	1,184,923
Cash Flows From Investing Activities		
Proceeds from sale of trust account assets	2,007,363	3,352,466
Purchase of trust account assets	(5,013)	(3,369,259)
Proceeds of investments, net	(15,861)	(23,501)
Expenditures for property, plant and equipment	(154,491)	(406,582)
Proceeds from sale of property, plant and equipment	-	31,828
Investment in CHHUNY	-	(25,000)
Net Cash Provided (Used) by Investing Activities	1,831,998	(440,048)
Cash Flows From Financing Activities		
Net proceeds (repayments) on line of credit	342,467	(273,568)
Repayment of long-term debt	(2,179,678)	(716,596)
Proceeds from long-term debt	-	190,000
Net Cash Used by Financing Activities	(1,837,211)	(800,164)
Net Decrease in Cash and Cash Equivalents	(81,843)	(55,289)
Cash and Cash Equivalents, Beginning of Year	81,843	137,132
Cash and Cash Equivalents, End of Year	$ -	$ 81,843
Supplemental Information:		
Cash paid for interest	$ 364,288	$ 354,118

See accompanying notes to financial statements.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. If the restrictions are met in the same year in which the contributions are received, they are reported as increases in unrestricted net assets.

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 and are recorded at their net realizable value. Uncollectible promises are expected to be insignificant. All pledges receivable are expected to be received within one year.

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 totaled $21,393 and $16,320 for the years ended June 30, 2017 and 2016, respectively.

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:

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

Depreciation expense was $732,215 and $726,643 for the years ended June 30, 2017 and 2016, 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. Information returns and tax returns filed by the Agency are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year 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. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency and are allocated based on total direct program expenses to total direct expenses, the ratio-value method.

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, 2017 and June 30, 2016.

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

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.

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, 2017 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	$ 177,864	$ 177,864	$ -	$ -
Equities				
Consumer Discretionary	52,800	52,800	-	-
Consumer Staples	28,475	28,475	-	-
Energy	32,379	32,379	-	-
Financials	61,883	61,883	-	-
Health Care	35,757	35,757	-	-
Industrials	31,384	31,384	-	-
Information Technology	137,036	137,036	-	-
Telecommunications	8,452	8,452	-	-
American Depository Receipts	4,966	-	4,966	-
Mutual Funds				
Fixed Income	176,626	176,626	-	-
Exchange Traded Funds				
Equity	203,134	203,134	-	-
Fixed Income	187,273	187,273	-	-
Corporate Debt Security	28,116	-	28,116	-
Government Bonds	44,949	-	44,949	-
Total Fair Value Measures	$ 1,211,094	$ 1,133,063	$ 78,031	$ -

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, 2016 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash Equivalents	$ 149,129	$ 149,129	$ -	$ -
Equities				
Consumer Discretionary	68,600	68,600	-	-
Consumer Staples	42,597	42,597	-	-
Energy	41,118	41,118	-	-
Financials	72,244	72,244	-	-
Health Care	48,479	48,479	-	-
Industrials	32,940	32,940	-	-
Information Technology	142,961	142,961	-	-
Telecommunications	23,609	23,609	-	-
American Depository Receipts	10,534	-	10,534	-
Mutual Funds				
Fixed Income	35,261	35,261	-	-
Exchange Traded Funds				
Equity	227,437	227,437	-	-
Fixed Income	56,798	56,798	-	-
Corporate Debt Securities	29,241	-	29,241	-
Government Bonds	97,122	-	97,122	-
Government Agency	12,533	-	12,533	-
Total Investments	1,090,603	941,173	149,430	-
Trust Accounts				
Cash Equivalents	702,425	702,425	-	-
U.S. Treasury Notes	1,299,925	-	1,299,925	-
Total Trust Accounts	2,002,350	702,425	1,299,925	-
Total Fair Value Measures	$3,092,953	$ 1,643,598	$ 1,449,355	$ -

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Investment in CHHUNY

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

New Accounting Standards

During the year ended June 30, 2017, the Agency 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 4, Long-Term Debt). Amortization is required to be included with interest expense in the schedule of functional expenses.

Previously, the Agency reflected unamortized debt issuance costs as deferred charges in the statement of financial position, and has retroactively reclassified 2016 amounts to agree with the new deduction presentation. The reclassifications reduced total other assets and long-term debt, net of current installments at December 31, 2016 by $88,850 with no effect on net assets.

2. INVESTMENTS

Investments are carried at fair value.

	2017	2016
Cash equivalents	$ 177,864	$ 149,129
Equity securities	393,132	483,082
Mutual funds	176,626	35,261
Exchange traded funds	390,407	284,235
Debt securities	73,065	138,896
Total	$ 1,211,094	$ 1,090,603

The Agency realized net gains (losses) on sales of investments of $14 and $3,535 for the years ended June 30, 2017 and 2016, respectively. Net unrealized gains (losses) were $104,616 and ($23,548) for the years ended June 30, 2017 and 2016, respectively. The Agency's investment securities are classified as unrestricted. Therefore, investment income and unrealized gains or losses are considered unrestricted.

3. LINE OF CREDIT

The Agency has available a $2,950,000 working capital line of credit with Key Bank NA which is due on demand. The outstanding balance on this note was $2,347,496 at June 30, 2017 and $2,005,029 at June 30, 2016. The interest rate on the note is variable (4.25% at June 30, 2017). The loan is secured by all real estate and investments and cross collateralized with a Key Bank NA mortgage in the amount of $296,093.

4. LONG-TERM DEBT

	2017	2016
Bonded mortgage payable to the Dormitory Authority of the State of New York (see Note 11). Bonds were called in November 2016.	$ -	$ 2,025,000
Mortgage payable to Community Preservation Corp. (CPC), variable interest rate (4.29% at June 30, 2017). Payments through April 1, 2026, secured by buildings.	3,285,354	3,353,792
Mortgage payable to Pioneer Savings Bank, interest of 7.00% at June 30, 2017, maturing November 30, 2021, secured by building.	93,101	109,668
Mortgage payable to the Facilities Development Corporation, interest at 6.33%, payments due through 2018, secured by a building.	178,030	178,030
Mortgage payable to Key Bank NA, interest at 6.00%, payments due through July 2020, secured by buildings.	116,548	126,967
Mortgage payable to Key Bank NA, interest at 4.98%, payments due through April 2031, secured by building.	179,545	188,299
Mortgage payable to Key Bank NA, interest at 4.46%, maturing June, 21, 2016, secured by buildings.	-	44,329
Retail installment agreement, interest at 6.9%, payments due through September 2017, secured by equipment.	1,515	7,686
Total Long-Term Debt	3,854,093	6,033,771
Less current installments	154,378	796,264
Long-Term Debt, net of current installments	3,699,715	5,237,507
Less deferred financing costs	82,838	88,850
Long-Term Debt less unamortized financing costs	$ 3,616,877	$ 5,148,657

4. LONG-TERM DEBT

Total interest expense was $317,144 and $344,117 for the years ended June 30, 2017 and 2016, respectively.

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

2018	$ 154,378
2019	143,234
2020	134,677
2021	139,828
2022	263,944
Thereafter	3,018,032

5. 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, 2017 and 2016, totaled $118,627.

6. 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, 2017, and for each of the remaining years are:

2018	$ 288,772
2019	40,696
2020	29,817
2021	21,970
2022	15,814
Total Minimum Future Rental Payments	$ 397,069

Rental expense was $428,702 and $433,691 for the years ended June 30, 2017 and 2016, respectively.

7. 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.

7. DEFINED BENEFIT PLAN

The following sets forth the funded status of the Plan in accordance with generally accepted accounting principles at June 30, 2017 and 2016:

	2017	2016
Accumulated benefit obligation at June 30	$ 7,357,122	$ 7,593,331
Fair value of plan assets at June 30	$ 5,750,341	$ 5,083,805
Accumulated benefit obligation at June 30	7,357,122	7,593,331
Funded Status	$ (1,606,781)	$ (2,509,526)
Weighted average assumptions as of June 30		
Discount rate	3.75%	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	$ 74,290	$ 73,130
Employer Contributions	$ -	$ 75,000
Benefits Paid	$ (240,661)	$ (169,431)
Amounts Recognized in the statement of financial position		
Accrued Pension Liability	$ (1,606,781)	$ (2,509,526)
Total	$ (1,606,781)	$ (2,509,526)
Amounts Recognized in the statement of activities		
Actuarial Gains and (Losses)	$ 977,035	$ (900,832)
Interest cost	(262,863)	(287,352)
Expected return on plan assets	300,050	313,352
Actuarial amortization	(111,477)	(99,130)
Total	$ 902,745	$ (973,962)
Expected Effect in Unrestricted Net Assets in the next fiscal year		
Gains/(losses)	$ (111,477)	$ (111,477)
Expected Employer Contributions for the year ended June 30, 2018		$ 125,000

7. DEFINED BENEFIT PLAN

Expected Future Benefit Payments

The following are the expected future benefit payments:

2018	$ 165,152
2019	179,724
2020	197,028
2021	211,804
2022	247,821
2023 - 2027	1,866,382

Plan Assets by Category

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

	2017	%	2016	%
Equities	$ 3,966,574	69	$ 3,753,461	74
Fixed income	1,446,180	25	1,171,748	23
Cash and equivalents	220,666	4	56,217	1
Other securities	116,921	2	102,379	2
Total	$ 5,750,341	100	$ 5,083,805	100

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

Investment Policy

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

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

Other Assumptions

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

8. 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 $38,045 and $30,077 for the years ended June 30, 2017 and 2016, 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 $60,867 and $36,744 as of June 30, 2017 and June 30, 2016, respectively.

9. TRUST ACCOUNTS - RESTRICTED

In connection with the bonded mortgage with the Dormitory Authority of the State of New York, (DASNY), the Agency was required to maintain the following accounts administered by DASNY. During the year ended June 30, 2017, these funds were used to pay the outstanding balance on these bonds.

June 30, 2016

	Cash	U.S. Treasury Notes	Total
Construction Fund	$ 2,659	$ 384,539	$ 387,198
Debt Service Fund	698,279	-	698,279
Building and Equipment Reserve Fund	649	187,669	188,318
Debt Service Reserve Fund	838	727,717	728,555
Total	$ 702,425	$ 1,299,925	$ 2,002,350

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent amounts restricted by donors for certain programs and purposes.

11. DORMITORY AUTHORITY INSURED REVENUE BONDS

The Dormitory Authority of the State of New York (the Authority), Vanderheyden Hall, Inc. Insured Revenue Bonds, Series 1998F, were issued in September 1998 as special obligations of the Authority. The bonds are payable solely from, and secured by, a pledge of certain payments from the tuition billings under the 853 School Program. Under the loan agreement a separate tuition rate is calculated based on the repayment requirements of the mortgage. Tuition invoices are submitted to the counties and school districts responsible for the pupils and payments are sent directly to the State Comptroller's Office and then forwarded to the Authority. These payments are deposited directly into the Debt Service Fund (see Note 9) and are therefore restricted to the payment of principal and interest under the bond issue and are not available for any other purpose. As a result, related accounts receivable have been reflected as current assets in the statement of financial position to the extent they can be used to meet the debt service requirements in the subsequent year. The remaining amount has been reflected in other assets in the statement of financial position. The billing revenues of $-0- and $869,828 for the years ended June 30, 2017 and 2016, respectively, are included in the statement of activities in program support and revenue section.

In November 2016, the Authority notified the Agency that the bonds were being called and a Notice of Defeasance was issued by the Authority. The Authority used the Agency's trust accounts (See Note 9) to defease the bonds. A balance of $354,457 representing outstanding tuition invoices submitted to the counties and school districts was written off as of the date of the defeasance of the bonds and is included in the statement of activities in program support and revenue section.

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 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.

13. 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.

14. NET DEFICITS/MANAGEMENT'S PLANS

At June 30, 2017, the Agency's current liabilities exceed its current assets by $1,384,476, and the Agency has a net accumulated deficit of $3,523,125 (including net accumulated deficit of $1,606,781 related to the defined benefit pension plan (Note 7)). The Agency's decrease in net assets for the years ended June 30, 2017 and 2016, was $790,359 and $445,997, respectively. Included in the increase (decrease) in net assets were gains (losses) from the defined benefit plan in the amount $977,035 and ($900,832) for the years ended June 30, 2017 and 2016, respectively. Included in the Agency's change in net assets for the year ended June 30, 2017 is a one-time retroactive revenue adjustment of approximately $354,000 related to the defeasance of the DASNY Bonds.

During the current period, census for various programs was significantly lower compared to the prior year. Management continues to work with counties, school districts, and OPWDD to fill client openings. Management is also working to develop and implement other revenue streams and to enhance program services. For example, during 2017 management launched a new business providing care management for Health Homes. The Agency has applied for licensure to provide several new services. Management has also instituted a number of initiatives to reduce expenses and is evaluating the profitability of each of its programs for viability. The Agency's management is optimistic that the work being done collaboratively with our Board of Directors to ensure our financial strength moving forward will be effective.

16. SUBSEQUENT EVENTS

Management has evaluated all events subsequent to the statement of financial position date of June 30, 2017 through December 1, 2017, 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, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	Education					
	Operations	Dormitory Authority	Residential	Community Residence	Group Homes	Independent Living
Program Support and Revenue						
Counties	$ 1,102,767	$ -	$ 5,650,956	$ -	$ 1,731,715	$ 239,556
School districts	2,300,631	-	571,948	-	-	-
Medicaid	-	-	-	4,709,043	-	-
Social security	-	-	-	506,737	783	-
OPWDD	-	-	-	6,250	-	-
DASNY	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Grants	170,561	-	-	-	-	-
USDA	55,263	-	33,153	1,719	17,439	-
Health Home	-	-	-	-	-	-
Miscellaneous income	(305)	-	1,070	108,406	-	589
Retroactive revenue adjustments	104,650	(354,457)	-	(5,076)	-	-
Released from restrictions	-	-	8,999	-	-	-
Total Program Support and Revenue	3,733,567	(354,457)	6,266,126	5,327,079	1,749,937	240,145
Nonprogram Support and Revenue						
Interest and dividends	2,051	-	-	-	-	-
Contributions and bequests	1,412	-	1,900	300	-	-
Miscellaneous income	-	-	-	-	-	-
Net realized/unrealized gains (losses)	-	-	-	-	-	-
Total Nonprogram Support and Revenue	3,463	-	1,900	300	-	-
Total Support and Revenue Related to Functional Expenses	3,737,030	(354,457)	6,268,026	5,327,379	1,749,937	240,145
Total Functional Expenses	4,926,300	453,026	6,052,275	5,739,235	1,756,631	303,730
Excess (Deficiency) of Support and Revenue Over Expense	$ (1,189,270)	$ (807,483)	$ 215,751	$ (411,856)	$ (6,694)	$ (63,585)

VANDERHEYDEN HALL, INC.
SCHEDULE OF SUPPORT AND REVENUE RELATED TO FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	Community Services	Medicaid	Development Fund	2017 Totals	2016 Totals
Program Support and Revenue					
Counties	$ -	$ -	$ -	$ 8,724,994	$ 8,540,647
School districts	-	-	-	2,872,579	2,746,347
Medicaid	395,918	1,308,462	-	6,413,423	6,602,919
Social security	-	-	-	507,520	512,963
OPWDD	-	-	-	6,250	15,148
DASNY	-	-	-	-	869,828
Community services	22,837	-	26,750	49,587	18,467
Grants	-	-	1	170,562	147,750
USDA	-	-	-	107,574	113,963
Health Home	52,910	-	-	52,910	-
Miscellaneous income	-	-	136,716	246,476	163,629
Retroactive revenue adjustments	141	-	-	(254,742)	134,879
Released from restrictions	-	-	-	8,999	-
Total Program Support and Revenue	471,806	1,308,462	163,467	18,906,132	19,866,540
Nonprogram Support and Revenue					
Interest and dividends	-	-	32,878	34,929	36,124
Contributions and bequests	50	-	100,327	103,989	109,125
Miscellaneous income	-	-	-	-	3,300
Net realized/unrealized gains (losses)	-	-	104,630	104,630	(20,013)
Total Nonprogram Support and Revenue	50	-	237,835	243,548	128,536
Total Support and Revenue Related to Functional Expenses	471,856	1,308,462	401,302	19,149,680	19,995,076
Total Functional Expenses	431,925	1,162,030	114,615	20,939,767	19,540,251
Excess (Deficiency) of Support and Revenue Over Expense	$ 39,931	$ 146,432	$ 286,687	$ (1,790,087)	$ 454,825

VANDERHEYDEN HALL, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	Education					
	Operations	Dormitory Authority	Residential	Community Residence	Group Homes	Independent Living
Functional Expenses						
Personal services	$ 3,022,785	$ -	$ 3,525,789	$ 3,334,161	$ 1,050,706	$ 119,640
Fringe benefits	747,867	-	876,599	822,860	259,720	33,339
Transportation and worker's expense	4,151	-	46,930	56,288	11,148	2,767
Children's allowances	-	-	8,402	86	3,215	8,644
Children's activities	3,105	-	45,490	2,777	12,007	145
Related school expenses	113	-	-	-	-	-
Purchase of services	43,219	-	17,484	24,862	6,792	489
Purchase of health services	84,335	-	1,758	3,566	1,256	177
Food	109,263	-	127,900	131,125	39,353	10,472
Clothing	819	-	15,168	7,873	4,585	1,304
Bedding and linen	-	-	-	-	-	-
Program and household supplies	86,546	-	77,452	64,401	18,778	8,591
Medical supplies and prescriptions	-	-	-	14,557	3,084	5
Rent - equipment	12,174	-	9,222	11,481	3,645	1,779
- vehicles	7,399	-	31,638	52,719	15,171	5,556
- property	10	-	11	157,478	4	59,813
Utilities	63,659	-	85,312	72,188	27,445	943
Plant and equipment maintenance	83,806	-	64,863	65,105	28,049	1,320
Vehicle maintenance	2,304	-	15,467	33,429	8,457	609
Telephone	8,411	-	13,285	83,423	17,379	9,882
Postage	314	-	20	66	-	-
Dues, licenses and permits	3,558	-	18,468	8,794	6,357	3,054
Office supplies	6,134	-	8,550	3,512	745	202
Subscriptions and publications	363	-	31	22	12	-
Conference expense	4,312	-	2,301	3,514	512	201
Miscellaneous	894	-	1,740	1,589	376	48
Professional fees	-	33,730	-	-	-	-
Insurance	50,633	-	49,907	70,471	15,979	6,450
Interest and finance charges	3,511	53,156	224,822	24,670	8,618	1,142
Real estate taxes	207	-	588	656	5,104	2
Publicity and recruitment	3,562	-	6,803	6,837	2,226	1,113
Community Services	-	-	-	-	-	-
Contributions	-	-	459	(33)	(471)	(5)
Medical transportation	-	-	-	-	-	-
Bad debt expense	1,657	-	2,759	10,666	115	25
Depreciation	54,870	361,991	170,534	93,598	24,972	1,219
Total Functional Expenses	4,409,981	448,877	5,449,752	5,162,741	1,575,339	278,926
Allocation of Administration Expenses	516,319	4,149	602,523	576,494	181,292	24,804
Total Functional Expenses	$ 4,926,300	$ 453,026	$ 6,052,275	$ 5,739,235	$ 1,756,631	$ 303,730

VANDERHEYDEN HALL, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	Community Services	Medicaid	Development Fund	Adminis-tration	2017 Totals	2016 Totals
Functional Expenses						
Personal services	$ 248,910	$ 471,402	$ 33,469	$ 1,132,794	$ 12,939,656	$ 11,833,861
Fringe benefits	62,475	115,768	8,190	277,213	3,204,031	3,033,220
Transportation and worker's expense	9,900	1,473	406	6,909	139,972	138,442
Children's allowances	(1)	-	-	-	20,346	23,376
Children's activities	5,222	-	4,480	316	73,542	75,224
Related school expenses	-	-	13	-	126	86
Purchase of services	545	14,321	2,238	278,410	388,360	271,398
Purchase of health services	-	161,278	-	750	253,120	289,895
Food	274	266	15,529	12,412	446,594	425,832
Clothing	-	-	503	-	30,252	38,217
Bedding and linen	-	-	-	-	-	3,607
Program and household supplies	3,722	3,134	18,172	55,610	336,406	323,908
Medical supplies and prescriptions	-	202,502	-	-	220,148	215,402
Rent - equipment	245	3,089	1,499	16,903	60,037	71,486
- vehicles	10,683	3,464	43	8,032	134,705	140,423
- property	16,639	1	-	4	233,960	221,782
Utilities	-	6,128	440	20,393	276,508	260,595
Plant and equipment maintenance	21	2,572	746	14,845	261,327	368,666
Vehicle maintenance	8,886	818	14	3,689	73,673	71,730
Telephone	3,052	6,121	45	23,073	164,671	166,100
Postage	5	249	-	11,784	12,438	11,435
Dues, licenses and permits	1,560	2,689	391	28,407	73,278	36,895
Office supplies	216	1,215	17	11,562	32,153	27,687
Subscriptions and publications	-	2	-	882	1,312	1,529
Conference expense	241	2,428	3	6,757	20,269	28,739
Miscellaneous	193	518	11,890	36,856	54,104	28,063
Professional fees	-	-	-	77,162	110,892	65,601
Insurance	5,528	1,850	1,279	40,280	242,377	210,490
Interest and finance charges	-	2	-	1,223	317,144	344,117
Real estate taxes	-	16	1	26,909	33,483	28,059
Publicity and recruitment	-	-	490	7,369	28,400	41,423
Community Services	2,525	-	-	-	2,525	-
Contributions	50	-	-	-	-	-
Medical transportation	-	350	-	-	350	-
Bad debt expense	7,163	31,016	1,810	(33,818)	21,393	16,320
Depreciation	210	3,681	880	20,260	732,215	726,643
Total Functional Expenses	388,264	1,036,353	102,548	2,086,986	20,939,767	19,540,251
Allocation of Administration Expenses	43,661	125,677	12,067	(2,086,986)	-	-
Total Functional Expenses	$ 431,925	$ 1,162,030	$ 114,615	$ -	$ 20,939,767	$ 19,540,251