

Youth Haven, Inc.

Financial Statements
and Independent Auditors' Report

Year Ended August 31, 2023

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Independent Auditors' Report

To the Board of Directors
Youth Haven, Inc.
Rives Junction, Michigan

Opinion

We have audited the accompanying financial statements of Youth Haven, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Haven, Inc. as of August 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

November 15, 2023

Youth Haven, Inc.
Statement of Financial Position
August 31, 2023

Assets

Current Assets:

Cash and cash equivalents	\$ 168,299
Investments	1,476,066
Prepaid expenses	<u>9,560</u>
Total current assets	<u>1,653,925</u>

Property and Equipment:

Construction in progress	39,571
Land and land improvements	515,875
Buildings and improvements	5,015,903
Office equipment	440,094
Vehicles	210,454
Camp equipment	806,623
Radio equipment	<u>47,407</u>
	7,075,927
Less accumulated depreciation	<u>4,676,848</u>
Net property and equipment	<u>2,399,079</u>

Other Assets:

Restricted investments	<u>103,163</u>
Total other assets	<u>103,163</u>
	<u>\$ 4,156,167</u>

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 27,409
Accrued expenses	<u>44,878</u>
Total current liabilities	<u>72,287</u>

Net Assets:

Without donor restrictions	3,905,384
With donor restrictions	<u>178,496</u>
Total net assets	<u>4,083,880</u>
	<u>\$ 4,156,167</u>

Youth Haven, Inc.
Statement of Activities
Year Ended August 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support:			
Contributions	\$ 2,280,627	\$ 52,157	\$ 2,332,784
In-kind contributions	60,678	-	60,678
Other income	44,008	-	44,008
Net assets released from restrictions	14,407	(14,407)	-
Total revenues, gains and other support	<u>2,399,720</u>	<u>37,750</u>	<u>2,437,470</u>
Functional Expenses:			
Program:			
On-site and off-site programs	<u>2,174,743</u>	<u>-</u>	<u>2,174,743</u>
Support Services:			
Management and general	251,329	-	251,329
Fund-raising	<u>169,111</u>	<u>-</u>	<u>169,111</u>
Total support services	<u>420,440</u>	<u>-</u>	<u>420,440</u>
Total functional expenses	<u>2,595,183</u>	<u>-</u>	<u>2,595,183</u>
Changes in Net Assets from Operations	<u>(195,463)</u>	<u>37,750</u>	<u>(157,713)</u>
Non-Operating Income (Expense):			
Gain (loss) on disposal of property and equipment	33,930	-	33,930
Investment return, net	<u>34,731</u>	<u>7,508</u>	<u>42,239</u>
Total non-operating income (expense)	<u>68,661</u>	<u>7,508</u>	<u>76,169</u>
Changes in Net Assets	(126,802)	45,258	(81,544)
Net Assets - Beginning of Year	<u>4,032,186</u>	<u>133,238</u>	<u>4,165,424</u>
Net Assets - End of Year	<u>\$ 3,905,384</u>	<u>\$ 178,496</u>	<u>\$ 4,083,880</u>

See Notes to Financial Statements.

Youth Haven, Inc.
Statement of Functional Expenses
Year Ended August 31, 2023

	Supporting Services			Total
	Program	Management & General	Fundraising	
Personnel costs:				
Salaries	\$ 1,001,510	\$ 116,455	\$ 46,582	\$ 1,164,547
Payroll taxes	81,595	9,488	3,795	94,878
Benefits	175,904	20,454	8,182	204,540
Other	1,907	222	89	2,218
	<u>1,260,916</u>	<u>146,619</u>	<u>58,648</u>	<u>1,466,183</u>
In-kind expenses	60,678	-	-	60,678
Outside labor & rentals	30,431	13,042	-	43,473
Insurance	49,881	5,800	2,320	58,001
Supplies	137,917	5,807	1,452	145,176
Food	82,523	834	-	83,357
Laundry	10,458	106	-	10,564
Contributions	14,906	1,733	693	17,332
Dues and fees	25,898	5,111	3,067	34,076
Events	6,180	11,885	29,474	47,539
Technology	33,306	3,873	1,549	38,728
Advancement expenses	712	-	11,151	11,863
Printing & postage	46,114	14,673	44,018	104,805
Utilities	127,423	14,817	5,927	148,167
Vehicles	34,464	4,007	1,603	40,074
Facility maintenance & upgrades	54,943	-	-	54,943
Miscellaneous	43	5	2	50
Total functional expenses before depreciation	<u>1,976,793</u>	<u>228,312</u>	<u>159,904</u>	<u>2,365,009</u>
Depreciation	<u>197,950</u>	<u>23,017</u>	<u>9,207</u>	<u>230,174</u>
Total functional expenses	<u>\$ 2,174,743</u>	<u>\$ 251,329</u>	<u>\$ 169,111</u>	<u>\$ 2,595,183</u>

See Notes to Financial Statements.

Youth Haven, Inc.
Statement of Cash Flows
Year Ended August 31, 2023

Cash Flows From Operating Activities:

Increase (decrease) in net assets	\$ (81,544)
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by operating activities:	
Depreciation	230,174
Unrealized (gain) loss on investments	(40,893)
(Gain) loss on asset disposal	(33,930)
Net changes in assets and liabilities:	
Prepaid expenses	(4,420)
Accounts payable	(43,579)
Accrued expenses	<u>(16,751)</u>
Net cash provided (used) by operating activities	<u>9,057</u>

Cash Flows From Investing Activities:

Proceeds from the sale of investments	100,000
Purchase of investments	(7,326)
Proceeds from the sale of capital assets	33,930
Capital expenditures	<u>(194,598)</u>
Net cash provided (used) by investing activities	<u>(67,994)</u>

Net Increase (Decrease) in Cash and Cash Equivalents (58,937)

Cash and Cash Equivalents - Beginning of Year 227,236

Cash and Cash Equivalents – End of Year \$ 168,299

Youth Haven, Inc.
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization Purpose

The purpose of Youth Haven, Inc. (Youth Haven) is to maintain and operate a year-round nonprofit, non-denominational Christian organization youth ranch which serves underprivileged children. Youth Haven has facilities located in Michigan and Arizona and is funded mainly through contributions.

Basis of Accounting

The accompanying financial statements and information are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenditures are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the standards set by the Financial Accounting Standards Board (FASB). According to these professional standards, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax-Exempt Status

Youth Haven is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and has received a determination letter from the Internal Revenue Service that it is exempt from federal income tax on its related exempt activities under Code Section 501(a). The Organization is required to report its operations by filing Form 990 annually.

Professional standards require an analysis of uncertain tax positions for the purpose of determining whether benefits associated with those positions may be recognized for financial statement purposes. Based on the analysis, the Organization has determined it has no material uncertain tax positions for which the associated benefits may not be recognized nor for which disclosure is required.

Youth Haven, Inc.
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Measure of Operations

The Statement of Activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Functional Expense Allocation

The costs of providing programs and other activities have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis generally based on estimates of time and effort.

Investments and Fair Value

Investments are stated at fair market value for all debt and equity securities. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) of those investments, interest, and dividends, net of investment fees, are presented in the Statement of Activities in accordance with donor restrictions as investment return. Donor-restricted investment income where restrictions are met in the same reporting period are reported as net assets without donor restrictions income.

The Organization applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements (Note 2).

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include amounts in demand and time deposit accounts and all highly liquid debt instruments with original maturities of three months or less. At times, deposits may exceed FDIC limits.

Property and Equipment and Depreciation

Property and equipment acquisitions are accounted for at cost if purchased. Donated property and equipment are stated at fair market value at the date of receipt. Property and equipment constructed with donated labor are stated at cost for materials. Assets are capitalized if the cost of an individual item is \$5,000 or more. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets as follows:

	<u>Method</u>	<u>Life</u>
Land improvements	Straight-line	12.5 Years
Buildings and improvements	Straight-line	10-25 Years
Office equipment	Straight-line	5-7 Years
Vehicles	Straight-line	5 Years
Camp equipment	Straight-line	10 Years
Radio equipment	Straight-line	10 Years

Youth Haven, Inc.
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Contributions

The Organization accounts for contributions as required by the Not-For-Profit Topic of the Financial Accounting Standards Board Codification. In accordance with this guidance, unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the asset.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Donated Goods and Services

During the year, the value of contributed goods and services meeting the requirements for recognition in the financial statements has been recorded at the fair value of the donations received. Total value of donated goods and services included in expenses was \$60,678 for the reported year. Various program help and support of daily operations including ground maintenance, event assistance, repairs, and general operations was provided by volunteers. These donated services of approximately 10,200 volunteer hours have not been reflected in the financial statements because they did not meet the criteria for recognition.

Advertising

Advertising costs are expensed as incurred; the expense recognized for the reported year was \$11,863.

Retirement Plan

The Organization maintains a 401(k) retirement plan on behalf of its employees. The Organization matches 100% up to 3% of eligible employee compensation and then 50% for eligible employee compensation between 4% and 6%. The Organization contributed approximately \$30,000 to the plan for the year ended August 31, 2023.

Subsequent Events

Management has evaluated subsequent events through the date of the auditors' report, the date the financial statements were available to be issued.

2. Fair Value

FASB has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Fair Value Measurements: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Youth Haven, Inc.
Notes to Financial Statements

2. Fair Value (Continued)

Level 2 Fair Value Measurements: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Fair Value Measurements: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in valuation methodologies from the previous year.

Certificates of Deposit: Valued at cost plus accumulated earnings.

Mutual Funds: Valued at the closing price provided by the investment advisor.

Corporate Stocks: Valued at the closing price of the publicly traded stock on the open market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods 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.

The following table presents assets that are measured at fair value on a recurring basis at August 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 3,175	\$ -	\$ -	\$ 3,175
Certificates of deposit	580,177	-	-	580,177
Mutual funds	<u>995,877</u>	<u>-</u>	<u>-</u>	<u>995,877</u>
Total assets at fair value	<u>\$ 1,579,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,579,229</u>

These investments are reported in the Statement of Financial Position as follows:

Investments	\$ 1,476,066
Restricted investments	<u>103,163</u>
	<u>\$ 1,579,229</u>

Youth Haven, Inc.
Notes to Financial Statements

3. Net Assets with Donor Restrictions

Net assets with donor restrictions as of August 31, 2023 were available for the following purposes:

Camp improvements	\$ 64,958
College scholarship fund	10,375
Westrate scholarship and ranch enhancement fund	24,500
Shively endowment fund	<u>78,663</u>
	<u>\$ 178,496</u>

The Shively Memorial Fund contains \$60,000 of an original gift to be held in perpetuity and accumulated investment gains subject to a spending policy of \$18,663. These amounts are available for Christmas programming. See Note 4 for additional information.

4. Endowment Fund

The Organization's endowment includes donor-restricted funds based on the existence of donor-imposed restrictions.

The Organization has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Based on this interpretation, the Organization classified net assets with donor restrictions (a time restriction in perpetuity) as (a) the original value of initial gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment income from donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor stipulated purpose within the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The Organization's investment and spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported. The spending policy allows for predictability of spendable funds for budgeting purposes and for steady growth in distributions in support of operations at least equal to the rate of inflation, without endangering the capital value of the fund.

To satisfy its long-term rate of return objectives, the Organization relies on total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (investment and dividends). The Organization targets a diverse asset allocation of mutual funds.

Accordingly, the Organization expects the current spending policy to allow its net assets to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the investments and net assets, as well as to provide additional real growth through new gifts and investment return.

Youth Haven, Inc.
Notes to Financial Statements

5. Liquidity

The Organization has \$1,653,925 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$168,299, investments of \$1,476,066, and prepaid expenses of \$9,560. The prepaid expenses will be expended as used during the upcoming year.

The financial assets currently available have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and amounts set aside for long-term investing. The restricted investments, although a financial asset and expected to be spent within the next fiscal year, are not available for general use but is instead earmarked for specific purchases.

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.