

YOUTH HAVEN, INC.
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7-13

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Youth Haven, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Youth Haven, Inc. (a nonprofit corporation), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Youth Haven, Inc. as of August 31, 2019, 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.

Manes Costeiran PC

December 18, 2019

**YOUTH HAVEN, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 389,334
Investments	1,212,693
Prepaid expenses	12,509
Total current assets	1,614,536

LONG-TERM ASSETS

Property and equipment, net	1,776,224
Investments - restricted	63,141
Total long-term assets	1,839,365

TOTAL ASSETS	\$ 3,453,901
--------------	--------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 29,824
Accrued expenses	21,471
Total current liabilities	51,295

NET ASSETS

Without donor restrictions	3,338,390
With donor restrictions	64,216
Total net assets	3,402,606

TOTAL LIABILITIES AND NET ASSETS	\$ 3,453,901
----------------------------------	--------------

YOUTH HAVEN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 2,397,874	\$ 50,273	\$ 2,448,147
In-kind contributions	44,601	-	44,601
Investment return, net	94,519	3,283	97,802
Other income	41,448	-	41,448
Net assets released from restrictions	41,563	(41,563)	-
Total revenue and support	<u>2,620,005</u>	<u>11,993</u>	<u>2,631,998</u>
EXPENSES			
Program	1,936,212	-	1,936,212
Fundraising	201,551	-	201,551
Management and general	188,145	-	188,145
Total expenses	<u>2,325,908</u>	<u>-</u>	<u>2,325,908</u>
CHANGE IN NET ASSETS	294,097	11,993	306,090
Net assets, beginning of year	<u>3,044,293</u>	<u>52,223</u>	<u>3,096,516</u>
Net assets, end of year	<u><u>\$ 3,338,390</u></u>	<u><u>\$ 64,216</u></u>	<u><u>\$ 3,402,606</u></u>

See notes to financial statements.

YOUTH HAVEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Payroll and related				
Salaries	\$ 842,870	\$ 39,203	\$ 78,008	\$ 960,081
Payroll taxes	67,295	3,130	7,825	78,250
Benefits	152,860	6,942	18,708	178,510
Other	3,255	-	362	3,617
Total payroll and related	<u>1,066,280</u>	<u>49,275</u>	<u>104,903</u>	<u>1,220,458</u>
In-kind expenses	44,601	-	-	44,601
Outside labor and rentals	37,299	3,036	4,022	44,357
Insurance	52,733	2,452	6,132	61,317
Supplies	135,986	494	6,761	143,241
Food	72,353	259	647	73,259
Laundry	13,070	104	262	13,436
Contributions	25,571	1,190	2,973	29,734
Dues and subscriptions	18,943	2,332	4,374	25,649
Event expense	54,004	13,501	10,487	77,992
Technology	49,768	2,312	5,789	57,869
Advancement expenses	273	82,765	32	83,070
Printing and postage	26,509	31,531	10,512	68,552
Utilities	100,273	4,686	12,215	117,174
Vehicle expense	28,133	1,308	3,272	32,713
Repairs and maintenance	74,842	-	-	74,842
Miscellaneous	2,505	117	291	2,913
Depreciation	133,069	6,189	15,473	154,731
TOTAL EXPENSES	<u><u>\$ 1,936,212</u></u>	<u><u>\$ 201,551</u></u>	<u><u>\$ 188,145</u></u>	<u><u>\$ 2,325,908</u></u>

See notes to financial statements.

**YOUTH HAVEN, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2019**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities	
Change in net assets	<u>\$ 306,090</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	154,731
(Gain) loss on disposal of property and equipment	(534)
Unrealized and realized (gain) loss on investments	(82,573)
Prepaid expenses	6,756
Accounts payable	(5,885)
Accrued expenses	<u>(5,017)</u>
Total adjustments	<u>67,478</u>
Net cash provided (used) by operating activities	373,568
Cash flows from investing activities	
Purchase of investments	(1,415,142)
Proceeds from sale of investments	627,733
Proceeds from sale of property and equipment	534
Purchase of property and equipment	<u>(141,702)</u>
Net cash used by investing activities	<u>(928,577)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(555,009)
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>944,343</u>
End of year	<u><u>\$ 389,334</u></u>

YOUTH HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Youth Haven, Inc. ("Organization") are presented on the accrual basis of accounting.

Cash and cash equivalents - For the purpose of the statement of cash flows, cash equivalents and liquid assets maturing no more than 3 months from the date of purchase are considered cash and cash equivalents.

Investments - Investments consist of mutual funds and corporate stocks stated at fair value and certificates of deposit stated at cost. Net investment return or loss is included in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Property and equipment - Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Cost of repairs and maintenance are charged to expense when incurred. Donated property and equipment are stated at fair market value at the date of receipt. Assets are capitalized if the cost of an individual item exceeds \$1,000.

Net assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulation time has elapsed, or when the stipulated purpose has been accomplished.

Revenue recognition - Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the period the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend have been substantially met.

Donated materials and service - Donated materials are recorded as contributions at their fair value at their date of donation. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Organization, the value of which is not recorded in the accompanying financial statements.

Income taxes - The Organization is exempt from federal income tax under Section 501(c)3 of the Internal Revenue Code, except for tax on "unrelated business income" as defined. The Organization is not classified as a private foundation and no provision for income tax is required.

YOUTH HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses - The costs of providing program and other activities have been reported in the statement of activities. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Organization. Allocated expenses primarily consist of payroll and related and general expenses based on salary and wage analysis and management's estimated use of resources.

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 \$23,967 to the plan for the year ended August 31, 2019.

Advertising - Costs for advertising and promotion are expensed as incurred.

NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES

Youth Haven, Inc. is a not-for-profit corporation dedicated to providing life-changing, Christ-centered experiences for disadvantaged children. Established in 1968, the Organization is committed to meeting the physical, emotional, and spiritual needs of disadvantaged children, which includes boys and girls living in foster care, single-parent families, or low-income homes, as well as children who have experienced abuse, neglect, gang violence, or even a parent in prison. Youth Haven, Inc. maintains campuses in Rives Junction, Michigan and Eloy, Arizona.

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. The Organization places its cash and cash equivalents with FDIC insured financial institutions and in the opinion of management subject to minimal risk. Investments represent diversified holdings of mutual funds and corporate stocks.

The Organization's revenue comes primarily from contributions from individuals, businesses, estates and foundations. Individual entities contributing amounts in excess of 10% of total revenues are considered to be major contributors. In 2019, the Organization had one major contributor totaling approximately 18% of total revenue and support.

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services based on management estimates.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of 3 to 4 years.

The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through December 18, 2019, which is the date the financial statements were available to be issued.

YOUTH HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Organization's financial assets at August 31, 2019, which are deemed available for general expenditures within one year of the date of the statement of financial position.

Financial assets at year-end	
Cash and cash equivalents	\$ 389,334
Investments	<u>1,275,834</u>
Total financial assets	1,665,168
Less amounts restricted for specified purpose	<u>(64,216)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,600,952</u></u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures.

NOTE 4 - INVESTMENTS/FAIR VALUE MEASUREMENT

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: 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.

Level 2: 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: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

YOUTH HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS/FAIR VALUE MEASUREMENT (continued)

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 the methodologies used at August 31, 2019.

Mutual funds: Valued at the net asset value ("NAV") of shares held by the Organization at year-end.

Corporate stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method 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 is a market value summary by the level of the inputs used in evaluating the Organization's assets carried at fair value at August 31, 2019. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

Level 1		
Investments		
Mutual funds		\$ 1,117,906
Corporate stocks		<u>57,879</u>
Total assets at fair value		1,175,785
Certificates of deposits (recorded at cost)		<u>100,049</u>
Total investments		<u><u>\$ 1,275,834</u></u>
Current assets		
Investments		\$ 1,212,693
Long-term assets		
Investments - restricted		<u>63,141</u>
Total investments		<u><u>\$ 1,275,834</u></u>

YOUTH HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PROPERTY AND EQUIPMENT

Major classes of property and equipment at August 31, 2019, consist of the following:

	Estimated useful life		
Construction in process		\$	31,814
Land			273,062
Land improvements	5 - 15 years		203,465
Building and improvements	10 - 39 years		4,029,624
Office equipment	10 years		485,699
Vehicles	5 - 7 years		228,002
Camp equipment	5 - 10 years		754,514
Radio equipment	10 years		47,407
			6,053,587
Less accumulated depreciation			(4,277,363)
			\$ 1,776,224

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of August 31, 2019 were available for the following purposes:

	Released from restrictions						
	2018	Inflows	Outflows	Reclassifications	Total		
Subject to expenditure for specified purpose							
Bibles	\$ 17,223	\$ 14,002	\$ (30,150)	\$ -	\$ (30,150)	\$ 1,075	
Camp improvements	-	31,271	(31,271)	-	(31,271)	-	
Westrate scholarship and ranch enhancement fund	-	-	-	19,858	19,858	19,858	
Endowment fund							
Shively Memorial Endowment Fund							
Accumulated investment gains subject to spending policy	-	3,283	-	-	-	3,283	
Original gift in perpetuity subject to spending policy	35,000	5,000	-	-	-	40,000	
	\$ 52,223	\$ 53,556	\$ (61,421)	\$ 19,858	\$ (41,563)	\$ 64,216	

YOUTH HAVEN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - 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 (of which they currently have none) absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified net assets with donor restrictions (a time restriction in perpetuity) (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 should allow for predictability of spendable fund 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 a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified 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

NOTE 7 - ENDOWMENT FUND (continued)

Endowment net asset composition consist of the following at August 31, 2019:

	With Donor Restrictions		Total
	Accumulated Investment Gains	Original Gifts in Perpetuity by Donor	
Endowment net assets at September 1, 2018	\$ -	\$ 35,000	\$ 35,000
Contributions	-	5,000	5,000
Investment return, net	3,283	-	3,283
Endowment net assets at August 31, 2019	\$ 3,283	\$ 40,000	\$ 43,283

NOTE 8 - NEW ACCOUNTING STANDARD

In August 2016, the FASB issued ASU No. 2016-14, *“Presentation of Financial Statement of Not-for-Profit Entities” (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Organization adopted ASU No. 2016-14 for the year ending August 31, 2019.