

**DAVID'S HOUSE, INC.**

**Financial Statements  
and  
Independent Auditors' Report**

As of and for the Years Ended  
June 30, 2018 and 2017





**TYLER, SIMMS & ST. SAUVEUR, CPAs, P.C.**  
Certified Public Accountants & Business Consultants

## **Independent Auditors' Report**

To the Board of Directors of  
David's House, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of David's House, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets 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 David's House, Inc. as of June 30, 2018, 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.

## **Report on Summarized Comparative Information**

We have previously audited the David's House, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements of David's House, Inc. as a whole. The supplementary information contained on page 17 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.

*Tyler, Lemus and St. Severeur, CPAs, P.C.*

Lebanon, New Hampshire  
October 24, 2018

**DAVID'S HOUSE, INC.**  
**Statements of Financial Position**  
As of June 30, 2018 and 2017

---

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 65,650	\$ 137,447
Gifts and current pledges receivable, net	22,223	31,769
Inventory	4,846	8,860
Prepaid expenses	28,036	27,083
Total current assets	<u>120,755</u>	<u>205,159</u>
Property and equipment, at cost	3,576,033	3,545,452
Less: Accumulated depreciation	1,506,940	1,396,047
Property and equipment, net	<u>2,069,093</u>	<u>2,149,405</u>
Investments	<u>10,109,967</u>	<u>9,586,174</u>
Other assets		
Long-term pledges receivable	<u>-</u>	<u>12,000</u>
Total assets	<u>\$ 12,299,815</u>	<u>\$ 11,952,738</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 7,376	\$ 12,016
Accrued benefits and expenses	24,849	26,675
Other current liabilities	8,500	6,350
Total current liabilities	<u>40,725</u>	<u>45,041</u>
Commitments		
<b>Net assets</b>		
Unrestricted	12,073,086	11,703,639
Temporarily restricted	67,456	85,510
Permanently restricted	118,548	118,548
Total net assets	<u>12,259,090</u>	<u>11,907,697</u>
Total liabilities and net assets	<u>\$ 12,299,815</u>	<u>\$ 11,952,738</u>

The accompanying notes to financial statements are an integral part of these statements.

**DAVID'S HOUSE, INC.****Statements of Activities and Changes in Net Assets**

For the Year Ended June 30, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018			Total	Comparative Totals 2017
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Operating activities</b>					
Support and revenue					
Donations	\$ 327,396	\$ 750	\$ -	\$ 328,146	\$ 310,602
Bequests	106,137	-	-	106,137	-
In-kind donations	2,427	-	-	2,427	20,427
Guest fees	16,759	-	-	16,759	27,145
Grant revenue	90,750	-	-	90,750	130,000
Special events	124,839	-	-	124,839	196,370
Net assets released from restrictions	750	(750)	-	-	-
Total contributions and fundraising	669,058	-	-	669,058	684,544
Return on investments	547,802	10,946	-	558,748	794,811
Net assets released from restrictions in accordance with spending policy	13,000	(13,000)	-	-	-
Total support and revenue	1,229,860	(2,054)	-	1,227,806	1,479,355
<b>Expenses</b>					
House					
Salaries and wages	394,195	-	-	394,195	388,237
Payroll taxes and employee benefits	116,915	-	-	116,915	108,750
Insurance	18,494	-	-	18,494	18,058
Occupancy costs	123,920	-	-	123,920	127,756
Office expenses	15,618	-	-	15,618	21,915
In-kind expense	581	-	-	581	19,136
Program expenses funded by restricted gifts	382	-	-	382	5,323
Groceries and supplies	10,907	-	-	10,907	7,336
Professional services	19,445	-	-	19,445	20,603
Public relations	-	-	-	-	-
Depreciation	114,891	-	-	114,891	115,389
	815,348	-	-	815,348	832,503
Direct fundraising expenses	57,123	4,000	-	61,123	67,937
Total expenses	872,471	4,000	-	876,471	900,440
<b>Other income</b>					
Insurance reimbursement	58	-	-	58	12,270
Loss on sale of fixed assets	-	-	-	-	(49)
	58	-	-	58	12,221
Change in net assets from operating activities	357,447	(6,054)	-	351,393	591,136
<b>Non-operating activities</b>					
Net assets released from restrictions by the passage of time	12,000	(12,000)	-	-	-
	12,000	(12,000)	-	-	-
<b>Change in net assets</b>	369,447	(18,054)	-	351,393	591,136
<b>Net assets, beginning of year</b>	11,703,639	85,510	118,548	11,907,697	11,316,561
<b>Net assets, end of year</b>	\$ 12,073,086	\$ 67,456	\$ 118,548	\$ 12,259,090	\$ 11,907,697

The accompanying notes to financial statements are an integral part of these statements.

**DAVID'S HOUSE, INC.****Statements of Cash Flows**

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 351,393	\$ 591,136
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,891	115,389
Loss on sale of equipment	-	49
Realized gain on investments	(215,067)	(47,617)
Net unrealized gain on investments	(184,074)	(612,236)
(Increase) decrease in the following assets:		
Inventory	4,014	(3,697)
Prepaid expenses	(953)	(1,156)
Increase (decrease) in the following liabilities:		
Accounts payable	(4,640)	(2,490)
Accrued benefits and expenses	(1,826)	(4,033)
Other current liabilities	2,150	2,850
Net cash provided by operating activities	<u>65,888</u>	<u>38,195</u>
<b>Cash flows from investing activities</b>		
Net decrease in gifts and pledges receivable	21,546	1,016
Purchase of property and equipment	(34,579)	(39,325)
Purchase of investments	(2,850,528)	(1,573,696)
Proceeds from sale of investments	2,725,876	1,598,520
Net cash used in investing activities	<u>(137,685)</u>	<u>(13,485)</u>
<b>Cash flows from financing activities</b>		
Contributions restricted for long-term investment	-	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(71,797)	24,710
Cash and cash equivalents, beginning of year	<u>137,447</u>	<u>112,737</u>
Cash and cash equivalents, end of year	<u>\$ 65,650</u>	<u>\$ 137,447</u>

The accompanying notes to financial statements are an integral part of these statements.

# DAVID'S HOUSE, INC.

## Notes to Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

---

### 1. Summary of Significant Accounting Policies:

General – David's House, Inc. (the Organization) is a New Hampshire not-for-profit corporation organized to provide a home away from home and support for families with children receiving treatment through Children's Hospital at Dartmouth (CHaD).

Summarized Comparative Information – The statement of activities and changes in net assets include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Basis of Accounting – The Organization maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors or by management for the use of those resources.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets - unrestricted, temporarily restricted or permanently restricted, as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations. Included in unrestricted net assets is \$10,000 designated by the Board as the Dick Cyr fund. These net assets are available to be used for guest needs beyond operational costs.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. Additionally, temporarily restricted net assets include gifts of long-lived assets under specific restrictions by the donor that specify their future use.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the net appreciation after application of the endowment spending policy is included in the temporarily restricted net assets class.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Organization considers cash on hand, cash in banks and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk – The Organization maintains cash balances at several financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2018, the Organization has not incurred any losses as a result of uninsured balances.

# DAVID'S HOUSE, INC.

## Notes to Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

---

### 1. Summary of Significant Accounting Policies (continued):

Gifts and Pledges Receivable – The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of accounts. Gifts and pledges receivable are presented net of an allowance for doubtful accounts of \$1,200 and \$4,012 at June 30, 2018 and 2017, respectively.

Property and Equipment – Property and equipment is stated at cost or fair market value at the time of donation, less accumulated depreciation. The Organization's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets. The Organization provides for depreciation on the straight-line method which is designed to amortize the cost of the assets over their estimated useful lives as follows:

	<u>YEARS</u>
Buildings and improvements	5 - 40
Equipment and furniture	5 - 20

Revenues – Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purposes would be subject to taxation as unrelated business income, if incurred. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A), and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Organization adopted the accounting methods under FASB Accounting Standards Codification (ASC) Subtopic 740-10 for Uncertain Tax Positions (UTP) on July 1, 2009. The UTP rules prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in an organization's tax return. The Organization believes that it has appropriate support for the tax positions taken and, as such, does not have any uncertain tax positions that might result in a material impact on the Organization's statements of financial position, activities and changes in net assets and cash flows.

Contributions – Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of the fundraising activity.



# DAVID'S HOUSE, INC.

## Notes to Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

---

### 1. Summary of Significant Accounting Policies (continued):

Return on Investment – Income and realized net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift or the Board's interpretation of relevant state law requires that they be added to the principal of a permanent endowment fund; and
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income.

Return on investments consisted of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interest	\$ 211	\$ 1,160
Investment income	227,458	194,644
Realized gain on sales of securities	215,067	47,617
Net unrealized gain on securities	184,074	612,236
Investment management fees	<u>(68,062)</u>	<u>(60,846)</u>
	<u>\$ 558,748</u>	<u>\$ 794,811</u>

Inventory – Inventory consists of souvenirs, T-shirts, coffee cups and cookbooks and is valued at the lower of cost or market on the first-in, first-out basis.

### 2. Recent Accounting Pronouncements:

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities*. This ASU changes the current three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions; continues to allow the use of either the direct or indirect method of reporting the statement of cash flows; requires entities to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses; and eliminates the option to release donor-imposed restrictions on long-lived assets over the estimated useful life of the acquired asset. It also enhances the disclosures regarding: board designations, composition of net assets with donor restrictions, how an NFP will meet its cash needs for general expenditures within one year of the balance sheet date, amounts of expenses by both their natural and functional classification, method used to allocate costs among program and support functions and underwater endowment funds. The update is effective for financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted and requires that it be applied retrospectively. The Organization has not elected early adoption of the provisions of ASU 2016-14.

# DAVID'S HOUSE, INC.

## Notes to Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

---

### 2. Recent Accounting Pronouncements (continued):

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows - Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update is effective for financial statements issued for fiscal years beginning after December 15, 2018, with early adoption permitted and requires that it be applied retrospectively. The Organization has not elected early adoption of the provisions of ASU 2016-18.

### 3. Property and Equipment:

The major categories of property and equipment are as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Building	\$ 2,769,808	\$ 2,769,808
Building improvements	469,445	472,223
Tractor, vehicle and equipment	98,994	99,689
Furniture and fixtures	116,439	109,613
Office equipment	59,141	59,666
Playground	22,453	22,453
Sculpture	12,000	12,000
Construction in progress	<u>27,753</u>	<u>-</u>
	3,576,033	3,545,452
LESS: Accumulated depreciation	<u>1,506,940</u>	<u>1,396,047</u>
	\$ <u>2,069,093</u>	\$ <u>2,149,405</u>

Depreciation expense charged to operations was \$114,891 and \$115,389 for the years ended June 30, 2018 and 2017, respectively.

### 4. Leases:

On August 2, 1993, the Organization entered into an agreement with Mary Hitchcock Memorial Hospital (MHMH) to lease approximately two acres of land for the Organization's new facility. The lease is for 25 years at \$1 per year. The lease can be extended for successive periods of 25 years if agreed to by both parties. If MHMH does not agree to renew the lease for a second 25-year term, MHMH shall pay the Organization fair market value of the structure and related improvements. The Organization has not recorded in-kind revenue for this below market lease, as its value is inestimable. The Organization has paid the first term of 25 years in full. In August 2018, the parties agreed to extend the lease through July 2043. The new lease requires providing the lessor with a notice to renew at least three years prior to the expiration of the extended lease.

## DAVID'S HOUSE, INC.

### Notes to Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

---

#### 5. **Retirement Benefits:**

The Organization has adopted a Plan developed by the Teachers Insurance and Annuity Association of America and the College Retirement Equities Fund (TIAA and CREF). It is a defined contribution plan that was established during fiscal year 1997 for the Organization's employees. Under the terms of the Plan, the Organization makes bi-weekly contributions of 5% of gross salary for all those who have been employed for two or more years. Prior to two years, employees may contribute to the Plan during an introductory period pursuant to provisions contained within the Plan. The total amount charged to operations for this retirement plan was \$16,343 and \$14,959 for the years ended June 30, 2018 and 2017, respectively.

#### 6. **Financial Investments at Fair Value:**

ASC Topic 820, *Fair Value Measurement and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Topic 820 also establishes a framework for measuring fair value which 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).

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include listed equities held in the name of the Organization and exclude listed equities and other securities held indirectly through commingled funds.

Level II – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Judgment about inputs into the determination of fair value shall be developed based on the best information available in the circumstances.

# DAVID'S HOUSE, INC.

## Notes to Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

### 6. Financial Investments at Fair Value (continued):

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level input that is significant to the fair value measurement. The following table presents the financial instruments carried at fair value as of June 30, 2018 and 2017 under the FASB ASC Topics 820 and 825 valuation hierarchy defined above.

	2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Investments:				
Cash equivalents	\$ 285,115	\$ -	\$ -	\$ 285,115
Fixed Income				
Corporate Bonds	1,231,184	-	-	1,231,184
US Government	494,887	-	-	494,887
International Fixed Income	168,306	-	-	168,306
Municipal	187,078	-	-	187,078
Equities				
US Large Cap	4,000,539	-	-	4,000,539
Large Cap ETF	747,676	-	-	747,676
Small/MidCap EFT	653,164	-	-	653,164
Developed International ETF	799,479	-	-	799,479
Emerging International EFT	-	-	-	-
Real Assets	62,653	-	-	62,653
Mutual Funds				
Fixed Income	1,091,450	-	-	1,091,450
Brokered Certificates of Deposit	388,436	-	-	388,436
Equity	-	-	-	-
Total investments	<u>\$ 10,109,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,109,967</u>

**DAVID'S HOUSE, INC.**  
**Notes to Financial Statements**

As of and for the Years Ended June 30, 2018 and 2017

**6. Financial Investments at Fair Value (continued):**

	<b>2017</b>			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Investments:				
Cash equivalents	\$ 521,070	\$ -	\$ -	\$ 521,070
Fixed Income				
Corporate Bonds	1,004,763	-	-	1,004,763
US Government	198,070	-	-	198,070
International Fixed Income	131,129	-	-	131,129
Municipal	196,005	-	-	196,005
Equities				
US Large Cap	3,258,241	-	-	3,258,241
Large Cap ETF	931,720	-	-	931,720
Small/MidCap EFT	837,504	-	-	837,504
Developed International ETF	613,877	-	-	613,877
Emerging International EFT	152,452	-	-	152,452
Real Assets	18,227	-	-	18,227
Mutual Funds				
Fixed Income	1,321,849	-	-	1,321,849
Brokered Certificates of Deposit	401,267	-	-	401,267
Equity	-	-	-	-
Total investments	<u>\$ 9,586,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,586,174</u>

**7. Accounts Payable:**

The Organization has three credit cards with credit limits of \$5,000 each. At June 30, 2018, a total balance due of \$1,342 is included in accounts payable on the accompanying Statement of Financial Position.

**8. In-Kind Donations:**

The Organization receives a significant amount of donated services from board members and volunteers. For the year ended June 30, 2018, 2,065 volunteer hours of guest support was provided to the Organization. Although a critical mission delivery component, the value of this contributed time is not recognized in the accompanying financial statements since it does not meet the criteria for recognition pursuant to FASB ASC Topic 958-605-25, *Not-for-Profit Revenue Recognition*. The following is a breakdown of qualifying donations that are recorded in the financial statements:

	<u>2018</u>	<u>2017</u>
Program durables	\$ -	\$ 17,551
Food and consumable supplies	856	1,628
Program supplies	<u>1,571</u>	<u>1,248</u>
Total in-kind gifts	<u>\$ 2,427</u>	<u>\$ 20,427</u>

# DAVID'S HOUSE, INC.

## Notes to Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

---

### 9. Gifts and Pledges Receivable:

The Organization's pledges receivable consisted of unconditional promises receivable as follows at June 30, 2018:

	<u>2018</u>	<u>2017</u>
Gifts and pledges receivable	\$ 23,423	\$ 47,781
LESS: Allowance for doubtful pledges	<u>1,200</u>	<u>4,012</u>
	\$ <u>22,223</u>	\$ <u>43,769</u>

Pledges receivable are due as follows:

Due in less than one year	\$ 22,223	\$ 31,769
Due in one year or more	<u>-</u>	<u>12,000</u>
	\$ <u>22,223</u>	\$ <u>43,769</u>

### 10. Temporarily Restricted Net Assets:

Temporarily restricted net assets are made up of various donor-imposed stipulations on gifts. The general categories of temporarily restricted net assets are as follows:

	<u>2018</u>	<u>2017</u>
Operations – restricted for expenditures related to the maintenance of physical assets and guest support	\$ 215	\$ 12,215
Keeping David's Promise – for operations	-	4,000
Time restricted appreciation on endowment funds	<u>67,241</u>	<u>69,295</u>
Total temporarily restricted net assets	\$ <u>67,456</u>	\$ <u>85,510</u>

During the years ended June 30, 2018 and 2017, the Board approved releasing \$13,000 and \$10,000, respectively, of net assets from time restricted appreciation on endowment funds consistent with the endowment spending policy.

### 11. Endowment:

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature that are reported as of June 30, 2018 and 2017.

Return Objectives and Risk Parameters – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index and Barclays Capital U.S. index while assuming a moderate level of investment risk.

**DAVID'S HOUSE, INC.**  
**Notes to Financial Statements**

As of and for the Years Ended June 30, 2018 and 2017

---

**11. Endowment (continued):**

Strategies Employed for Achieving Objectives – 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 that places a weighted ratio on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy – The Organization's policy is to appropriate for distribution all earnings above corpus and retain those funds as temporarily restricted until released for operating expenses. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. The Finance Committee determines the actual spending rate annually. The spending rate may not exceed 4 percent of the rolling 12 quarter average of the investments fair value in any given year unless the Board has a compelling, well-documented need to indicate that such action is prudent.

The changes in estimated fair value of net assets held in endowment and similar funds for the year ended June 30, 2018 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 9,398,331	\$ 69,295	\$ 118,548	\$ 9,586,174
Investment return:				
Investment income	223,623	4,046	-	227,669
Net appreciation (realized and unrealized)	392,241	6,900	-	399,141
Total investment return	615,864	10,946	-	626,810
Contributions	106,045	-	-	106,045
Net assets released from restrictions in accordance with spending policy	13,000	(13,000)	-	-
Appropriation of endowment assets for expenditure	(209,062)	-	-	(209,062)
Endowment net assets, end of year	\$ 9,924,178	\$ 67,241	\$ 118,548	\$ 10,109,967

**DAVID'S HOUSE, INC.**  
**Notes to Financial Statements**

As of and for the Years Ended June 30, 2018 and 2017

---

**11. Endowment (continued):**

The changes in estimated fair value of net assets held in endowment and similar funds for the year ended June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 8,770,022	\$ 62,575	\$ 118,548	\$ 8,951,145
Investment return:				
Investment income	192,138	3,666	-	195,804
Net appreciation (realized and unrealized)	646,799	13,054	-	659,853
Total investment return	<u>838,937</u>	<u>16,720</u>	<u>-</u>	<u>855,657</u>
Contributions	<u>672</u>	<u>-</u>	<u>-</u>	<u>672</u>
Net assets released from restrictions in accordance with spending policy	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>(221,300)</u>	<u>-</u>	<u>-</u>	<u>(221,300)</u>
Endowment net assets, end of year	<u>\$ 9,398,331</u>	<u>\$ 69,295</u>	<u>\$ 118,548</u>	<u>\$ 9,586,174</u>

**12. Funds Held by Others:**

The Organization is a beneficiary of an agency endowment fund at The New Hampshire Charitable Foundation and Vermont Charitable Foundation (Foundations). Pursuant to the terms of the resolution establishing this fund, property contributed to the Foundations is held as a separate fund designated for the benefit of the Organization. In accordance with its spending policy, the Foundations make distributions from the fund to the Organization.

The fund resolution provides that distributions from the fund can be made at the discretion of the Foundations' board of directors at such times and in such amounts and for such charitable purposes, as they deem appropriate, in keeping with the purposes of the fund. In accordance with its present spending policy, the Foundations make distributions from the fund to the Organization. The distributions are approximately 5% of the market value of the fund per year. All property in the fund was contributed to the Foundations to be held and administered for the benefit of the Organization.

In previous years, the Organization contributed funds in the amounts of \$25,000 to the New Hampshire and Vermont charitable foundations. An endowment fund has been established in each foundation and investment income earned on these funds is distributed to the Organization. No contributions to the funds were made during 2018 or 2017. The Organization received approximately \$2,700 in investment income from these funds during 2018 and 2017.



## **DAVID'S HOUSE, INC.**

### **Notes to Financial Statements**

As of and for the Years Ended June 30, 2018 and 2017

---

#### **13. Subsequent Event:**

The Organization has reviewed events occurring after June 30, 2018 through October 24, 2018, the date the board of directors accepted the final draft of the financial statements and made them available to be issued. The Organization believes the event described below is the only event requiring recognition or disclosure that has occurred during the period from June 30, 2018 to the report date, October 24, 2018. The Organization has not reviewed events occurring after the report date for their potential impact on the information contained in these financial statements.

**DAVID'S HOUSE, INC.****Schedule – Functional Expenses**

For the Year Ended June 30, 2018 With Comparative Totals for the Year Ended June 30, 2017

---

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2018 Total</u>	<u>2017 Total</u>
Salaries and wages	\$ 216,602	\$ 123,589	\$ 54,004	\$ 394,195	\$ 388,237
Payroll taxes	15,537	8,998	4,083	28,618	28,311
Employee benefits	40,535	43,227	4,535	88,297	80,439
Insurance	13,087	5,407	-	18,494	18,058
Occupancy costs	122,826	1,045	49	123,920	127,756
Office expenses	4,254	4,454	6,910	15,618	21,915
In-kind expense	581	-	-	581	19,136
Expenses funded by restricted gifts	382	-	-	382	5,323
Groceries and supplies	10,568	123	216	10,907	7,336
Professional services	-	19,445	-	19,445	20,603
Public relations	705	6,559	31,061	38,325	39,505
Provision for uncollectible pledges	-	-	1,388	1,388	2,638
Other fundraising expense	-	-	21,410	21,410	25,794
Depreciation	<u>114,891</u>	<u>-</u>	<u>-</u>	<u>114,891</u>	<u>115,389</u>
	<u>\$ 539,968</u>	<u>\$ 212,847</u>	<u>\$ 123,656</u>	<u>\$ 876,471</u>	<u>\$ 900,440</u>