

AVENUES FOR HOMELESS YOUTH

Financial Statements

For the Years Ended June 30, 2016 and 2015

AVENUES FOR HOMELESS YOUTH

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Avenues for Homeless Youth
1708 Oak Park Avenue North
Minneapolis, Minnesota 55411

I have audited the accompanying financial statements of Avenues for Homeless Youth (AHY), a nonprofit organization, which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activity, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT, continued

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avenues for Homeless Youth as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sherry D. Heffernan, Ltd.

Sherry D. Heffernan, Ltd.

November 9, 2016

AVENUES FOR HOMELESS YOUTH
Statement of Financial Position
June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|--------------------------------|--------------------------------|
| ASSETS | | |
| Cash | \$ 642,173 | \$ 471,081 |
| Board designated cash reserve | 455,696 | 454,639 |
| Accounts receivable | 49,928 | 37,384 |
| Unconditional promises to give | 509,000 | 126,999 |
| Unconditional promises to give in-kind rent, net of unamortized discount of \$50,841 in 2016 and \$54,359 in 2015 | 419,494 | 517,975 |
| Prepaid expenses | 7,749 | 9,397 |
| Leasehold improvements, furniture and equipment, net | <u>146,749</u> | <u>190,981</u> |
| TOTAL ASSETS | <u>\$ 2,230,789</u> | <u>\$ 1,808,456</u> |
| LIABILITIES | | |
| Accounts payable | \$ 8,272 | \$ 21,064 |
| Accrued expenses | <u>110,180</u> | <u>79,635</u> |
| TOTAL LIABILITIES | <u>118,452</u> | <u>100,699</u> |
| NET ASSETS | | |
| Unrestricted | 521,300 | 328,946 |
| Board designated operating reserve | <u>455,696</u> | <u>454,639</u> |
| Total unrestricted net assets | <u>976,996</u> | <u>783,585</u> |
| Temporarily restricted | 652,322 | 303,851 |
| Temporarily restricted: long-lived assets | 68,432 | 106,804 |
| Temporarily restricted: in-kind rent | <u>414,587</u> | <u>513,517</u> |
| Total temporarily restricted | <u>1,135,341</u> | <u>924,172</u> |
| TOTAL NET ASSETS | <u>2,112,337</u> | <u>1,707,757</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,230,789</u> | <u>\$ 1,808,456</u> |

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

AVENUES FOR HOMELESS YOUTH
Statement of Activities
Years Ended June 30, 2016 and 2015

| | <u>2016</u> | | | <u>2015</u> | | |
|---|---------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
| SUPPORT AND REVENUE | | | | | | |
| Grants and contributions | \$ 863,401 | \$ 625,000 | \$ 1,488,401 | \$ 672,188 | \$ 354,000 | \$ 1,026,188 |
| Grants from governmental agencies and contracts | 684,585 | - | 684,585 | 707,588 | 451,622 | 1,159,210 |
| Program services | 222,894 | - | 222,894 | 149,971 | - | 149,971 |
| Miscellaneous income | 1,072 | - | 1,072 | 781 | - | 781 |
| Special event revenue | 191,367 | - | 191,367 | 103,477 | - | 103,477 |
| Less: costs of direct benefits to donors | <u>8,287</u> | <u>-</u> | <u>8,287</u> | <u>3,990</u> | <u>-</u> | <u>3,990</u> |
| | <u>183,080</u> | <u>-</u> | <u>183,080</u> | <u>99,487</u> | <u>-</u> | <u>99,487</u> |
| TOTAL REVENUES | <u>1,955,032</u> | <u>625,000</u> | <u>2,580,032</u> | <u>1,630,015</u> | <u>805,622</u> | <u>2,435,637</u> |
| Net assets released from restrictions | | | | | | |
| Restrictions satisfied by purpose and time | <u>413,831</u> | <u>-</u> | <u>-</u> | <u>363,956</u> | <u>-</u> | <u>-</u> |
| TOTAL REVENUES AND OTHER SUPPORT | <u>2,368,863</u> | <u>211,169</u> | <u>2,580,032</u> | <u>1,993,971</u> | <u>441,666</u> | <u>2,435,637</u> |
| EXPENSES: | | | | | | |
| Program services: | | | | | | |
| Emergency Shelter and Transitional Housing Programs | 1,487,247 | - | 1,487,247 | 1,209,472 | - | 1,209,472 |
| Host Home Programs | <u>248,221</u> | <u>-</u> | <u>248,221</u> | <u>188,167</u> | <u>-</u> | <u>188,167</u> |
| Total Program services | 1,735,468 | - | 1,735,468 | 1,397,639 | - | 1,397,639 |
| Management and general | 202,401 | - | 202,401 | 154,787 | - | 154,787 |
| Fundraising | <u>237,583</u> | <u>-</u> | <u>237,583</u> | <u>212,118</u> | <u>-</u> | <u>212,118</u> |
| TOTAL EXPENSES | <u>2,175,452</u> | <u>-</u> | <u>2,175,452</u> | <u>1,764,544</u> | <u>-</u> | <u>1,764,544</u> |
| INCREASE IN NET ASSETS | 193,411 | 211,169 | 404,580 | 229,427 | 441,666 | 671,093 |
| NET ASSETS AT BEGINNING OF YEAR | <u>783,585</u> | <u>924,172</u> | <u>1,707,757</u> | <u>554,158</u> | <u>482,506</u> | <u>1,036,664</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 976,996</u> | <u>\$ 1,135,341</u> | <u>\$ 2,112,337</u> | <u>\$ 783,585</u> | <u>\$ 924,172</u> | <u>\$ 1,707,757</u> |

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

AVENUES FOR HOMELESS YOUTH
Statement of Cash Flows
Years Ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 404,580 | \$ 671,093 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 65,356 | 59,246 |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | (12,544) | (24,060) |
| Unconditional promises to give | (382,001) | 14,148 |
| Unconditional promises to give in-kind rent | 101,999 | 72,833 |
| Prepaid expenses | 1,648 | (6,371) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (12,792) | 3,499 |
| Accrued expenses | 30,545 | 15,266 |
| Contributions restricted for long-term purposes: | | |
| In-kind rent | - | (451,622) |
| Amortization of discount on unconditional promises to give in-kind rent, net | <u>(3,518)</u> | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 193,273 | 353,535 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Transfer to Board designated operating reserve | - | (120,000) |
| Leasehold improvements and equipment purchases, net | <u>(21,124)</u> | |
| NET CASH (USED) BY INVESTING ACTIVITIES | <u>(21,124)</u> | (185,336) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest income on Board designated operating reserve | <u>(1,057)</u> | |
| NET CASH (USED) BY FINANCING ACTIVITIES | <u>(1,057)</u> | (754) |
| NET INCREASE IN CASH | 171,092 | 167,445 |
| CASH AT BEGINNING OF YEAR | <u>471,081</u> | <u>303,636</u> |
| CASH AT END OF YEAR | <u>\$ 642,173</u> | <u>\$ 471,081</u> |

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

AVENUES FOR HOMELESS YOUTH
Statement of Functional Expenses
Year Ended June 30, 2016

| | <u>Program Services</u> | | | <u>Support Services</u> | | | <u>TOTAL</u> |
|--------------------------------------|--|--------------------------|---------------------|------------------------------|-------------------|-------------------|---------------------|
| | Shelter and Transitional Housing Programs | Host Home Programs | Total | Management and General | Fund- raising | Total | |
| Salaries, payroll taxes and benefits | \$ 946,569 | \$ 186,169 | \$1,132,738 | \$ 149,034 | \$ 196,923 | \$ 345,957 | \$ 1,478,695 |
| Program activities: | | | | | | | |
| Food and meals | 89,122 | 28 | 89,150 | - | - | - | 89,150 |
| Activities | 7,994 | 12,457 | 20,451 | - | - | - | 20,451 |
| Transportation | 16,944 | 1,055 | 17,999 | - | - | - | 17,999 |
| Contract services | 26,278 | 14,540 | 40,818 | 13,871 | 455 | 14,326 | 55,144 |
| Conferences | 6,469 | 5,439 | 11,908 | 2,558 | 637 | 3,195 | 15,103 |
| Occupancy | 156,797 | 1,851 | 158,648 | 11,935 | 2,292 | 14,227 | 172,875 |
| Insurance | 12,300 | 1,576 | 13,876 | 1,291 | 1,855 | 3,146 | 17,022 |
| Licenses and fees | 6,152 | 161 | 6,313 | 135 | 275 | 410 | 6,723 |
| Marketing and promotion | 2,761 | 842 | 3,603 | 35 | 17,006 | 17,041 | 20,644 |
| Printing and postage | 2,713 | 622 | 3,335 | 2,258 | 8,956 | 11,214 | 14,549 |
| Supplies | 129,434 | 11,433 | 140,867 | 2,493 | 1,244 | 3,737 | 144,604 |
| Technology | 4,368 | 691 | 5,059 | 1,589 | 3,803 | 5,392 | 10,451 |
| Telephone | 9,514 | 2,499 | 12,013 | 445 | 349 | 794 | 12,807 |
| Travel and meetings | 9,613 | 6,962 | 16,575 | 2,598 | 1,842 | 4,440 | 21,015 |
| Miscellaneous | 578 | 655 | 1,233 | 10,994 | 637 | 11,631 | 12,864 |
| Depreciation | 59,641 | 1,241 | 60,882 | 3,165 | 1,309 | 4,474 | 65,356 |
| Total expenses | \$1,487,247 | \$ 248,221 | \$ 1,735,468 | \$ 202,401 | \$ 237,583 | \$ 439,984 | \$ 2,175,452 |
| | | | <u>79.8%</u> | <u>9.3%</u> | <u>10.9%</u> | | <u>100.0%</u> |

Tax return supplies

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

AVENUES FOR HOMELESS YOUTH
Statement of Functional Expenses
Year Ended June 30, 2015

| | <u>Program Services</u> | | | <u>Support Services</u> | | | <u>TOTAL</u> |
|--------------------------------------|---|---------------------------------|---------------------|-------------------------------------|----------------------------------|-------------------|---------------------|
| | Emergency Shelter and Transitional Housing <u>Program</u> | Host Home <u>Programs</u> | <u>Total</u> | Management and <u>General</u> | Fund- raising <u>Total</u> | | |
| Salaries, payroll taxes and benefits | \$ 794,957 | \$ 150,527 | \$ 945,484 | \$ 103,437 | \$ 173,803 | \$ 277,240 | \$ 1,222,724 |
| Program activities: | | | | | | | |
| Food and meals | 89,232 | - | 89,232 | - | - | - | 89,232 |
| Activities | 7,556 | 5,271 | 12,827 | - | - | - | 12,827 |
| Transportation | 16,563 | 245 | 16,808 | - | - | - | 16,808 |
| Contract services | 22,033 | 13,520 | 35,553 | 17,054 | 18,049 | 35,103 | 70,656 |
| Conferences | 4,379 | 2,251 | 6,630 | 643 | 253 | 896 | 7,526 |
| Occupancy | 117,236 | 1,794 | 119,030 | 11,745 | 2,241 | 13,986 | 133,016 |
| Insurance | 12,680 | 552 | 13,232 | 1,771 | 525 | 2,296 | 15,528 |
| Licenses and fees | 5,071 | | 5,071 | 217 | 275 | 492 | 5,563 |
| Marketing and promotion | 2,077 | 301 | 2,378 | 200 | 3,995 | 4,195 | 6,573 |
| Printing and postage | 3,744 | 2,679 | 6,423 | 1,307 | 4,408 | 5,715 | 12,138 |
| Supplies | 60,736 | 1,330 | 62,066 | 2,116 | 1,482 | 3,598 | 65,664 |
| Technology | 2,543 | 100 | 2,643 | 878 | 4,159 | 5,037 | 7,680 |
| Telephone | 7,657 | 2,831 | 10,488 | 637 | 380 | 1,017 | 11,505 |
| Travel and meetings | 6,002 | 5,655 | 11,657 | 2,763 | 1,287 | 4,050 | 15,707 |
| Miscellaneous | 3,101 | - | 3,101 | 8,760 | 290 | 9,050 | 12,151 |
| Depreciation | 53,905 | 1,111 | 55,016 | 3,259 | 971 | 4,230 | 59,246 |
| Total expenses | \$ 1,209,472 | \$ 188,167 | \$ 1,397,639 | \$ 154,787 | \$ 212,118 | \$ 366,905 | \$ 1,764,544 |
| | | | <u>79.2%</u> | <u>8.8%</u> | <u>12.0%</u> | | <u>100.0%</u> |

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

AVENUES FOR HOMELESS YOUTH
Notes to Financial Statements
June 30, 2016 and 2015

1) Summary of Organizational Purpose and Significant Accounting Policies

Organizational Purpose and Nature of Activities

The mission of Avenues for Homeless Youth (AHY) is to provide shelter, short term and transitional housing and supportive services for homeless youth in a safe and nurturing environment. Through such service, Avenues seeks to help youth achieve their personal goals and find a positive transition into young adulthood.

During the year ended June 30, 2016, Avenues for Homeless Youth operated six shelter and transitional housing programs in the Twin Cities that supported 319 young people. Two are site-based programs and four are community-based host home programs; the fourth host home program was launched in March 2016.

While at Avenues, youth no longer need to put their energy into survival. With shelter and all basic needs met, they can work with our staff to address other immediate issues, focus on important aspects of their development, and pursue their personal goals for education, employment, relationships, health and wellness, learning life skills and stable housing.

Site-Based Shelter and Transitional Housing Programs:

Avenues' two site-based shelter and transitional housing programs - Brooklyn Avenues and Minneapolis Avenues - support 33 homeless youth ages 16 - 21 at a time. They are:

- Brooklyn Avenues, which supports 12 youth at a time from the northwest suburbs of Hennepin County at our home in Brooklyn Park.
- Minneapolis Avenues, which supports 21 youth at a time at our home in North Minneapolis.

While living at Avenues, youth receive all basic needs support (bedroom, bathroom, three meals per day, personal supplies, laundry, transit passes, access to computers and phone), along with 24 hour caring and guidance from our staff and trained volunteers. We take a care coordination approach - each youth has access to our team that includes case managers, mental health therapist, nurse, education and career specialist, youth engagement specialist, independent living skills specialist and community partners. Youth live at Avenues 90 to 120 days on average, and then get continued support from our after-care specialist.

Community-Based Host Home Programs:

Avenues for Homeless Youth coordinates three Host Home Programs - the GLBT Host Home Program, Minneapolis Host Home Program and Suburban Host Home Program. These community and volunteer-based initiatives match homeless youth ages 16 – 22 with volunteers in the community who have been recruited, screened and trained by Avenues. The matching process is youth-driven and youth stay in the host home an average of 10 to 12 months. While in their host home, youth receive all basic needs and

AVENUES FOR HOMELESS YOUTH

Notes to Financial Statements

Organizational Purpose and Nature of Activities, continued

have the opportunity to work with their case manager and other specialists on our team to identify and address their longer-term personal goals.

The three ongoing host home programs Avenues operated during fiscal year 2016 were:

- The GLBT Host Home Program supports 10 youth at a time who are lesbian, gay, bisexual, transgender or queer (LGBTQ) in the homes of hosts who themselves are LGBTQ or allies.
- The Minneapolis Host Home Program strives to support 10 youth at a time from Minneapolis in host homes throughout Minneapolis.
- The Suburban Host Home Program strives to support 10 youth at a time from the suburbs of Hennepin County in host homes located throughout the suburbs.

During the fiscal year that ended June 30, 2016, Avenues also worked very closely with partners to create the ConneQT Host Home Program, which is part of the ConneQT Collaborative. ConneQT is another host home program for youth who identify as LGBTQ. The program offers short-term host home stays of 1 week to 3 months so youth may have space and time to make decisions about what to do next. Meanwhile, youth and their family have access to individual and family counseling through RECLAIM to address issues and needs and strengthen relationship. The difference between ConneQT and our long-standing GLBT Host Home Program is that it offers shelter-like stays in host homes and is intentionally connected with a mental health provider (RECLAIM) and housing provider (The Link).

Basis of Accounting and Presentation

The financial statements of AHY have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. AHY is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, AHY considers all unrestricted cash and other highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash equivalents for purposes of the statement of cash flows.

Concentrations of Credit Risk

Financial instruments that potentially subject AHY to concentrations of credit risk consist principally of temporary cash investments and unconditional promises to give. The organization places its temporary cash investments with financial institutions as noted below. Concentrations of credit risk with respect to unconditional promises receivable are limited due to the financial stability of the contributors. Unconditional promises to

AVENUES FOR HOMELESS YOUTH
Notes to Financial Statements

Significant Accounting Policies, continued

give include amounts from three donors at June 30, 2016 comprising 80% of the balance and from three donors at June 30, 2015 comprising 94% of the balance. The unconditional promises to give of in-kind rent are with the Minneapolis Public Housing Authority, City of Minneapolis and the Brooklyn Park Economic Development Authority, City of Brooklyn Park.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The organization maintains its deposits in financial institutions located in the Twin Cities. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016, the organization's uninsured cash balances, including the Board-Designated Operating Cash Reserve, were approximately \$596,000.

Significant Concentrations of Contributions and Grants

Grants and contributions and government grants are received from both national and local institutions. AHY received approximately 20% of its total revenues and other support from two governmental agencies in 2016 and approximately 31% of its total revenue and other support from two governmental agencies in 2015.

Donated Assets

Noncash donations, such as food inventory and supplies for the residents use, are recorded as contributions at their estimated fair values at the date of donation.

Donated Use of Long-Lived Asset

The donations of the use of the buildings by the Minneapolis Public Housing Authority and the Brooklyn Park Economic Development Authority (see note 3) are recorded as contributions at fair value at the date of donation. These donations have been recorded as an increase in temporarily restricted net assets. Avenues reclassifies temporarily restricted net assets to unrestricted net assets annually for the amount of rent expense relating to the use of the donated properties.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by AHY.

Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under generally accepted accounting principles were not met. Volunteers perform a variety of tasks that assist AHY with specific programs. AHY received approximately 2,716 and 3,785 volunteer hours valued at approximately \$68,000 and \$83,000 in 2016 and 2015, respectively. These estimates do not include a valuation of the housing and support provided by host home volunteers.

AVENUES FOR HOMELESS YOUTH
Notes to Financial Statements

Significant Accounting Policies, continued

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for estimated uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. There have been no charges to bad debt expense or the valuation allowance.

Leasehold Improvements, Furniture and Equipment

Leasehold improvements, furniture and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation of furniture and equipment is computed using the straight-line method over estimated useful lives varying from three to seven years. Depreciation of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life of the improvement or the remaining lease term.

Designation of Unrestricted Net Assets

In 2010, the Board of Directors designated a reserve account to ensure the stability of the mission, programs, employment and ongoing operations of the organization. The target minimum reserve account is equal to at least three months of average operating costs. This amount is held in a separate bank account. The balance was \$455,696 and \$454,639 at June 30, 2016 and 2015, respectively.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

AVENUES FOR HOMELESS YOUTH
Notes to Financial Statements

Significant Accounting Policies, continued

Contributions that the donor requires to be used to acquire long-lived assets, such as leasehold improvements, are reported as temporarily restricted. The value of the long-lived asset is released from restriction ratably over the useful life of the asset.

Government Grants and Contracts

Government grants and contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, AHY will record such disallowance at the time the final assessment is made.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expenses studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

Income Taxes

AHY has a tax-exempt status under Code Section 501(c) (3) of the Internal Revenue Code and Minnesota Statutes 290.05. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and charitable contributions by donors are tax deductible.

2) Promises to Give

Unconditional promises to give are as follows at June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|-------------------|-------------------|
| Receivable in less than one year | \$ 233,000 | \$ 91,999 |
| Receivable in one to three years | <u>276,000</u> | <u>35,000</u> |
| Total unconditional promises to give | <u>\$ 509,000</u> | <u>\$ 126,999</u> |

The discount to present value amount is not significant and uncollectible promises are expected to be insignificant.

3) Unconditional Promise to Give of In-Kind Rent

AHY has a 20-year lease, through April 15, 2018, with the Minneapolis Public Housing Authority, City of Minneapolis, to lease a building for \$1 per year for Avenues' operations in Minneapolis. The lease can be terminated without cause at the end of any three year period during the term. AHY is responsible for the operational costs of the property, including maintenance and repairs and leasehold improvements, all of which will become the property of the City of Minneapolis upon expiration of the lease.

AVENUES FOR HOMELESS YOUTH
Notes to Financial Statements

On September 25, 2014 AHY entered into a 10-year lease, with the Brooklyn Park Economic Development Authority, City of Brooklyn Park, to lease a building for \$1 per year for a facility that will allow AHY to operate a homeless youth shelter and transitional housing facility for twelve youth ages 16-21. This program is referred to as Brooklyn Avenues. The 10-year term commenced at date of occupancy which was February 2015, and can be renewed for an additional 10-year period at the end of the lease. The lease can be terminated without cause with a nine month notification. AHY is responsible for the operational costs of the property, including maintenance and repairs and leasehold improvements, all of which will become the property of the City of Brooklyn Park, upon expiration of the lease.

The unconditional promises to give of in-kind rent have been recorded at estimated fair market value (which cannot exceed the estimated fair value of the building at the time Avenues received the unconditional promises to give). Amounts due more than one year later are recorded at the present value of the estimated annual rent value, discounted at approximately 3%. Amortization of the discount is credited to temporarily restricted contribution income.

As the annual rent is incurred, related resources are classified as unrestricted net assets.

Unconditional promises to give in-kind rent consisted of the following at June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Less than one year | \$ 91,167 | \$ 102,000 |
| One to three years | 150,000 | 191,167 |
| Over three years | <u>229,168</u> | <u>279,167</u> |
| | 470,335 | 572,334 |
| Discount to present value | <u>-50,841</u> | <u>-54,359</u> |
| Net unconditional promise to give in-kind rent | <u>\$ 419,494</u> | <u>\$ 517,975</u> |

4) Leasehold Improvements, Furniture and Equipment

Leasehold improvements, furniture and equipment consist of the following at June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|-------------------|-------------------|
| Leasehold improvements | \$ 292,402 | \$ 292,402 |
| Furniture and equipment, Minneapolis | 102,246 | 90,419 |
| Furniture and equipment, Brooklyn | <u>55,475</u> | <u>46,178</u> |
| | 450,123 | 428,999 |
| Less accumulated depreciation | <u>303,374</u> | <u>238,018</u> |
| | <u>\$ 146,749</u> | <u>\$ 190,981</u> |

Depreciation expense was \$65,356 in 2016 and \$59,246 in 2015.

AVENUES FOR HOMELESS YOUTH
Notes to Financial Statements

5) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|-------------------|
| For future year programs | \$ 652,322 | \$ 303,851 |
| Long-lived leasehold improvement, net of amortization | 68,432 | 106,804 |
| Promise to give of rent, net | <u>414,587</u> | <u>513,517</u> |
| | <u>\$ 1,135,341</u> | <u>\$ 924,172</u> |

6) In-kind Contributions

AHY records in-kind contributions at fair market value at date of donation. In-kind contributions include the following as of June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|---------------------------------|-------------------|-------------------|
| Food | \$ 10,714 | \$ 18,355 |
| Youth supplies and activities | 117,118 | 34,453 |
| Rent | 3,518 | 451,622 |
| Professional fees | 3,965 | 5,619 |
| Brooklyn Park shed, capitalized | <u>9,296</u> | <u>-</u> |
| | <u>\$ 144,611</u> | <u>\$ 510,049</u> |

7) Retirement Plan

In February 2013, AHY adopted a defined contribution plan covering all employees six months after hire. Avenues has elected to contribute an amount equal to 1% of each employee's wages automatically (without regard to whether the employee contributes) and to match an additional 50% of an employee's first 2% contribution. Total expense was approximately \$18,900 and \$15,600 for the years ended June 30, 2016 and 2015, respectively.

8) Income Taxes

The organization has evaluated its potential exposure for uncertain tax positions and management has expressed there are no uncertain tax positions as of June 30, 2016. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

9) Subsequent Events

AHY has evaluated subsequent events through November 9, 2016, the date the financial statements were available to be issued. AHY is not aware of any subsequent events that require recognition or disclosure in the financial statements.