

**AVENUES FOR HOMELESS YOUTH**

Financial Statements

For the Years Ended June 30, 2017 and 2016

# 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, 2017 and 2016, 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, 2017 and 2016, 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.

November 20, 2017

**AVENUES FOR HOMELESS YOUTH**  
**Statement of Financial Position**  
**June 30, 2017 and 2016**

	<u><b>2017</b></u>	<u><b>2016</b></u>
<b>ASSETS</b>		
Cash	\$ 564,311	\$ 642,173
Board designated cash reserve	562,253	455,696
Accounts receivable	61,426	49,928
Unconditional promises to give	345,200	509,000
Unconditional promises to give in-kind rent, net of unamortized discount of \$46,415 in 2017 and \$50,841 in 2016	373,919	419,494
Prepaid expenses	28,456	7,749
Leasehold improvements, furniture and equipment, net	<u>123,204</u>	<u>146,749</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 2,058,769</b></u>	<u><b>\$ 2,230,789</b></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 16,444	\$ 8,272
Accrued expenses	<u>148,517</u>	<u>110,180</u>
<b>TOTAL LIABILITIES</b>	<u><b>164,961</b></u>	<u><b>118,452</b></u>
<b>NET ASSETS</b>		
Unrestricted	275,253	521,300
Board designated operating reserve	<u>562,253</u>	<u>455,696</u>
Total unrestricted net assets	<u>837,506</u>	<u>976,996</u>
Temporarily restricted	652,322	652,322
Temporarily restricted: long-lived assets	30,061	68,432
Temporarily restricted: in-kind rent	<u>373,919</u>	<u>414,587</u>
Total temporarily restricted	<u>1,056,302</u>	<u>1,135,341</u>
<b>TOTAL NET ASSETS</b>	<u><b>1,893,808</b></u>	<u><b>2,112,337</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 2,058,769</b></u>	<u><b>\$ 2,230,789</b></u>

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

**AVENUES FOR HOMELESS YOUTH**  
**Statement of Activities**  
**Years Ended June 30, 2017 and 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Grants and contributions	\$ 866,262	\$ 292,667	\$ 1,158,929	\$ 863,401	\$ 625,000	\$ 1,488,401
Grants from governmental agencies and contracts	702,647	-	702,647	684,585	-	684,585
Program services	198,929	-	198,929	222,894	-	222,894
Miscellaneous income	4,592	-	4,592	1,072	-	1,072
Special event revenue	172,623	-	172,623	191,367	-	191,367
Less: costs of direct benefits to donors	6,007	-	6,007	8,287	-	8,287
	166,616	-	166,616	183,080	-	183,080
<b>TOTAL REVENUES</b>	<u>1,939,046</u>	<u>292,667</u>	<u>2,231,713</u>	<u>1,955,032</u>	<u>625,000</u>	<u>2,580,032</u>
Net assets released from restrictions						
Restrictions satisfied by purpose and time	546,995	(546,995)	-	413,831	(413,831)	-
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>2,486,041</u>	<u>(254,328)</u>	<u>2,231,713</u>	<u>2,368,863</u>	<u>211,169</u>	<u>2,580,032</u>
<b>EXPENSES:</b>						
Program services:						
Emergency Shelter and Transitional Housing Programs	1,482,200	-	1,482,200	1,487,247	-	1,487,247
Host Home Programs	328,635	-	328,635	248,221	-	248,221
Young Families	95,435	-	95,435	-	-	-
Total Program services	1,906,270	-	1,906,270	1,735,468	-	1,735,468
Management and general	232,475	-	232,475	202,401	-	202,401
Fundraising	311,497	-	311,497	237,583	-	237,583
<b>TOTAL EXPENSES</b>	<u>2,450,242</u>	<u>-</u>	<u>2,450,242</u>	<u>2,175,452</u>	<u>-</u>	<u>2,175,452</u>
<b>INCREASE IN NET ASSETS</b>	35,799	(254,328)	(218,529)	193,411	211,169	404,580
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<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>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,012,795</u>	<u>\$ 881,013</u>	<u>\$ 1,893,808</u>	<u>\$ 976,996</u>	<u>\$ 1,135,341</u>	<u>\$ 2,112,337</u>

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

**AVENUES FOR HOMELESS YOUTH**  
**Statement of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (218,529)	\$ 404,580
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	71,519	65,356
<b>(Increase) decrease in operating assets:</b>		
Accounts receivable	(11,498)	(12,544)
Unconditional promises to give	163,800	(382,001)
Unconditional promises to give in-kind rent	102,001	101,999
Prepaid expenses	(20,707)	1,648
<b>Increase (decrease) in operating liabilities:</b>		
Accounts payable	8,172	(12,792)
Accrued expenses	38,337	30,545
<b>Contributions restricted for long-term purposes:</b>		
In-kind rent	(52,000)	-
Amortization of discount on unconditional promises to give in-kind rent, net	<u>(4,426)</u>	<u>(3,518)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	76,669	193,273
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Transfer to Board designated operating reserve	(105,000)	-
Leasehold improvements and equipment purchases, net	<u>(47,974)</u>	<u>(21,124)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(152,974)</u>	<u>(21,124)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest income on Board designated operating reserve	<u>(1,557)</u>	<u>(1,057)</u>
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>	<u>(1,557)</u>	<u>(1,057)</u>
<b>NET INCREASE IN CASH</b>	(77,862)	171,092
<b>CASH AT BEGINNING OF YEAR</b>	<u>642,173</u>	<u>471,081</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 564,311</u>	<u>\$ 642,173</u>

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

**AVENUES FOR HOMELESS YOUTH**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**

	<u>Program Services</u>				<u>Support Services</u>			<u>TOTAL</u>
	Emergency Shelter and Transitional Housing Program	Host Home Programs	Young Families	Total	Management and General	Fund-raising	Total	
Salaries, payroll taxes and benefits	\$ 982,499	\$ 250,188	\$ 73,423	\$ 1,306,110	\$ 163,867	\$ 260,218	\$ 424,085	\$ 1,730,195
Program activities:								
Food and meals	89,573	250	-	89,823	-	-	-	89,823
Activities	140	1,452	-	1,592	-	-	-	1,592
Transportation	14,788	1,862	80	16,730	-	-	-	16,730
Grants	-	20,000	-	20,000	-	-	-	20,000
Contract services	28,569	1,950	205	30,724	16,548	5,328	21,876	52,600
Conferences	11,279	6,893	884	19,056	2,447	791	3,238	22,294
Occupancy	142,926	9,798	11,605	164,329	23,004	3,466	26,470	190,799
Insurance	10,239	2,344	1,354	13,937	1,352	1,786	3,138	17,075
Licenses and fees	8,883	250	250	9,383	25	10	35	9,418
Marketing and promotion	47	720		767	-	16,700	16,700	17,467
Printing and postage	4,007	942	227	5,176	1,674	7,373	9,047	14,223
Supplies	91,832	16,381	2,545	110,758	1,191	569	1,760	112,518
Technology	10,770	2,905	701	14,376	4,596	6,544	11,140	25,516
Telephone	11,935	2,050	634	14,619	456	406	862	15,481
Travel and meetings	8,337	8,497	2,881	19,715	2,462	4,919	7,381	27,096
Miscellaneous	3,234	340	73	3,647	11,345	904	12,249	15,896
Depreciation	63,142	1,813	573	65,528	3,508	2,483	5,991	71,519
					-			
<b>Total expenses</b>	<b>\$ 1,482,200</b>	<b>\$ 328,635</b>	<b>\$ 95,435</b>	<b>\$ 1,906,270</b>	<b>\$ 232,475</b>	<b>\$ 311,497</b>	<b>\$ 543,972</b>	<b>\$ 2,450,242</b>
				<u>77.8%</u>	<u>9.5%</u>	<u>12.7%</u>		<u>100.0%</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
Grants	-	13,332	13,332	-	-	-	13,332
Contract services	26,278	1,208	27,486	13,871	455	14,326	41,812
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
<b>Total expenses</b>	<b>\$ 1,487,247</b>	<b>\$ 248,221</b>	<b>\$ 1,735,468</b>	<b>\$ 202,401</b>	<b>\$ 237,583</b>	<b>\$ 439,984</b>	<b>\$ 2,175,452</b>
			<u>79.8%</u>	<u>9.3%</u>	<u>10.9%</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, 2017 and 2016**

**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, 2017, Avenues for Homeless Youth continued to expand and strengthen its programs and services, in response to the continued growth in youth homelessness and the complexity of youth needs. Highlights included relaunching our Minneapolis & Suburban Host Home Program after a six-month hiatus for financial reasons, starting outreach to LGBTQ-identified youth through our ConneQT and GLBT Host Home Programs, and launching our Avenues for Young Families rapid rehousing program.

By June 30, 2017, Avenues was operating six shelter and transitional housing programs in the Twin Cities that supported more than 300 youth, including young families. While participating in an Avenues program, 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.

We report here on the specific outcomes of our existing programs during FY17.

**Avenues' Congregate Shelter and Transitional Housing Programs**

During FY17, our two congregate shelter and transitional housing programs supported 252 youth, as follows:

- Minneapolis Avenues supported 140 youth. Of those, 83 youth lived at Avenues and participated fully in the program and another 57 used the overnight emergency bed at least one night. Of the 64 youth who exited during this timeframe, 79% moved to a stable living arrangement.
- Brooklyn Avenues supported 112 young people. Of those, 43 were in the program in the program and 69 used the emergency bed for at least one night. Of the 33 youth who moved out, 70% moved to a stable housing environment.

In total, 77% of the youth who lived in the two programs and received our full supportive services (97 of 126) moved into stable housing upon exit from the program. This exceeds our goal of at least 70% moving to stable living arrangements and is a testament to the great work of our staff and youth.

**AVENUES FOR HOMELESS YOUTH**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**1) Summary of Organizational Purpose and Significant Accounting Policies**

**Organizational Purpose and Nature of Activities**

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, independent living skills specialist and community partners. Youth live at Avenues 90 to 120 days on average.

At any point in time, another 40 to 50 youth who have moved out of Brooklyn Avenues and Minneapolis Avenues are receiving 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 - 24 with volunteers in the community who have been recruited, screened and trained by Avenues.

During fiscal year 2017, our host home programs supported 24 young people, as follows:

- The GLBT Host Home Program supported 11 young people. Of the 4 youth who moved out of their host homes during the year, 75% moved into stable living arrangements. Youth stay an average of 10-12 months in host homes.
- The Minneapolis and Suburban Host Home Program supported 3 youth. Of the 3 youth who moved out of their host homes during the year, 100% moved into stable living arrangements. Youth participants are from the City of Minneapolis and the suburbs of Hennepin County.
- The ConneQT Host Home Program supported 10 youth in host homes. Of the 8 youth who moved out of their host homes, 100% moved into stable living arrangements. Youth stay up to 3 months in these host homes.

In total, 93% of youth who moved out of host homes (14 of 15) during the fiscal year moved to stable living arrangements. This is a very strong outcome, exceeding our goal of 75%, and speaks to the hard work of our staff, hosts and the youth participants.

Another 20 LGBTQ-identified youth were provided case management support on an outreach basis (they did not live in host homes) during FY17.

The GLBT Host Home Program and the ConneQT Program specifically support homeless youth who identify as gay, lesbian, bisexual, transgender and queer. Their hosts are LGBTQ themselves or allies.

**AVENUES FOR HOMELESS YOUTH**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**1) Summary of Organizational Purpose and Significant Accounting Policies**

**Organizational Purpose and Nature of Activities**

The Minneapolis and Suburban Host Home Program is geographically-specific. The goal is to have host homes across the City of Minneapolis and suburbs of Hennepin County so that youth may remain in their home community.

The process of matching youth and hosts is youth-driven. While in their host home, youth receive all basic needs and have the opportunity to work with their case manager and other specialists on our team to identify and address their longer-term personal goals. While the average length of stay is relatively short, the hosting arrangement usually is life-changing, both for hosts and youth.

The overall goal for these programs is to provide homeless youth with the stability, support and coaching they need so, when they leave their host homes, they have a vision for their future and are building the skills and relationships needed to pursue that vision. Simultaneously, we are fostering connections and building community. Youth participants are ages 18 to 24 (youth ages 16-17 are involved along with their family or guardians).

**Avenues for Young Families Rapid Rehousing Program**

In January 2017, Avenues started a new program – Avenues for Young Families – and began supporting homeless youth-led families. This “rapid rehousing program” supports youth-led families by helping them locate an apartment in the community, providing temporary rent subsidies and wrapping comprehensive services around the entire family to give them a strong start toward independent living. By the end of June 30, 2017, the program was supporting 7 young homeless families. At full operation, this program will house and support 12 young families at a time. Funding for the rent subsidies is provided by a grant from the US Department of Housing and Urban Development.

**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.

**AVENUES FOR HOMELESS YOUTH**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**1) Significant Accounting Policies, continued**

**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 give include amounts from three donors at June 30, 2017 comprising 86% of the balance and from three donors at June 30, 2016 comprising 80% 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, 2017, the organization's uninsured cash balances, including the Board-Designated Operating Cash Reserve, were approximately \$624,000.

**Significant Concentrations of Contributions and Grants**

Grants and contributions and government grants are received from both national and local institutions. AHY received approximately 24% of its total revenues and other support from two governmental agencies in 2017 and approximately 20% of its total revenue and other support from two governmental agencies in 2016.

**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.

**AVENUES FOR HOMELESS YOUTH**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**1) Significant Accounting Policies, continued**

**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 2,147 and 2,716 volunteer hours valued at approximately \$57,000 and \$68,000 in 2017 and 2016, respectively. These estimates do not include a valuation of the housing and support provided by host home volunteers.

**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.

**AVENUES FOR HOMELESS YOUTH**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**1) Significant Accounting Policies, continued**

**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 \$562,253 and \$455,696 at June 30, 2017 and 2016, 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.

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.

**AVENUES FOR HOMELESS YOUTH**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**1) Significant Accounting Policies, continued**

**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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 214,600	\$ 233,000
Receivable in one to three years	<u>130,600</u>	<u>276,000</u>
Total unconditional promises to give	<u>\$ 345,200</u>	<u>\$ 509,000</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.

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.



**AVENUES FOR HOMELESS YOUTH**  
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**3) Unconditional Promise to Give of In-Kind Rent, continued**

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

Unconditional promises to give in-kind rent consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 91,167	\$ 91,167
One to three years	150,000	150,000
Over three years	<u>179,167</u>	<u>229,168</u>
	420,334	470,335
Discount to present value	<u>-46,415</u>	<u>-50,841</u>
Net unconditional promise to give in-kind rent	<u>\$ 373,919</u>	<u>\$ 419,494</u>

**4) Leasehold Improvements, Furniture and Equipment**

Leasehold improvements, furniture and equipment consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 292,402	\$ 292,402
Furniture and equipment, Minneapolis	141,975	102,246
Furniture and equipment, Brooklyn	<u>58,930</u>	<u>55,475</u>
	493,307	450,123
Less accumulated depreciation	<u>370,103</u>	<u>303,374</u>
	<u>\$ 123,204</u>	<u>\$ 146,749</u>

Depreciation expense was \$71,519 in 2017 and \$65,356 in 2016.

**5) Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
For future year programs	\$ 477,033	\$ 652,322
Long-lived leasehold improvement, net of amortization	30,061	68,432
Promise to give of rent, net	<u>373,919</u>	<u>414,587</u>
	<u>\$ 881,013</u>	<u>\$ 1,135,341</u>

**AVENUES FOR HOMELESS YOUTH**  
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**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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Food	\$ 5,818	\$ 10,714
Youth supplies and activities	78,917	117,118
Rent	56,059	3,518
Computer and technology fees	42,011	-
Miscellaneous services	2,233	3,965
Brooklyn Park shed, capitalized	-	9,296
	<u>\$ 185,038</u>	<u>\$ 144,611</u>

**7) Operating Lease**

On January 1, 2017 AHY leased space under a noncancelable operating lease, which expires December 31, 2018. The monthly rent is \$900.

Rent expense under this lease was \$5,400 for the year ended June 30, 2017.

Future minimum lease payments under this lease which has a remaining term in excess of one year as of June 30, 2017 are:

<u>Year Ending June 30,</u>	Amount
2018	\$ 10,800
2019	5,400
Thereafter	-
	<u>\$ 16,200</u>

**8) 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 \$23,900 and \$18,900 for the years ended June 30, 2017 and 2016, respectively.

**9) 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, 2017. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

**10) Subsequent Events**

AHY has evaluated subsequent events through November 20, 2017, 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.