

**AVENUES FOR YOUTH**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2020**

# AVENUES FOR YOUTH

## FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Avenues for Youth  
Minneapolis, Minnesota

We have audited the accompanying financial statements of Avenues for Youth (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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.

(Continued)

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avenues for Youth as of June 30, 2020, 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.

## **Prior Period Financial Statements**

The financial statements of Avenues for Youth as of June 30, 2019 were audited by other auditors who expressed an unmodified opinion on those statements in their report dated November 18, 2019. The summarized comparative information presented herein as of and for the year ended June 30, 2019 has been derived from those financial statements which have been adjusted as described below. Beginning cash, cash equivalents and restricted cash have been restated in connection with the adoption of ASU 2016-18 as discussed in Note 2.

As described in Note 11 to the financial statements, the organization has restated its 2019 financial statements during the current year to correct an error in the prior year financial statements. The corrections were made to record certain grant revenue and the related receivable which had not been recorded. The other auditor reported on the 2019 financial statements before the retrospective adjustments.

As part of our audit of the 2020 financial statements, we also audited the adjustments described in Note 11 that were applied to restate the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of Avenues for Youth other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements as a whole.

## **Adoption of New Accounting Standards**

As discussed in Note 2 to the financial statements, in 2020, Avenues for Youth adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to those matters.

## **Report on Summarized Comparative Information**

The financial statements of Avenues for Youth as of June 30, 2019, were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated November 18, 2019. The summarized comparative information presented herein as of and for the year ended June 30, 2019, has been derived from those financial statements.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

October 26, 2020

**AVENUES FOR YOUTH**

STATEMENT OF FINANCIAL POSITION

June 30, 2020

(With Comparative Totals for 2019)

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,754,381	\$ 637,046
Cash - fiscal agency and youth savings funds	1,785	150
Cash - board designated opportunity fund	150,000	-
Cash - board designated operating reserve	103,717	148,158
Certificates of deposit - board designated operating reserve	625,000	500,000
Government grants receivable	84,308	195,759
Contributions receivable	441,092	838,047
Unconditional promises to give in-kind rent, net	798,577	893,609
Prepaid expenses	17,546	15,566
Leasehold improvements, furniture and equipment, net	348,105	345,413
 Total assets	 \$ 4,324,511	 \$ 3,573,748
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 27,864	\$ 26,332
Accrued payroll and related	143,071	135,615
Fiscal agency and youth savings payable	1,785	150
Refundable advance	18,058	-
Loan payable	366,400	-
 Total liabilities	 557,178	 162,097
Net assets:		
Net assets without donor restrictions		
Undesignated and unrestricted	790,153	523,828
Board designated reserves	878,717	648,158
Board designated leasehold improvements, furniture and equipment	287,120	307,597
Total net assets without donor restrictions	1,955,990	1,479,583
 Net assets with donor restrictions	 1,811,343	 1,932,068
 Total net assets	 3,767,333	 3,411,651
 Total liabilities and net assets	 \$ 4,324,511	 \$ 3,573,748

See accompanying notes financial statements.

## AVENUES FOR YOUTH

### STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

	2020			2019
	Without donor restrictions	With donor restrictions	Total	
Revenue and support:				
Government grants	\$ 1,193,287	\$ -	\$ 1,193,287	\$ 1,377,896
Public support:				
Grants and contributions	1,051,447	535,986	1,587,433	2,104,926
In-kind contributions	168,856	-	168,856	784,161
Program services	263,792	-	263,792	247,122
Special events revenue	86,239	-	86,239	94,414
Less: direct benefits to donors	-	-	-	(16,288)
Interest income	17,980	-	17,980	3,155
Other income	16,896	-	16,896	5,837
Net assets released from restrictions	656,711	(656,711)	-	-
<b>Total revenue and support</b>	<b>3,455,208</b>	<b>(120,725)</b>	<b>3,334,483</b>	<b>4,601,223</b>
Expenses:				
Program services:				
Emergency shelter and transitional housing	1,579,850	-	1,579,850	1,507,298
Community-based housing	441,863	-	441,863	422,570
Rapid rehousing	255,374	-	255,374	211,548
Total program services	2,277,087	-	2,277,087	2,141,416
Management and general	364,315	-	364,315	336,448
Fundraising	337,399	-	337,399	284,836
<b>Total expenses</b>	<b>2,978,801</b>	<b>-</b>	<b>2,978,801</b>	<b>2,762,700</b>
Change in net assets	476,407	(120,725)	355,682	1,838,523
Net assets - beginning of year	1,479,583	1,932,068	3,411,651	1,573,128
Net assets - end of year	<u>\$ 1,955,990</u>	<u>\$ 1,811,343</u>	<u>\$ 3,767,333</u>	<u>\$ 3,411,651</u>

See accompanying notes to financial statements.

**AVENUES FOR YOUTH**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

	2020							2019
	Emergency Shelter and Transitional Housing Services	Community-Based Housing Services	Rapid Rehousing Services	Total Program Services	Management and General	Fundraising	Total	
Salaries	\$ 944,417	\$ 321,296	\$ 117,293	\$ 1,383,006	\$ 233,966	\$ 250,219	\$ 1,867,191	1,729,804
Payroll taxes	74,248	25,201	9,270	108,719	18,296	18,577	145,592	144,430
Employee benefits	94,493	47,222	16,167	157,882	15,155	32,639	205,676	209,513
<b>Total personnel expense</b>	<b>1,113,158</b>	<b>393,719</b>	<b>142,730</b>	<b>1,649,607</b>	<b>267,417</b>	<b>301,435</b>	<b>2,218,459</b>	<b>2,083,747</b>
<b>Program activities</b>								
Food and meals	89,269	98	-	89,367	-	-	89,367	76,794
Rent subsidy	-	380	85,732	86,112	-	-	86,112	56,400
Supplies	89,875	7,287	8,641	105,803	-	-	105,803	57,704
Activities	1,798	733	690	3,221	-	-	3,221	16,289
Youth transportation	7,045	1,660	600	9,305	-	-	9,305	13,573
<b>Total program activities</b>	<b>187,987</b>	<b>10,158</b>	<b>95,663</b>	<b>293,808</b>	<b>-</b>	<b>-</b>	<b>293,808</b>	<b>220,760</b>
Contract services and professional fees	12,175	190	-	12,365	26,083	95	38,543	50,744
Office and cleaning supplies	20,598	523	317	21,438	883	955	23,276	26,472
Telecommunication	12,773	2,932	1,875	17,580	2,279	1,348	21,207	24,608
Technology	11,000	5,129	1,755	17,884	7,734	12,788	38,406	46,552
Marketing and advertising	382	682	240	1,304	51	7,318	8,673	4,228
Printing and postage	2,811	420	117	3,348	2,309	3,299	8,956	9,356
Occupancy	85,050	14,060	7,030	106,140	13,300	1,650	121,090	116,860
Equipment	6,698	78	26	6,802	1,560	1,079	9,441	4,794
Repairs and maintenance	28,454	437	184	29,075	561	56	29,692	20,844
Utilities	27,493	-	-	27,493	6,158	798	34,449	37,224
Insurance	16,683	1,517	1,264	19,464	4,297	1,517	25,278	19,254
Travel and meetings	2,885	5,428	2,477	10,790	3,337	1,991	16,118	22,255
Licenses, fees and memberships	16,557	2,612	1,267	20,436	3,610	708	24,754	13,836
Conferences/training	3,848	3,445	303	7,596	1,773	996	10,365	15,022
Depreciation	31,078	469	119	31,666	6,326	1,332	39,324	30,989
Miscellaneous	220	64	7	291	16,637	34	16,962	15,155
	<u>\$ 1,579,850</u>	<u>\$ 441,863</u>	<u>\$ 255,374</u>	<u>\$ 2,277,087</u>	<u>\$ 364,315</u>	<u>\$ 337,399</u>	<u>\$ 2,978,801</u>	<u>\$ 2,762,700</u>

See accompanying notes to financial statements.

## AVENUES FOR YOUTH

### STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 355,682	\$ 1,838,523
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	39,324	30,989
Amortization	4,968	91,864
Changes in operating assets and liabilities:		
Government grants receivable	111,451	(84,775)
Contributions receivable	396,955	(747,811)
Unconditional promises to give in-kind rent, net	90,064	(608,136)
Prepaid expenses	(1,980)	2,940
Accounts payable	1,532	(247)
Accrued payroll and related	7,456	(4,604)
Fiscal agency and youth savings payable	1,635	150
Refundable advance	18,058	(22,170)
Net cash from operating activities	1,025,145	496,723
Cash flows from investing activities:		
Purchase of equipment	(42,016)	(318,144)
Net cash from investing activities	(42,016)	(318,144)
Cash flows from financing activities:		
Issuance of loan payable	366,400	-
Net cash from financing activities	366,400	-
Net increase in cash, cash equivalents, and restricted cash	1,349,529	178,579
Cash, cash equivalents, and restricted cash - beginning of year	1,285,354	1,106,775
Cash, cash equivalents, and restricted cash - end of year	\$ 2,634,883	\$ 1,285,354
Reconciliation to the statement of financial position:		
Cash and cash equivalents	\$ 1,754,381	\$ 637,046
Cash - fiscal agency and youth savings funds	1,785	150
Cash - board designated opportunity fund	150,000	-
Cash - board designated operating reserve	103,717	148,158
Certificates of deposit - board designated operating reserve	625,000	500,000
Total cash, cash equivalents, and restricted cash	\$ 2,634,883	\$ 1,285,354

See accompanying notes to financial statements.



# AVENUES FOR YOUTH

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

### 1. ORGANIZATION

Avenues for Youth (Avenues) is a Minnesota nonprofit corporation whose mission is to partner with youth experiencing homelessness to achieve their dreams. Their mission is accomplished by providing shelter, short term and transitional housing, and supportive services for youth experiencing homelessness in a safe and nurturing environment. Through such services, Avenues seeks to help youth achieve their personal goals and find a positive transition into young adulthood.

Avenues operates congregate and community-based housing programs in the Twin Cities that support 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 Avenues 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.

Program activities of Avenues include the following:

**Emergency Shelter and Transitional Housing Services** – Avenues operates two shelter and transitional living programs. Minneapolis Avenues, in North Minneapolis, provides emergency shelter and housing in a welcoming and youth-driven environment. Minneapolis Avenues has 20 program beds. Brooklyn Avenues, in Brooklyn Park, also provides emergency shelter and housing. Brooklyn Avenues has 11 program beds. Both houses are staffed 24/7 with supportive adults who are dedicated and focused on supporting youth.

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 Avenues staff and trained volunteers. Avenues takes a care coordination approach - each youth has access to a team that includes case managers, mental health therapist, nurse, education and career specialist, independent living skills specialist and community partners. Youth live in these programs 7 months on average.

(Continued)

# AVENUES FOR YOUTH

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

### 1. ORGANIZATION (Continued)

**Community-Based Housing Services** – ConneQT, a host home program, is a housing option where LGBTQI+ youth choose to live with community members. The goal of this program is to provide culturally responsive housing within a youth's own community. Avenues does this by recruiting, training, and supporting community members that share their homes. Youth live with community members from one week to one year, depending on their needs. Avenues' ConneQT hosts are screened and trained LGBTQI+ or ally community members who have a spare bedroom and are able to share resources. Avenues staff work with youth, and the host home, to make sure the process is as comfortable as possible and make connections to resources like housing, education and career support, and more while in the program.

Avenues also has another housing program called Abule. Abule (A-boo-lay) translates to “the village” in the Yoruba language. Abule is a collective housing program for youth who identify as black, indigenous, and people of color (BIPOC) where community members share their home and resources with youth experiencing homelessness. Avenues' goal is to support ten youth per year in the Abule program.

**Rapid Rehousing Services** – Avenues launched the Young Families Rapid Rehousing program in 2017. The program provides housing and services to parents ages 18-24, and their children. Families are given rent subsidies based on their need, which can range from three months to a year of support. Families in the program have one or two parents, and up to two children.

Avenues works with parents in the program to identify and reach their goals. Families receive intensive support in education and career goals; job training programs; parenting classes and healthy living; financial education and independent living skills.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(Continued)

# AVENUES FOR YOUTH

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**New Accounting Standards Adopted** – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. Avenues adopted these related standards on July 1, 2019, using the modified retrospective method. The adoption had no effect on the financial statements.

Avenues adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* using the full retrospective approach. This ASU was issued to address diversity in reporting restricted cash on the statement of cash flows, largely due to the lack of guidance. After the adoption of ASU 2016-18, restricted cash and cash equivalents must be included with the beginning and ending cash and cash equivalents shown on the statement of cash flows. Before the change, restricted cash and cash equivalents was excluded. The change increased 2019 beginning of year cash, cash equivalents, and restricted cash reported on the statement of cash flows by \$645,003.

**Financial Statement Presentation** – The accompanying financial statements have been prepared using the accrual basis of accounting.

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

- Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired. Net assets without donor restrictions are available for programs and supporting services at the discretion of management and the board of directors.
- Net assets with donor restrictions are contributions restricted by donors for specific purposes or time periods. Donor-restricted contributions are reported as an increase in net assets with donor restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, the restricted net assets are reclassified to net assets without donor restrictions on the statement of activities. Contributions with donor-imposed restrictions that expire in the same fiscal year the contribution is recognized are reported as net assets without donor restrictions.

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Cash and Cash Equivalents** – For purposes of the statements of cash flows, Avenues considers unrestricted investment instruments purchased with original maturities of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents.

**Restricted Cash – Board Reserves** – Avenues had restricted cash of \$878,717 and \$648,158 at June 30, 2020 and 2019. Amounts included in restricted cash represent a board designated operating reserve and a board designated opportunity fund. The guideline of the operating reserve is to have a liquid balance of at least 90 days with a goal of 100 days of budgeted operating expenses. The opportunity fund is designed to provide funds to meet special targets that further the mission of Avenues, which may or may not have specific expectations of incremental or long-term increased income.

**Certificates of Deposit** – Avenues records certificates of deposit at cost plus accrued interest, which approximates fair market value. Funds held in certificates of deposit are board designated as an operating reserve.

**Restricted Cash – Fiscal Agency Funds** – Avenues periodically acts as an agent for other not for profit organizations. It accepts cash from the organization(s) and agrees to use the funds to benefit a specified purpose or beneficiary. These transactions are not included in the statement of activities since Avenues has no discretion in determining how the funds are used. Such agency amounts collected are recorded as liabilities until released. Avenues also periodically accepts funds from youth to be kept in a savings account for their use. Avenues held funds of \$1,785 and \$150 at June 30, 2020 and 2019, respectively.

**Grants and Contributions Receivable** - Receivables are stated at the amount management expects to collect. Management reviews receivable balances at year end and establishes an allowance based on expected collections. Receivables are written off as a charge to the allowance when, in management's estimation, it is probable that the receivable is worthless. Management determined that no allowance was necessary at June 30, 2020 and 2019.

**Leasehold Improvements, Furniture and Equipment** - Equipment is carried at cost if purchased, and at fair value at the date of gift if donated. Additions with a cost of less than \$2,500 are expensed. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of equipment are capitalized. Management evaluates these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(Continued)

# AVENUES FOR YOUTH

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Contributions and Grants** – Avenues recognizes a contribution when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Upon expiration of the time restriction or when purpose restrictions have been met, they are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

**Government Grants and Contracts** - Government grants and contract funds are generally considered conditional contributions and are recorded as revenue when the conditions have been satisfied. The conditions are considered satisfied when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as refundable advances.

**Program Service Fees** – A portion of Avenues' revenue is derived from county contracts and grants, which are conditioned upon certain performance requirements other than incurrence of allowable qualifying expenses. Amounts received are recognized as revenue at the rate stated in the agreements when Avenues has performed the related services required by the specific contract or grant provisions.

Expenditures under government grants and contracts are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

**Functional Expenses** – The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Indirect expenses that impact program and supporting services have been allocated based on employee work efforts or square footage as determined by Avenues' management.

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Donated Materials and Services** – Avenues receives contributions of personal hygiene products, clothing, gift cards and food. Donated items are recorded as contributions at their estimated fair market value when received. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed legal services were valued at \$1,785 in 2020. No contributed services were recognized in 2019.

**Income Taxes** – Avenues is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income from activities that are not related to its exempt purpose. Management believes Avenues did not have any unrelated business income or uncertain tax positions in 2020 or 2019.

**Reclassifications** – Certain reclassifications have been made to the June 30, 2019 financial statements in order for them to conform to the June 30, 2020 presentation. These reclassifications had no effect on net assets or the change in net assets.

**Comparative Total Column** – The financial statements include certain prior year summarized comparative information in total but not by net asset class or functionalized expense. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States. Accordingly, such information should be read in conjunction with Avenues' financial statements for the year ended June 30, 2019, from which the summarized information was derived.

#### 3. LIQUIDITY AND AVAILABILITY

Avenues' management and board of directors regularly monitor the liquidity required to meet operating needs and other contractual commitments while also striving to maximize the investment of its available funds. They consider contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to Avenues' annual operations to be available to meet cash needs for general expenditures. Avenues manages its liquidity and reserves following these guiding principles: operating within a prudent range of financial soundness and stability and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met.

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

#### 3. LIQUIDITY AND AVAILABILITY (Continued)

Avenues has a liquidity benchmark to maintain current financial assets less current financial liabilities at a minimum of 45 days operating expenses. To achieve these targets, Avenues forecasts its future cash flows and monitors its liquidity at each Finance Committee meeting. During the years ended June 30, 2020 and 2019, the level of liquidity and reserves were managed within the liquidity benchmarks.

Avenues considers all expenditures related to its ongoing activities that serve its organizational purpose, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Financial assets available for general expenditures within one year of the statement of financial position dates are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,754,381	\$ 637,046
Government grants receivable	84,308	195,759
Contributions receivable	<u>441,092</u>	<u>487,678</u>
	<u>\$ 2,279,781</u>	<u>\$ 1,320,483</u>

#### 4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional promises to give are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 441,092	\$ 487,678
Receivable in one to three years	<u>-</u>	<u>350,369</u>
	<u>\$ 441,092</u>	<u>\$ 838,047</u>

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

#### 5. UNCONDITIONAL PROMISE TO GIVE IN-KIND RENT

Avenues leases a building for use as a youth emergency shelter and transitional housing facility as well as office space from the Minneapolis Public Housing Authority, City of Minneapolis, for \$1 per year. The lease was effective June 2019 and runs through June 30, 2034. Avenues is responsible for the operational costs of the property including maintenance, repairs, and leasehold improvements, all of which become the property of the City of Minneapolis upon expiration of the lease.

On September 25, 2014 Avenues entered into a 10-year lease agreement with the Brooklyn Park Economic Development Authority, City of Brooklyn Park, for a building requiring annual payments of \$1. The building is operated as a homeless youth shelter and transitional housing facility. This program is referred to as Brooklyn Avenues. The 10-year term 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. Avenues is responsible for the operational costs of the property, including maintenance, repairs, and leasehold improvements, all of which become the property of the City of Brooklyn Park upon expiration of the lease.

The unconditional promises to give in-kind rent have been recorded at their estimated fair value at the time they were received. The amounts have been discounted to their net present value using an interest rate of approximately 2%. Amortization of the discount is credited to net assets with donor restrictions.

As the annual rent is incurred, the related resources are classified as net assets without donor restrictions.

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

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 93,070	\$ 95,032
Receivable in one to three years	267,832	273,480
Receivable in more than three years	568,265	660,655
	<u>929,167</u>	<u>1,029,167</u>
Discount to present value	(130,590)	(135,558)
Net unconditional promise to give In kind rent	<u>\$ 798,577</u>	<u>\$ 893,609</u>

(Continued)



## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

#### 6. LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 623,150	\$ 594,237
Furniture and equipment, Minneapolis	137,495	148,419
Furniture and equipment, Brooklyn	61,815	59,040
	<u>822,460</u>	<u>801,696</u>
Less: accumulated depreciation	<u>(474,355)</u>	<u>(456,283)</u>
	<u>\$ 348,105</u>	<u>\$ 345,413</u>

#### 7. LOAN PAYABLE

In April 2020, Avenues received an unsecured loan in the amount of \$366,400 through the Paycheck Protection Program. The loan bears interest at 1%, compounded annually. No payments are due for the first six months of the loan term. After the deferment period, payments of \$15,426 are due monthly. The loan matures in April 2022 but is eligible to be forgiven under certain circumstances. Management believes that the loan will be substantially or fully forgiven.

#### 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Purpose restricted for future year programs	\$ 254,372	\$ 776,793
Time restricted for future periods	758,394	261,666
Promises to give rent, net	798,577	893,609
	<u>\$ 1,811,343</u>	<u>\$ 1,932,068</u>

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

#### 9. RETIREMENT PLAN

Avenues sponsors 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% of contributions. Avenues' contribution was \$28,272 and \$28,220 for the fiscal years ended June 30, 2020 and 2019, respectively.

#### 10. LEASE

Avenues leases administrative space under a non-cancelable operating lease agreement. The lease requires monthly payments for base rent which includes operating expenses. Rent expense under this lease was \$21,600 in fiscal 2020 and \$10,800 in fiscal 2019. The lease expires in December 2021 and will require future minimum payments of \$21,600 in fiscal 2021 and \$10,800 in fiscal 2022.

#### 11. CORRECTION OF AN ERROR AND RESTATEMENT

After the 2019 financial statements had been issued, it was discovered that grant reimbursements and the related grant receivable of \$80,010 had not been recorded. Accordingly, the 2019 financial statements were restated to accurately reflect the receivable and related support and revenue. The net effect on June 30, 2019 net assets was an increase of \$80,010.

Net assets without donor restrictions as of December 31, 2019 and grants have been restated as follows:

As previously reported	\$1,399,573	
Grants and grants receivable	<u>80,010</u>	
As restated	<u>\$1,479,583</u>	
	<u>As previously reported</u>	<u>Restated</u>
Government grants	\$1,297,886	\$1,377,896

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
(With Comparative Totals for 2019)

#### 12. CONTINGENCIES AND CONCENTRATIONS

Avenues places its cash with several financial institutions which are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times the amount on deposit exceeds the insured limit of an institution which exposes Avenues to a collection risk. Avenues has not experienced any losses as a result of these deposits. At June 30, 2020 and 2019, deposits exceeded the insured limit by approximately \$479,000 and \$376,000. Avenues holds \$1,678,000 at June 30, 2020 in insured cash accounts at various banks through a cash sweep program.

Avenues has several government grants that contain conditions (primarily that funds be expended before they are earned or received). Since these grants represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met. Avenues has the following unearned conditional contributions at June 30, 2020:

Federal Family and Youth Services	
Bureau funding	\$ 205,504
State of Minnesota Office of Economic	
Opportunity funding	324,250
	<hr/>
	\$ 529,754
	<hr/> <hr/>

Avenues also had a \$100,000 conditional gift that was not recorded at June 30, 2020. That gift was received and recorded as revenue in September 2020.

A nationwide public health emergency continues to develop in 2020. Many states have enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on certain activities as well as recommendations for further voluntary curtailment of activities. Immediate direct impacts on Avenues included closing emergency overnight beds and a slight reduction in shelter capacity to allow for appropriate social distancing. The future potential financial impacts of these issues are unknown and therefore no estimate can be made at this time.

#### 13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2020, the date on which the financial statements were available for issue.