



AVENUES FOR YOUTH

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2022**



AVENUES FOR YOUTH

FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Avenues for Youth
Minneapolis, Minnesota

Opinion

We have audited the accompanying financial statements of the Avenues for Youth (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Avenues for Youth, as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Avenues for Youth and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Avenues for Youth's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Avenues for Youth's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Avenues for Youth's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, Avenues for Youth has adopted Accounting Standards Updates (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to those matters.

(Continued)

Other Information Included in the Organization's Annual Report

Management is responsible for the other information included in Avenues for Youth's June 30, 2022 Annual Report. The other information comprises a letter from the Executive Director, summaries of achievements by program, June 30, 2022 financial summary, and acknowledgement of individual donors but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

Report on Summarized Comparative Information

We have previously audited the Avenues for Youth's 2021 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mahoney Ulbrich
Christiansen Russ P.A.*

October 24, 2022

AVENUES FOR YOUTH

STATEMENT OF FINANCIAL POSITION

June 30, 2022

(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 654,890	\$ 1,045,927
Cash - fiscal agency and youth savings funds	1,001	1,786
Cash - board designated opportunity fund	318,183	890,000
Cash - board designated operating reserve	206,088	204,205
Cash - board designated specific fiscal year	88,917	123,082
Cash - board designated capacity campaign	1,100,007	-
Certificates of deposit - board designated operating reserve	626,249	626,249
Contributions and grants receivable	298,269	426,344
Unconditional promises to give in-kind rent, net	614,360	705,507
Prepaid expenses	31,565	16,089
Leasehold improvements, furniture and equipment, net	288,305	320,217
Total assets	\$ 4,227,834	\$ 4,359,406
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 50,142	\$ 30,772
Accrued payroll and related	136,842	130,970
Fiscal agency and youth savings payable	1,001	1,786
Refundable advances	14,032	66,324
Total liabilities	202,017	229,852
Net assets:		
Net assets without donor restrictions		
Undesignated and unrestricted	495,347	840,849
Board designated reserves	2,339,444	1,843,536
Board designated leasehold improvements, furniture and equipment	246,166	266,643
Total net assets without donor restrictions	3,080,957	2,951,028
Net assets with donor restrictions	944,860	1,178,526
Total net assets	4,025,817	4,129,554
Total liabilities and net assets	\$ 4,227,834	\$ 4,359,406

See accompanying notes financial statements.

AVENUES FOR YOUTH

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022			2021
	Without donor restrictions	With donor restrictions	Total	
Revenue and support:				
Government grants and contracts	\$ 1,030,259	\$ -	\$ 1,030,259	\$ 1,101,330
Forgiveness of PPP loan	-	-	-	366,400
Public support:				
Grants and contributions	1,341,533	288,026	1,629,559	1,388,864
In-kind contributions	110,590	-	110,590	102,603
Program services	167,139	-	167,139	241,651
Special events revenue	111,421	-	111,421	95,300
Less: direct benefits to donors	(3,799)	-	(3,799)	-
Interest income	1,960	-	1,960	2,174
Other income	4,078	-	4,078	1,000
Net assets released from restrictions	266,723	(266,723)	-	-
Total revenue and support	3,029,904	21,303	3,051,207	3,299,322
Expenses:				
Program services:				
Emergency shelter and transitional housing	1,582,017	-	1,582,017	1,610,956
Community-based housing	251,970	-	251,970	318,470
Rapid rehousing	189,803	-	189,803	253,448
Total program services	2,023,790	-	2,023,790	2,182,874
Management and general	370,406	-	370,406	360,355
Fundraising	505,779	-	505,779	393,872
Total expenses	2,899,975	-	2,899,975	2,937,101
Change in net assets before write off of previously recognized restricted grant	129,929	21,303	151,232	362,221
Write off of previously recognized restricted grant	-	(254,969)	(254,969)	-
Change in net assets	129,929	(233,666)	(103,737)	362,221
Net assets - beginning of year	2,951,028	1,178,526	4,129,554	3,767,333
Net assets - end of year	<u>\$ 3,080,957</u>	<u>\$ 944,860</u>	<u>\$ 4,025,817</u>	<u>\$ 4,129,554</u>

See accompanying notes to financial statements.

AVENUES FOR YOUTH

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022							2021
	Emergency Shelter and Transitional Housing Services	Community-Based Housing Services	Rapid Rehousing Services	Total Program Services	Management and General	Fundraising	Total	
Salaries	\$ 950,548	\$ 178,239	\$ 126,171	\$ 1,254,958	\$ 231,592	\$ 314,639	\$ 1,801,189	\$ 1,857,869
Payroll taxes	75,683	14,268	10,187	100,138	18,273	24,799	143,210	144,230
Employee benefits	96,685	17,896	9,570	124,151	27,967	25,216	177,334	208,337
Total personnel expense	1,122,916	210,403	145,928	1,479,247	277,832	364,654	2,121,733	2,210,436
Program activities								
Food and meals	54,577	-	15	54,592	-	-	54,592	53,421
Rent subsidy	800	500	12,889	14,189	-	-	14,189	63,194
Supplies	64,165	8,056	9,585	81,806	-	-	81,806	59,016
Activities	4,708	12	-	4,720	-	-	4,720	-
Youth transportation	2,889	943	294	4,126	-	-	4,126	6,268
Total program activities	127,139	9,511	22,783	159,433	-	-	159,433	181,899
Contract services and professional fees	36,505	2,807	1,838	41,150	41,128	89,035	171,313	83,914
Office and cleaning supplies	15,356	323	297	15,976	493	725	17,194	28,419
Telecommunication	11,967	1,516	1,210	14,693	2,606	1,248	18,547	20,298
Technology	7,977	1,288	785	10,050	6,062	10,586	26,698	49,351
Marketing and advertising	674	1,558	288	2,520	58	20,930	23,508	19,824
Printing and postage	1,822	-	18	1,840	581	5,113	7,534	10,344
Occupancy	92,348	9,538	8,147	110,033	5,725	2,062	117,820	120,455
Equipment	17,380	138	138	17,656	944	698	19,298	18,541
Repairs and maintenance	24,430	18	9	24,457	539	241	25,237	27,298
Utilities	43,638	96	96	43,830	3,367	1,377	48,574	39,415
Insurance	20,281	1,781	3,336	25,398	4,364	3,661	33,423	29,681
Travel and meetings	3,084	5,331	1,050	9,465	412	678	10,555	6,989
Licenses, fees and memberships	24,596	4,030	3,274	31,900	1,856	411	34,167	29,997
Conferences/training	3,609	2,748	518	6,875	1,515	2,748	11,138	5,482
Depreciation	27,911	-	-	27,911	2,888	1,113	31,912	31,842
Miscellaneous	384	884	88	1,356	20,036	499	21,891	22,916
	\$ 1,582,017	\$ 251,970	\$ 189,803	\$ 2,023,790	\$ 370,406	\$ 505,779	\$ 2,899,975	\$ 2,937,101

See accompanying notes to financial statements.

AVENUES FOR YOUTH

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (103,737)	\$ 362,221
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	31,912	31,842
Amortization of in kind rent	8,853	6,930
Forgiveness of PPP loan	-	(366,400)
Write off of previously recognized restricted grant	254,969	-
Changes in operating assets and liabilities:		
Contributions and grants receivable	(126,894)	99,056
Unconditional promises to give in-kind rent, net	82,294	86,140
Prepaid expenses	(15,476)	1,457
Accounts payable	19,370	2,908
Accrued payroll and related	5,872	(12,101)
Fiscal agency and youth savings payable	(785)	1
Refundable advances	(52,292)	48,266
Net cash from operating activities	104,086	260,320
Cash flows from investing activities:		
Purchase of equipment	-	(3,954)
Net cash from investing activities	-	(3,954)
Net increase in cash, cash equivalents, and restricted cash	104,086	256,366
Cash, cash equivalents, and restricted cash - beginning of year	2,891,249	2,634,883
Cash, cash equivalents, and restricted cash - end of year	\$ 2,995,335	\$ 2,891,249
Reconciliation to the statement of financial position:		
Cash and cash equivalents	\$ 654,890	\$ 1,045,927
Cash - fiscal agency and youth savings funds	1,001	1,786
Cash - board designated opportunity fund	318,183	890,000
Cash - board designated operating reserve	206,088	204,205
Cash - board designated specific fiscal year	88,917	123,082
Cash - board designated capacity campaign	1,100,007	-
Certificates of deposit - board designated operating reserve	626,249	626,249
Total cash, cash equivalents, and restricted cash	\$ 2,995,335	\$ 2,891,249

See accompanying notes to financial statements.

AVENUES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

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.

Avenues has begun a capacity campaign to improve and enhance their facilities, improve outcomes for youth, and expand programming.

Program activities of Avenues include the following:

Emergency Shelter and Transitional Housing Services – Avenues operates shelter and transitional living programs at two sites. 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, a mental health therapist, a doctor, a nurse, and independent and community partners. Youth live in these programs 7 months on average.

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.

(Continued)

AVENUES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

1. ORGANIZATION (Continued)

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' other community-based housing program, Abule (A-boo-lay), was a collective housing program for youth who identify as black, indigenous and people of color (BIPOC). Abule translates to "the village" in the Yoruba language. The program aimed to pair community members and youth experiencing homelessness to share space, while building community and centering shared power. Recruitment of community members to share space with youth was put on hold because of the COVID-19 pandemic, pausing the program for several months during FY22. At the beginning of FY23, the Abule program was closed as it was determined that COVID and George Floyd's murder fundamentally altered the community landscape.

Rapid Rehousing Services – The Young Families Rapid Rehousing 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

Accounting Standards Adopted – In 2022, Avenues adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets. Under the new standard, not-for-profits are required to show contributed nonfinancial assets as a separate line item in the statement of activities. Not-for-profits need to provide enhanced disclosures about in-kind contributions received including disaggregating by category depicting the type of contributed nonfinancial asset, disclosing qualitative information about whether the contributed nonfinancial assets were either monetized or used during the reporting period, and describing any donor-imposed restrictions associated with the contributed assets. In addition, the valuation techniques and inputs used to arrive at a fair value measure must be disclosed.

(Continued)

AVENUES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Cash and Cash Equivalents – For purposes of the statement 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.

Cash – Board Designated – Amounts included in designated cash represent a board designated amounts for fiscal year 2023 or 2022, an opportunity fund, an operating reserve, and the capacity campaign. The guideline for 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, which approximates fair value. Funds held in certificates of deposit are board designated as an operating reserve.

(Continued)

AVENUES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022 and 2021.

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.

Grants and Contributions – 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.

(Continued)

AVENUES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Donated Materials and Services – Avenues receives contributions of personal hygiene products, clothing, gift cards, food and space. Donated items are recorded as contributions at their estimated fair value, determined by management referencing local market inputs and the type of goods donated, 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. Avenues utilizes donated goods and services in its programs and operations or according to any donor restrictions.

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 2022 or 2021.

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, 2021, from which the summarized information was derived.

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AVENUES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

3. IN KIND CONTRIBUTIONS

Avenues received the following unrestricted in kind contributions during the year ended June 30:

	<u>2022</u>	<u>2021</u>
Clothing	\$ 14,924	\$ 13,424
Supplies	57,379	50,499
Food	16,969	17,933
Rent	8,853	6,930
Legal and other services	12,465	13,818
Total	<u>\$ 110,590</u>	<u>\$ 104,625</u>

The in kind contributions are used throughout Avenues' various programs unless specifically restricted by the donor.

4. 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 invest 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.

Avenues has a liquidity benchmark to maintain current financial assets less current financial liabilities at a minimum of 80 days operating expenses. To achieve these targets, Avenues forecasts its future cash flows and monitors its liquidity at Finance Committee meetings. During the years ended June 30, 2022 and 2021, 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.

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AVENUES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

4. LIQUIDITY AND AVAILABILITY

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 654,890	\$ 1,045,927
Contributions and grants receivable	<u>272,282</u>	<u>360,367</u>
	<u>\$ 927,172</u>	<u>\$ 1,406,294</u>

5. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 272,282	\$ 360,367
Receivable in one to three years	<u>25,987</u>	<u>65,977</u>
	<u>\$ 298,269</u>	<u>\$ 426,344</u>

6. 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.

In September 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.

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AVENUES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

6. UNCONDITIONAL PROMISE TO GIVE IN-KIND RENT (Continued)

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>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 89,264	\$ 91,147
Receivable in one to three years	220,713	245,685
Receivable in more than three years	419,190	492,335
	<u>729,167</u>	<u>829,167</u>
Discount to present value	<u>(114,807)</u>	<u>(123,660)</u>
Unconditional promise to give In kind rent, net	<u>\$ 614,360</u>	<u>\$ 705,507</u>

7. LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 623,150	\$ 623,150
Furniture and equipment, Minneapolis	131,655	131,655
Furniture and equipment, Brooklyn	55,666	58,440
	<u>810,471</u>	<u>813,245</u>
Less: accumulated depreciation	<u>(522,166)</u>	<u>(493,028)</u>
	<u>\$ 288,305</u>	<u>\$ 320,217</u>

(Continued)

AVENUES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

8. LOAN PAYABLE

In April 2020, Avenues received an unsecured loan in the amount of \$366,400 through the Paycheck Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. The loan allowed for forgiveness if the proceeds were used according to the PPP requirements or payment terms including interest at 1% if they were not so used. The loan was forgiven in February 2021.

9. NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Purpose restricted for future year programs	\$ 170,538	\$ 120,050
Time restricted for future periods	158,000	352,969
Promises to give rent, net	<u>614,360</u>	<u>705,507</u>
	<u>\$ 942,898</u>	<u>\$ 1,178,526</u>

In June 2022, Avenues wrote off \$254,969 remaining on a grant receivable restricted for the Abule program due to the closure of the program.

Net assets without donor restrictions designated by the Board of Directors consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Board designated cash:		
Opportunity fund	\$ 318,183	\$ 890,000
Operating reserve	206,088	204,205
Specific fiscal year	88,917	123,082
Capacity campaign	1,100,007	-
	<u>\$ 1,713,195</u>	<u>\$ 1,217,287</u>
Board designated certificates of deposit:		
Operating reserve	626,249	626,249
	<u>\$ 2,339,444</u>	<u>\$ 1,843,536</u>

(Continued)

AVENUES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

10. 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 \$27,728 and \$34,369 for the years ended June 30, 2022 and 2021.

11. LEASE PAYMENTS

Avenues leases administrative space under non-cancelable operating lease agreements. Avenues moved in April 2022. The former and current leases monthly payments include base rent and operating expenses. Rent expense under these leases was \$18,675 in fiscal 2022 and \$21,600 fiscal 2021. The current lease expires in March 2024 but contains a 2 year extension option. The future minimum payments for the years ending June 30, 2023 and 2034 are \$16,209 and \$12,431.

12. COMMITMENTS, 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, 2022 and 2021, deposits exceeded the insured limit by approximately \$332,000 and \$580,000. Avenues holds \$1,789,000 at June 30, 2022 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 conditional contributions of approximately \$799,000 committed at June 30, 2022.

Avenues has contracts with and grants from Federal, State of Minnesota, city and county governments that base payments on contracted rates and numbers of eligible youth served and must comply with the appropriate requirements of these contracts and grants. Changes may occur with little notice or inadequate funding to pay for the related costs to comply with a change.

(Continued)

AVENUES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

12. **COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS (Continued)**

Beginning in 2020, a global public health emergency resulting from a novel strain of coronavirus known as COVID-19 emerged. Federal, state, and local governments enacted measures to combat the pandemic, including regulatory restrictions on certain activities as well as recommendations for further voluntary curtailment of activities. Significant direct impacts on Avenues included closing emergency overnight beds and a slight reduction in shelter capacity to allow for appropriate social distancing. Avenues began increasing shelter capacity in July 2022 and plans to open the emergency overnight beds in the fall of 2022. COVID-19 also caused a temporary reduction in the number of youth supported in community-based programs, as community members were understandably concerned about opening their homes to youth. As vaccines became available, more youth were housed in community members homes again. 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 24, 2022, the date on which the financial statements were available for issue.