



**AVENUES FOR YOUTH**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2023**



# AVENUES FOR YOUTH

## FINANCIAL STATEMENTS

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

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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, 2023, 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, 2023, 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.

### **Adoption of New Accounting Standard**

As discussed in Note 2 to the financial statements, Avenues for Youth has adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

### **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.

(Continued)

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.

### **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.

(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, 2023 Annual Report. The other information comprises a letter from the Executive Director, summaries of achievements by program, June 30, 2023 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 2022 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated October 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mahoney Ulbrich*  
*Christiansen & Russ, PA*

October 23, 2023

**AVENUES FOR YOUTH**

STATEMENT OF FINANCIAL POSITION

June 30, 2023  
(With Comparative Totals for 2022)

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 776,974	\$ 654,890
Cash - fiscal agency and youth savings funds	-	1,001
Cash - board designated opportunity fund	260,373	318,183
Cash - board designated operating reserve	850,289	206,088
Cash - board designated specific fiscal year	156,083	88,917
Cash - board designated capacity campaign	1,062,207	1,100,007
Certificates of deposit - board designated operating reserve	-	626,249
Contributions and grants receivable	331,940	298,269
Unconditional promises to give in-kind rent, net	940,586	614,360
Prepaid expenses	25,251	31,565
Right of use assets	75,075	-
Leasehold improvements, furniture and equipment, net	339,098	288,305
 Total assets	 \$ 4,817,876	 \$ 4,227,834
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 55,686	\$ 50,142
Accrued payroll and related	140,399	136,842
Fiscal agency and youth savings payable	-	1,001
Lease liability	80,283	-
Refundable advances	-	14,032
 Total liabilities	 276,368	 202,017
Net assets:		
Net assets without donor restrictions		
Undesignated and unrestricted	844,808	495,347
Board designated reserves	2,328,952	2,339,444
Board designated leasehold improvements, furniture and equipment	225,688	246,166
Total net assets without donor restrictions	3,399,448	3,080,957
Net assets with donor restrictions	1,142,060	944,860
 Total net assets	 4,541,508	 4,025,817
 Total liabilities and net assets	 \$ 4,817,876	 \$ 4,227,834

See accompanying notes financial statements.

**AVENUES FOR YOUTH**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

	2023			2022
	Without donor restrictions	With donor restrictions	Total	
Revenue and support:				
Government grants and contracts	\$ 1,314,308	\$ -	\$ 1,314,308	\$ 1,030,259
Public support:				
Grants and contributions	1,352,255	236,371	1,588,626	1,629,559
In-kind contributions	172,828	415,490	588,318	110,590
Program services	245,411	-	245,411	167,139
Special events revenue	122,657	-	122,657	111,421
Less: direct benefits to donors	(10,072)	-	(10,072)	(3,799)
Interest income	35,174	-	35,174	1,960
Other income	1,080	-	1,080	4,078
Net assets released from restrictions	454,661	(454,661)	-	-
<b>Total revenue and support</b>	<b>3,688,302</b>	<b>197,200</b>	<b>3,885,502</b>	<b>3,051,207</b>
Expenses:				
Program services:				
Emergency shelter and transitional housing	1,813,174	-	1,813,174	1,582,017
Community-based housing	313,378	-	313,378	251,970
Rapid rehousing	349,573	-	349,573	189,803
Total program services	2,476,125	-	2,476,125	2,023,790
Management and general	386,846	-	386,846	370,406
Fundraising	506,840	-	506,840	505,779
<b>Total expenses</b>	<b>3,369,811</b>	<b>-</b>	<b>3,369,811</b>	<b>2,899,975</b>
Change in net assets before write off of previously recognized restricted grant	318,491	197,200	515,691	151,232
Write off of previously recognized restricted grant	-	-	-	(254,969)
<b>Change in net assets</b>	<b>318,491</b>	<b>197,200</b>	<b>515,691</b>	<b>(103,737)</b>
Net assets - beginning of year	3,080,957	944,860	4,025,817	4,129,554
<b>Net assets - end of year</b>	<b>\$ 3,399,448</b>	<b>\$ 1,142,060</b>	<b>\$ 4,541,508</b>	<b>\$ 4,025,817</b>

See accompanying notes financial statements.

**AVENUES FOR YOUTH**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

	2023							2022
	Emergency Shelter and Transitional Housing Services	Community-Based Housing Services	Rapid Rehousing Services	Total Program Services	Management and General	Fundraising	Total	2022
Salaries	\$ 1,071,051	\$ 198,320	\$ 157,281	\$ 1,426,652	\$ 241,838	\$ 292,672	\$ 1,961,162	\$ 1,801,189
Payroll taxes	88,204	16,129	12,794	117,127	20,436	24,027	161,590	143,210
Employee benefits	87,672	20,951	17,479	126,102	26,170	24,063	176,335	177,334
<b>Total personnel expense</b>	<b>1,246,927</b>	<b>235,400</b>	<b>187,554</b>	<b>1,669,881</b>	<b>288,444</b>	<b>340,762</b>	<b>2,299,087</b>	<b>2,121,733</b>
Program activities								
Food and meals	72,817	-	-	72,817	-	-	72,817	54,592
Rent subsidy	76	500	99,821	100,397	-	-	100,397	14,189
Supplies	101,880	30,908	31,791	164,579	-	-	164,579	81,806
Activities	6,219	750	-	6,969	-	-	6,969	4,720
Youth transportation	6,693	1,988	991	9,672	-	-	9,672	4,126
<b>Total program activities</b>	<b>187,685</b>	<b>34,146</b>	<b>132,603</b>	<b>354,434</b>	<b>-</b>	<b>-</b>	<b>354,434</b>	<b>159,433</b>
Contract services and professional fees	64,444	15,194	4,609	84,247	47,541	114,621	246,409	171,313
Office and cleaning supplies	17,155	56	205	17,416	649	406	18,471	17,194
Telecommunication	11,952	1,290	1,091	14,333	3,085	1,018	18,436	18,547
Technology	8,898	1,039	1,684	11,621	7,368	12,977	31,966	26,698
Marketing and advertising	312	1,135	196	1,643	1	15,081	16,725	23,508
Printing and postage	1,410	466	235	2,111	419	5,796	8,326	7,534
Occupancy	94,649	11,729	10,780	117,158	3,199	2,675	123,032	117,820
Equipment	18,206	199	190	18,595	790	444	19,829	19,298
Repairs and maintenance	23,694	-	-	23,694	298	219	24,211	25,237
Utilities	55,544	-	-	55,544	2,754	1,874	60,172	48,574
Insurance	18,013	2,754	3,688	24,455	5,346	3,619	33,420	33,423
Travel and meetings	2,399	4,144	1,843	8,386	1,941	1,187	11,514	10,555
Licenses, fees and memberships	24,994	3,665	3,165	31,824	1,984	1,811	35,619	34,167
Conferences/training	6,044	1,968	1,583	9,595	2,249	2,830	14,674	11,138
Depreciation	29,676	-	-	29,676	1,662	1,146	32,484	31,912
Miscellaneous	1,172	193	147	1,512	19,116	374	21,002	21,891
	<u>\$ 1,813,174</u>	<u>\$ 313,378</u>	<u>\$ 349,573</u>	<u>\$ 2,476,125</u>	<u>\$ 386,846</u>	<u>\$ 506,840</u>	<u>\$ 3,369,811</u>	<u>\$ 2,899,975</u>

See accompanying notes financial statements.



## AVENUES FOR YOUTH

### STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 515,691	\$ (103,737)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	32,484	31,912
Loss on disposal of equipment	1,539	-
Amortization of in-kind rent	10,736	8,853
Right of use assets	5,208	-
In-kind rent	(415,490)	-
Write off of previously recognized restricted grant	-	254,969
Changes in operating assets and liabilities:		
Contributions and grants receivable	(33,671)	(126,894)
Unconditional promises to give in-kind rent, net	78,528	82,294
Prepaid expenses	6,314	(15,476)
Accounts payable	5,544	19,370
Accrued payroll and related	3,557	5,872
Fiscal agency and youth savings payable	(1,001)	(785)
Refundable advances	(14,032)	(52,292)
Net cash from operating activities	195,407	104,086
Cash flows from investing activities:		
Purchase of leasehold improvements, furniture and equipment	(84,816)	-
Net cash from investing activities	(84,816)	-
Net increase in cash, cash equivalents, and restricted cash	110,591	104,086
Cash, cash equivalents, and restricted cash - beginning of year	2,995,335	2,891,249
Cash, cash equivalents, and restricted cash - end of year	\$ 3,105,926	\$ 2,995,335
Reconciliation to the statement of financial position:		
Cash and cash equivalents	\$ 776,974	\$ 654,890
Cash - fiscal agency and youth savings funds	-	1,001
Cash - board designated opportunity fund	260,373	318,183
Cash - board designated operating reserve	850,289	206,088
Cash - board designated specific fiscal year	156,083	88,917
Cash - board designated capacity campaign	1,062,207	1,100,007
Certificates of deposit - board designated operating reserve	-	626,249
Total cash, cash equivalents, and restricted cash	\$ 3,105,926	\$ 2,995,335

See accompanying notes financial statements.

# AVENUES FOR YOUTH

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

### 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, the “A Home of Our Own” 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, 2023  
(With Comparative Totals for 2022)

### 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.

**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 Standard Adopted** – In July 2022, the Avenues adopted Accounting Standard Update (ASU) 2016-02: *Leases (Topic 842)* using the modified retrospective approach using July 1, 2022 as the date of initial adoption and elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed Avenues to carry forward the historical lease classification. As a result of implementing ASU 2016-02, Avenues recognized right-of-use assets of \$84,717 and lease liabilities totaling \$88,887 at July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

**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, 2023  
(With Comparative Totals for 2022)

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

**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.

**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 recorded certificates of deposit at cost, which approximated fair value. Funds held in certificates of deposit were board designated as an operating reserve.

**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, 2023 and 2022.

(Continued)

# AVENUES FOR YOUTH

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

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

**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.

**Program Service Fees** – A portion of Avenues' revenue is derived from county contracts and grants, which are conditioned upon certain performance requirements other than incurrance 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.

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

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

**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 2023 or 2022.

**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, 2022, from which the summarized information was derived.

**Leases** – Avenues assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position.

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

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

Right of use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Avenues uses the implicit rate when it is readily determinable. When the leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate at lease commencement. Lease expense is recognized for these leases on a straight-line basis over the lease term. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Avenues will exercise the option. Certain leases also include options to purchase the leased property. The depreciable lives of the assets are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

Avenues has lease agreements with lease and non-lease components, which are generally insignificant and have not been accounted for separately.

#### 3. IN-KIND CONTRIBUTIONS

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

	<u>2023</u>	<u>2022</u>
Clothing	\$ 47,279	\$ 14,924
Supplies	83,739	57,379
Food	7,224	16,969
Rent	426,226	8,853
Legal and other services	23,850	12,465
Total	<u>\$ 588,318</u>	<u>\$ 110,590</u>

The in-kind contributions of clothing, supplies, and food are used throughout Avenues' various programs unless specifically restricted by the donor.

The in-kind rent recognized for 2023 includes \$415,490 related to an extension (see Note 6) and \$10,736 related to amortization of the present value discount. The in-kind rent recognized for 2022 of \$8,853 was for amortization of the present value discount.

A portion of the legal services was related to construction in progress while the remainder for general counsel for management and general purposes.

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

#### 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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 776,974	\$ 654,890
Contributions and grants receivable	<u>243,965</u>	<u>272,282</u>
	<u>\$ 1,020,939</u>	<u>\$ 927,172</u>

(Continued)



## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

#### 5. CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 243,965	\$ 272,282
Receivable in one to three years	<u>87,975</u>	<u>25,987</u>
	<u>\$ 331,940</u>	<u>\$ 298,269</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. This lease was extended to June 30, 2033 during 2022. The building is operated as a homeless youth shelter and transitional housing facility. This program is referred to as Brooklyn Avenues. 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 the promise was made. The Brooklyn Park Economic Development Authority extension was discounted to a net present value using a rate of 4.015%. The original leases were discounted using an interest rate of approximately 2%. Amortization of the discounts are credited to net assets with donor restrictions.

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

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

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:

	2023	2022
Receivable in less than one year	\$ 87,421	\$ 89,264
Receivable in one to three years	230,257	220,713
Receivable in more than three years	805,488	419,190
	1,123,166	729,167
Discount to present value	(182,580)	(114,807)
Unconditional promise to give In kind rent, net	\$ 940,586	\$ 614,360

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

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

	2023	2022
Leasehold improvements	\$ 648,150	\$ 623,150
Furniture and equipment, Minneapolis	129,801	131,655
Furniture and equipment, Brooklyn Park	51,583	55,666
Construction in progress	47,798	-
	877,332	810,471
Less: accumulated depreciation	(538,234)	(522,166)
	\$ 339,098	\$ 288,305

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

#### 8. NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Purpose restricted for future year programs	\$ 93,474	\$ 170,538
Time restricted for future periods	108,000	158,000
Promises to give rent, net	<u>940,586</u>	<u>614,360</u>
	<u>\$ 1,142,060</u>	<u>\$ 942,898</u>

In June 2022, Avenues wrote off \$254,969 remaining on a grant receivable restricted for a closed program.

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

	<u>2023</u>	<u>2022</u>
Board designated cash:		
Opportunity fund	\$ 260,373	\$ 318,183
Operating reserve	850,289	206,088
Specific fiscal year	156,083	88,917
Capacity campaign	<u>1,062,207</u>	<u>1,100,007</u>
	2,328,952	1,713,195
Board designated certificates of deposit:		
Operating reserve	<u>-</u>	<u>626,249</u>
	<u>\$ 2,328,952</u>	<u>\$ 2,339,444</u>

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

#### 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 \$33,195 and \$27,728 for the years ended June 30, 2023 and 2022.

#### 10. LEASE COMMITMENTS

Avenues leases administrative space and equipment under operating lease agreements. The monthly payments for the space include base rent and operating expenses. The leases require monthly payments ranging from \$168 to \$1,341 and have maturity dates ranging from March 2026 to February 2028. Lease expense was \$24,314 and \$16,209 in 2023 and 2022.

The right of use assets, current, and long-term lease liabilities total \$75,075; \$19,260 and \$61,023 at June 30, 2023. The cash paid for amounts included in the measurement of lease liabilities was \$19,105 for the year ended June 30, 2023.

The weighted average remaining lease term at June 30, 2023 is 3.07 years and the weighted average discount rate used in the calculations was 3%.

Future minimum lease payments are as follows:

2024	\$ 21,353
2025	26,106
2026	30,615
2027	4,656
2028	1,760
Total lease payments	<u>84,490</u>
Less interest	(4,207)
Present value of lease liabilities	<u>\$ 80,283</u>

(Continued)

## AVENUES FOR YOUTH

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

#### 11. 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, 2023 and 2022, deposits exceeded the insured limit by approximately \$1,400 and \$332,000. Avenues held \$1,071,000 at June 30, 2023 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 \$11.6 million committed at June 30, 2023.

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.

As part of the Consolidated Appropriations Act passed by Congress in 2023, Avenues was awarded a grant of \$3,000,000 which will be administered by the Department of Housing and Urban Development. Avenues will also receive a direct cash appropriation from the Minnesota Legislature in 2024 for \$6,000,000. These funds are to be used over the next few years for the "A Home of Our Own" campaign to acquire and construct Avenues' new expanded north Minneapolis home.

#### 12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 23, 2023, the date on which the financial statements were available for issue.