



AYA YOUTH COLLECTIVE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021



Vredeveld Haefner LLC
CPAs and Consultants

AYA YOUTH COLLECTIVE

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INDEPENDENT AUDITORS' REPORT

March 16, 2022

Board of Directors
AYA Youth Collective
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of AYA Youth Collective (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AYA Youth Collective as of September 30, 2021, 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.

Vredeveld Haefner LLC

AYA YOUTH COLLECTIVE
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021

Assets

Current assets	
Cash and cash equivalents	\$ 603,552
Cash and cash equivalents - tenants	10,250
Accounts receivable	9,606
Current portion of foundation grants receivable	5,000
Prepaid expenses	<u>41,330</u>
Total current assets	<u>669,738</u>
Noncurrent assets	
Net property and equipment	<u>2,844,586</u>
Total assets	<u>\$ 3,514,324</u>

Liabilities and net assets

Current liabilities	
Accounts payable	\$ 39,611
Accrued liabilities	30,636
Notes payable	100,000
Deferred revenue	48
Current portion of long-term debt	<u>39,434</u>
Total current liabilities	<u>209,729</u>
Noncurrent liabilities	
Security deposits and cash held for tenants	10,250
Long-term debt net of current portion	<u>1,067,153</u>
Total noncurrent liabilities	<u>1,077,403</u>
Total liabilities	<u>1,287,132</u>
Net assets	
Without donor restrictions	2,062,192
With donor restrictions	<u>165,000</u>
Total net assets	<u>2,227,192</u>
Total liabilities and net assets	<u>\$ 3,514,324</u>

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

AYA YOUTH COLLECTIVE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Contributions	\$ 647,327	\$ -	\$ 647,327
Grants	220,458	500,150	720,608
Donated goods	65,025	-	65,025
Donated services	88,920	-	88,920
Donated goods and services - Youth House Build	140,833	-	140,833
Rent			
Gross rent potential	229,241	-	229,241
Rental concessions	(114,575)	-	(114,575)
Planned vacancies	(10,950)	-	(10,950)
Rental vacancies	(6,044)	-	(6,044)
Miscellaneous	3,871	-	3,871
Net assets released due to satisfaction of time or program restriction	<u>888,195</u>	<u>(888,195)</u>	<u>-</u>
Total revenue and support	<u>2,152,301</u>	<u>(388,045)</u>	<u>1,764,256</u>
Expenses			
Program services			
Youth housing and transition	1,230,157	-	1,230,157
Supporting services			
Administration	339,059	-	339,059
Fundraising	<u>284,012</u>	<u>-</u>	<u>284,012</u>
Total expenses	<u>1,853,228</u>	<u>-</u>	<u>1,853,228</u>
Revenue and support over (under) expenses	<u>299,073</u>	<u>(388,045)</u>	<u>(88,972)</u>
Non-operating revenue (expense)			
Forgiveness of PPP loans	<u>241,000</u>	<u>-</u>	<u>241,000</u>
Change in net assets	540,073	(388,045)	152,028
Net assets, beginning of year	<u>1,522,119</u>	<u>553,045</u>	<u>2,075,164</u>
Net assets, end of year	<u>\$ 2,062,192</u>	<u>\$ 165,000</u>	<u>\$ 2,227,192</u>

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

AYA YOUTH COLLECTIVE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Salaries and related expenses	\$ 593,862	\$ 150,505	\$ 128,627	\$ 872,994
In-kind contributions	46,363	-	18,662	65,025
Youth support and mentoring	192,042	307	1,224	193,573
Property rent	13,103	-	-	13,103
Property maintenance	80,493	30,927	8,427	119,847
Property tax	8,123	5,367	-	13,490
Utilities	37,519	18,098	-	55,617
Supplies	1,300	2,992	-	4,292
Insurance	18,311	2,444	2,089	22,844
Board and staff training	24,451	23,095	-	47,546
Staff, volunteer and Board appreciation	3,345	6,928	177	10,450
Travel and meetings	166	431	134	731
Events and promotion	-	-	27,218	27,218
Office expenses	5,043	5,401	212	10,656
Professional services	87,410	62,629	87,129	237,168
Bank charges and other fees	2,192	4,955	10,061	17,208
Interest	21,060	10,450	-	31,510
Other expenses	536	563	52	1,151
Depreciation	94,838	13,967	-	108,805
Total expenses	\$ 1,230,157	\$ 339,059	\$ 284,012	\$ 1,853,228

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

AYA YOUTH COLLECTIVE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Cash flows from operating activities	
Change in net assets	\$ 152,028
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	108,805
Forgiveness of PPP loans	(241,000)
Donated building construction	(140,833)
Changes in operating assets and liabilities which provided (used) cash	
Accounts receivable	(8,406)
Grants receivable	272,706
Prepaid expenses	34,411
Accounts payable	(254)
Accrued liabilities	(6,729)
Deferred revenue	(1,677)
Security deposits and cash held for tenants	1,950
Net cash provided by (used in) operating activities	<u>171,001</u>
Cash flows from investing activities	
Purchases of fixed assets	<u>(870,439)</u>
Cash flows from financing activities	
Proceeds from issuance of notes payable	180,698
Proceeds from issuance of long-term debt	523,686
Payments made on long-term debt	<u>(154,767)</u>
Net cash provided by (used in) financing activities	<u>549,617</u>
Net increase (decrease) in cash and cash equivalents	(149,821)
Cash and cash equivalents, beginning of year	<u>763,623</u>
Cash and cash equivalents, end of year	<u>\$ 613,802</u>
Cash and cash equivalents are included in the following captions on the statement of financial position:	
Cash and cash equivalents	\$ 603,552
Cash and cash equivalents - tenants	<u>10,250</u>
	<u>\$ 613,802</u>
Supplemental cash flows information	
Cash paid for interest	<u>\$ 31,510</u>

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

AYA YOUTH COLLECTIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

AYA Youth Collective (the Organization) is a 501(c)(3) not-for-profit corporation formed to provide a drop-in center for youth ages 14 to 24 who are experiencing unsafe or unstable housing and to provide safe, affordable housing for youth experiencing homelessness and partner in their transition to healthy interdependence. The Organization operates on contributions and grants as well as rent collected from residents.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

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 income and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs to provide the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

<u>Functional Category</u>	<u>Basis of Allocation</u>
Salaries and wages, payroll taxes, employee benefits and other expenses	Estimates of time and activities performed
Office expenses	Estimates of time and usage

Cash and Cash Equivalents

The Organization considers all demand and time deposits with an original maturity of 90 days or less and cash on hand to be cash and cash equivalents. The Organization's deposits are secured through FDIC insurance. At times during the year, deposits may exceed the maximum FDIC insurance coverage. Management believes the Organization is not exposed to any significant interest rate or other risk on these deposits.

Accounts Receivable

Accounts receivable related to tenants are considered past due when not paid by the date stated in the lease agreement. Accounts receivable are charged to bad debt expense as they are deemed uncollectible based on a periodic review of accounts. Substantially all of the accounts receivable are considered collectible by management. Accordingly, no allowance for doubtful accounts was considered necessary at year-end.

AYA YOUTH COLLECTIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Property and Equipment and Depreciation

Property and equipment are capitalized at cost or, if donated, at the estimated fair value at the date of donation. Acquisitions of property or equipment in excess of \$2,000 are capitalized while ordinary repairs are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from 7 to 27.5 years.

Contributions and Organization Grants Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Tenant Rent Revenue Recognition

Rent is billed to tenants on a monthly basis and the related revenues are recognized on a monthly basis as the services are provided.

Donations

Donated materials are reflected as contributions in the accompanying statements at their estimated fair market value at the date of receipt. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills are provided by the individuals possessing those skills and would typically need to be purchased if not provided by the donation, are recorded at fair value at the date the services are performed.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Generally, income tax returns filed within the last three years remain open and subject to audit by regulatory authorities. The Organization concludes that there are no significant uncertain tax positions requiring recognition in the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated significant events and transactions for potential recognition or disclosure subsequent to September 30, 2021 and through the auditors' report date, the date the financial statements were available to be issued. No such events or transactions were identified.

Paycheck Protection Program Loans

The Organization secured three loans through the Paycheck Protection Program which was established to provide COVID relief. The loans amounted to \$241,000 and were forgiven based on meeting the requirements of the program. The loans were recognized as income during the year ended September 30, 2021.

AYA YOUTH COLLECTIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

2. CASH HELD FOR OTHERS

The Organization is the custodian of funds for residential clients. Cash held by the Organization on behalf of these tenants has been segregated on the statement of financial position and shown as cash and cash equivalents – tenants.

3. LIQUIDITY AND AVAILABILITY

The Organization is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities with donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities and other obligations come due. As more fully described in Note 8, the Organization also has a committed line of credit in the amount of \$150,000 which it could draw upon in the event of an unanticipated liquidity need.

The Organization's financial assets at year-end are as follows:

Current financial assets at September 30, 2021	\$628,408
Less those unavailable for general expenditure within one year due to fiduciary obligations	(10,250)
Less those unavailable for general expenditure within one year due to donor specified time or purpose restrictions	<u>(165,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$453,158</u>

4. GRANTS RECEIVABLE

Scheduled payments on foundation grants receivable for the fiscal years succeeding September 30, 2021 are summarized as follows:

<u>Year</u>	<u>Amount</u>
2022	<u>\$5,000</u>
Total	<u>\$5,000</u>

AYA YOUTH COLLECTIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

5. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at September 30, 2021:

Land and land improvements	\$ 275,345
Construction in progress	221,041
Buildings and building improvements	2,712,016
Furniture and equipment	<u>72,534</u>
Total	3,280,936
Less accumulated depreciation	<u>436,350</u>
Net property and equipment	<u>\$2,844,586</u>

6. DEBT

Long-term debt consists of the following obligations at September 30, 2021:

Mortgage payable to bank collateralized by the mortgaged property, payable in monthly installments of \$2,940 through 2026 including interest at 3.09%.	\$ 509,398
Mortgage payable to bank collateralized by the mortgaged property, payable in monthly installments of \$834 through 2025 including interest at 3.79%.	103,906
Mortgage payable to bank collateralized by the mortgaged property, payable in monthly installments of \$1,975 through 2025 including interest at 3.59%.	278,355
Mortgage payable to an unrelated individual collateralized by the mortgaged property, payable in one payment due in 2022 including interest at 0.00%. Face amount is \$231,081 and the effective interest rate is 3.69%.	<u>214,928</u>
	1,106,587
Less current portion	<u>39,434</u>
Long-term debt net of current portion	<u>\$1,067,153</u>

Scheduled principal maturities of long-term debt for each of the years succeeding September 30, 2021, are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 39,434
2023	255,731
2024	42,145
2025	341,987
2026	<u>427,290</u>
Total	<u>\$1,106,587</u>

AYA YOUTH COLLECTIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

7. NOTES PAYABLE

The Organization has a note payable to an unrelated individual for \$100,000 that was obtained as a construction loan for a home being constructed for sale to a youth in the program. The note is noninterest bearing and matures when the construction is complete and the home is sold which is expected to occur in fiscal year 2022.

8. LINES OF CREDIT

The Organization also has a line of credit with a bank. At September 30, 2021, the available credit line was \$150,000 and the amount outstanding on the line was zero.

The Organization has a commercial line of credit with a home improvement supplies retail company that is utilized to purchase materials to renovate Organization properties. At September 30, 2021, the available credit line totaled \$10,000 and the amount outstanding on the line was insignificant.

The Organization has a second commercial line of credit with a home improvement supplies retail company that is utilized to purchase materials to renovate Organization properties. At September 30, 2021, the available credit line totaled \$12,500 and the amount outstanding on the line was insignificant.

9. NET ASSETS

Net assets with donor restrictions at September 30, 2021 were as follows:

Specific purpose restriction	
Capital purchases	\$120,000
Community partners	40,000
Time restrictions	<u>5,000</u>
Total net assets with donor restrictions	<u>\$165,000</u>

Net assets released from donor restrictions during the year ended September 30, 2021 are as follows:

Satisfaction of purpose restriction	
Union/Evans down payment	\$ 20,660
Discount on mortgage	16,154
Capital purchases	60,000
Cherry mortgage payoff	114,490
Community partners	60,000
Food and meal support	7,500
Union house transition	30,000
Lafayette house renovations	199,372
Merger funding	57,413
Comprehensive health initiative	80,000
815 Union Street	29,100
Drop-in technology equipment	10,800
COVID support	147,706
Satisfaction of time restriction	<u>55,000</u>
Total restrictions released	<u>\$888,195</u>

AYA YOUTH COLLECTIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

10. IN-KIND DONATIONS

Donated services and items consist of the following for the year ended September 30, 2021:

Mentor professional services	\$ 88,920
Youth house build	140,833
Silent auction items	18,662
Program supplies	<u>46,363</u>
Total received	<u>\$294,778</u>

11. RETIREMENT PLAN

The Organization maintains a Savings Incentive Match Plan for Employees (SIMPLE) IRA defined contribution retirement plan. Eligibility is limited to employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year and who have received at least \$5,000 in compensation during any one calendar year preceding the current calendar year. Employees may make voluntary contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization determines annually in its sole discretion whether to make a matching or nonelective contribution to each eligible employee's IRA account. At September 30, 2021, eleven employees were participating in the plan. The Organization's contributions to the plan for the year ended September 30, 2021 were \$14,888.

12. LEASE

The Organization leased residential space under an operating lease with an unrelated party requiring monthly payments of \$1,000 which expired March 2020 and converted to a month-to-month basis. Total rental expense under the lease amounted to \$12,000 for the year ended September 30, 2021.

13. COMMITMENTS

The Organization is currently working in conjunction with an individual youth and several community partners to build a house for the youth. Upon completion of the house, which is anticipated to occur in fiscal year 2022, the Organization is planning to sell the house to the youth for \$160,000, which will be below the fair market value of the property. The Organization will retain an exclusive and irrevocable option to repurchase the property through December 31, 2026 should the youth decide to sell the property prior to that date. At year-end, construction in progress totaled \$221,041 in relation to this project. Of this amount, \$140,833 constitutes donated goods and services that have been recognized in revenues for the year ended September 30, 2021. At year-end, the Organization had residential home construction commitments totaling approximately \$37,000.