

Audited Financial Statements

AYA Youth Collective

*Years Ended September 30, 2022 and 2021
with Report of Independent Auditors*



AYA Youth Collective
Audited Financial Statements
Years Ended September 30, 2022 and 2021

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Report of Independent Auditors

Board of Directors
AYA Youth Collective
Grand Rapids, Michigan

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

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 AYA Youth Collective 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.

Adjustments to Prior Period Financial Statements

The audited financial statements of AYA Youth Collective as of September 30, 2021, were audited by other auditors whose report dated March 16, 2022, expressed an unmodified opinion on those statements. As discussed in Note 15 to the financial statements, AYA Youth Collective has adjusted its 2021 financial statements to correct certain errors in long-term debt and interest expense. The other auditors reported on the financial statements before the restatement.

As part of our audit of the 2022 financial statements, we also audited the adjustments that were applied to restate the 2021 financial statements as described in Note 15. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of AYA Youth Collective other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

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 AYA Youth Collective'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 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 AYA Youth Collective'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 AYA Youth Collective'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.

Andrews Hooper Pavlik PLC

Grand Rapids, Michigan
March 15, 2023

AYA Youth Collective

Statements of Financial Position

	September 30	
	2022	2021
Assets		
Cash and cash equivalents	\$ 441,573	\$ 603,552
Cash and cash equivalents - tenants	4,150	10,250
Accounts receivable	3,906	9,606
Current portion of grants receivable	391,654	5,000
Prepaid expenses	15,748	41,330
Total current assets	857,031	669,738
Noncurrent assets		
Grants receivable, net of current portion	245,475	-
Property and equipment - net	2,586,974	2,844,586
Total assets	\$ 3,689,480	\$ 3,514,324
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 11,334	\$ 39,611
Accrued liabilities	67,390	30,636
Notes payable	-	100,000
Deferred revenue	-	48
Current portion of long-term debt	41,211	39,434
Total current liabilities	119,935	209,729
Noncurrent liabilities		
Security deposits and cash held for tenants	4,150	10,250
Long term debt, net of current portion	1,319,352	1,075,084
Total noncurrent liabilities	1,323,502	1,085,334
Total liabilities	1,443,437	1,295,063
Net assets:		
Without donor restrictions		
Undesignated	1,228,529	1,768,261
Board designated	198,859	286,000
Total net assets without donor restrictions	1,427,388	2,054,261
With donor restrictions	818,655	165,000
Total net assets	2,246,043	2,219,261
Total liabilities and net assets	\$ 3,689,480	\$ 3,514,324

See accompanying notes.

AYA Youth Collective

Statement of Activities

Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	\$ 946,816	\$ -	\$ 946,816
Grants	59,500	1,229,142	1,288,642
Donated goods	139,451	-	139,451
Donated services	106,788	-	106,788
Donated goods and services - Youth House Build	63,273	-	63,273
Rent			
Gross rent potential	185,843	-	185,843
Rental concessions	(109,760)	-	(109,760)
Planned vacancies	(10,440)	-	(10,440)
Rental vacancies	(7,435)	-	(7,435)
Loss on sale of youth house	(203,668)	-	(203,668)
Miscellaneous	802	-	802
Net assets released of restriction	575,487	(575,487)	-
Total revenue and support	<u>1,746,657</u>	<u>653,655</u>	<u>2,400,312</u>
Expenses:			
Program services			
Youth housing and transition	1,728,009	-	1,728,009
Supporting services			
Management & General	328,011	-	328,011
Fundraising	317,510	-	317,510
Total expenses	<u>2,373,530</u>	<u>-</u>	<u>2,373,530</u>
Change in net assets	(626,873)	653,655	26,782
Net assets at beginning of year, as restated	<u>2,054,261</u>	<u>165,000</u>	<u>2,219,261</u>
Net assets at end of year	<u>\$ 1,427,388</u>	<u>\$ 818,655</u>	<u>\$ 2,246,043</u>

AYA Youth Collective

Statement of Activities

Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
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 of restriction	888,195	(888,195)	-
Total revenue and support	2,152,301	(388,045)	1,764,256
Expenses:			
Program services			
Youth housing and transition	1,230,157	-	1,230,157
Supporting services			
Management & general	346,990	-	346,990
Fundraising	284,012	-	284,012
Total expenses	1,861,159	-	1,861,159
Revenue and support over (under) expenses	291,142	(388,045)	(96,903)
Forgiveness of PPP loans	241,000	-	241,000
Change in net assets	532,142	(388,045)	144,097
Net assets at beginning of year	1,522,119	553,045	2,075,164
Net assets at end of year, as restated	\$ 2,054,261	\$ 165,000	\$ 2,219,261

AYA Youth Collective

Statement of Functional Expenses

Year Ended September 30, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 962,514	\$ 68,253	\$ 162,394	\$ 1,193,161
In-kind contributions	122,487	725	16,239	139,451
In-kind professional services	22,588	18,600	-	41,188
In-kind mentoring	65,601	-	-	65,601
Youth support	145,944	-	-	145,944
Property rent	3,000	-	-	3,000
Property maintenance	70,459	8,262	-	78,721
Property tax	7,200	210	-	7,410
Utilities	53,100	9,690	-	62,790
Insurance	17,778	3,135	1,287	22,200
Board and staff training	28,017	1,155	4,866	34,038
Staff, volunteer and board appreciation	7,780	1,877	1,329	10,986
Travel and meetings	684	495	2,061	3,240
Events and promotions	-	-	85,782	85,782
Office expenses	3,131	4,966	290	8,387
Professional services	103,452	114,679	20,100	238,231
Information technology	31,885	13,026	7,960	52,871
Bank charges and other fees	561	7,261	15,202	23,024
Interest	24,350	18,370	-	42,720
Depreciation	57,478	57,307	-	114,785
Total expenses	\$ 1,728,009	\$ 328,011	\$ 317,510	\$ 2,373,530

See accompanying notes.

AYA Youth Collective

Statement of Functional Expenses

Year Ended September 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 593,862	\$ 150,505	\$ 128,627	\$ 872,994
In-kind contributions	46,363	-	18,662	65,025
Youth support	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	18,381	-	39,441
Other expenses	536	563	52	1,151
Depreciation	94,838	13,967	-	108,805
Total expenses	<u>\$ 1,230,157</u>	<u>\$ 346,990</u>	<u>\$ 284,012</u>	<u>\$ 1,861,159</u>

See accompanying notes.

AYA Youth Collective

Statements of Cash Flows

	Year Ended September 30	
	2022	2021
Operating activities		
Change in net assets	\$ 26,782	\$ 144,097
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	114,785	108,805
Loss on asset disposal	203,668	-
Forgiveness of PPP loans	-	(241,000)
Donated building construction	(63,273)	(140,833)
Changes in operating assets and liabilities:		
Accounts receivable	5,700	(8,406)
Grants receivable	(632,129)	272,706
Prepaid expenses	25,582	34,411
Deferred revenue	(48)	(1,677)
Security deposits and cash held for tenants	(6,100)	1,950
Accounts payable	(28,277)	(254)
Accrued expenses and other liabilities	36,754	(6,729)
Net cash from(for) operating activities	(316,556)	163,070
Investing activities		
Proceeds from sale of fixed assets	157,312	-
Purchase of fixed assets	(154,880)	(870,439)
Net cash from(for) investing activities	2,432	(870,439)
Financing activities		
Proceeds from issuance of notes payable	-	180,698
Proceeds from issuance of long-term debt	500,000	531,617
Payments made on long-term debt	(353,955)	(154,767)
Net cash from(for) financing activities	146,045	557,548
Net change in cash and cash equivalents	(168,079)	(149,821)
Cash and cash equivalents at beginning of year	613,802	763,623
Cash and cash equivalents at end of year	\$ 445,723	\$ 613,802
Cash and cash equivalents are included in the following captions on the statement of financial position:		
Cash and cash equivalents	\$ 441,573	\$ 603,552
Cash and cash equivalents - tenants	4,150	10,250
	\$ 445,723	\$ 613,802
Supplemental cash flows information		
Cash paid for interest	\$ 42,720	\$ 39,441

See accompanying notes.

AYA Youth Collective

Notes to Financial Statements

September 30, 2022

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 Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following mutually exclusive net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

AYA Youth Collective

Notes to Financial Statements

September 30, 2022

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, wages, and benefits	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.

Grants Receivable

Grants receivable that are expected to be collected within one year are recorded at net realizable value when the promise is made by the donor. Grants that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate applicable to the years in which the promises are received. Discount amortization is included grant revenue. Conditional promises to give are not included as support until the conditions have been met. Management expects all grants receivable to be collectible and has not established an allowance for doubtful accounts.

AYA Youth Collective

Notes to Financial Statements

September 30, 2022

1. Summary of Significant Accounting Policies (continued)

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 Tax Status

The Organization is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. Since the Organization is exempt from federal income taxes, no provision for income taxes is included in the accompanying financial statements.

Generally, tax years from 2018 through the current year remain open to examination. The Organization does not believe that the results from the examination of any open years would have a material adverse effect on the Organization.

AYA Youth Collective

Notes to Financial Statements

September 30, 2022

1. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standard

The Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective October 1, 2021. This standard does not affect the Organization's recognition or measurement of contributed nonfinancial assets (CNA), which are also referred to as in-kind contributions, but requires presentation of CNA as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also required additional disclosures such as the amounts of CNA by categories that depict the type of CNA, a description of the programs or other activities in which those assets were used, a description of any donor restrictions associated with the CNA, and a description of valuation techniques and inputs used to arrive at a fair value.

The Organization adopted the standard, utilizing the retrospective method of transition. Adoption of the new standard had no effect on overall amounts reported in the statements of activities for the years ended September 30, 2022 and 2021.

Paycheck Protection Program Loans

The Organization secured 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.

Subsequent Events

Management has evaluated subsequent events through March 15, 2023, which is the date the financial statements were available to be issued.

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 statements of financial position and shown as cash and cash equivalents – tenants.

AYA Youth Collective

Notes to Financial Statements

September 30, 2022

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 has a goal to maintain cash balances equal to or greater than two months of average budgeted expenses.

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

	<u>2022</u>	<u>2021</u>
Current financial assets at September 30	\$ 841,283	\$ 628,408
Less those unavailable for general expenditures within one year due to fiduciary obligations	(4,150)	(10,250)
Less those unavailable for general expenditures within one year due to donor specific restrictions	(260,750)	(165,000)
Less board designated net assets	(198,859)	(286,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 377,524</u>	<u>\$ 167,158</u>

4. Grant Receivable

Grants receivable as of September 30 were as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 391,654	\$ 5,000
Receivable in one to five years	265,000	-
Gross grants receivable	656,654	5,000
Unamortized discount at 4.8%	(19,525)	-
Total	<u>\$ 637,129</u>	<u>\$ 5,000</u>

AYA Youth Collective
Notes to Financial Statements

September 30, 2022

5. Property and Equipment

A summary of property and equipment as of September 30:

	2022	2021
Land and land improvements	\$ 241,445	\$ 275,345
Construction in progress	11,004	221,041
Buildings and building improvements	2,809,771	2,712,016
Furniture and equipment	75,889	72,534
Total	3,138,109	3,280,936
Less accumulated depreciation	551,135	436,350
Net property and equipment	<u>\$ 2,586,974</u>	<u>\$ 2,844,586</u>

The Organization recorded depreciation expense of \$114,785 for the year ended September 30, 2022, and \$108,805 in 2021.

During the year ended September 30, 2022, the Organization recognized a loss from the sale of a property to a youth in the community. The Organization sold the property below market value which resulted in loss of \$203,668 which is included on the statement of activities. Details of the agreement of the sale can be found in footnote 13.

AYA Youth Collective

Notes to Financial Statements

September 30, 2022

6. Debt

Long-term debt consists of the following obligations as of September 30:

	<u>2022</u>	<u>2021</u>
Mortgage payable to bank collateralized by the mortgaged property, payable in monthly installments of \$2,940 through 2026 including interest at 3.09%. The bank subjects the Organization to certain covenants, with which the Organization was in compliance as September 30, 2022.	\$ 489,814	\$ 509,398
Mortgage payable to bank collateralized by the mortgaged property, payable in monthly installments of \$834 through 2025 including interest at 3.79%.	97,823	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%.	264,586	278,355
Mortgage payable to an unrelated individual collateralized by the mortgaged property, payable in one payment due in 2022 including interest at 0%. Face amount is \$231,081 and the effective interest rate is 3.69%.	-	222,859
Loan payable to the Small Business Administration collateralized by all assets of the Organization, payable in monthly installments of \$2,244 including interest at 2.75% beginning in 2024 through 2052.	508,340	-
Long-term total	<u>\$ 1,360,563</u>	<u>\$ 1,114,518</u>
Less current portion	41,211	39,434
Long-term debt net of current portion	<u>\$ 1,319,352</u>	<u>\$ 1,075,084</u>

AYA Youth Collective

Notes to Financial Statements

September 30, 2022

6. Debt (continued)

Scheduled principal maturities of long-term debt for each of the years succeeding September 30, 2022, are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 41,211
2024	51,588
2025	355,516
2026	440,297
2027	15,574
2028-2032	79,599
2033-2037	88,319
2038-2042	127,149
2043-2047	98,073
2048-2052	63,237
Total	<u>\$ 1,360,563</u>

7. Notes Payable

The Organization had 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 was noninterest bearing and matured when the construction was complete and the home was sold. The house was sold in January 2022 and the balance on the note payable as of September 30, 2022 was \$0.

8. Lines of Credit

The Organization also has a line of credit with a bank with an interest rate based on the prime rate and was 6.25% as of September 30, 2022 and 3.25% as of September 30, 2021. At September 30, 2022 and 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, 2022 and 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, 2022 and 2021, the available credit line totaled \$12,500 and the amount outstanding on the line was insignificant.

AYA Youth Collective

Notes to Financial Statements

September 30, 2022

9. Net Assets

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

	<u>2022</u>	<u>2021</u>
Specific purpose or time restriction:		
Transportation initiative	\$ 25,000	\$ -
Capital purchases	93,183	120,000
Community partners	32,794	40,000
Comprehensive health initiative	296,675	-
Capacity building	30,826	-
Youth action board	4,161	-
Time restrictions	336,016	5,000
Total net assets with donor restrictions	<u>\$ 818,655</u>	<u>\$ 165,000</u>

Net assets released from donor restrictions during the years ended September 30 were as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Capital purchases	\$ 26,817	\$ 60,000
Community partners	60,539	60,000
Union/Evans housing	125,000	20,660
Comprehensive health initiative	142,034	80,000
Capacity building	9,174	-
Food	25,730	7,500
Financial literacy	5,000	-
Youth action board	2,839	-
Youth advocates/Underhill renovations	23,354	-
Discount on mortgage	-	16,154
Cherry mortgage payoff	-	114,490
Union house transition	-	30,000
Lafayette housing renovations	-	199,372
Merger funding	-	57,413
815 Union Street	-	29,100
Drop-in technology equipment	-	10,800
COVID support	-	147,706
Satisfaction of time restrictions	155,000	55,000
Total released from restrictions	<u>\$ 575,487</u>	<u>\$ 888,195</u>

AYA Youth Collective

Notes to Financial Statements

September 30, 2022

10. In Kind Donations

Contributed professional services of mentors and other professional services are valued and reported at their estimated fair value in the financial statements based on current rates for similar services. The Organization uses these services in its mentoring program, comprehensive health initiative, and IT services and would have to be purchased if they were not provided as contributions. The estimated fair value of the contributed professional services as of September 30, 2022 was \$106,788 with \$65,600 donated for mentor services, \$22,588 donated for the comprehensive health initiative, and \$18,600 in IT services received at a discounted rate. The estimated fair value as of September 30, 2021 was \$88,920 donated for mentor services.

Contributed goods are valued and reported at their estimated fair value in the financial statements based on the market value of similar items. Goods contributed consist of items donated to be sold at the Organization's silent auction event, as well as household goods such as bedding, kitchen items, furniture, personal hygiene products, medical supplies, clothing, cleaning supplies, and office supplies. The Organization uses these goods for its Supportive Housing program and fundraising events and would have to be purchased if they were not provided as donations. The estimated fair values of goods donated as of September 30, 2022 was \$139,451 and \$65,025 as of September 30, 2021.

Contributed goods and services for the youth house build are valued and reported at their estimated fair value in the financial statements based on current rates for similar services provided and outlined in the construction agreement with First Companies. The organization used these services for the construction of a home being constructed to sell to a youth in their youth program and would have to be purchased if they were not provided as contributions. The estimated fair value of contributed goods and services for the youth house build as of September 30, 2022 were \$63,273 and \$140,833 as of September 30, 2021.

The estimated value of donated services and items consist of the following for the years ended September 30:

	2022	2021
Mentor and other professional services	\$ 106,788	\$ 88,920
Youth house build	63,273	140,833
Silent auction items	16,239	18,662
Program supplies	123,212	46,363
Total	<u>\$ 309,512</u>	<u>\$ 294,778</u>

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Notes to Financial Statements

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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. As of September 30, 2022 and 2021, eleven employees were participating in the plan. The Organization's contributions to the plan for the year ended September 30, 2022, were \$15,991 and were \$14,888 for the year ended September 30, 2021.

12. Lease

The organization leased residential space under an operating lease with an unrelated party required 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 \$3,000 for the year ended September 30, 2022 and \$12,000 in 2021.

13. Commitments

During the year ended September 30, 2021, the Organization was working in conjunction with an individual youth and several community partners to build a house for the youth. Upon completion of the house, which occurred in fiscal year 2022, the Organization sold the house for \$160,000, which was below the fair market value of the property. The Organization retained 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. Construction in progress in relation to this project was \$0 as of September 30, 2022 and \$204,106 as of September 30, 2021. Of this amount, \$63,273 constitutes donated goods and services that have been recognized in revenue for the year ended September 30, 2022 and \$140,833 in 2021.

14. Concentration Risks

The Organization maintains bank demand deposits at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000 of deposits in each institution. At times during the year, deposit balances may exceed the federally insured limit. Management believes the Organization is not exposed to any significant interest rate risk or other financial risk on these deposits due to the financial strength of the institution.

The Organization has a grant receivable due from one donor that represents 31% of total grants receivable as of September 30, 2022 (no significant concentration for 2021).

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15. Prior Period Adjustment

A prior period adjustment was made to correct errors in long-term debt and interest expense, as follows:

	Reported Balance as of 9/30/21	Restatement	Restated Balance as of 9/30/21
Long-term debt	\$ 1,067,153	\$ 7,931	\$ 1,075,084
Interest expense	31,510	7,931	39,441