

Audited Financial Statements

AYA Youth Collective

*Years Ended September 30, 2023 and 2022  
with Report of Independent Auditors*



ANDREWS HOOPER PAVLIK PLC

AYA Youth Collective  
Audited Financial Statements  
Years Ended September 30, 2023 and 2022

**Contents**

Report of Independent Auditors.....	1
Statements of Financial Position.....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9

## 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 not-for-profit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 GAAS 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 GAAS, 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 audits.

*Andrews Hooper Paulik PLC*

Grand Rapids, Michigan  
January 4, 2024

AYA Youth Collective

Statements of Financial Position

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 639,961	\$ 441,573
Cash and cash equivalents - tenants	5,100	4,150
Accounts receivable	25,603	3,906
Grants receivable, current portion	370,098	391,654
Prepaid expenses	33,217	15,748
Total current assets	<u>1,073,979</u>	<u>857,031</u>
Grants receivable, net of current portion	7,500	245,475
Property and equipment - net	2,584,503	2,586,974
Right-of-use assets	241,149	-
<b>Total assets</b>	<u><u>\$ 3,907,131</u></u>	<u><u>\$ 3,689,480</u></u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 17,983	\$ 11,334
Accrued liabilities	64,836	67,390
Long-term debt, current portion	51,588	41,211
Lease liability, current portion	61,273	-
Total current liabilities	<u>195,680</u>	<u>119,935</u>
Security deposits and cash held for tenants	5,100	4,150
Long term debt, net of current portion	1,312,826	1,319,352
Lease liability, net of current portion	179,876	-
Total liabilities	<u>1,693,482</u>	<u>1,443,437</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,268,142	1,228,529
Board designated	490,545	198,859
Total net assets without donor restrictions	<u>1,758,687</u>	<u>1,427,388</u>
With donor restrictions	454,962	818,655
Total net assets	<u>2,213,649</u>	<u>2,246,043</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 3,907,131</u></u>	<u><u>\$ 3,689,480</u></u>

AYA Youth Collective

Statement of Activities

Year Ended September 30, 2023

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public support and revenue</b>			
Contributions	\$ 1,006,810	\$ -	\$ 1,006,810
Grants	76,000	757,525	833,525
Donated goods	128,448	-	128,448
Donated services	90,241	-	90,241
Rent:			
Gross rent potential	203,590	-	203,590
Rental concessions	(123,863)	-	(123,863)
Planned vacancies	(20,400)	-	(20,400)
Rental vacancies	(8,110)	-	(8,110)
Miscellaneous	257,356	-	257,356
Net assets released of restriction	1,121,218	(1,121,218)	-
Total public support and revenue	<u>2,731,290</u>	<u>(363,693)</u>	<u>2,367,597</u>
<b>Expenses</b>			
Program services:			
Youth housing and transition	1,761,339	-	1,761,339
Supporting services:			
Management and general	293,858	-	293,858
Fundraising	344,794	-	344,794
Total expenses	<u>2,399,991</u>	<u>-</u>	<u>2,399,991</u>
Change in net assets	331,299	(363,693)	(32,394)
Net assets - beginning of year	1,427,388	818,655	2,246,043
Net assets - end of year	<u>\$ 1,758,687</u>	<u>\$ 454,962</u>	<u>\$ 2,213,649</u>

AYA Youth Collective

Statement of Activities

Year Ended September 30, 2022

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public support and revenue</b>			
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 public support and revenue	<u>1,746,657</u>	<u>653,655</u>	<u>2,400,312</u>
<b>Expenses</b>			
Program services:			
Youth housing and transition	1,728,009	-	1,728,009
Supporting services:			
Management and 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 - beginning of year	2,054,261	165,000	2,219,261
Net assets - end of year	<u>\$ 1,427,388</u>	<u>\$ 818,655</u>	<u>\$ 2,246,043</u>

See accompanying notes.

AYA Youth Collective

Statement of Functional Expenses

Year Ended September 30, 2023

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 1,066,383	\$ 86,751	\$ 202,929	\$ 1,356,063
In-kind supplies	114,943	-	13,505	128,448
In-kind professional services	15,868	18,600	-	34,468
In-kind mentoring	55,773	-	-	55,773
Youth support	96,096	661	724	97,481
Property rent	21,782	1,282	5,895	28,959
Property maintenance	61,141	12,350	-	73,491
Property tax	951	-	-	951
Utilities	57,970	8,640	-	66,610
Insurance	18,077	2,766	1,390	22,233
Board and staff training	14,810	2,941	4,943	22,694
Staff, volunteer, and board appreciation	4,788	1,671	1,196	7,655
Travel and meetings	1,352	922	2,399	4,673
Events and promotions	-	782	94,070	94,852
Office expenses	3,590	6,991	441	11,022
Professional services	84,063	90,438	329	174,830
Information technology	17,282	19,606	4,256	41,144
Bank charges and other fees	315	4,300	12,717	17,332
Interest	20,530	23,027	-	43,557
Depreciation	105,625	12,130	-	117,755
Total expenses	<u>\$ 1,761,339</u>	<u>\$ 293,858</u>	<u>\$ 344,794</u>	<u>\$ 2,399,991</u>

See accompanying notes.



AYA Youth Collective

Statement of Functional Expenses

Year Ended September 30, 2022

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 962,514	\$ 68,253	\$ 162,394	\$ 1,193,161
In-kind supplies	122,487	725	16,239	139,451
In-kind professional services	22,588	18,600	-	41,188
In-kind mentoring	65,600	-	-	65,600
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 promotion	-	-	85,782	85,782
Office expenses	3,132	4,966	290	8,388
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
<b>Total expenses</b>	<b>\$ 1,728,009</b>	<b>\$ 328,011</b>	<b>\$ 317,510</b>	<b>\$ 2,373,530</b>

See accompanying notes.

AYA Youth Collective

Statements of Cash Flows

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Change in net assets	\$ (32,394)	\$ 26,782
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	117,755	114,785
Loss on asset disposal	-	203,668
Donated building construction	-	(63,273)
Change in operating assets and liabilities:		
Accounts receivable	(21,697)	5,700
Grants receivable	259,531	(632,129)
Prepaid expenses	(17,469)	25,582
Deferred revenue	-	(48)
Security deposits and cash held for tenants	950	(6,100)
Accounts payable	6,649	(28,277)
Accrued liabilities	(2,554)	36,754
Net cash from operating activities	<u>310,771</u>	<u>(316,556)</u>
<b>Investing activities</b>		
Proceeds from sale of property and Equipment	-	157,312
Purchase of property and equipment	(115,284)	(154,880)
Net cash from investing activities	<u>(115,284)</u>	<u>2,432</u>
<b>Financing activities</b>		
Proceeds from issuance of long-term debt	35,000	500,000
Payments made on long-term debt	(31,149)	(353,955)
Net cash from financing activities	<u>3,851</u>	<u>146,045</u>
Net change in cash and cash equivalents	<u>199,338</u>	<u>(168,079)</u>
Cash and cash equivalents - beginning of year	445,723	613,802
Cash and cash equivalents - end of year	<u>\$ 645,061</u>	<u>\$ 445,723</u>
<b>Cash and cash equivalents on the statements of financial position:</b>		
Cash and cash equivalents	\$ 639,961	\$ 441,573
Cash and cash equivalents - tenants	5,100	4,150
	<u>\$ 645,061</u>	<u>\$ 445,723</u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 43,557	\$ 42,720
Lease liability arising from obtaining right-of-use asset	243,573	-

See accompanying notes.

# AYA Youth Collective

## Notes to Financial Statements

September 30, 2023

### **1. Nature of Operations and Summary of Significant Accounting Policies**

#### **Organization and Nature of Activities**

AYA Youth Collective (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.

#### **Method of Accounting**

The records of the Organization are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### **Financial Statement Presentation and Net Asset Classification**

The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with 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 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.

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

On October 1, 2022, the Organization adopted ASU 2016-02, *Leases (Topic 842)* and subsequent amendments thereto, which requires the Organization to recognize most leases on the statement of financial position.

# AYA Youth Collective

## Notes to Financial Statements

September 30, 2023

### **1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

#### **Adoption of New Accounting Standard (continued)**

The standard was adopted under a modified retrospective approach as of the date of adoption and the Organization elected to apply several of the available practical expedients, including:

- Carryover of historical lease determination and lease classification conclusions.
- Carryover of historical initial direct cost balances for existing leases.
- Accounting for lease and non-lease components in contracts in which the Organization is a lessee as a single lease component.
- Use of hindsight for determining lease term.

Adoption of this standard resulted in the recognition of a net operating right-of-use asset and lease liability of \$243,573 as of October 1, 2022. There was no material impact to the timing of expense recognition in the Organization's statement of activities. Disclosures about the Organization's leasing activities are presented in Note 9.

#### **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 first \$250,000 of deposits at each institution is insured by the Federal Deposit Insurance Corporation. At times during the year, deposits may exceed the maximum FDIC insurance coverage. It is the opinion of management that the Organization is subject to minimal risk.

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.

#### **Accounts Receivable**

Accounts receivable consist of amounts tenants owe to the Organization and insurance reimbursement, and 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 for the years ended September 30, 2023 and 2022.

# AYA Youth Collective

## Notes to Financial Statements

September 30, 2023

### **1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

#### **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 grantor. 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 in 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 for the years ended September 30, 2023 and 2022.

#### **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.

#### **Leases and Right-of-Use Assets**

Leases are classified as operating leases at the lease commencement date. The Organization leases office equipment discussed further in Note 9. The Organization records leases on the statement of financial position in the form of a lease liability for the present value of future minimum payments under the lease terms and right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based on incremental borrowing rates the Organization could obtain for similar loans as of the date of commencement or renewal. The Organization does not record leases on the statements of financial position that are classified as short-term (less than one year) or that are not significant. Right-of-use assets are amortized over the shorter of the estimated useful life of the asset or the lease term.

At lease inception, the Organization determines the lease term by considering the minimum lease term and all optional renewal periods that the Organization is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense.

# AYA Youth Collective

## Notes to Financial Statements

September 30, 2023

### **1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

#### **Revenue Recognition**

##### *Contributions and Grants Revenue Recognition*

Contributions and grants 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 and grants 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*

The Organization generates rental income through housing unit rentals, where the Organization rents rooms within homes throughout the year. These rooms are rented on a month-to-month or short-term basis below fair market value. The rent concessions and vacancies offset the difference between the fair market value and monthly charges. Tenants pay a discounted rate for the space monthly, and revenue is recognized at the time the payment is made.

##### *Donated Goods and Services*

Donated goods 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.

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 used these services in its mentoring program, comprehensive health initiative, and IT services. The estimated fair value of the contributed professional services as of September 30, 2023 was \$90,241 and \$106,788 as of September 30, 2022.

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 consisted 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.

AYA Youth Collective

Notes to Financial Statements

September 30, 2023

**1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

**Revenue Recognition (continued)**

*Donated Goods and Services (continued)*

The estimated fair values of goods donated as of September 30, 2023 were \$128,448 and \$139,451 as of September 30, 2022.

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 to be sold to a youth in their youth program. The estimated fair value of contributed goods and services for the youth house build as of September 30, 2022 was \$63,273 and none as of September 30, 2023.

The estimated value of donated goods and services consist of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Mentor and other professional services	\$ 90,241	\$ 106,788
Youth house build	-	63,273
Silent auction items	13,505	16,239
Program supplies	114,943	123,212
Total	<u>\$ 218,689</u>	<u>\$ 309,512</u>

**Functional Expense Allocations**

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 and wages	Estimates of time and activities performed
Office expenses	Estimates of time and usage

# AYA Youth Collective

## Notes to Financial Statements

September 30, 2023

### **1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

#### **Income Taxes**

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 2019 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.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP 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.

#### **Subsequent Events**

Management has evaluated subsequent events for potential recognition and disclosure in the financial statements through January 4, 2024, which is the date the financial statements were available to be issued.

### **2. 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 6, the Organization also has a \$150,000 committed line of credit 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.



AYA Youth Collective  
Notes to Financial Statements

September 30, 2023

**2. Liquidity and Availability (continued)**

The Organization's financial assets were as follows as of September 30:

	<b>2023</b>	<b>2022</b>
Current financial assets	<b>\$ 1,040,762</b>	\$ 841,283
Less those unavailable for general expenditures within one year due to fiduciary obligations	<b>(5,100)</b>	(4,150)
Less those unavailable for general expenditures within one year due to donor specific restrictions	<b>(226,338)</b>	(260,750)
Less board designated net assets	<b>(490,545)</b>	(198,859)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 318,779</b>	\$ 377,524

**3. Grants Receivable**

Grants receivable were as follows as of September 30:

	<b>2023</b>	<b>2022</b>
Receivable in less than one year	<b>\$ 370,098</b>	\$ 391,654
Receivable in one to five years	<b>7,500</b>	265,000
Gross grants receivable	<b>377,598</b>	656,654
Unamortized discount at 4.8%	<b>-</b>	(19,525)
Total	<b>\$ 377,598</b>	\$ 637,129

**4. Property and Equipment**

Below is a summary of property and equipment as of September 30:

	<b>2023</b>	<b>2022</b>
Land and land improvements	<b>\$ 258,945</b>	\$ 241,445
Construction in progress	<b>39,552</b>	11,004
Buildings and building improvements	<b>2,879,007</b>	2,809,771
Furniture and equipment	<b>75,889</b>	75,889
Total	<b>3,253,393</b>	3,138,109
Less accumulated depreciation	<b>(668,890)</b>	(551,135)
Net property and equipment	<b>\$ 2,584,503</b>	\$ 2,586,974

AYA Youth Collective

Notes to Financial Statements

September 30, 2023

**4. Property and Equipment (continued)**

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 a loss of \$203,668 which is included on the statement of activities for the year ended September 30, 2022. Details of the agreement of the sale can be found in Note 10.

**5. Long-term Debt**

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

	<u>2023</u>	<u>2022</u>
Mortgage payable to bank collateralized by the mortgaged property, payable in monthly installments of \$2,940 through 2026 including interest at 3.09%.	\$ 469,608	\$ 489,814
Mortgage payable to bank collateralized by the mortgaged property, payable in monthly installments of \$834 through 2025 including interest at 3.79%.	91,512	97,823
Mortgage payable to bank collateralized by the mortgaged property, payable in monthly installments of \$1,975 through 2025 including interest at 3.59%.	250,255	264,586
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.	522,000	508,340
Interest free loan payable to a donor with the lump sum due October 1, 2025. The discount, due to no interest, of \$5,787 is recorded as a contribution and interest expense recognized over the term of the loan.	31,039	-
Total long-term debt	<u>1,364,414</u>	<u>1,360,563</u>
Less current portion	<u>(51,588)</u>	<u>(41,211)</u>
Long-term debt net, of current portion	<u>\$ 1,312,826</u>	<u>\$ 1,319,352</u>

AYA Youth Collective  
Notes to Financial Statements

September 30, 2023

**5. Long-term Debt (continued)**

Scheduled principal maturities of long-term debt for future years were as follows as of September 30, 2023:

<u>Year</u>	<u>Amount</u>
2024	\$ 51,588
2025	386,555
2026	440,297
2027	14,360
2028	14,760
2029-2033	80,197
2034-2038	92,004
2039-2043	128,454
2044-2048	98,182
2049-2051	58,017
Total	<u>\$ 1,364,414</u>

**6. Line of Credit**

The Organization also has a line of credit with a bank. Interest is based on the prime rate and was 8.50% as of September 30, 2023 and 6.25% as of September 30, 2022. As of September 30, 2023 and 2022, there were no amounts outstanding on the line of credit.

**7. Net Assets**

Net assets without donor restrictions that are designated by the Board of Directors consisted of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Board designated:		
Operating reserve	\$ 490,545	\$ 198,859
Total board designated	<u>\$ 490,545</u>	<u>\$ 198,859</u>

AYA Youth Collective

Notes to Financial Statements

September 30, 2023

**7. Net Assets (continued)**

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

	<u>2023</u>	<u>2022</u>
Specific purpose or time restriction:		
Transportation initiative	\$ 25,000	\$ 25,000
Capital purchases	-	93,183
Community partners	38,624	32,794
Comprehensive health initiative	226,338	296,675
Capacity building	-	30,826
Youth action board	-	4,161
Time restrictions	165,000	336,016
Total net assets with donor restrictions	<u>\$ 454,962</u>	<u>\$ 818,655</u>

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

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Capital purchases	\$ 93,183	\$ 26,817
Community partners	25,775	60,539
Union/Evans housing	-	125,000
Comprehensive health initiative	192,129	142,034
Capacity building	30,826	9,174
Food	31,360	25,730
Financial literacy	2,500	5,000
Youth action board	4,161	2,839
Youth advocates/Underhill renovations	26,845	23,354
Housing	122,532	-
Programs	434,407	-
Satisfaction of time restrictions	157,500	155,000
Total released from restrictions	<u>\$ 1,121,218</u>	<u>\$ 575,487</u>

**8. 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

# AYA Youth Collective

## Notes to Financial Statements

September 30, 2023

### 8. Retirement Plan (continued)

allowed by the Internal Revenue Code. The Organization determines annually in its sole discretion whether to make a matching or nonelective contribution to eligible employee's IRA account. The Organization's contributions to the plan for the year ended September 30, 2023, were \$20,782 and were \$15,991 for the year ended September 30, 2022.

### 9. Right-of-use Asset and Lease Liability

The Organization leases various office equipment under agreements expiring through July 2027. These leases require total monthly payments of approximately \$245. The Organization also entered into an office building lease in June 2023 that matures in May 2028 and requires monthly payments that began at approximately \$4,800 and include annual increases.

The weighted-average discount rate for these leases is 8.12% and the weighted-average remaining lease term is 55 months. Total right-of-use asset and lease liability of \$241,149 are recorded on the statement of financial position as of September 30, 2023.

The following is a schedule of the minimum lease payments that will be paid under the lease agreements for the future years ending September 30:

2024	\$ 61,274
2025	63,773
2026	65,961
2027	65,961
2028	43,776
Total lease payments	<u>300,745</u>
Imputed interest	<u>(59,596)</u>
Present value of lease liability	<u>\$ 241,149</u>

### 10. Right to Repurchase Property

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 retains 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.

# AYA Youth Collective

## Notes to Financial Statements

September 30, 2023

### **11. Employee Retention Tax Credit**

The Employee Retention Tax Credit (ERTC) was established by the Internal Revenue Service (IRS) under the CARES Act to encourage businesses to maintain employees on their payroll throughout the coronavirus pandemic. The refundable tax credit is 50% of up to \$10,000 in wages paid by an eligible employer whose business has been financially impacted by the coronavirus pandemic. Wages paid through October 1, 2021 are eligible under this program.

During the year ended September 30, 2023, the Organization amended their Employee's Quarterly Federal Tax Returns (Form 941) from the year ended September 30, 2021 to retroactively apply the ERTC. The IRS granted \$257,046 in refunds that were recorded as miscellaneous income in the statements of activities for the year ended September 30, 2023.

### **12. Major Funding Sources**

The Organization has grants receivable due from two donors that represent 60% of total grants receivable as of September 30, 2023 and 66% from two donors as of September 30, 2022.

### **13. Risks and Uncertainties**

The Organization is subject to various risks and uncertainties related to operations and financial performance. The Organization utilizes a number of suppliers and vendors to fulfill business needs, and this exposes them to risks and uncertainties, including supply chain risks. These supply chain risks include availability of sources of supply for materials, labor, and services, in addition to increases in prices. Due to the level of risk associated with the supply chain and other potential risks and uncertainties, it is at least reasonably possible these risks could have an impact in the near term and could materially affect the operations of the Organization and the amounts reported in the financial statements.

### **14. Subsequent Events**

During the year ended September 30, 2023, the Organization filed an insurance claim due to flooding in one of their rentals. The estimated cost to make the necessary repairs was \$39,000 with the insurance company agreeing to pay \$26,000 for the repairs. The Organization has consulted with their attorney and is pursuing full payment from the insurance company. If the insurance company does not pay the full amount, then the Organization will be liable for \$13,000 of the repairs. No liability has been recorded related to this potential liability as of September 30, 2023 since the potential outcome is currently unknown.