

Audited Financial Statements

AYA Youth Collective

*Years Ended September 30, 2024 and 2023
with Report of Independent Auditors*

AYA Youth Collective
Audited Financial Statements
Years Ended September 30, 2024 and 2023

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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 not-for-profit organization), which comprise the statements of financial position as of September 30, 2024 and 2023, 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, 2024 and 2023, 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 6, 2025

AYA Youth Collective

Statements of Financial Position

	September 30	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 918,441	\$ 639,786
Cash and cash equivalents - tenants	7,960	5,275
Certificates of deposit	350,000	-
Accounts receivable	13,090	25,603
Grants receivable, current portion	492,086	370,098
Prepaid expenses	37,400	33,217
Total current assets	<u>1,818,977</u>	<u>1,073,979</u>
Grants receivable, net of current portion	-	7,500
Property and equipment - net	2,314,766	2,584,503
Operating right-of-use assets	199,446	241,149
Total assets	<u><u>\$ 4,333,189</u></u>	<u><u>\$ 3,907,131</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 35,201	\$ 17,983
Accrued liabilities	132,675	64,836
Long-term debt, current portion	388,919	51,588
Operating lease liability, current portion	54,597	61,273
Total current liabilities	<u>611,392</u>	<u>195,680</u>
Security deposits and cash held for tenants	12,200	5,100
Long-term debt, net of current portion	926,615	1,312,826
Operating lease liability, net of current portion	144,849	179,876
Total liabilities	<u>1,695,056</u>	<u>1,693,482</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,767,052	1,268,142
Board designated	613,005	490,545
Total net assets without donor restrictions	<u>2,380,057</u>	<u>1,758,687</u>
With donor restrictions	258,076	454,962
Total net assets	<u>2,638,133</u>	<u>2,213,649</u>
Total liabilities and net assets	<u><u>\$ 4,333,189</u></u>	<u><u>\$ 3,907,131</u></u>

AYA Youth Collective

Statement of Activities

Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Contributions	\$ 1,529,037	\$ -	\$ 1,529,037
Grants	172,500	2,138,356	2,310,856
Donated goods	169,280	-	169,280
Donated services	83,870	-	83,870
Rent:			
Gross rent potential	183,942	-	183,942
Rental concessions	(121,167)	-	(121,167)
Planned vacancies	(6,600)	-	(6,600)
Rental vacancies	(9,000)	-	(9,000)
Gain on sale of fixed assets	67,861	-	67,861
Miscellaneous	11,936	-	11,936
Net assets released of restriction	2,335,242	(2,335,242)	-
Total public support and revenue	<u>4,416,901</u>	<u>(196,886)</u>	<u>4,220,015</u>
Expenses			
Program services:			
Youth housing and transition	3,028,787	-	3,028,787
Supporting services:			
Management and general	371,381	-	371,381
Fundraising	395,363	-	395,363
Total expenses	<u>3,795,531</u>	<u>-</u>	<u>3,795,531</u>
Change in net assets	621,370	(196,886)	424,484
Net assets - beginning of year	1,758,687	454,962	2,213,649
Net assets - end of year	<u>\$ 2,380,057</u>	<u>\$ 258,076</u>	<u>\$ 2,638,133</u>

See accompanying notes.

AYA Youth Collective

Statement of Activities

Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
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>
Expenses			
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 Functional Expenses

Year Ended September 30, 2024

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,742,241	\$ 161,317	\$ 254,195	\$ 2,157,753
In-kind supplies and rental fees	151,823	-	17,457	169,280
In-kind professional services	5,324	19,538	5,750	30,612
In-kind mentoring	53,258	-	-	53,258
Youth support	268,768	-	-	268,768
Payments to subrecipients	64,380	-	-	64,380
Property rent	101,183	3,900	7,701	112,784
Property maintenance	108,238	11,169	-	119,407
Property tax	480	-	-	480
Utilities	73,071	13,491	-	86,562
Insurance	21,715	3,265	1,341	26,321
Board and staff training	52,003	2,299	6,326	60,628
Staff, volunteer, and board appreciation	4,808	3,368	604	8,780
Travel and meetings	5,097	432	3,004	8,533
Events and promotions	-	-	74,348	74,348
Office expenses	7,263	7,227	494	14,984
Professional services	194,197	53,050	(1,450)	245,797
Information technology	40,729	29,753	7,881	78,363
Bank charges and other fees	2,055	5,205	17,712	24,972
Interest	19,805	22,676	-	42,481
Other expenses	-	25,478	-	25,478
Depreciation	112,349	9,213	-	121,562
Total expenses	\$ 3,028,787	\$ 371,381	\$ 395,363	\$ 3,795,531

See accompanying notes.

AYA Youth Collective

Statement of Functional Expenses

Year Ended September 30, 2023

	Program Services	Management and General	Fundraising	Total
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

Statements of Cash Flows

	Year Ended September 30	
	2024	2023
Operating activities		
Change in net assets	\$ 424,484	\$ (32,394)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	121,562	117,755
Gain on sale of fixed assets	(67,861)	-
Change in operating assets and liabilities:		
Accounts receivable	12,513	(21,697)
Grants receivable	(114,488)	259,531
Prepaid expenses	(4,183)	(17,469)
Security deposits and cash held for tenants	7,100	950
Accounts payable	17,218	6,649
Accrued liabilities	67,839	(2,554)
Net cash from operating activities	464,184	310,771
Investing activities		
Purchase of certificates of deposit	(350,000)	-
Proceeds from sale of property and equipment	335,000	-
Purchase of property and equipment	(118,964)	(115,284)
Net cash from investing activities	(133,964)	(115,284)
Financing activities		
Proceeds from issuance of long-term debt	-	35,000
Payments made on long-term debt	(48,880)	(31,149)
Net cash from financing activities	(48,880)	3,851
Net change in cash and cash equivalents	281,340	199,338
Cash and cash equivalents - beginning of year	645,061	445,723
Cash and cash equivalents - end of year	\$ 926,401	\$ 645,061
Cash and cash equivalents on the statements of financial position:		
Cash and cash equivalents	\$ 918,441	\$ 639,786
Cash and cash equivalents - tenants	7,960	5,275
	\$ 926,401	\$ 645,061
Supplemental cash flow information:		
Cash paid for interest	\$ 42,481	\$ 43,557
Operating lease liability arising from obtaining right-of-use assets	-	243,573

See accompanying notes.

AYA Youth Collective

Notes to Financial Statements

September 30, 2024

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, 2023, the Organization adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended (ASC 326), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including accounts receivable. Such assets are presented at the net amount

AYA Youth Collective

Notes to Financial Statements

September 30, 2024

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

Adoption of New Accounting Standard (continued)

expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. The adoption of this new standard did not have a significant impact on AYA Youth Collective.

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 are stated at the amount management expects to collect from balances outstanding at year end. 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 stated at amortized cost net of the allowance for credit losses. The allowance is an estimate of the amounts that may not be collectible. The Organization determines the need for an allowance based on an evaluation of the accounts receivable, historical loss collection experience, and expectations about current and future economic conditions. Changes in the allowance are recorded as credit loss (or reversal). Losses are charged off against the allowance when the receivable is deemed uncollectable. Based on management's evaluation as of September 30, 2024 and 2023, the estimate of an allowance for credit losses was determined to be immaterial and no allowance was recorded.

AYA Youth Collective

Notes to Financial Statements

September 30, 2024

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 the years ended September 30, 2024 and 2023.

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 assets equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use assets. 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, 2024

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, 2024 was \$83,870 and \$90,241 as of September 30, 2023.

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 and Drop-in Programs.

AYA Youth Collective

Notes to Financial Statements

September 30, 2024

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, 2024 were \$169,280 and \$128,448 as of September 30, 2023.

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

	<u>2024</u>	<u>2023</u>
Mentor and other professional services	\$ 83,870	\$ 90,241
Silent auction items	17,457	13,505
Program supplies	144,974	114,943
Property rental fees	6,849	-
Total	<u>\$ 253,150</u>	<u>\$ 218,689</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, 2024

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 2020 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.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation.

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure in the financial statements through January 6, 2025, 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, 2024

2. Liquidity and Availability (continued)

The Organization's financial assets available to meet cash needs for general expenditures within one year were as follows as of September 30:

	<u>2024</u>	<u>2023</u>
Current financial assets	\$ 1,781,577	\$ 1,040,762
Less those unavailable for general expenditures within one year due to fiduciary obligations	(7,960)	(5,275)
Less those unavailable for general expenditures within one year due to donor specific restrictions	(179,208)	(226,338)
Less board designated net assets	<u>(613,005)</u>	<u>(490,545)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 981,404</u>	<u>\$ 318,604</u>

3. Grants Receivable

Grants receivable were as follows as of September 30:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 492,086	\$ 370,098
Receivable in one to five years	-	7,500
Total	<u>\$ 492,086</u>	<u>\$ 377,598</u>

4. Property and Equipment

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

	<u>2024</u>	<u>2023</u>
Land and land improvements	\$ 239,145	\$ 258,945
Construction in progress	33,516	39,552
Buildings and building improvements	2,708,262	2,879,007
Furniture and equipment	84,734	75,889
Total	<u>3,065,657</u>	<u>3,253,393</u>
Less accumulated depreciation	<u>(750,891)</u>	<u>(668,890)</u>
Net property and equipment	<u>\$ 2,314,766</u>	<u>\$ 2,584,503</u>

AYA Youth Collective
Notes to Financial Statements

September 30, 2024

5. Long-term Debt

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

	2024	2023
Mortgage payable to bank collateralized by the mortgaged property, payable in monthly installments of \$2,938 through 2026 including interest at 3.09%.	\$ 448,800	\$ 469,608
Mortgage payable to bank collateralized by the mortgaged property, payable in monthly installments of \$830 through 2025 including interest at 3.79%. Subsequent to year end, this mortgage was paid in full.	84,963	91,512
Mortgage payable to bank collateralized by the mortgaged property, payable in monthly installments of \$1,975 through 2025 including interest at 3.59%.	235,445	250,255
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.	513,348	522,000
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.	32,978	31,039
Total long-term debt	1,315,534	1,364,414
Less current portion	(388,919)	(51,588)
Long-term debt, net of current portion	\$ 926,615	\$ 1,312,826

AYA Youth Collective

Notes to Financial Statements

September 30, 2024

5. Long-term Debt (continued)

Scheduled principal maturities of long-term debt for future years were as follows as of September 30, 2024:

<u>Year</u>	<u>Amount</u>
2025	\$ 388,919
2026	440,829
2027	14,360
2028	14,760
2029	15,171
2030-2034	82,430
2035-2039	94,566
2040-2044	108,488
2045-2049	124,460
2050-2051	31,551
Total	<u>\$ 1,315,534</u>

On July 26, 2024, the Organization sold property that had a mortgage on it. The mortgage was also secured by another property. At the time of the sale, the fair market value of the remaining property exceeded the mortgage due. The Organization chose to invest the funds from the sale of the property in a money market account earning 5% interest versus paying off the mortgage at the time of the sale. The mortgage is due on March 12, 2025 and the Organization plans to use the proceeds retained to payoff the related mortgage at that time.

6. Line of Credit

The Organization also has a \$150,000 line of credit with a bank with a maturity date of April 11, 2025. Interest is based on the prime rate and was 8.00% as of September 30, 2024 and 8.50% as of September 30, 2023. As of September 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Board designated:		
Operating reserve	\$ 613,005	\$ 490,545
Total board designated	<u>\$ 613,005</u>	<u>\$ 490,545</u>

AYA Youth Collective

Notes to Financial Statements

September 30, 2024

7. Net Assets (continued)

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

	<u>2024</u>	<u>2023</u>
Specific purpose:		
Advocacy and support - drop-in youth program	\$ 214,208	\$ 251,338
Direct cash transfer program	26,368	28,624
Housing program	10,000	10,000
Time restrictions:		
Drop-in youth program	7,500	15,000
Housing program	-	100,000
Unrestricted	-	50,000
Total net assets with donor restrictions	<u>\$ 258,076</u>	<u>\$ 454,962</u>

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

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions:		
Administration	\$ 78,742	\$ -
Advocacy and support - drop-in youth program	651,011	552,257
Capital purchases	-	93,183
Capacity building	-	30,826
Direct cash transfer program	172,256	29,170
Drop-in youth program	518,587	-
Housing program	757,146	197,532
Satisfaction of time restrictions:		
Advocacy and support - drop-in youth	-	60,750
Drop-in youth program	7,500	7,500
Housing program	100,000	100,000
Unrestricted	50,000	50,000
Total released from restrictions	<u>\$ 2,335,242</u>	<u>\$ 1,121,218</u>

AYA Youth Collective

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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 allowed by the Internal Revenue Code. The Organization determines annually in its sole discretion whether to make a matching or nonelective contribution to an eligible employee's IRA account. The Organization's contributions to the plan for the year ended September 30, 2024, were \$32,779 and were \$20,782 for the year ended September 30, 2023.

9. Operating Right-of-Use Assets 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.

As of September 30, 2024, the weighted-average discount rate for these leases was 8.13% and the weighted-average remaining lease term was 44 months. As of September 30, 2023, the weighted-average discount rate for these leases was 8.12% and the weighted-average remaining lease term was 55 months. Total operating right-of-use assets and lease liability of \$199,446 as of September 30, 2024 and \$241,149 as of September 30, 2023 are recorded on the statements of financial position.

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:

2025	\$ 63,773
2026	65,961
2027	65,961
2028	<u>43,776</u>
Total lease payments	239,471
Imputed interest	<u>(40,025)</u>
Present value of lease liability	<u>\$ 199,446</u>

AYA Youth Collective

Notes to Financial Statements

September 30, 2024

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.

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 Employer'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 receivables due from three donors/grantors that represent 80% of total receivables as of September 30, 2024 and 60% from two donors/grantors as of September 30, 2023.

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.