

**HOMELESS YOUTH CONNECTION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

HOMELESS YOUTH CONNECTION, INC.
JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Homeless Youth Connection, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Homeless Youth Connection, Inc. which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homeless Youth Connection, Inc. as of June 30, 2015, 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

September 15, 2015

HOMELESS YOUTH CONNECTION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

Assets

Current assets:

Cash and cash equivalents	\$ 105,879
Pledges receivable	32,575
Donated inventory	48,733
Deposits	1,857
Prepaid expenses	<u>1,234</u>
Total current assets	<u>190,278</u>

Noncurrent assets:

Leasehold improvements	26,708
Accumulated amortization and depreciation	<u>(9,185)</u>
Total noncurrent assets	<u>17,523</u>

Total assets	<u>\$ 207,801</u>
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Liabilities

Current liabilities:

Accounts payable	\$ 7,216
Accrued payroll	<u>8,428</u>
Total current liabilities	<u>15,644</u>

Total liabilities	<u>15,644</u>
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Net assets

Unrestricted	173,278
Temporarily restricted	<u>18,879</u>

Total net assets	<u>192,157</u>
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Total liabilities and net assets	<u>\$ 207,801</u>
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HOMELESS YOUTH CONNECTION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Revenue and support:			
Contributions	\$ 177,610	\$ 2,483	\$ 180,093
Contributions- in kind	66,118		66,118
Special events, net of \$56,220 direct donor benefit costs	121,340		121,340
Interest income	<u>6</u>		<u>6</u>
Total revenue and support	<u>365,074</u>	<u>2,483</u>	<u>367,557</u>
Net assets released from restrictions	<u>2,852</u>	<u>(2,852)</u>	
Total revenue, support, and net assets released	<u>367,926</u>	<u>(369)</u>	<u>367,557</u>
 Expenses:			
Program expenses	<u>257,498</u>		<u>257,498</u>
Total program expenses	<u>257,498</u>		<u>257,498</u>
Supporting services			
Management and general	40,671		40,671
Fundraising	<u>45,955</u>		<u>45,955</u>
Total supporting services	<u>86,626</u>		<u>86,626</u>
Total expenses	<u>344,124</u>		<u>344,124</u>
Change in net assets	<u>23,802</u>	<u>(369)</u>	<u>23,433</u>
Net assets, beginning of year	<u>149,476</u>	<u>19,248</u>	<u>168,724</u>
Net assets, end of year	<u>\$ 173,278</u>	<u>\$ 18,879</u>	<u>\$ 192,157</u>

HOMELESS YOUTH CONNECTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Supporting Services			Totals
	Program Services	Management and General	Fundraising	
Salaries & wages	\$ 132,875	\$ 18,455	\$ 33,219	\$ 184,549
Payroll taxes	11,340	1,575	2,835	15,750
Staff expenses	7,897	249	166	8,312
Youth empowerment services	3,691			3,691
In-kind donations distributed	48,136			48,136
Facilities costs	22,091	2,761	2,762	27,614
Accounting & tax services		8,501		8,501
Advertising and promotion	804	139	603	1,546
Bank charges		3,048		3,048
Other contracted services	9,829			9,829
Dues & subscriptions	137		137	274
Amortization and depreciation	5,091	579	116	5,786
Insurance - Officers & Directors	2,119	1,025	273	3,417
Information technology	4,842	1,637	341	6,820
Office supplies and equipment	1,593	1,008	650	3,251
Interest, penalties and fines		269		269
Permits & licenses	26	6		32
Postage	444	142	359	945
Printing	4,852	851	2,809	8,512
Travel	1,731	426	506	2,663
Other fundraising expenses			1,179	1,179
Total expenses	\$ <u>257,498</u>	\$ <u>40,671</u>	\$ <u>45,955</u>	\$ <u>344,124</u>

HOMELESS YOUTH CONNECTION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash flows from operating activities:	
Change in net assets	\$ 23,433
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Ammortization and depreciation	5,786
Changes in assets and liabilities:	
Pledges receivable	(16,019)
Donated inventory	(23,917)
Prepaid expenses	2,828
Accounts payable	832
Accrued payroll	<u>1,041</u>
Net cash used for operating activities	<u>(6,016)</u>
Cash flows from investing activities:	
Sale of property and equipment	<u>2,500</u>
Net cash provided by investing activities	<u>2,500</u>
Net decrease in cash and cash equivalents	(3,516)
Cash and cash equivalents, beginning of year	<u>109,395</u>
Cash and cash equivalents, end of year	<u><u>\$ 105,879</u></u>

HOMELESS YOUTH CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Homeless Youth Connection, Inc. (HYC) is an Arizona nonprofit organization. HYC was formed in 2010. In partnership with the community, HYC raises awareness and meets the needs of homeless youth so they can stay in school and graduate. The majority of HYC's efforts are made possible through contributions.

The more significant accounting policies are described below.

A. Basis of Accounting

The financial statements of HYC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

B. Basis of Presentation

HYC is required to report information regarding its financial position and activities according to three classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HYC and changes therein are classified as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and are available for support of HYC's activities.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of HYC and/or the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions are met or have expired. These reclassifications are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by HYC. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general purposes. HYC has no permanently restricted net assets.

C. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

HOMELESS YOUTH CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

E. Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

F. Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

G. Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, HYC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. HYC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

H. Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HYC. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

HOMELESS YOUTH CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, HYC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. HYC maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. There was no uninsured cash at year end.

J. Promises to Give

Unconditional promises to give (pledges) are recognized in the period received. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates as determined by management applicable to the years in which the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

K. Donated Inventory

HYC maintains a “Teen Store” inventory of non-cash goods where homeless teens can shop free of charge for clothing, backpacks, toiletries and similar merchandise. None of the items are sold to the students or others. Donated inventory is recorded at the estimated fair value on the donation date.

L. Property and Equipment

All acquisitions of property and equipment with a cost in excess of \$1,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. HYC has also capitalized leasehold improvements. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the term of the lease agreement, five years. Amortization and depreciation expense for the current fiscal year was \$5,786.

M. Income Tax Status

HYC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. In addition, HYC qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). Accordingly, no provision for income taxes has been provided in the financial statements. HYC’s Form 990, *Return of Organization Exempt from Income Taxes*, is generally subject to examination by the Internal Revenue Service for three years after the date filed.

HOMELESS YOUTH CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Subsequent Events

Subsequent events have been evaluated through September 15, 2015 which is the date the financial statements were available to be issued.

NOTE 2 – FAIR VALUE MEASUREMENTS

HYC uses a three-tier hierarchy established by the FASB ASC to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1: Quoted prices in active markets for identical investments.
- Level 2: Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

Certain items included as donated inventory may be Level 3 as the values may not be observable. Inputs used in the valuation of donated inventory include values listed in the Salvation Army valuation guide for used items and retail value for new items.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable at year end consist entirely of unconditional promises to give due in less than one year. The pledges receivable are expected to be collected in full, therefore no allowance for doubtful accounts has been recorded.

HOMELESS YOUTH CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 – OPERATING LEASE COMMITMENTS

On August 8, 2013, HYC signed a lease agreement for a new office facility with a lease term of November 1, 2013 to October 31, 2018. The total amount of office space rent for the year was \$18,077.

The following is a schedule by years of future minimum rental payments under the office facility lease at year end:

Year End:		
	2016	\$ 20,605
	2017	22,145
	2018	23,686
	2019	<u>8,066</u>
Total		<u>\$ 74,502</u>

NOTE 5 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Transition home	\$ 16,490
Student assistance	<u>2,389</u>
Total Temporarily Restricted Net Assets	<u>\$ 18,879</u>