



Homeless Youth Connection, Inc.
Financial Statements
For Year Ended June 30, 2017

HOMELESS YOUTH CONNECTION, INC.
JUNE 30, 2017

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements.....	7

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, 2017, 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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Homeless Youth Connection's 2016 financial statements, and our report dated September 24, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

Report Date

HOMELESS YOUTH CONNECTION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 217,043	\$ 192,063
Pledges receivable	68,482	
Donated inventory	50,070	60,264
Deposits	1,857	1,857
Prepaid expenses	1,177	787
Total current assets	<u>338,629</u>	<u>254,971</u>
Noncurrent assets:		
Leasehold improvements	26,708	26,708
Accumulated amortization and depreciation	<u>(26,708)</u>	<u>(14,241)</u>
Total noncurrent assets	<u> </u>	<u>12,467</u>
 Total assets	 <u>\$ 338,629</u>	 <u>\$ 267,438</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 2,674	\$ 10,960
Accrued payroll	15,400	11,811
Deferred revenue	25,000	
Total current liabilities	<u>43,074</u>	<u>22,771</u>
 Total liabilities	 <u>43,074</u>	 <u>22,771</u>
 <u>Net assets</u>		
Unrestricted	295,555	228,379
Temporarily restricted		<u>16,288</u>
 Total net assets	 <u>295,555</u>	 <u>244,667</u>
 Total liabilities and net assets	 <u>\$ 338,629</u>	 <u>\$ 267,438</u>

See accompanying notes to financial statements.

HOMELESS YOUTH CONNECTION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
Revenue and support:				
Contributions	\$ 386,837	\$	\$ 386,837	\$ 261,612
Contributions- in kind	91,945		91,945	104,714
Special events (net of \$61,876 and \$67,016 in direct donor benefit costs, respectively)	213,052		213,052	148,994
Interest income	53		53	21
Other income	609		609	2,731
Total revenue and support	<u>692,496</u>		<u>692,496</u>	<u>518,072</u>
Net assets released from restrictions	<u>16,288</u>	<u>(16,288)</u>		
Total revenue, support, and net assets released	<u>708,784</u>	<u>(16,288)</u>	<u>692,496</u>	<u>518,072</u>
Expenses:				
Program expenses	<u>560,473</u>		<u>560,473</u>	<u>372,021</u>
Total program expenses	<u>560,473</u>		<u>560,473</u>	<u>372,021</u>
Supporting services				
Management and general	30,069		30,069	37,353
Fundraising	<u>51,066</u>		<u>51,066</u>	<u>56,188</u>
Total supporting services	<u>81,135</u>		<u>81,135</u>	<u>93,541</u>
Total expenses	<u>641,608</u>		<u>641,608</u>	<u>465,562</u>
Change in net assets	<u>67,176</u>	<u>(16,288)</u>	<u>50,888</u>	<u>52,510</u>
Net assets, beginning of year	<u>228,379</u>	<u>16,288</u>	<u>244,667</u>	<u>192,157</u>
Net assets, end of year	<u>\$ 295,555</u>	<u>\$</u>	<u>\$ 295,555</u>	<u>\$ 244,667</u>

See accompanying notes to financial statements.

HOMELESS YOUTH CONNECTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2017	2016
Salaries & wages	\$ 280,334	\$ 9,557	\$ 28,670	\$ 318,561	\$ 211,637
Payroll taxes	22,466	766	2,298	25,530	18,005
Staff expenses	23,622	805	2,416	26,843	13,238
Youth empowerment services	179,749			179,749	128,258
Facilities costs	23,457	2,932	2,932	29,321	28,328
Accounting & tax services		12,614		12,614	20,276
Advertising and promotion	2,863			2,863	
Bank charges			4,143	4,143	6,843
Other contracted services					11,987
Meetings, conventions, etc	12			12	87
Dues & subscriptions	728		728	1,456	613
Amortization and depreciation	9,973	1,247	1,247	12,467	5,056
Insurance - Officers & Directors	1,350	169	169	1,688	3,156
Information technology	6,203	775	775	7,753	5,926
Supplies and equipment	5,069	634	634	6,337	5,195
Interest, penalties and fines		9		9	
Permits & licenses	36	155		191	45
Postage & printing	2,725	406	7,054	10,185	3,630
Travel	1,886			1,886	449
Other fundraising expenses					2,833
Total expenses	\$ 560,473	\$ 30,069	\$ 51,066	\$ 641,608	\$ 465,562

See accompanying notes to financial statements.

HOMELESS YOUTH CONNECTION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 50,888	\$ 52,510
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Amortization and depreciation	12,467	5,056
Changes in assets and liabilities:		
Pledges receivable	(68,482)	32,575
Donated inventory	10,194	(11,531)
Prepaid expenses	(390)	447
Accounts payable	(8,286)	3,744
Accrued payroll	3,589	3,383
Deferred revenue	25,000	
Net cash provided by operating activities	<u>24,980</u>	<u>86,184</u>
Net increase in cash and cash equivalents	24,980	86,184
Cash and cash equivalents, beginning of year	<u>192,063</u>	<u>105,879</u>
Cash and cash equivalents, end of year	<u>\$ 217,043</u>	<u>\$ 192,063</u>

See accompanying notes to financial statements.

HOMELESS YOUTH CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

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

The financial statements of HYC have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles.

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.

HOMELESS YOUTH CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

D. Deferred Revenue

Deferred revenues arise when resources are received by HYC before it has met revenue recognition criteria, as when conditional grants are received prior to substantially meeting all conditions imposed by the provider.

E. 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.

F. 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.

G. Donated Assets

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

HOMELESS YOUTH CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. 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.

I. 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 provided services throughout the year that were not recognized as contributions in the financial statements since the recognition criteria were not met.

J. 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.

K. Pledges Receivable

Unconditional pledges receivable are recognized in the period received. Unconditional pledges that are to be collected within one year are recorded at net realizable value. All pledges receivable reported in the financial statements at June 30, 2017, are scheduled to be collected in less than a year and HYC believes that they will be fully collected. Accordingly, no allowance for doubtful accounts is required.

Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledge comes unconditional. At June 30, 2017, HYC has received a pledge of \$45,000 that will be received upon the condition that HYC hire an additional case manager in fiscal year 2018. Since this condition has not been substantially met, the pledge has not been recognized in the financial statements.

HOMELESS YOUTH CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Donated Inventory

HYC operates a social enterprise known as Teen Exchange. Teen Exchange is an inventory of donated non-cash goods where homeless teens can shop free of charge for clothing, backpacks, toiletries and similar merchandise. Donated inventory not suitable for teen use is utilized at fundraising events. Donated inventory is recorded at the estimated fair value on the donation date.

M. 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. As of June 30, 2017, HYC amortized the remaining balances of the leasehold improvements, totaling \$12,467, as a result of entering into a new lease agreement at a different location.

N. Comparative Financial Information

The financial statements included certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with HYC's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

O. 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, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P. Subsequent Events

Subsequent events have been evaluated through **Report Date** which is the date the financial statements were available to be issued.

NOTE 2 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that the HYC would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establish a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques. Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Observable inputs are those that reflect the assumptions that market participants would use in pricing the asset and are based on market data obtained from independent sources. Unobservable inputs reflect the HYC's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. 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 – OPERATING LEASE COMMITMENTS

On August 8, 2013, HYC signed a lease agreement for an office facility with a lease term of November 1, 2013 to October 31, 2018. The total amount of office space rent expense under this lease agreement for the year was \$20,230. During fiscal year 2017, HYC terminated the lease agreement and signed a lease agreement for a new office facility in May 2017 with a lease term of August 1, 2017 to July 31, 2022.

HOMELESS YOUTH CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

NOTE 4 – OPERATING LEASE COMMITMENTS

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

Year End:		
	2018	\$ 42,708
	2019	45,447
	2020	48,435
	2021	51,423
	2022	54,422
	2023	4,556
Total		<u>\$ 246,991</u>