

National Association for the Education of Homeless Children and Youth

Financial Statements Together with Independent Auditors' Report

December 31, 2017

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3-4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-11

INDEPENDENT AUDITORS' REPORT

Board of Directors
National Association for the Education of Homeless Children and Youth
Maple Grove, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of National Association for the Education of Homeless Children and Youth (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statement of activities, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of 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 National Association for the Education of Homeless Children and Youth as of December 31, 2017 and 2016, 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.

Roseville, Minnesota
May 16, 2018

Olsen Thielen & Co., LTD

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	ASSETS		
		<u>2017</u>	<u>2016</u>
ASSETS:			
Cash		\$ 311,196	\$ 438,903
Accounts Receivable		23,430	62,855
Total Assets		<u>334,626</u>	<u>501,758</u>
TOTAL ASSETS		<u>\$ 334,626</u>	<u>\$ 501,758</u>
	LIABILITIES AND NET ASSETS		
LIABILITIES:			
Accounts Payable		\$ 8,263	\$ 23,752
Accrued Liabilities		3,480	-
Deferred Revenue		42,000	42,000
Total Liabilities		<u>53,743</u>	<u>65,752</u>
NET ASSETS:			
Unrestricted		280,883	349,318
Temporarily Restricted		-	86,688
Total Net Assets		<u>280,883</u>	<u>436,006</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 334,626</u>	<u>\$ 501,758</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:			
Conference	\$ 708,352	\$ -	\$ 708,352
Grants	-	-	-
Membership Dues	49,260	-	49,260
Contributions	19,340	-	19,340
Interest Income	920	-	920
Net Assets Released from Restrictions	86,688	(86,688)	-
Total Revenue and Other Support	<u>864,560</u>	<u>(86,688)</u>	<u>777,872</u>
EXPENSES:			
Program Expense	783,293	-	783,293
General and Administrative	149,702	-	149,702
Total Expenses	<u>932,995</u>	<u>-</u>	<u>932,995</u>
CHANGE IN NET ASSETS	(68,435)	(86,688)	(155,123)
NET ASSETS, Beginning of Year	<u>349,318</u>	<u>86,688</u>	<u>436,006</u>
NET ASSETS, End of Year	<u>\$ 280,883</u>	<u>\$ -</u>	<u>\$ 280,883</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

**STATEMENT OF ACTIVITIES (Continued)
YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:			
Conference	\$ 698,274	\$ –	\$ 698,274
Grants	–	128,314	128,314
Membership Dues	47,760	–	47,760
Contributions	20,988	–	20,988
Interest Income	1,120	–	1,120
Net Assets Released from Restrictions	368,303	(368,303)	–
Total Revenue and Other Support	<u>1,136,445</u>	<u>(239,989)</u>	<u>896,456</u>
EXPENSES:			
Program Expense	1,054,629	–	1,054,629
General and Administrative	97,813	–	97,813
Total Expenses	<u>1,152,442</u>	<u>–</u>	<u>1,152,442</u>
CHANGE IN NET ASSETS	(15,997)	(239,989)	(255,986)
NET ASSETS, Beginning of Year	<u>365,315</u>	<u>326,677</u>	<u>691,992</u>
NET ASSETS, End of Year	<u>\$ 349,318</u>	<u>\$ 86,688</u>	<u>\$ 436,006</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Program Services						Supporting Services		
	Conference	Scholar	Policy and Program	Higher Education	Task Force	Development	Total Program Services	General and Administrative	Total
Contractor	\$ -	\$ 8,522	\$ -	\$ -	\$ 47,563	\$ 33,333	\$ 89,418	66,775	\$ 156,193
Support	49,137	37	647	3,836	14,606	-	68,263	15,914	84,177
Travel	4,592	-	-	647	6,112	140	11,491	-	11,491
Facilities & Catering	437,938	-	-	-	-	-	437,938	-	437,938
Audiovisual	85,655	-	-	-	-	-	85,655	-	85,655
Event Planning	62,070	-	-	-	-	-	62,070	-	62,070
Technology	10,627	-	-	-	-	-	10,627	-	10,627
Scholarships	-	16,406	-	-	-	-	16,406	-	16,406
Alumni Summit	-	-	-	-	-	-	-	-	-
Scholar Conference	-	-	-	-	-	-	-	-	-
Board Expenses	-	-	-	-	-	-	-	27,796	27,796
Management Fee	-	-	-	-	-	-	-	19,584	19,584
Bad Debt Expense	-	-	-	-	-	-	-	3,050	3,050
Professional Fees and Consulting	1,425	-	-	-	-	-	1,425	16,583	18,008
Total Expense	\$ 651,444	\$ 24,965	\$ 647	\$ 4,483	\$ 68,281	\$ 33,473	\$ 783,293	\$ 149,702	\$ 932,995

The accompanying notes are an integral part of the financial statements.

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

**STATEMENT OF FUNCTIONAL EXPENSES (Continued)
YEAR ENDED DECEMBER 31, 2016**

	Program Services						Supporting Services		
	Conference	Scholar	Policy and Program	Higher Education	Task Force	Development	Total Program Services	General and Administrative	Total
Contractor	\$ –	\$ 48,036	74,465	\$ 65,695	72,879	\$ 88,337	\$ 349,412	\$ –	\$ 349,412
Support	57,649	655	1,387	1,270	17,396	2,080	80,437	12,459	92,896
Travel	8,397	–	2,312	12,109	10,689	5,339	38,846	–	38,846
Facilities & Catering	354,402	–	–	–	–	–	354,402	–	354,402
Audiovisual	56,205	–	–	–	–	–	56,205	–	56,205
Event Planning	64,761	–	–	–	–	–	64,761	–	64,761
Technology	22,506	–	–	–	–	–	22,506	–	22,506
Scholarships	–	40,190	–	–	–	–	40,190	–	40,190
Alumni Summit	–	23,218	–	–	–	–	23,218	–	23,218
Scholar Conference	–	23,134	–	–	–	–	23,134	–	23,134
Board Expenses	–	–	–	–	–	–	–	37,269	37,269
Management Fee	–	–	–	–	–	–	–	19,584	19,584
Professional Fees and Consulting	–	–	1,518	–	–	–	1,518	28,501	30,019
Total Expense	\$ 563,920	\$ 135,233	\$ 79,682	\$ 79,074	\$ 100,964	\$ 95,756	\$ 1,054,629	\$ 97,813	\$ 1,152,442

The accompanying notes are an integral part of the financial statements.

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

**STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (155,123)	\$ (255,986)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Changes in Assets and Liabilities:		
Accounts Receivable	39,425	(22,740)
Accounts Payable	(15,489)	1,363
Accrued Liabilities	3,480	-
Deferred Revenue	-	3,600
Net Cash Flows From Operating Activities	<u>(127,707)</u>	<u>(273,763)</u>
CHANGE IN CASH	(127,707)	(273,763)
CASH at Beginning of Year	<u>438,903</u>	<u>712,666</u>
CASH at End of Year	<u>\$ 311,196</u>	<u>\$ 438,903</u>

The accompanying notes are an integral part of the financial statements.

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ASSOCIATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

National Association for the Education of Homeless Children and Youth (the Association) is a non-profit corporation organized under the laws of the State of Oregon. The Association was founded in 1989 and their mission is dedicated to educational excellence for children and youth experiencing homelessness. Through state and federal policy and technical assistance to our members, students, and the public, we change systems so all children and youth can learn, succeed academically, and achieve their dreams. The Association's revenue is derived primarily from their annual conference, dues and grants.

Basis of Presentation

The Association's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Association and related changes are classified and reported as follows:

Unrestricted Net Assets - Resources over which the Board of Directors has discretionary control. Designated amounts represent those net assets which the Board has set aside for a particular purpose.

Temporarily Restricted - Resources received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Net assets subject to donor imposed restrictions that they be maintained permanently by the Association. The Association does not have any permanently restricted net assets.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Association has evaluated for recognition or disclosure the events or transactions that occurred through May 16, 2018, the date the financial statements were available to be issued.

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ASSOCIATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables are reported at net realizable value. The Association monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Association has concluded that losses on balances outstanding at year end will be immaterial.

Revenue Recognition and Deferred Revenue

Contributions, grants and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Revenues are reported as temporarily restricted, even if it is anticipated such restrictions will be met in the current reporting period.

Revenue from conference registrations and sponsorships are recognized when the conference occurs. Amounts collected in advance of the conference are recorded as deferred revenue until earned.

Membership Dues

The Association's membership dues are recorded as revenue in the year they are earned based on the membership anniversary date and are recorded as deferred membership dues until earned.

Functional Allocation of Expenses

The Association allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification.

Income Taxes

The Association is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, the statements do not include a provision for income taxes.

The Association reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Association recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Association has identified no income tax uncertainties.

Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash. The Association places its cash with high credit quality financial institutions. The Association had a credit risk concentration as a result of depositing approximately \$63,000 of funds in excess of insurance limits in a single bank.

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ASSOCIATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides guidance for accounting for revenue from contracts with customers. The new guidance outlines a single comprehensive model for companies to use in accounting for revenue from contracts with customers. This ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It can be adopted using either a retrospective approach or a modified retrospective approach. The Association is currently evaluating this guidance to determine the impact it may have on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for annual and interim periods beginning after December 15, 2019 with early adoption permitted. It is to be adopted using the modified retrospective approach. The Association is currently evaluating this guidance to determine the impact it may have on its financial statements.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, Which provides guidance for presentation of financial statements of not-for-profit entities. The new guidance requires a number of changes in the financial statement presentation including presenting two classes of net assets, underwater endowments, investment return, enhanced disclosures on board designations and management of liquid resources for cash flows, and present expenses by their natural and functional classification. The ASU will be effective for financial statements for fiscal years beginning after December 15, 2018 with early adoption permitted. The amendments in this update should be applied on a retrospective basis. However, if presenting comparative financial statements, the Association has the option to omit the following information for any periods presented before the period of adoption: analysis of expenses by both natural classification and functional classification and disclosures about liquidity and availability of resources. The Association is currently evaluating the impact that the adoption of this guidance will have on the Association's financial statements.

NOTE 2 - GRANTS

Grant revenue and expenses (including scholar fund) for the years ended December 31, 2017 and 2016 consist of the following:

	2017		2016	
	Revenue	Expense	Revenue	Expense
Grants:				
Ceres Higher Education Fund	\$ -	\$ 4,483	\$ -	\$ 79,074
Scholar Fund	-	24,965	-	135,233
Youth Hope Foundation - Task Force	-	67,660	95,000	100,964
Virgin Unite Fund	-	621	-	-
Development Fund	-	33,473	1,314	95,756
Raikes Foundation (Policy and Program)	-	647	27,000	22,475
CSSP	-	-	5,000	-
Total	<u>\$ -</u>	<u>\$ 131,849</u>	<u>\$ 128,314</u>	<u>\$ 433,502</u>

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - NET ASSETS

Temporarily restricted net assets for years ended December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Purpose Restricted:		
Youth Hope Foundation - Task Force	\$ -	\$ 76,153
Virgin Unite Fund	-	6,010
Raikes Foundation	-	4,525
Total	<u>\$ -</u>	<u>\$ 86,688</u>

Temporarily restricted net assets released from restriction were \$86,688 and \$368,303 in 2017 and 2016. Temporarily restricted net assets were released from restriction due to satisfaction of program restrictions.

NOTE 4 - COMMITMENTS

The Association has entered into various contracts with national hotels to host their annual conferences. All contracts include cancellation clauses that would result in financial penalties to the Association upon cancellation of the events. The financial penalties are derived from a percentage of the anticipated revenue the hotels expect to receive and the penalties increase as the events draw closer. Under these clauses the Association is liable for approximately \$392,000 for fiscal year 2018, and \$363,000 for fiscal year 2019 of the commitments if all of the agreements were cancelled as of December 31, 2017.