

National Association for the Education of Homeless Children and Youth

Financial Statements Together with Independent Auditors' Report

December 31, 2018

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

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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, 2018 and 2017, 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, 2018 and 2017, 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
July 29, 2019

OlsenThielen & Co., Ltd.

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

ASSETS		
	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash	\$ 447,148	\$ 311,189
Accounts Receivable	35,050	23,430
Total Assets	<u>482,198</u>	<u>334,619</u>
 TOTAL ASSETS	 <u>\$ 482,198</u>	 <u>\$ 334,619</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable	\$ 13,441	\$ 8,256
Accrued Liabilities	6,122	3,480
Deferred Revenue	50,600	42,000
Total Liabilities	<u>70,163</u>	<u>53,736</u>
NET ASSETS:		
Without Donor Restrictions	390,384	273,816
With Donor Restrictions	21,651	7,067
Total Net Assets	<u>412,035</u>	<u>280,883</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 482,198</u>	 <u>\$ 334,619</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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:			
Conference	\$ 863,894	\$ —	\$ 863,894
Contributions	4,697	24,584	29,281
Membership Dues	52,220	—	52,220
Merchandise Sales, Net	6,843	—	6,843
Interest Income	692	—	692
Net Assets Released from Restrictions	10,000	(10,000)	—
Total Revenue and Other Support	<u>938,346</u>	<u>14,584</u>	<u>952,930</u>
EXPENSES:			
Program Expense	658,689	—	658,689
General and Administrative	163,089	—	163,089
Total Expenses	<u>821,778</u>	<u>—</u>	<u>821,778</u>
CHANGE IN NET ASSETS	116,568	14,584	131,152
NET ASSETS, Beginning of Year	<u>273,816</u>	<u>7,067</u>	<u>280,883</u>
NET ASSETS, End of Year	<u>\$ 390,384</u>	<u>\$ 21,651</u>	<u>\$ 412,035</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, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT:			
Conference	\$ 703,711	\$ —	\$ 703,711
Contributions	12,273	7,067	19,340
Membership Dues	49,260	—	49,260
Merchandise Sales, Net	4,641	—	4,641
Interest Income	920	—	920
Net Assets Released from Restrictions	86,688	(86,688)	—
Total Revenue and Other Support	<u>857,493</u>	<u>(79,621)</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	(75,502)	(79,621)	(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>\$ 273,816</u>	<u>\$ 7,067</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 FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>					
		Higher Education and Task Force	Scholar	Total Program Services	General and Administrative	Total Expenses
	<u>Conference</u>	<u>Task Force</u>	<u>Scholar</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Facilities and Catering	\$ 449,360	\$ 754	\$ —	\$ 450,114	\$ —	\$ 450,114
Contract Executive	—	—	—	—	91,915	91,915
Event Planning	84,274	—	—	84,274	—	84,274
Audiovisual	55,644	—	—	55,644	—	55,644
Management Fees	—	—	—	—	19,584	19,584
Travel	15,849	562	—	16,411	127	16,538
Professional Fees	—	—	—	—	16,050	16,050
Marketing and Communications	—	180	—	180	15,540	15,720
Supplies and Materials	13,752	—	—	13,752	—	13,752
Bank and Credit Card Fees	10,442	—	187	10,629	458	11,087
Technology	7,500	—	—	7,500	3,241	10,741
Board Expense	—	—	—	—	10,126	10,126
Scholarships Awarded	—	—	10,000	10,000	—	10,000
Office Expense	—	232	88	320	6,048	6,368
Program Manager	—	5,039	—	5,039	—	5,039
Other Direct Conference Expenditures	<u>4,826</u>	<u>—</u>	<u>—</u>	<u>4,826</u>	<u>—</u>	<u>4,826</u>
Total Expenses	<u>\$ 641,647</u>	<u>\$ 6,767</u>	<u>\$ 10,275</u>	<u>\$ 658,689</u>	<u>\$ 163,089</u>	<u>\$ 821,778</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 (Continued) YEAR ENDED DECEMBER 31, 2017

	Program Services						
			Higher Education and		Total Program Services	General and Administrative	Total Expenses
	Conference	Scholar	Task Force	Development			
Facilities & Catering	\$ 437,938	\$ —	\$ —	\$ —	\$ 437,938	\$ —	\$ 437,938
Contractors	—	8,522	47,563	33,333	89,418	—	89,418
Contract Executive					—	66,775	66,775
Audiovisual	85,655	—	—	—	85,655	—	85,655
Event Planning	62,070	—	—	—	62,070	—	62,070
Board Expenses	—	—	—	—	—	27,796	27,796
Office Expense	—	—	18,949	—	18,949	7,545	26,494
Supplies and Materials	21,580	—	—	—	21,580	—	21,580
Management Fee	—	—	—	—	—	19,584	19,584
Professional Fees	1,425	—	—	—	1,425	16,583	18,008
Scholarships	—	16,406	—	—	16,406	—	16,406
Bank and Credit							
Card Fees	13,995	37	—	—	14,032	560	14,592
Travel	4,592	—	6,899	140	11,631	—	11,631
Technology	10,627	—	—	—	10,627	—	10,627
Marketing and							
Communications	—	—	—	—	—	7,809	7,809
Bad Debt Expense	—	—	—	—	—	3,050	3,050
Other Direct Conference							
Expenditures	13,562	—	—	—	13,562	—	13,562
Total Expense	<u>\$ 651,444</u>	<u>\$ 24,965</u>	<u>\$ 73,411</u>	<u>\$ 33,473</u>	<u>\$ 783,293</u>	<u>\$ 149,702</u>	<u>\$ 932,995</u>

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 131,152	\$ (155,123)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Changes in Assets and Liabilities:		
Accounts Receivable	(11,620)	39,425
Accounts Payable	5,185	(15,489)
Accrued Liabilities	2,642	3,480
Deferred Revenue	8,600	—
Net Cash Flows From Operating Activities	<u>135,959</u>	<u>(127,707)</u>
CHANGE IN CASH	135,959	(127,707)
CASH at Beginning of Year	<u>311,189</u>	<u>438,903</u>
CASH at End of Year	<u>\$ 447,148</u>	<u>\$ 311,196</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 accompanying 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:

Net Assets without Donor Restrictions - Net assets without donor restrictions are resources available to support operations which the Board of Directors has discretionary control.

Net Assets with Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Association must continue to use the resources in accordance with the donor's instructions. The Association has net assets with donor restrictions as described in Note 3.

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 July 29, 2019, the date the financial statements were available to be issued.

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.

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition and Deferred Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. 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 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, 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. Donor-imposed contributions are reported as net assets with donor restrictions, 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.

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. Members' dues recognition period are tied to the timing of the annual conference, which usually occurs in October or November.

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. General and administrative that are common to several functions are allocated based on the proportion of each program's direct and personnel expenses to the total program direct and personnel expenses.

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 \$198,000 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.

Change in Accounting Principle

In 2018, the Association implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- 1) The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. The unrestricted net asset class has been renamed net assets without donor restrictions.
- 2) The financial statements now require a statement of functional expenses, which presents expenses by both their natural classification and their functional classification. The Association had elected to present this statement in previous years.
- 3) The financial statements include a disclosure about liquidity and availability of resources (Note 2).

The new standard did not have a significant effect on previously reported net assets.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform with the 2018 presentation. To conform with the 2018 presentation, net assets without donor restrictions of \$7,067 have been reclassified to net assets with donor restrictions.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association has a policy to maintain a minimum reserve equal to 50% of the annual operating budget. The long-term goal is to have an amount equal to 100% of the operating budget set aside in reserve. Reserves shall be invested in accordance with the "Investments and Objectives" section of the operating Policies and Procedures document. Under the current (50%) policy, the funds may not be withdrawn without approval of the executive committee. The Finance Committee periodically reviews and recommends reserve policies to the Board of Directors for approval.

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The Association's Investment Policy and Objectives document segregates funds into three categories: Operating Fund, Reserve Fund, and Cash and Investment Categories. As of December 31, 2018, the Board of Directors has not formally designated any funds as reserve funds. Therefore, all funds as of December 31, 2018 are considered to be part of the Operating Fund. The key components of the Operating Fund are as follows:

Purpose: To provide sufficient cash flow to meet the financial obligations

Objective: Liquidity, preservation of capital

Dollar Range: 10%-15% of annual revenue (not including the annual meeting revenue)

Maturity: Limited to one year or less

Allowable Investments: Checking accounts in federally insured banks and Savings & Loans: money market funds, which invest in government backed securities; Federally insured certificates of deposit

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, 2018 are as follows:

Financial Assets:

Cash	\$ 447,148
Accounts Receivable	35,050
Total Financial Assets	<u>482,198</u>

Less Financial Assets Held to Meet Donor Restrictions:

Purpose Restricted - Net Assets	21,651
Less Financial Assets Held to Meet Donor Restrictions	<u>21,651</u>

Amounts Available for General Expenditure Within One Year	<u>\$ 460,547</u>
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The Association's available cash and increase in net assets is typically adequate to meet all obligations. The Association's cash flows and general expenditures have seasonal variations due to the timing of cash receipts for the annual conference and membership dues.

NOTE 3 - NET ASSETS

The Association had net assets with donor restrictions of \$21,651 and \$7,067 for the years ended December 31, 2018 and 2017. These net assets are purpose restricted for the payment of scholarships.

Net assets with donor restrictions released from restriction were \$10,000 and \$86,688 in 2018 and 2017. Net assets with donor restrictions were released from restriction due to satisfaction of program restrictions.

NATIONAL ASSOCIATION FOR THE EDUCATION OF HOMELESS CHILDREN AND YOUTH

NOTES TO FINANCIAL STATEMENTS

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 \$544,000 for fiscal year 2019, and \$152,000 for fiscal year 2020 of these commitments if all of the agreements were cancelled as of December 31, 2018.

Subsequent to year end, the Association entered into a contract for its fiscal year 2021 annual conference.