

Ain Dah Yung (Our Home) Center

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2018 and 2017



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

Certified Public Accountants
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435
952.831.0085 carpenterevert.com

Independent Auditor's Report

Board of Directors
Ain Dah Yung (Our Home) Center
St. Paul, Minnesota

We have audited the accompanying financial statements of Ain Dah Yung (Our Home) Center, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expense, 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 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 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 audits 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 Ain Dah Yung (Our Home) Center 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.

Carpenter Evert and Associates, Ltd.

Certified Public Accountants

Minneapolis, Minnesota
May 20, 2019

AIN DAH YUNG (OUR HOME) CENTER
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions and Grants	\$ 323,692	\$ 22,500	\$ 346,192	\$ 356,559	\$ 105,000	\$ 461,559
Government Grants	798,207	-	798,207	792,111	-	792,111
Capital Campaign	40,000	1,003,474	1,043,474	-	413,574	413,574
Program Service Fees	583,843	-	583,843	669,940	-	669,940
Special Events	16,314	-	16,314	20,081	-	20,081
Investment Income	(953)	-	(953)	1,694	-	1,694
Net Assets Released from Restrictions:						
Satisfaction of Program/Capital Restrictions	378,522	(378,522)	-	113,232	(113,232)	-
Satisfaction of Time Restrictions	105,000	(105,000)	-	-	-	-
Total Support and Revenue	<u>2,244,625</u>	<u>542,452</u>	<u>2,787,077</u>	<u>1,953,617</u>	<u>405,342</u>	<u>2,358,959</u>
Expense:						
Program Services:						
Youth Programs:						
Emergency Shelter	583,432	-	583,432	599,189	-	599,189
Prevention/Intervention	235,998	-	235,998	244,286	-	244,286
Youth Lodge	377,570	-	377,570	390,505	-	390,505
Family Programs:						
Family Support Services	326,574	-	326,574	218,525	-	218,525
Counseling & Support	155,835	-	155,835	158,832	-	158,832
Total Program Services	<u>1,679,409</u>	<u>-</u>	<u>1,679,409</u>	<u>1,611,337</u>	<u>-</u>	<u>1,611,337</u>
Support Services:						
Management and General	244,038	-	244,038	176,674	-	176,674
Fundraising	283,841	-	283,841	233,866	-	233,866
Total Support Services	<u>527,879</u>	<u>-</u>	<u>527,879</u>	<u>410,540</u>	<u>-</u>	<u>410,540</u>
Total Expense	<u>2,207,288</u>	<u>-</u>	<u>2,207,288</u>	<u>2,021,877</u>	<u>-</u>	<u>2,021,877</u>
Change in Net Assets	37,337	542,452	579,789	(68,260)	405,342	337,082
Net Assets - Beginning of Year	<u>817,020</u>	<u>430,275</u>	<u>1,247,295</u>	<u>885,280</u>	<u>24,933</u>	<u>910,213</u>
Net Assets - End of Year	<u>\$ 854,357</u>	<u>\$ 972,727</u>	<u>\$ 1,827,084</u>	<u>\$ 817,020</u>	<u>\$ 430,275</u>	<u>\$ 1,247,295</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

AIN DAH YUNG (OUR HOME) CENTER
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018 WITH
COMPARATIVE TOTALS FOR 2017

	2018						2017				
	Program Services					Support Services					
	Youth Programs			Family Programs		Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
	Emergency Shelter	Prevention/ Intervention	Youth Lodge	Family Support Services	Counseling & Support						
Salaries	\$ 387,261	\$ 122,655	\$ 260,485	\$ 176,879	\$ 88,464	\$ 1,035,744	\$ 142,602	\$ 89,131	\$ 231,733	\$ 1,267,477	\$ 1,189,602
Employee Benefits	38,416	12,167	25,840	17,546	8,776	102,745	14,124	8,842	22,966	125,711	103,970
Payroll Taxes	38,145	12,082	25,658	17,423	8,714	102,022	13,986	8,779	22,765	124,787	120,371
Total Personnel Expense	463,822	146,904	311,983	211,848	105,954	1,240,511	170,712	106,752	277,464	1,517,975	1,413,943
Consulting/Professional Fees	6,000	35,774	-	-	30,719	72,493	4,302	139,319	143,621	216,114	176,319
Client Services	11,947	6,995	-	94,610	3,828	117,380	-	-	-	117,380	40,055
Building Maintenance	17,360	1,900	9,902	3,000	1,825	33,987	7,407	-	7,407	41,394	34,360
Food	6,236	6,511	13,561	536	1,736	28,580	8,315	1,574	9,889	38,469	36,331
Recreation Costs	9,093	12,231	5,666	-	-	26,990	-	-	-	26,990	22,282
Contract Fundraisers	-	-	-	-	-	-	-	22,795	22,795	22,795	52,980
Utilities	7,639	1,900	6,297	912	912	17,660	4,321	-	4,321	21,981	18,814
Insurance	5,976	396	4,200	1,132	300	12,004	9,007	-	9,007	21,011	20,925
Dues, Licenses and Fees	4,906	-	2,127	1,525	-	8,558	9,855	-	9,855	18,413	11,701
Legal and Accounting	3,450	-	-	360	-	3,810	11,719	-	11,719	15,529	15,149
Telephone	4,840	804	4,029	2,200	591	12,464	2,883	-	2,883	15,347	15,898
Instructional/Other Supplies	-	12,735	-	-	-	12,735	-	-	-	12,735	10,476
Fundraising Events	-	-	-	-	-	-	-	12,667	12,667	12,667	29,962
Transportation - Staff	2,522	1,475	-	2,455	2,933	9,385	1,055	-	1,055	10,440	12,306
Equipment Rental and Maintenance	2,539	1,061	556	536	-	4,692	4,980	123	5,103	9,795	17,960
Office Supplies	2,156	549	575	634	535	4,449	4,480	378	4,858	9,307	9,536
Personal Supplies	3,009	-	5,505	-	-	8,514	-	-	-	8,514	7,601
Printing	400	450	418	408	200	1,876	2,077	233	2,310	4,186	2,534
Development - Staff	991	-	1,334	-	100	2,425	1,037	-	1,037	3,462	6,272
Postage	750	110	350	216	-	1,426	1,888	-	1,888	3,314	3,509
Depreciation	29,796	6,203	11,067	6,202	6,202	59,470	-	-	-	59,470	62,964
Total	\$ 583,432	\$ 235,998	\$ 377,570	\$ 326,574	\$ 155,835	\$ 1,679,409	\$ 244,038	\$ 283,841	\$ 527,879	\$ 2,207,288	\$ 2,021,877

The accompanying Notes to Financial Statements
are an integral part of this statement.

AIN DAH YUNG (OUR HOME) CENTER
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services					Support Services				
	Youth Programs			Family Programs		Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services
	Emergency Shelter	Prevention/ Intervention	Youth Lodge	Family Support Services	Counseling & Support					
Salaries	\$ 382,314	\$ 121,734	\$ 266,707	\$ 161,521	\$ 91,020	\$ 1,023,296	\$ 110,146	\$ 56,160	\$ 166,306	\$ 1,189,602
Employee Benefits	33,605	10,700	23,444	14,214	8,010	89,973	9,061	4,936	13,997	103,970
Payroll Taxes	38,614	12,295	26,937	16,314	9,193	103,353	11,346	5,672	17,018	120,371
Total Personnel Expense	454,533	144,729	317,088	192,049	108,223	1,216,622	130,553	66,768	197,321	1,413,943
Consulting/Professional Fees	5,500	51,489	2,225	1,267	29,550	90,031	3,803	82,485	86,288	176,319
Client Services	25,796	2,436	3,225	997	7,601	40,055	-	-	-	40,055
Building Maintenance	15,182	750	15,525	2,059	-	33,516	844	-	844	34,360
Food	10,924	4,643	10,917	836	619	27,939	7,113	1,279	8,392	36,331
Recreation Costs	7,419	13,843	1,020	-	-	22,282	-	-	-	22,282
Contract Fundraisers	-	-	-	-	-	-	-	52,980	52,980	52,980
Utilities	6,901	2,034	4,903	956	2,132	16,926	1,888	-	1,888	18,814
Insurance	6,996	601	4,200	2,990	710	15,497	5,428	-	5,428	20,925
Dues, Licenses and Fees	3,071	-	2,163	911	-	6,145	5,556	-	5,556	11,701
Legal and Accounting	4,750	-	1,825	1,050	-	7,625	7,524	-	7,524	15,149
Telephone	4,800	804	4,222	1,375	1,480	12,681	3,217	-	3,217	15,898
Instructional/Other Supplies	-	10,476	-	-	-	10,476	-	-	-	10,476
Fundraising Events	-	-	-	-	-	-	-	29,962	29,962	29,962
Transportation - Staff	2,806	2,289	1,829	2,507	1,500	10,931	1,233	142	1,375	12,306
Equipment Rental and Maintenance	7,229	259	2,311	3,203	-	13,002	4,958	-	4,958	17,960
Office Supplies	3,705	682	1,835	1,963	291	8,476	999	61	1,060	9,536
Personal Supplies	2,836	-	4,765	-	-	7,601	-	-	-	7,601
Printing	200	150	633	118	308	1,409	936	189	1,125	2,534
Development - Staff	2,401	2,744	402	-	-	5,547	725	-	725	6,272
Postage	850	154	350	42	216	1,612	1,897	-	1,897	3,509
Depreciation	33,290	6,203	11,067	6,202	6,202	62,964	-	-	-	62,964
Total	\$ 599,189	\$ 244,286	\$ 390,505	\$ 218,525	\$ 158,832	\$ 1,611,337	\$ 176,674	\$ 233,866	\$ 410,540	\$ 2,021,877

The accompanying Notes to Financial Statements
are an integral part of this statement.

AIN DAH YUNG (OUR HOME) CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash	\$ 615,728	\$ 217,123
Accounts Receivable	318,170	244,823
Investments	6,003	7,550
Grants and Pledges Receivable - Current	261,967	213,848
Prepaid Expenses	19,367	66,054
Total Current Assets	1,221,235	749,398
Grants and Pledges Receivable	135,000	90,000
Partnership Investment	140,000	-
Property and Equipment - Net	484,021	540,400
 TOTAL ASSETS	 \$ 1,980,256	 \$ 1,379,798
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 33,029	\$ 16,243
Accrued Payroll Liabilities	57,643	53,760
Accrued Unemployment Expenses	15,000	15,000
Total Current Liabilities	105,672	85,003
Note Payable	47,500	47,500
Total Liabilities	153,172	132,503
Net Assets:		
Without Donor Restrictions:		
Board Designated	125,000	125,000
Undesignated	729,357	692,020
Total Without Donor Restrictions	854,357	817,020
With Donor Restrictions	972,727	430,275
Total Net Assets	1,827,084	1,247,295
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,980,256	 \$ 1,379,798

The accompanying Notes to Financial Statements
are an integral part of these statements.

AIN DAH YUNG (OUR HOME) CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 579,789	\$ 337,082
Total Adjustment	<u>(38,093)</u>	<u>(350,264)</u>
Net Cash Provided (Used) by Operating Activities:	541,696	(13,182)
Cash Flows from Investing Activities:		
Purchase of Property & Equipment	(3,091)	(14,820)
Cash Paid toward Partnership Investment	<u>(140,000)</u>	<u>-</u>
Net Cash (Used) by Investing Activities:	(143,091)	(14,820)
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	398,605	(28,002)
Cash - Beginning of Year	<u>217,123</u>	<u>245,125</u>
Cash - End of Year	<u>\$ 615,728</u>	<u>\$ 217,123</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid For:		
Interest	<u>\$ -</u>	<u>\$ 509</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

AIN DAH YUNG (OUR HOME) CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies

Organizational Purpose

Since its inception, the Ain Dah Yung (Our Home) Center (the Organization) has provided a healing place within the community for American Indian youth and families to thrive in safety and wholeness. Although it originally concentrated on providing emergency shelter for runaway and homeless American Indian youth, the Organization currently provides a multitude of services intended to strengthen personal and community growth for youth and families in the region.

The Organization's programs are as follows:

Youth Programs:

Emergency Shelter – A culturally specific emergency shelter to American Indian youth who are homeless, runaway, in a family crisis, or involved with juvenile corrections. Services include: emergency and short-term shelter, crisis intervention, case systems advocacy, information and referrals, access to medical/dental care, counseling, case management and community education.

Prevention/Intervention – Ninijanisag (Our Children) is a multifaceted program focusing heavily on engagement and prevention – working to ground youth in Native culture while designed to combat chemical and commercial tobacco abuse, teen dating violence, gang relations, sex trafficking and other self-compromising behaviors among at-risk youth between ages of 8-17.

Youth Lodge – Beverley A. Benjamin Youth Lodge is a culturally grounded transitional living program available to youth between the ages of 16-21 that have no parental substitute or foster home to which they can safely go. This intervention program emphasizes training, education and employment goals and is designed to develop a support system to meet holistic needs of body, mind, and spirit. The Street Outreach program under youth lodge is a street-based support program to runaway or homeless youth unable or not wanting to enter a shelter. Case workers provide information on safe housing, basic needs resources and health related issues. They also provide health and personal care supplies, food and access to transportation.

Family Programs:

Family Support Services – These services are designed to keep American Indian families together and strong by providing the knowledge, skills and resources they need to provide a safe, stable environment for their children.

Family Preservation and Reunification – Oyate Nawajin “Stand With the People” is a family advocacy program that uses traditional American Indian traditions and an asset based approach that builds on the strengths of families and was established in response to the disproportionate placement of American Indian children outside the home. We provide family preservation and reunification services that combines self-help, professional intervention, and cultural reinforcement in order to strengthen families experiencing a process of family reunification and/or stressful parenting situations.

AIN DAH YUNG (OUR HOME) CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Organizational Purpose (continued)

Indian Child Welfare Legal Advocacy/Compliance (ICWLAC) Project - Created to enforce local compliance with the federal Indian Child Welfare Act (ICWA). The Organization's ICWLAC Project provides court monitoring on cases involving American Indian children, legal representation to American Indian families (through a collaboration with SMRLS), and education/outreach to identify systemic problems and strategize on solutions regarding ICWA compliance.

Counseling & Support – Ramsey County Children's Mental Health Case Management provides support, case management and assistance in coordinating resources for families with children who have mental health needs.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Net Assets without Donor Restrictions – Net assets which are not restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

Net Assets with Donor Restrictions – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Doubtful Accounts

Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

AIN DAH YUNG (OUR HOME) CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Promises-To-Give (Grants and Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Investments

The Organization carries its investments at market value.

Property and Equipment

All major expenditures for land, buildings, improvements and equipment are capitalized at cost. Property and equipment that was purchased or appraised at a value greater than \$3,000 is capitalized. Property and equipment are stated at the fair value at the date of donation in case of donated assets. Depreciation is provided through the use of the straight-line method, over an estimated useful life.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as net assets with donor restrictions until the donor-imposed restrictions expire or are fulfilled. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Unemployment Cost

The Organization has elected to self insure its unemployment cost by reimbursing the State of MN for any unemployment benefits paid to its former employees.

AIN DAH YUNG (OUR HOME) CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expense

Salaries and related expenses are allocated on job descriptions and the best estimates of management. Expenses related to a specific program or supporting service are charged directly to that program or service. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service are allocated based on the best estimates of management.

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990).

Use of Estimates

The preparation 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 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.

Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively for the periods ended December 31, 2018 and 2017, as required.

AIN DAH YUNG (OUR HOME) CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through May 20, 2019, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

The Organization provides services within the Twin Cities area. The amounts due for services provided are from individuals, or their third-party payors, substantially all of whom are local residents. In addition, grants and contributions receivable are from local residents, governments or institutions.

At December 31, 2018, the Organization held funds at a local financial institution in excess of federally insured limits.

3. Grants and Pledges Receivable

The balances of grants and pledges receivable are due as follows:

<u>Due in the Year Ending December 31,</u>	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
2018	\$ -	\$ 213,848
2019	261,967	30,000
2020	105,000	30,000
2021	<u>30,000</u>	<u>30,000</u>
Total Grants and Pledges Receivable	396,967	303,848
Less Current Portion	<u>261,967</u>	<u>213,848</u>
Non-current Portion	<u>\$ 135,000</u>	<u>\$ 90,000</u>

All grants and pledges receivable are considered collectable.

4. Investments

The Organization held the following investments as of:

	<u>December 31,</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Marketable Equity Securities	<u>\$ 2,950</u>	<u>\$ 6,003</u>	<u>\$ 2,950</u>	<u>\$ 7,550</u>

The Organization carries its partnership interest in the ADYC Supportive Housing Limited Partnership at cost. At December 31, 2018, the amount carried as a long-term asset was \$140,000. This investment is tested annually for impairment.

AIN DAH YUNG (OUR HOME) CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

5. Property and Equipment

The Organization owned the following as of:

	<u>December 31,</u>		<u>Estimated Useful Lives</u>
	<u>2018</u>	<u>2017</u>	
Land	\$ 68,000	\$ 68,000	
Buildings	368,564	368,564	30 years
Improvements	830,091	830,091	30 years
Furniture and Equipment	149,780	146,689	2-10 years
Vehicles	<u>61,247</u>	<u>61,247</u>	3-5 years
	1,477,682	1,474,591	
Less Accumulated Depreciation	<u>993,661</u>	<u>934,191</u>	
	<u>\$ 484,021</u>	<u>\$ 540,400</u>	

Depreciation expense of \$59,470 and \$62,964 was recorded for the years ended December 31, 2018 and 2017, respectively.

6. Line-of-Credit

A revolving line-of-credit agreement with Western Bank renewable up to September 26, 2019, permits borrowings of up to \$125,000, bearing interest equal to 6.5% rate secured by real property. As of December 31, 2018 and 2017, there were no amounts outstanding.

7. Notes Payable

The breakdown of deferred loans and notes payable are as follows:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Deferred, non-interest bearing loan with Family Housing Fund. No interest or monthly payments on this loan. Matures April 2027. Secured by property.	\$ 23,750	\$ 23,750
Deferred, non-interest bearing loan with Housing and Redevelopment Authority of the City of St. Paul. No interest of monthly payments on this loan. Matures April 2027. Secured by property.	<u>23,750</u>	<u>23,750</u>
	47,500	47,500
Less Portion Due Within One (1) Year	-	-
Long-term Portion	<u>\$ 47,500</u>	<u>\$ 47,500</u>

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7. Notes Payable (continued)

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
2024 and beyond	47,500
Total	<u>\$ 47,500</u>

8. Board-Designated Net Assets

The Board of Directors has made the following designation of net assets without donor restrictions as of:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Board Designated Reserve	<u>\$ 125,000</u>	<u>\$ 125,000</u>

9. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of amounts for the following as of:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Capital Campaign	\$ 972,727	\$ 325,275
Future Years Operations	-	105,000
	<u>\$ 972,727</u>	<u>\$ 430,275</u>

10. Major Sources of Support and Revenue

Major sources of support and revenue were as follows as of:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
State of Minnesota – Department of Human Services	\$ 239,091	\$ 303,588
US Department of Health and Human Services	133,325	106,473
Minnesota Department of Health	101,465	104,505

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11. In-kind Contributions

The Organization values in-kind contributions at fair market value at date of donation. In-kind contributions were as follows as of:

	December 31,	
	2018	2017
Capital Campaign Consultant Fees	\$ 40,000	\$ -

12. Liquidity and Availability

The following represents the Organization's financial assets at December 31, 2018:

Financial Assets:	
Cash	\$ 615,728
Investments	6,003
Accounts Receivable	320,777
Grants and Pledges Receivable	394,359
Total Financial Assets	\$ 1,336,867
Less assets not available to be used within one year:	
Board-Designated Net Assets	125,000
Net Assets with Donor Restrictions	972,727
Total assets not available to be used within one year	1,097,727
Financial assets available for general expenditures within one year	\$ 239,140

The Organization maintains a \$125,000 line-of-credit that can be utilized to aid in liquidity.

The Board has designated \$125,000 as an operating reserve. This designated amount has been excluded from the assets available for general expenditures within one year, but could be made available if necessary with a resolution from the Board.

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13. Fair Value

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures (“ASC 820”). In accordance with ASC 820, “fair value” is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. 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 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable Equity Securities	<u>\$ 6,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,003</u>

The following is a summary of the inputs used to determine the fair value of the investments at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable Equity Securities	<u>\$ 7,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,550</u>

14. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash (Used) by Operating Activities were as follows as of:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Depreciation	\$ 59,470	\$ 62,964
Forgiveness of Notes Payable	-	(6,750)
Unrealized (Gain) Loss on Investments	1,547	(1,359)
Grants and Pledges Receivable	(45,000)	(90,000)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	16,786	(5,346)
Accrued Payroll Liabilities	3,883	7,008
Refundable Advances	-	(22,453)
Decreases (Increases) in Current Assets:		
Grants and Pledges Receivable	(48,119)	(213,848)
Accounts Receivable	(73,347)	(36,692)
Prepaid Expenses	46,687	(43,788)
Total Adjustments	<u>\$ (38,093)</u>	<u>\$ (350,264)</u>