

AVENUE OF LIFE, INC.

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

For the Years Ended December 31, 2016 and 2015

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTAL INFORMATION	
Schedule of Functional Expenses	9

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Avenue of Life, Inc.
Kansas City, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of **AVENUE OF LIFE, INC.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Managements 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 **Avenue of Life, Inc.** as of December 31, 2016 and 2015, 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

KANSAS CITY
03 MAY 2017
OUR 46th YEAR

Ralph C. Johnson & Company, P.C.

FINANCIAL STATEMENTS

AVENUE OF LIFE, INC
STATEMENT OF FINANCIAL POSITION
DECEMBER 31,

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash- Operating	\$ 35,307	\$ 48,010
TOTAL CURRENT ASSETS	<u>35,307</u>	<u>48,010</u>
CAPITAL ASSETS		
Land	1,000	-
Buildings	401,199	380,235
Leasehold Improvements	41,457	41,457
Parking Lot	5,640	5,640
Machinery & Equipment	94,138	70,338
TOTAL FIXED ASSETS	<u>542,434</u>	<u>497,670</u>
Accumulated depreciation	<u>(124,566)</u>	<u>(59,561)</u>
NET FIXED ASSETS	<u>417,868</u>	<u>438,109</u>
TOTAL ASSETS	<u>\$ 454,175</u>	<u>\$ 486,119</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 10,962	\$ 7,169
Line of Credit - current	16,775	15,303
TOTAL CURRENT LIABILITIES	<u>27,737</u>	<u>22,472</u>
LONG TERM LIABILITIES		
Line of Credit	<u>215,580</u>	<u>234,151</u>
TOTAL LIABILITIES	<u>243,317</u>	<u>256,623</u>
NET ASSETS		
Unrestricted net assets	210,858	229,496
Temporarily restricted net assets	-	-
Permanently restricted net assets	-	-
TOTAL NET ASSETS	<u>210,858</u>	<u>229,496</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 454,175</u>	<u>\$ 486,119</u>

AVENUE OF LIFE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31

	<u>2016</u>	<u>2015</u>
SUPPORT AND REVENUE		
Foundation donations	\$ 232,950	\$ 160,494
Corporate donations	11,370	23,007
Grant Fund donations	239,409	227,647
Partnership donations	216,369	93,582
Individual contributions	94,182	72,993
Interest income	490	19
Donated Equipment	-	39,565
Donated Building	6,294	44,140
Donated Goods for distribution	413,606	212,524
TOTAL SUPPORT AND REVENUE	<u>1,214,670</u>	<u>873,971</u>
Program Income - Recycling	164,236	74,447
Neighborhood Renewal Income	3,350	6,090
Other Income	4,359	5,545
TOTAL PROGRAM INCOME	<u>171,945</u>	<u>86,082</u>
TOTAL SUPPORT REVENUE AND INCOME	<u>1,386,615</u>	<u>960,053</u>
EXPENSES		
Program Services	1,338,411	857,385
Management and general	58,285	50,619
Fundraising	8,556	7,838
TOTAL EXPENSES	<u>1,405,253</u>	<u>915,842</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(18,638)	44,211
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>229,496</u>	<u>185,285</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 210,858</u>	<u>\$ 229,496</u>

AVENUE OF LIFE, INC
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (18,638)	\$ 44,211
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase (decrease) in accounts payable	3,793	4,193
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(14,845)</u>	<u>48,404</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Depreciation	65,005	55,685
7TH St. Building	(21,964)	(69,052)
Machinery & Equipment	(23,800)	(48,638)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>19,241</u>	<u>(62,005)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
7TH ST Equipping Loan	(18,571)	(15,303)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(18,571)</u>	<u>(15,303)</u>
 NET INCREASE IN CASH	 (14,175)	 (28,904)
Cash and cash equivalents, beginning of year	48,010	76,914
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 33,835</u>	<u>\$ 48,010</u>
 Interest paid	 <u>\$ 12,901</u>	 <u>\$ 13,742</u>
Income taxes paid	<u>\$ None</u>	<u>\$ None</u>

AVENUE OF LIFE, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 1 - NATURE OF ACTIVITIES

AVENUE OF LIFE, INC. is a not-for-profit corporation with the following mission, vision and goals:

Mission - to mobilize our community to equip and empower low-income individuals and families to be self-sustained and independent.

Vision - to be catalysts for transformation in our community by breaking the cycle of poverty through community development, collaborative partnerships, and wrap-around services.

Goal - to facilitate the journey from hand-outs (emergency relief) in crisis, to hand-ups (individual betterment) for those ready to rise above their circumstances, to hand-offs (community development) to indigenous leaders of a transformed community.

Avenue of Life offers four primary programs:

- The Equipping Center Program provides a comprehensive range of programs and services designed to meet the emotional, mental, physical, and spiritual needs of families throughout the urban core of Kansas City. Collaborative outreach space is offered to partnering organizations to provide their specialized services as well. Our Equipping Center houses Impact Wednesday, which serves the homeless children in the KCK Public School District. The Impact Wednesday model allows for a single day's effort to be greatly multiplied through the collaboration of varied agencies providing targeted wrap-around care in a single space every Wednesday. Impact Wednesday families are able to accomplish in 3-4 weeks what would normally take 3-4 months, due to the power of collective impact.
- The Neighborhood Renewal Program provides community development and combats urban decay in our surrounding communities. The ultimate goal for the Neighborhood Renewal Program is that our communities are thriving economically and socially, safe and full of possibilities.
- The Transitional Internship Program provides targeted assistance, resources and training to at-risk individuals who are seeking to achieve independence, self-sufficiency, and the accomplishment of life goals. This program serves as a bridge between homelessness and self-sufficiency through empowering interns with the resources they need to take their next steps. Examples of services provided to our interns include housing, job-training, career-development, grocery assistance, transportation assistance, furniture assistance, and a purposed mentoring/coaching program.
- The Business Training Center Program provides economic and community development for at-risk families in the urban core of Kansas City, Missouri. We provide job-training, career-development, discipleship, internships, recycling jobs, mentoring, neighborhood beautification, and economic development. The Business Training Center employs 12 full-time individuals who recycle 1578 tons annually, which includes 50,000 mattresses. This program has been featured in The Kansas City Star, The Kearney Courier, Greenability, Midtown KC Post, and has received the 2015 Missouri Outstanding Achievement Award in Environmental Excellence and named the 2015 MARC Sustainable Success Story Honoree.

The Organization also receives funding in the form of grants and donations from local businesses, institutions and foundations.

NOTE 2 - ACCOUNTING POLICIES

Accounting Basis

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No 958. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes on net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

AVENUE OF LIFE, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

Support and Expenses

Contributions received and unconditional promises to give are measured at their estimated value and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as temporarily or permanently 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.

Income Taxes

AVENUE OF LIFE, INC. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

AVENUE OF LIFE, INC. allocates expenses on a functional basis between its various programs and support services. The cost of operating various programs and other activities are summarized on a functional basis in the Statement of Functional Expenses. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by use of various methods which, in management's judgment, approximate the value received by the program or function.

NOTE 3 - IN KIND CONTRIBUTIONS

The Organization receives donated items throughout the year which it tracks as in-kind donations. These donated items are used in the program services of the Organization. In 2016 and 2015, the total of in-kind donated goods were \$419,900 and \$296,229, respectively.

NOTE 4 - CONCENTRATIONS

The Organization's operation is concentrated in Wyandotte County, Kansas, Kansas City, Kansas and Jackson County, Missouri, Kansas City, Missouri. The Organization receives a significant amount of its revenue and funding from business and foundations grants, other private and public groups and some funding from the City of Kansas City, Missouri for its mattress recycling program.

NOTE 5 - LONG-TERM LIABILITIES

The organization has secured a line of credit from CrossFirst Bank in the amount of \$270,000. The loan date is July 2, 2014, with a maturity date of July 2, 2019. The note is secured by the property located at 500 N. 7th Street, Kansas City, Kansas 66101, the business offices of the organization. The note is payable in monthly installments of \$2,181.61, including interest fixed at 5.25 percent. The Board decided to pay an additional \$318.39 towards the principal each month for debt reduction. For the year ending December 31, 2016 and 2015, the principal paid was \$16,775 and \$15,303 and the interest paid was \$13,225 and \$13,741.

NOTE 6 - UNCERTAIN TAX POSITIONS

Financial accounting standards govern how uncertain tax positions should be recognized, measured, presented, and disclosed in financial statements. These standards require the evaluation of tax positions taken or expected to be taken in the course of preparing an entity's tax returns to determine whether the tax positions are more-likely-than-not to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would not be recognized in the financial statements of the current year.

The Federal Information Return, Form 990, for the years ended December 31, 2015 and December 31, 2014 are subject to examination by the Internal Revenue Service (IRS).

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 3, 2017 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**AVENUE OF LIFE, INC
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31**

2016

	Transitional Internship Program	Business Training Program	Neighborhood Renewal Program	Equipping Center Program	Total Programs	Management and General	Fundraising	Total
Expenses:								
Personnel	\$	\$ 264,433	\$ 59,957	\$ 104,616	\$ 429,006	\$ 28,488	\$ 6,294	\$ 463,788
Payroll taxes		12,151		12,151	24,302	6,480	1,620	32,402
Employee Benefits		2,131		2,131	4,262	1,137	284	5,683
Equipment		180			180			180
Insurance		23,161		23,161	46,322	11,581		57,903
Bank Fees					-	657		657
Depreciation				65,005	65,005			65,005
Meals				26,800	26,800			26,800
Donated Meals				75,551	75,551			75,551
Donated Clothing				72,660	72,660			72,660
Donated Supplies			10,955	158,169	169,124			169,124
Donated Furniture				96,270	96,270			96,270
Interest				10,321	10,321	2,580		12,901
Medical/Dental	25			1,267	1,292			1,292
Misc.	135	455			590			590
Occupancy	13,800	4,137		7,793	25,730			25,730
Office		1,040			1,040	1,411	358	2,809
Outreach	551			51,487	52,038			52,038
Professional Fees				2,741	2,741	5,632		8,373
Program Supplies		8,121	40,912	9,413	58,446			58,446
Repairs & Maintenance	668	13,429	15,551	11,392	41,039			41,039
Stipends	11,309		759	1,946	14,014			14,014
Supplies	1,296	1,351		7,890	10,537			10,537
Telephone	641			7,033	7,674			7,674
Training				2,766	2,766			2,766
Transportation & Mileage								
Reimbursement	149	27,226	10	28,672	56,057	319		56,376
Utilities	7,648	8,206	5,094	23,697	44,645			44,645
Total	\$ 36,220	\$ 366,020	\$ 133,238	\$ 802,932	\$ 1,338,411	\$ 58,285	\$ 8,556	\$ 1,405,253

2015

	Transitional Internship Program	Business Training Program	Neighborhood Renewal Program	Equipping Center Program	Total Programs	Management and General	Fundraising	Total
Expenses:								
Personnel	\$	\$ 194,999	\$ 5,750	\$ 98,279	\$ 299,028	\$ 22,080	\$ 5,520	\$ 326,628
Payroll taxes		8,986		8,986	17,972	4,792	1,198	23,962
Employee Benefits		3,434		3,434	6,868	1,831	458	9,157
Equipment		1,631			1,631			1,631
Insurance				31,399	31,399	7,850		39,249
Bank Fees					-	730		730
Depreciation				55,685	55,685			55,685
Meals				36,070	36,070	1,861		37,931
Donated Meals				22,652	22,652			22,652
Donated Supplies				50,170	50,170			50,170
Donated Furniture			139,702		139,702			139,702
Interest				10,994	10,994	2,748		13,742
Medical/Dental	109			536	645			645
Misc.	143	1,373			1,516			1,516
Occupancy	17,775	500			18,275			18,275
Office					-	3,927		3,927
Outreach	7,753			11,614	19,367			19,367
Professional Fees	354		6,700		7,054	4,690		11,744
Program Supplies		3,862	5,686	1,787	11,335			11,335
Repairs & Maintenance	323	8,218		16,104	24,645			24,645
Stipends	18,972			2,884	21,856			21,856
Supplies	104	1,470	6,579	3,757	11,910	110	662	12,682
Telephone	993				993			993
Transportation & Mileage								
Reimbursement	3,795	15,743	314	5	19,857			19,857
Utilities	13,196	7,792	540	26,233	47,761			47,761
Total	\$ 63,517	\$ 248,008	\$ 165,271	\$ 380,589	\$ 857,385	\$ 50,619	\$ 7,838	\$ 915,842