

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED MARCH 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

ADVOCATES FOR YOUTH

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of March 31, 2017, with Summarized Financial Information for 2016	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended March 31, 2017, with Summarized Financial Information for 2016	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended March 31, 2017, with Summarized Financial Information for 2016	6 - 7
EXHIBIT D - Statement of Cash Flows, for the Year Ended March 31, 2017, with Summarized Financial Information for 2016	8
NOTES TO FINANCIAL STATEMENTS	9 - 13

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Advocates for Youth
Washington, D.C.

We have audited the accompanying financial statements of Advocates for Youth (Advocates), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities and change in net assets, 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 Advocates as of March 31, 2017, and the change 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.

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Report on Summarized Comparative Information

We have previously audited Advocates' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

September 8, 2017

ADVOCATES FOR YOUTH
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS		<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	2,479,323	\$ 2,971,528
Accounts receivable		34,217	32,159
Grants receivable		3,819,792	1,866,627
Inventory		5,528	5,701
Prepaid expenses and other assets		<u>89,788</u>	<u>103,370</u>
Total current assets		<u>6,428,648</u>	<u>4,979,385</u>
FIXED ASSETS			
Furniture and equipment		170,735	170,735
Less: Accumulated depreciation		<u>(170,735)</u>	<u>(158,575)</u>
Net fixed assets		<u>-</u>	<u>12,160</u>
OTHER ASSETS			
Deposits		<u>150,072</u>	<u>56,836</u>
TOTAL ASSETS		<u>\$ 6,578,720</u>	<u>\$ 5,048,381</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	328,015	\$ 305,727
Accrued expenses		164,911	162,341
Deferred rent, current portion		<u>77,876</u>	<u>68,231</u>
Total current liabilities		<u>570,802</u>	<u>536,299</u>
LONG-TERM LIABILITIES			
Deferred rent, net of current portion		<u>34,139</u>	<u>112,015</u>
Total liabilities		<u>604,941</u>	<u>648,314</u>
NET ASSETS			
Unrestricted		465,274	441,186
Temporarily restricted		<u>5,508,505</u>	<u>3,958,881</u>
Total net assets		<u>5,973,779</u>	<u>4,400,067</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 6,578,720</u>	<u>\$ 5,048,381</u>

See accompanying notes to financial statements.

ADVOCATES FOR YOUTH

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Individual contributions	\$ 194,803	\$ -	\$ 194,803	\$ 311,144
Foundation and corporate grants	-	7,498,814	7,498,814	4,295,259
Government grants	-	938,714	938,714	1,441,380
Publications and merchandise	9,785	-	9,785	8,860
Program service fees	76,648	-	76,648	170,698
Annual youth conference	-	-	-	26,618
Other	1,000	-	1,000	1,619
Interest income	5,712	-	5,712	6,904
In-kind contributions	-	-	-	50,000
Net assets released from donor restrictions	<u>6,887,904</u>	<u>(6,887,904)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>7,175,852</u>	<u>1,549,624</u>	<u>8,725,476</u>	<u>6,312,482</u>
EXPENSES				
Program Services:				
Youth Empowerment	1,964,855	-	1,964,855	1,538,688
Public Affairs	1,335,211	-	1,335,211	1,753,446
International Programs	425,524	-	425,524	590,096
Education and Outreach	1,357,290	-	1,357,290	601,916
HIV/AIDS Education	871,388	-	871,388	866,247
Adolescent Sexual Health Services	683,579	-	683,579	1,286,186
Public Information Services	13,247	-	13,247	31,614
Youth of Color	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,669</u>
Total program services	<u>6,651,094</u>	<u>-</u>	<u>6,651,094</u>	<u>6,739,862</u>
Supporting Services:				
Management and General	4,284	-	4,284	50,944
Fundraising	<u>496,386</u>	<u>-</u>	<u>496,386</u>	<u>580,572</u>
Total supporting services	<u>500,670</u>	<u>-</u>	<u>500,670</u>	<u>631,516</u>
Total expenses	<u>7,151,764</u>	<u>-</u>	<u>7,151,764</u>	<u>7,371,378</u>
Change in net assets before other item	24,088	1,549,624	1,573,712	(1,058,896)
OTHER ITEM				
De-obligated funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(149,337)</u>
Change in net assets	24,088	1,549,624	1,573,712	(1,208,233)
Net assets at beginning of year	<u>441,186</u>	<u>3,958,881</u>	<u>4,400,067</u>	<u>5,608,300</u>
NET ASSETS AT END OF YEAR	<u>\$ 465,274</u>	<u>\$ 5,508,505</u>	<u>\$ 5,973,779</u>	<u>\$ 4,400,067</u>

ADVOCATES FOR YOUTH

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017				
	Program Services				
	Youth Empowerment	Public Affairs	International Programs	Education and Outreach	HIV/AIDS Education
Salaries	\$ 442,179	\$ 495,658	\$ 190,309	\$ 202,655	\$ 371,206
Payroll taxes and employee benefits	97,279	109,045	41,868	44,584	74,645
Printing and duplicating	27,241	8,683	359	2,076	3,688
Legal and accounting	3,451	-	-	824	-
Rent	57,138	63,595	24,075	13,517	20,043
Insurance	-	-	-	-	-
Depreciation	1,954	2,956	1,054	761	362
Telephone and fax	5,846	9,634	3,325	3,323	7,309
Other travel	252,159	34,364	3,444	32,073	19,289
Professional and consulting	354,874	9,206	5,553	843,748	147,120
Postage and mailings	8,387	514	3,101	848	2,659
Equipment rental, repair and maintenance	-	-	-	-	-
Office supplies and expense	12,409	969	194	2,431	1,388
Dues and publications	2,060	53,739	15	410	589
Meetings and conferences	92,983	27,831	2,717	44,831	3,087
Advertising	23,472	195	-	5,188	90
Bank fees	1,499	65	71	112	17
Non-capitalized equipment	211	496	-	1,194	-
In-kind contributions	-	-	-	-	-
Contributions	6,577	2,773	215	-	-
Seed grants	82,900	240,000	60,490	-	40,000
Staff development	5,000	-	-	-	-
Staff travel	85,765	36,355	12,183	28,776	48,775
Temporary personnel and intern stipends	20,231	8,437	7,024	1,680	-
Training materials	25,465	2,131	339	958	1,562
Computer services	3,211	12,960	603	10,742	1,123
Public relations	713	1,372	195	255	-
Miscellaneous	-	29	-	-	3,171
Special events	45,030	-	-	-	-
Registration fees	4,909	5,676	1,022	315	6,187
Sub-total	1,662,943	1,126,683	358,156	1,241,301	752,310
Management and general allocation	301,912	208,528	67,368	115,989	119,078
TOTAL	\$ 1,964,855	\$ 1,335,211	\$ 425,524	\$ 1,357,290	\$ 871,388

								2016
<u>Supporting Services</u>								
<u>Adolescent</u>								
<u>Sexual</u>	<u>Public</u>	<u>Total</u>				<u>Total</u>	<u>Total</u>	
<u>Health</u>	<u>Information</u>	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Supporting</u>	<u>Expenses</u>	<u>Expenses</u>	
<u>Services</u>	<u>Services</u>	<u>Services</u>	<u>and General</u>		<u>Services</u>			
\$ 245,789	\$ 652	\$ 1,948,448	\$ 536,706	\$ 272,945	\$ 809,651	\$ 2,758,099	\$ 2,741,634	
50,420	144	417,985	66,683	60,048	126,731	544,716	534,402	
227	7,488	49,762	19,953	2,269	22,222	71,984	49,044	
49	-	4,324	48,633	-	48,633	52,957	60,309	
31,240	82	209,690	145,203	34,473	179,676	389,366	396,289	
-	-	-	13,021	-	13,021	13,021	16,089	
-	30	7,117	3,507	1,536	5,043	12,160	14,895	
3,946	196	33,579	18,651	1,640	20,291	53,870	45,504	
32,871	-	374,200	13,198	-	13,198	387,398	292,143	
61,210	-	1,421,711	2,363	18,250	20,613	1,442,324	1,240,941	
285	838	16,632	4,917	5,587	10,504	27,136	30,041	
-	-	-	15,996	-	15,996	15,996	15,300	
588	-	17,979	12,687	-	12,687	30,666	20,947	
2,117	1,510	60,440	968	679	1,647	62,087	66,277	
11,765	-	183,214	24,052	967	25,019	208,233	192,274	
-	-	28,945	-	2,822	2,822	31,767	9,568	
-	-	1,764	7,890	2,012	9,902	11,666	10,702	
-	-	1,901	10,635	29	10,664	12,565	8,645	
-	-	-	-	-	-	-	50,000	
-	-	9,565	5,850	-	5,850	15,415	26,162	
128,750	-	552,140	-	-	-	552,140	939,090	
-	-	5,000	-	-	-	5,000	5,733	
14,776	-	226,630	11,373	5,526	16,899	243,529	269,444	
3,270	-	40,642	-	-	-	40,642	69,606	
952	172	31,579	714	-	714	32,293	79,233	
1,083	140	29,862	19,119	868	19,987	49,849	29,009	
212	-	2,747	8,524	347	8,871	11,618	16,786	
-	-	3,200	196	-	196	3,396	18,764	
-	-	45,030	292	-	292	45,322	72,659	
509	-	18,618	3,002	4,929	7,931	26,549	49,888	
590,059	11,252	5,742,704	994,133	414,927	1,409,060	7,151,764	7,371,378	
93,520	1,995	908,390	(989,849)	81,459	(908,390)	-	-	
\$ 683,579	\$ 13,247	\$ 6,651,094	\$ 4,284	\$ 496,386	\$ 500,670	\$ 7,151,764	\$ 7,371,378	

ADVOCATES FOR YOUTH

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,573,712	\$ (1,208,233)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	12,160	14,895
De-obligated funds expense	-	149,337
(Increase) decrease in:		
Accounts receivable	(2,058)	(10,415)
Grants receivable	(1,953,165)	1,560,803
Inventory	173	7,121
Prepaid expenses and other assets	13,582	(23,923)
Deposits	(93,236)	(12,979)
Increase (decrease) in:		
Accounts payable	22,288	57,123
Accrued expenses	2,570	(10,890)
Deferred rent	<u>(68,231)</u>	<u>(58,821)</u>
Net cash (used) provided by operating activities	<u>(492,205)</u>	<u>464,018</u>
Net (decrease) increase in cash and cash equivalents	(492,205)	464,018
Cash and cash equivalents at beginning of year	<u>2,971,528</u>	<u>2,507,510</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,479,323</u>	<u>\$ 2,971,528</u>
 SUPPLEMENTAL INFORMATION:		
Sale of Donated Stock	<u>\$ 1,742,629</u>	<u>\$ 2,443,730</u>

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Advocates for Youth (Advocates) was incorporated in 1980, under the District of Columbia Nonprofit Corporation Act, for the purpose of conducting public education, information and communication programs, with the aim of reducing the incidence of unintended adolescent pregnancy and the spread of HIV infection.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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 Advocates' financial statements for the year ended March 31, 2016, from which the summarized information was derived.

Cash and cash equivalents -

Advocates considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Advocates maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Fixed assets -

Furniture and equipment are stated at cost. Furniture and equipment, with costs greater than \$5,000, are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to seven years.

Income taxes -

Advocates is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Advocates is not a private foundation.

Uncertain tax positions -

For the year ended March 31, 2017, Advocates has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

Inventory consists of publications and other merchandise, which are stated at the lower of cost or market value, using the first-in, first-out basis.

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Accounts and grants receivable -

Accounts and grants receivable are stated at their fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operations of Advocates and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Advocates and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Advocates receives funding under grants from the U.S. Government. The grants are recorded as temporarily restricted and subsequently released from restriction to the extent that expenses have been incurred for the purpose or period specified.

At times donors will satisfy their grant obligations in the form of stock. Advocates' policy is to sell the stock within a few days of receiving it to minimize any potential negative fluctuations in the fair value of the donated stock.

Program service fees -

Program service fees consist of training and consulting fees. Revenue is recognized as earned as the services are provided.

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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising costs -

Advocates incurs certain costs associated with advertising. Advocates expenses these costs as they are incurred. For the year ended March 31, 2017, advertising expense totaled \$31,767.

In-Kind contributions -

In-Kind contributions consist of professional services to help Advocates develop new performance management tools and guidelines. In-Kind contributions are recorded at their fair market value as of the date of the gift.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Advocates' financial statements, it is not expected to alter Advocates' reported financial position.

2. TEMPORARILY RESTRICTED NET ASSETS

As of March 31, 2017, the temporarily restricted net assets balance consisted of the following:

Program Services:	
Youth Empowerment	\$ 712,417
Adolescent Sexual Health Services	1,036,533
Public Affairs	75,830
HIV/AIDS Education	794,777
International Programs	269,763
Education and Outreach	251,639
Youth of Color	<u>25,655</u>
Total program services	3,166,614
Restricted for Time: General Operations	<u>2,341,891</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 5,508,505</u>

ADVOCATES FOR YOUTH

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017**

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Program Services:	
Youth Empowerment	\$ 1,828,106
Public Affairs	506,025
International Programs	273,015
Education and Outreach	1,328,699
HIV/AIDS Education	858,205
Adolescent Sexual Health Services	<u>623,222</u>
Total program services	5,417,272
Passage of Time: General Operations	<u>1,470,632</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 6,887,904</u>

Included in the released amounts are amounts spent with United States Government funds in the amount of \$1,041,854.

4. COMMITMENTS - OPERATING LEASES

Advocates is currently under a fifteen-year lease agreement for office space in Washington, D.C., which expires in August 2018. The base rent is adjusted annually by an increase in the consumer price index and a pro-rata increase in real estate taxes. The office lease provided for free rent for the first three months of the lease term.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the accompanying Statement of Financial Position. The deferred rent liability as of March 31, 2017 was \$112,015.

On February 2, 2017, Advocates signed an eleven-year lease agreement for office space in Washington, D.C. The lease is set to commence on November 1, 2017 and expires on December 31, 2028. Base rent under the lease agreement is \$35,905 per month, adjusted annually by an increase of 2.5% and a pro-rata increase in real estate taxes. The office lease provides for free rent for the first fourteen months of the lease term. The lease also requires a \$107,716 security deposit.

Rent and other operating costs included in rent expense for the year ended March 31, 2017 totaled \$389,366. Future minimum lease payments are as follows:

<u>Year Ending March 31,</u>	
2018	\$ 395,451
2019	276,871
2020	446,234
2021	457,390
2022	468,825
2023 and Thereafter	<u>3,485,549</u>
	<u>\$ 5,530,320</u>

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2017

5. PENSION PLAN

Advocates participates in a retirement arrangement pursuant to Section 403(b) of the Internal Revenue Code for the benefit of its employees. All employees working twenty or more hours weekly and having one-year of service are eligible for employer contributions to the plan. Employees are eligible to make voluntary contributions to the plan with pre-tax dollars after completing 90 days of service. Individual contracts issued under the plan provide for full and immediate vesting of both employer and employee contributions. Advocates contributed four percent of each eligible participant's salary to the plan during the year.

Pension expense for the year ended March 31, 2017 totaled \$106,285, and is included in payroll taxes and employee benefits in the accompanying Statement of Functional Expenses.

6. CONTINGENCY

Advocates receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2017. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

7. SUBSEQUENT EVENTS

In preparing these financial statements, Advocates has evaluated events and transactions for potential recognition or disclosure through September 8, 2017, the date the financial statements were issued.