



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED MARCH 31, 2021

ADVOCATES FOR YOUTH

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FINANCIAL STATEMENTS



**FOR THE YEAR ENDED MARCH 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

ADVOCATES FOR YOUTH

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Advocates for Youth (Advocates), which comprise the statement of financial position as of March 31, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited Advocates' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on page I-17, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2021 on our consideration of Advocates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Advocates' internal control over financial reporting and compliance.



September 25, 2021

ADVOCATES FOR YOUTH
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,707,977	\$ 2,667,876
Cash held for others	276,717	-
Accounts receivable	62,243	17,472
Grants receivable	2,037,100	2,393,978
Inventory	8,100	7,593
Prepaid expenses and other assets	<u>89,513</u>	<u>8,452</u>
Total current assets	<u>7,181,650</u>	<u>5,095,371</u>
FIXED ASSETS		
Furniture and equipment	166,773	166,773
Leasehold improvements	<u>77,001</u>	<u>77,001</u>
	243,774	243,774
Less: Accumulated depreciation and amortization	<u>(101,618)</u>	<u>(70,490)</u>
Net fixed assets	<u>142,156</u>	<u>173,284</u>
OTHER ASSETS		
Grants receivable, net of current portion	190,656	1,767,367
Deposits	107,716	107,716
Right of use asset, net	<u>2,695,406</u>	<u>2,963,232</u>
Total other assets	<u>2,993,778</u>	<u>4,838,315</u>
TOTAL ASSETS	<u>\$ 10,317,584</u>	<u>\$ 10,106,970</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Operating lease payable	\$ 313,240	\$ 286,865
Accounts payable	127,176	140,164
Accrued expenses	222,663	189,163
Fiscal sponsorship payable	276,717	-
Refundable advance	<u>193,362</u>	<u>151,422</u>
Total current liabilities	<u>1,133,158</u>	<u>767,614</u>
LONG-TERM LIABILITIES		
Operating lease payable, net of current portion	<u>2,939,321</u>	<u>3,252,561</u>
Total liabilities	<u>4,072,479</u>	<u>4,020,175</u>
NET ASSETS		
Without donor restrictions	647,152	365,995
With donor restrictions	<u>5,597,953</u>	<u>5,720,800</u>
Total net assets	<u>6,245,105</u>	<u>6,086,795</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,317,584</u>	<u>\$ 10,106,970</u>

See accompanying notes to financial statements.

ADVOCATES FOR YOUTH

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Individual contributions	\$ 210,555	\$ -	\$ 210,555	\$ 217,957
Foundation and corporate grants	-	4,962,328	4,962,328	8,725,304
Government grants	873,061	-	873,061	780,815
Other government grant	551,453	-	551,453	-
Program service fees	311,963	-	311,963	194,224
Interest, publications and other	8,867	-	8,867	43,271
Net assets released from donor restrictions	5,085,175	(5,085,175)	-	-
Total revenue	7,041,074	(122,847)	6,918,227	9,961,571
EXPENSES				
Program Services:				
Youth Empowerment	1,556,753	-	1,556,753	1,821,703
Public Affairs	962,650	-	962,650	806,902
International Programs	208,699	-	208,699	441,980
Education and Outreach	1,624,232	-	1,624,232	1,610,339
HIV/AIDS Education	914,172	-	914,172	957,694
Adolescent Sexual Health Services	305,352	-	305,352	576,214
Public Information Services	1,226	-	1,226	24,309
Total program services	5,573,084	-	5,573,084	6,239,141
Supporting Services:				
Management and General	779,850	-	779,850	845,073
Fundraising	406,983	-	406,983	402,556
Total supporting services	1,186,833	-	1,186,833	1,247,629
Total expenses	6,759,917	-	6,759,917	7,486,770
Change in net assets	281,157	(122,847)	158,310	2,474,801
Net assets at beginning of year	365,995	5,720,800	6,086,795	3,611,994
NET ASSETS AT END OF YEAR	\$ 647,152	\$ 5,597,953	\$ 6,245,105	\$ 6,086,795

ADVOCATES FOR YOUTH

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021					
	Program Services					
	Youth Empowerment	Public Affairs	International Programs	Education and Outreach	HIV/AIDS Education	Adolescent Sexual Health Services
Salaries	\$ 828,427	\$ 475,886	\$ 62,216	\$ 507,488	\$ 466,818	\$ 221,319
Payroll taxes and employee benefits	157,020	90,201	11,675	96,191	85,156	41,950
Printing and duplicating	3,931	25	3	38	2,436	11
Legal and accounting	1,480	-	-	1,180	-	-
Rent	118,240	67,539	8,868	44,571	55,391	31,456
Insurance	-	-	-	-	-	-
Depreciation and amortization	10,283	4,413	1,371	799	1,096	-
Telephone and fax	7,013	3,759	441	6,311	3,807	1,737
Other travel	113	-	-	-	1,584	-
Professional and consulting	174,247	75,221	30,662	855,387	157,052	5,031
Postage and mailings	2,405	46	-	4,071	338	-
Equipment rental, repair and maintenance	2,641	1,466	192	1,564	1,438	682
Office supplies and expense	677	524	28	1,867	774	306
Dues and publications	106	83,305	-	9,134	60	396
Meetings and conferences	37,140	2,806	140	4,622	15,000	-
Advertising	4,690	7,898	-	50,956	-	-
Bank fees	3,480	358	60	475	20	12
Non-capitalized equipment	-	3,550	-	5,639	4,857	-
Contributions	2,124	1,363	100	813	748	355
Seed grants, net of refunds	36,088	60,000	84,680	-	35,175	-
Staff travel	496	2,223	381	259	295	485
Temporary personnel and intern stipends	132,843	52,277	6,627	22,012	7,612	497
Training materials	23,247	2,153	912	5,771	62,136	41
Computer services	5,878	20,770	329	3,422	1,518	1,030
Public relations	374	768	12	495	212	44
Miscellaneous	519	400	2	-	-	-
Special events	230	-	-	-	-	-
Registration fees	3,061	5,699	-	1,167	10,649	-
TOTAL	\$ 1,556,753	\$ 962,650	\$ 208,699	\$ 1,624,232	\$ 914,172	\$ 305,352

ADVOCATES FOR YOUTH

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021 (Continued)					2020	
	Program Services (Continued)		Supporting Services			Total Expenses	Total Expenses
	Public Information Services	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 245	\$ 2,562,399	\$ 426,083	\$ 285,180	\$ 711,263	\$ 3,273,662	\$ 3,092,318
Payroll taxes and employee benefits	46	482,239	75,473	54,054	129,527	611,766	590,788
Printing and duplicating	697	7,141	1,317	1,371	2,688	9,829	51,459
Legal and accounting	-	2,660	87,310	-	87,310	89,970	71,147
Rent	38	326,103	85,277	40,645	125,922	452,025	455,636
Insurance	-	-	14,486	-	14,486	14,486	11,989
Depreciation and amortization	-	17,962	9,332	3,834	13,166	31,128	31,127
Telephone and fax	-	23,068	11,982	1,941	13,923	36,991	35,953
Other travel	-	1,697	-	-	-	1,697	348,787
Professional and consulting	3	1,297,603	25,354	3,906	29,260	1,326,863	1,427,215
Postage and mailings	348	7,208	3,057	943	4,000	11,208	21,145
Equipment rental, repair and maintenance	1	7,984	1,735	879	2,614	10,598	14,889
Office supplies and expense	-	4,176	2,663	-	2,663	6,839	13,256
Dues and publications	36	93,037	1,282	1,704	2,986	96,023	67,947
Meetings and conferences	-	59,708	2,139	-	2,139	61,847	302,616
Advertising	-	63,544	95	-	95	63,639	135,740
Bank fees	(1)	4,404	6,751	3,045	9,796	14,200	13,859
Non-capitalized equipment	-	14,046	6,104	-	6,104	20,150	25,798
Contributions	-	5,503	903	457	1,360	6,863	11,521
Seed grants, net of refunds	-	215,943	-	-	-	215,943	301,280
Staff travel	-	4,139	264	133	397	4,536	165,418
Temporary personnel and intern stipends	-	221,868	246	124	370	222,238	121,384
Training materials	(507)	93,753	167	53	220	93,973	104,652
Computer services	320	33,267	1,832	4,751	6,583	39,850	33,982
Public relations	-	1,905	14,577	136	14,713	16,618	11,613
Miscellaneous	-	921	1,421	(350)	1,071	1,992	-
Special events	-	230	-	-	-	230	424
Registration fees	-	20,576	-	4,177	4,177	24,753	24,827
TOTAL	\$ 1,226	\$ 5,573,084	\$ 779,850	\$ 406,983	\$ 1,186,833	\$ 6,759,917	\$ 7,486,770

ADVOCATES FOR YOUTH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 158,310	\$ 2,474,801
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	31,128	31,127
Receipt of contributed securities	(588,680)	-
Proceeds from sale of securities	588,680	-
Change in measurement of operating lease	(19,039)	(7,884)
(Increase) decrease in:		
Accounts receivable	(44,771)	50,497
Grants receivable	1,933,589	(2,821,032)
Inventory	(507)	919
Prepaid expenses and other assets	(81,061)	30,350
(Decrease) increase in:		
Accounts payable	(12,988)	(157,137)
Accrued expenses	33,500	9,291
Refundable advance	41,940	103,684
Fiscal sponsorship payable	<u>276,717</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>2,316,818</u>	<u>(285,384)</u>
Net increase (decrease) in cash and cash equivalents	2,316,818	(285,384)
Cash and cash equivalents at beginning of year	<u>2,667,876</u>	<u>2,953,260</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING CASH HELD FOR OTHERS	<u>\$ 4,984,694</u>	<u>\$ 2,667,876</u>

ADVOCATES FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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, 2020, from which the summarized information was derived.

New accounting pronouncement adopted -

During 2021, Advocates adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way Advocates recognized revenue; however, the presentation and disclosures of revenue have been enhanced. Advocates has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

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.

ADVOCATES FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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

Cash and cash equivalents (continued) -

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.

Additionally, during the year ended March 31, 2021, Advocates received funds on behalf of another organization to facilitate programmatic work. These funds will be distributed to another organization within one year and are considered restricted cash and cash equivalents.

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. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

Advocates is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Advocates is not a private foundation.

Uncertain tax positions -

For the year ended March 31, 2021, 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 and is measured at the lower of cost and net realizable value under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

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.

Contributions and grants -

The majority of Advocates' revenue is received through contributions as well as grants from the U.S. Government, Foundations and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. Advocates performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable.

ADVOCATES FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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

Contributions and grants (continued) -

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" 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 net assets with donor restrictions in the accompanying financial statements.

Grant agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, Advocates recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances.

At March 31, 2021, Advocates has \$469,216 in conditional awards that have not been recognized.

Program service fees -

Program service fees consist of training and consulting fees. Revenue is recognized as revenue when the performance obligations are met. Transaction price is determined based on cost and/or sales price.

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.

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 Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of Advocates are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of time and effort.

Advertising costs -

Advocates incurs certain costs associated with advertising. Advocates expenses these costs as they are incurred. For the year ended March 31, 2021, advertising expense totaled \$63,639.

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may impact Advocates's operations. The overall potential impact is unknown at this time.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to separating refundable advances from accounts payable. These reclassifications had no effect on the previously reported changes in net assets.

2. **NET ASSETS WITH DONOR RESTRICTIONS**

As of March 31, 2021, the net assets with donor restrictions consisted of the following:

Program Services:	
Youth Empowerment	\$ 1,642,432
Adolescent Sexual Health Services	265,000
Public Affairs	55,729
HIV/AIDS Education	536,338
Education and Outreach	419,185
Communication	<u>249,924</u>
Total program services	3,168,608
Restricted for time: General operations	<u>2,429,345</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 5,597,953</u>

3. **NET ASSETS RELEASED FROM RESTRICTIONS**

The following net assets with donor restrictions 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	\$ 1,573,233
Adolescent Sexual Health Services	33,359
Public Affairs	184,290
HIV/AIDS Education	126,206
International Programs	22,083
Education and Outreach	1,523,869
Communication	<u>225,039</u>
Total program services	3,688,079
Passage of time: General operations	<u>1,397,096</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 5,085,175</u>

ADVOCATES FOR YOUTH

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021**

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following at March 31, 2021:

Cash and cash equivalents	\$ 4,707,977
Accounts receivable	62,243
Grants receivable	<u>2,227,756</u>
Subtotal financial assets available within one year	6,997,976
Less: Donor restricted funds	<u>(3,168,608)</u>
 FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	 <u>\$ 3,829,368</u>

Advocates has a policy to structure its financial assets to be available and liquid as its obligations become due. As of March 31, 2021, Advocates has financial assets equal to approximately two month of operating expenses.

5. COMMITMENTS - OPERATING LEASES

On February 2, 2017, Advocates signed an eleven year lease agreement for office space in Washington, D.C. The lease commenced 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. Advocates received a tenant improvement allowance of \$735,120 as part of the lease agreement.

Advocates implemented Financial Accounting Standards Board (FASB) *Accounting Standards Update* (ASU) 2016-02 related to leases. ASU 2016-02 requires the recognition of a right-of-use asset and corresponding lease liability, initially measured at the present value of the lease payments. Accordingly, with adoption and implementation of the ASU using a prospective approach, Advocates recorded a right-of-use asset of \$3,498,666, net of leasehold improvements allowance of \$73,489. Advocates recorded the offsetting operating lease liability of \$2,237,100 by calculating the net present value of the lease commitments using discount rate of 5%. The right-of-use asset and operating lease liability are being amortized over the respective lives of the lease. As of March 31, 2021, the unamortized right-of-use asset was valued at \$2,695,406 and the unamortized operating lease liability were valued at \$3,252,561.

Rent and other operating costs included in rent expense for the year ended March 31, 2021 totaled \$452,025. Future minimum lease payments are as follows:

<u>Year Ending March 31,</u>	
2022	\$ 468,825
2023	480,545
2024	492,559
2025	504,873
2026	517,495
2027 and Thereafter	<u>1,490,077</u>
	3,954,374
Less: Imputed interest	<u>(701,813)</u>
 TOTAL OPERATING LEASE LIABILITY	 <u>\$ 3,252,561</u>

ADVOCATES FOR YOUTH

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021**

6. 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, 2021 totaled \$122,899, and is included in payroll taxes and employee benefits in the accompanying Statement of Functional Expenses.

7. 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 2021. 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.

8. GRANTS RECEIVABLE

As of March 31, 2021, contributors to Advocates have made unconditional written promises to give totaling \$2,237,100. Amounts due beyond one year of the Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 3.25%.

Following is a schedule of amounts due, by year, as of March 31, 2021:

Less than one year	\$ 2,037,100
One to five years	<u>200,000</u>
Total	2,237,100
Less: Allowance to discount balance to present value	<u>(9,344)</u>
NET GRANTS RECEIVABLE	<u>\$ 2,227,756</u>

9. FUNDING UNDER THE PAYCHECK PROTECTION PROGRAM (PPP)

In April 2020, Advocates received loan proceeds in the amount of \$551,453 under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration.

During the year ended March 31, 2021, Advocates expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and believes they have met all conditions set forth for full forgiveness.

ADVOCATES FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

9. FUNDING UNDER THE PAYCHECK PROTECTION PROGRAM (PPP) (Continued)

Accordingly, under guidance found in FASB ASC 958-605, Advocates has recognized the PPP funding as a conditional grant by which all conditions have been met. Advocates deemed the forgiveness by the SBA to be highly probable, an administrative task only, and not a barrier to recognition. Grant revenue of \$551,453 is included in Federal contribution on the accompanying Statement of Activities and Change in Net Assets.

On April 26, 2021, Advocates received forgiveness from the Small Business Administration.

10. SUBSEQUENT EVENTS

In preparing these financial statements, Advocates has evaluated events and transactions for potential recognition or disclosure through September 25, 2021, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

ADVOCATES FOR YOUTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2021

Federal Grantor	Federal CFDA Number	Pass- Through Entity	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
Direct Assistance:					
U.S. Department of Health and Human Services - Centers for Disease Control and Prevention:					
CBA to Promote ESHE in SEAs/TEAs	93.079	N/A	N/A	\$ 9,885	\$ 245,318
CBA to Promote School Centered HIV/STD Prevention for YMSM	93.079	N/A	N/A	290	289,363
COVID 19 - Promote ESHE in SEAs/TEAs and Promote School Centered HIV/STD Prevention for YMSM	93.079	N/A	N/A	<u>25,000</u>	<u>205,503</u>
Total U.S. Department of Health and Human Services - Centers for Disease Control and Prevention Direct Programs CFDA Number 93.079				<u>35,175</u>	<u>740,184</u>
U.S. Department of State:					
Protection from the Ground Up: Strengthening LGBTI* Organizations in Pakistan and Mobilizing Allies	19.345	N/A	N/A	<u>84,680</u>	<u>132,877</u>
Total U.S. Department of State Direct Programs CFDA Number 19.345				<u>84,680</u>	<u>132,877</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 119,855</u>	<u>\$ 873,061</u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of Advocates under programs of the Federal government for the year ended March 31, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Advocates, it is not intended to and does not present the financial position, changes in net assets or cash flows of Advocates.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Advocates has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ADVOCATES FOR YOUTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2021

Section I - Summary of Audit Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting:

Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

3). Noncompliance material to financial statements noted?

Yes No

Federal Awards

4). Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

5). Type of auditor's report issued on compliance for major programs:

Unmodified

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

7). Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA Number</u>
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079

8). Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

9). Auditee qualified as a low-risk auditee?

Yes No

ADVOCATES FOR YOUTH

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2021**

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))

There were no reportable findings.



CPAs & ADVISORS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Advocates for Youth (Advocates) as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise Advocates' basic financial statements, and have issued our report thereon dated September 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Advocates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Advocates' internal control. Accordingly, we do not express an opinion on the effectiveness of Advocates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Advocates' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Advocates' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

September 25, 2021



CPAs & ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

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

Report on Compliance for Each Major Federal Program

We have audited Advocates for Youth's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Advocates' major Federal programs for the year ended March 31, 2021. Advocates' major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Advocates' major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Advocates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Advocates' compliance.

Opinion on Each Major Federal Program

In our opinion, Advocates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended March 31, 2021.

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Report on Internal Control Over Compliance

Management of Advocates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Advocates' internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Advocates' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

September 25, 2021