

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED MARCH 31, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014**

ADVOCATES FOR YOUTH

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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, 2015, 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, 2015, 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' 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

October 23, 2015

ADVOCATES FOR YOUTH
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

ASSETS

| | <u>2015</u> | <u>2014</u> |
|---|----------------------------|----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,507,510 | \$ 3,108,430 |
| Accounts receivable | 21,744 | 41,321 |
| Grants receivable, current portion (Note 7) | 3,576,767 | 2,774,526 |
| Inventory | 12,822 | 13,839 |
| Prepaid expenses and other assets | <u>79,447</u> | <u>72,917</u> |
| Total current assets | <u>6,198,290</u> | <u>6,011,033</u> |
| FIXED ASSETS | | |
| Furniture and equipment | 170,735 | 357,608 |
| Less: Accumulated depreciation | <u>(143,680)</u> | <u>(313,500)</u> |
| Net fixed assets | <u>27,055</u> | <u>44,108</u> |
| OTHER ASSETS | | |
| Grants receivable, non-current (Note 7) | - | 1,000,000 |
| Deposits | <u>43,857</u> | <u>43,857</u> |
| Total other assets | <u>43,857</u> | <u>1,043,857</u> |
| TOTAL ASSETS | <u>\$ 6,269,202</u> | <u>\$ 7,098,998</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|----------------------------|----------------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 248,604 | \$ 139,530 |
| Accrued expenses | 173,231 | 138,763 |
| Deferred rent, current portion (Note 4) | <u>58,821</u> | <u>49,640</u> |
| Total current liabilities | <u>480,656</u> | <u>327,933</u> |
| LONG-TERM LIABILITIES | | |
| Deferred rent, net of current portion (Note 4) | <u>180,246</u> | <u>239,067</u> |
| Total liabilities | <u>660,902</u> | <u>567,000</u> |
| NET ASSETS | | |
| Unrestricted | 408,365 | 428,385 |
| Temporarily restricted (Note 2) | <u>5,199,935</u> | <u>6,103,613</u> |
| Total net assets | <u>5,608,300</u> | <u>6,531,998</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 6,269,202</u> | <u>\$ 7,098,998</u> |

ADVOCATES FOR YOUTH

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

| | <u>2015</u> | | | <u>2014</u> |
|---|--------------------------|-----------------------------------|----------------------------|----------------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | <u>Total</u> |
| REVENUE | | | | |
| Individual contributions | \$ 154,444 | \$ - | \$ 154,444 | \$ 108,713 |
| Foundation and corporate grants | - | 3,734,342 | 3,734,342 | 7,051,527 |
| Government grants (Note 6) | - | 1,895,341 | 1,895,341 | 804,387 |
| Publications and merchandise | 7,739 | - | 7,739 | 10,400 |
| Program service fees | 135,976 | - | 135,976 | 123,626 |
| Annual youth conference | 7,500 | - | 7,500 | 14,561 |
| Other | 1,824 | - | 1,824 | 731 |
| Interest income | 5,224 | - | 5,224 | 4,212 |
| Net assets released from donor restrictions (Note 3) | <u>6,533,361</u> | <u>(6,533,361)</u> | <u>-</u> | <u>-</u> |
| Total revenue | <u>6,846,068</u> | <u>(903,678)</u> | <u>5,942,390</u> | <u>8,118,157</u> |
| EXPENSES | | | | |
| Program Services: | | | | |
| Youth Empowerment | 875,152 | - | 875,152 | 715,549 |
| Public Affairs | 2,146,575 | - | 2,146,575 | 1,773,616 |
| International Programs | 581,363 | - | 581,363 | 418,148 |
| Education and Outreach | 190,573 | - | 190,573 | 161,955 |
| HIV/AIDS Education | 611,407 | - | 611,407 | 469,077 |
| Adolescent Sexual Health Services | 1,558,398 | - | 1,558,398 | 1,201,394 |
| Public Information Services | 101,237 | - | 101,237 | 79,840 |
| Youth of Color | <u>214,424</u> | <u>-</u> | <u>214,424</u> | <u>264,971</u> |
| Total program services | <u>6,279,129</u> | <u>-</u> | <u>6,279,129</u> | <u>5,084,550</u> |
| Supporting Services: | | | | |
| Management and General | 36,413 | - | 36,413 | 2,679 |
| Fundraising | <u>550,546</u> | <u>-</u> | <u>550,546</u> | <u>534,111</u> |
| Total supporting services | <u>586,959</u> | <u>-</u> | <u>586,959</u> | <u>536,790</u> |
| Total expenses | <u>6,866,088</u> | <u>-</u> | <u>6,866,088</u> | <u>5,621,340</u> |
| Change in net assets | (20,020) | (903,678) | (923,698) | 2,496,817 |
| Net assets at beginning of year | <u>428,385</u> | <u>6,103,613</u> | <u>6,531,998</u> | <u>4,035,181</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 408,365</u> | <u>\$ 5,199,935</u> | <u>\$ 5,608,300</u> | <u>\$ 6,531,998</u> |

ADVOCATES FOR YOUTH

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

| | 2015 | | | | |
|---|------------------------------|---------------------------|-----------------------------------|-----------------------------------|-------------------------------|
| | Program Services | | | | |
| | Youth Empowerment | Public Affairs | International Programs | Education and Outreach | HIV/AIDS Education |
| Salaries | \$ 315,428 | \$ 538,200 | \$ 243,967 | \$ 47,590 | \$ 228,347 |
| Payroll taxes and employee benefits (Note 5) | 70,336 | 117,826 | 53,153 | 10,470 | 47,175 |
| Printing and duplicating | 6,218 | 6,527 | 3,611 | 386 | 3,197 |
| Legal and accounting | 1,377 | - | - | - | - |
| Rent (Note 4) | 38,721 | 67,466 | 29,154 | 306 | 15,029 |
| Insurance | - | - | - | - | - |
| Depreciation | 1,970 | 5,581 | 1,477 | - | 492 |
| Telephone and fax | 2,952 | 6,758 | 1,766 | 366 | 3,103 |
| Other travel | 15,808 | 134,696 | 8,379 | 2,819 | 6,237 |
| Professional and consulting | 82,392 | 219,609 | 10,000 | 90,133 | 55,954 |
| Postage and mailings | 7,203 | 17,897 | 2,568 | 82 | 1,396 |
| Equipment rental, repair and maintenance | 11 | 316 | - | - | - |
| Office supplies and expense | 763 | 588 | 201 | 174 | 756 |
| Dues and publications | 1,265 | 40,301 | 110 | 312 | 2,039 |
| Meetings and conferences | 6,296 | 99,465 | 3,938 | 2,011 | 45,820 |
| Advertising | 16,520 | 14,292 | 175 | - | 107 |
| Bank fees | 446 | 9 | 345 | - | - |
| Non-capitalized equipment | 571 | 444 | - | 1,271 | 2,630 |
| Contributions | 5,100 | 1,500 | - | - | - |
| Seed grants | 54,600 | 433,015 | 68,810 | 750 | 75,000 |
| Staff development | - | 550 | - | - | - |
| Staff travel | 41,087 | 56,761 | 40,253 | 13,276 | 39,077 |
| Temporary personnel and intern stipends | 10,788 | 22,954 | 16,302 | - | - |
| Training materials | 16,605 | 10,781 | 9,769 | 256 | 2,477 |
| Computer services | 1,815 | 41,874 | 630 | - | 630 |
| Public relations | 1,736 | 540 | 169 | - | 209 |
| Miscellaneous | - | 15 | 14 | - | - |
| Special events | 35,027 | - | - | - | - |
| Registration fees | 6,229 | 8,284 | 2,456 | 340 | 6,730 |
| Sub-total | 741,264 | 1,846,249 | 497,247 | 170,542 | 536,405 |
| Management and general allocation | 133,888 | 300,326 | 84,116 | 20,031 | 75,002 |
| TOTAL | \$ 875,152 | \$ 2,146,575 | \$ 581,363 | \$ 190,573 | \$ 611,407 |

| | | | | | | | | | 2014 |
|--|-----------------------------------|--------------------------|------------------------------|---------------------------|--------------------------|---------------------------------|----------------------------|----------------------------|------|
| | | | | Supporting Services | | | | | |
| Adolescent Sexual Health Services | Public Information Services | Youth of Color | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total Expenses | Total Expenses | |
| \$ 597,208 | \$ 50,214 | \$ 80,324 | \$ 2,101,278 | \$ 518,659 | \$ 307,041 | \$ 825,700 | \$ 2,926,978 | \$ 2,699,624 | |
| 124,657 | 10,813 | 17,486 | 451,916 | 45,707 | 67,498 | 113,205 | 565,121 | 523,596 | |
| 4,961 | 8,769 | 442 | 34,111 | 19,431 | 4,587 | 24,018 | 58,129 | 68,907 | |
| 1,400 | - | - | 2,777 | 52,355 | - | 52,355 | 55,132 | 49,343 | |
| 71,907 | 5,895 | 9,633 | 238,111 | 121,683 | 37,516 | 159,199 | 397,310 | 372,041 | |
| - | - | - | - | 15,941 | - | 15,941 | 15,941 | 10,432 | |
| 985 | 164 | 657 | 11,326 | 3,025 | 1,806 | 4,831 | 16,157 | 18,667 | |
| 10,234 | 203 | 708 | 26,090 | 10,296 | 1,777 | 12,073 | 38,163 | 31,975 | |
| 18,188 | 1,249 | 1,467 | 188,843 | 18,206 | 432 | 18,638 | 207,481 | 276,003 | |
| 87,666 | - | 6,065 | 551,819 | 300 | 10,400 | 10,700 | 562,519 | 285,690 | |
| 4,370 | 1,329 | 1,168 | 36,013 | 2,959 | 7,501 | 10,460 | 46,473 | 55,436 | |
| - | - | - | 327 | 16,529 | - | 16,529 | 16,856 | 33,163 | |
| 2,486 | 195 | 67 | 5,230 | 14,254 | 215 | 14,469 | 19,699 | 19,601 | |
| 448 | 2,328 | 682 | 47,485 | 2,010 | 1,430 | 3,440 | 50,925 | 39,268 | |
| 20,535 | 1,657 | 959 | 180,681 | 22,364 | 1,416 | 23,780 | 204,461 | 192,254 | |
| 1,540 | - | - | 32,634 | 551 | - | 551 | 33,185 | 34,392 | |
| - | 1,196 | - | 1,996 | 3,424 | 1,342 | 4,766 | 6,762 | 4,117 | |
| 6,456 | 60 | 529 | 11,961 | 9,220 | - | 9,220 | 21,181 | 14,486 | |
| 1,500 | - | 1,200 | 9,300 | 5,569 | 510 | 6,079 | 15,379 | 23,001 | |
| 332,500 | - | 40,000 | 1,004,675 | - | - | - | 1,004,675 | 451,999 | |
| - | - | - | 550 | - | - | - | 550 | 2,000 | |
| 68,108 | 179 | 5,391 | 264,132 | 10,295 | 10,212 | 20,507 | 284,639 | 182,140 | |
| 3,805 | - | 10,557 | 64,406 | 20,444 | 2,760 | 23,204 | 87,610 | 72,974 | |
| 9,973 | 1,017 | 2,299 | 53,177 | - | 592 | 592 | 53,769 | 65,527 | |
| 2,196 | 315 | 504 | 47,964 | 2,197 | 623 | 2,820 | 50,784 | 36,329 | |
| 559 | - | - | 3,213 | 10,351 | 3,165 | 13,516 | 16,729 | 18,952 | |
| 37 | - | - | 66 | 32,246 | - | 32,246 | 32,312 | 2,348 | |
| - | - | - | 35,027 | 5,200 | - | 5,200 | 40,227 | 2,066 | |
| <u>6,050</u> | <u>100</u> | <u>868</u> | <u>31,057</u> | <u>1,608</u> | <u>4,276</u> | <u>5,884</u> | <u>36,941</u> | <u>35,009</u> | |
| 1,377,769 | 85,683 | 181,006 | 5,436,165 | 964,824 | 465,099 | 1,429,923 | 6,866,088 | 5,621,340 | |
| <u>180,629</u> | <u>15,554</u> | <u>33,418</u> | <u>842,964</u> | <u>(928,411)</u> | <u>85,447</u> | <u>(842,964)</u> | <u>-</u> | <u>-</u> | |
| <u>\$ 1,558,398</u> | <u>\$ 101,237</u> | <u>\$ 214,424</u> | <u>\$ 6,279,129</u> | <u>\$ 36,413</u> | <u>\$ 550,546</u> | <u>\$ 586,959</u> | <u>\$ 6,866,088</u> | <u>\$ 5,621,340</u> | |

ADVOCATES FOR YOUTH

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

| | <u>2015</u> | <u>2014</u> |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (923,698) | \$ 2,496,817 |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: | | |
| Depreciation | 16,157 | 18,667 |
| Loss on retirement of assets | 896 | 262 |
| (Increase) decrease in: | | |
| Accounts receivable | 19,577 | (18,159) |
| Grants receivable | 197,759 | (2,068,944) |
| Inventory | 1,017 | 18,685 |
| Prepaid expenses and other assets | (6,530) | 4,165 |
| Deposits | - | (1,500) |
| Increase (decrease) in: | | |
| Accounts payable | 109,074 | (33,376) |
| Accrued expenses | 34,468 | (4,182) |
| Deferred rent | <u>(49,640)</u> | <u>(33,498)</u> |
| Net cash (used) provided by operating activities | <u>(600,920)</u> | <u>378,937</u> |
| Net (decrease) increase in cash and cash equivalents | (600,920) | 378,937 |
| Cash and cash equivalents at beginning of year | <u>3,108,430</u> | <u>2,729,493</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 2,507,510</u> | <u>\$ 3,108,430</u> |
| SUPPLEMENTAL INFORMATION: | | |
| Sale of Donated Stock | <u>\$ 1,609,139</u> | <u>\$ 1,276,974</u> |

ADVOCATES FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

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, 2014, 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, 2015, 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.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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, 2015

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.

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.

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, 2015, advertising expense totaled \$33,185.

ADVOCATES FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

2. TEMPORARILY RESTRICTED NET ASSETS

As of March 31, 2015, the temporarily restricted net assets balance consisted of the following:

| | |
|--|----------------------------|
| Program: | |
| Adolescent Sexual Health Services | \$ 1,297,599 |
| Education and Outreach | 263,515 |
| HIV/AIDS Education | 562,512 |
| International Programs | 389,155 |
| Public Affairs | 629,281 |
| Youth Empowerment | 490,000 |
| Youth of Color | <u>28,266</u> |
| Total program | 3,660,328 |
| Restricted for Time: General Operations | <u>1,539,607</u> |
| TOTAL TEMPORARILY RESTRICTED NET ASSETS | <u>\$ 5,199,935</u> |

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: | |
| Adolescent Sexual Health Services | \$ 1,547,312 |
| Education and Outreach | 160,108 |
| HIV/AIDS Education | 571,446 |
| International Programs | 296,148 |
| Public Affairs | 817,583 |
| Youth Empowerment | 680,846 |
| Youth of Color | <u>60,821</u> |
| Total program | 4,134,264 |
| Passage of Time: General Operations | <u>2,399,097</u> |
| TOTAL NET ASSETS RELEASED FROM RESTRICTIONS | <u>\$ 6,533,361</u> |

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, 2015 was \$239,067.

ADVOCATES FOR YOUTH

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015**

4. COMMITMENTS - OPERATING LEASES (Continued)

During the fiscal year, Advocates was also under a one-year lease agreement for office space in Columbia, S.C. The lease commenced August 1, 2013 and expired on July 31, 2014. After expiration, the lease was month-to-month, until it was officially terminated on June 30, 2015 (subsequent to year-end). Base rent under the lease agreement was \$1,500 per month, with a \$1,500 security deposit.

Rent and other operating costs included in rent expense for the year ended March 31, 2015 totaled \$397,310.

Future minimum lease payments are as follows:

Year Ending March 31,

| | |
|------|----------------------------|
| 2016 | \$ 376,396 |
| 2017 | 385,806 |
| 2018 | 395,451 |
| 2019 | <u>166,463</u> |
| | <u>\$ 1,324,116</u> |

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, 2015 totaled \$88,361, and is included in payroll taxes and employee benefits in the accompanying Statement of Functional Expenses.

6. CONTINGENCY

Advocates receives funds from government grants and contracts, which are subject to audit under the provisions of OMB Circular A-133.

The ultimate determination of amounts received under the Federal programs is based upon the allowance of costs reported to and accepted by the government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2015. Until such audits have been accepted by the 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. GRANTS RECEIVABLE

Included in grants receivable at March 31, 2015 are the following unconditional promises to give:

| | |
|--------------------------------|----------------------------|
| Federal | \$ 1,303,284 |
| Foundation - Restricted | <u>2,273,483</u> |
| TOTAL GRANTS RECEIVABLE | <u>\$ 3,576,767</u> |

ADVOCATES FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

8. SUBSEQUENT EVENTS

In preparing these financial statements, Advocates has evaluated events and transactions for potential recognition or disclosure through October 23, 2015, the date the financial statements were issued.