



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED MARCH 31, 2019

ADVOCATES FOR YOUTH

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FINANCIAL STATEMENTS



**FOR THE YEAR ENDED MARCH 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

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, 2019, 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, 2019, 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' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, 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-16, 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 October 23, 2019 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.



October 23, 2019

ADVOCATES FOR YOUTH
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	2,953,260	\$ 2,993,116
Accounts receivable		67,969	28,628
Grants receivable		2,041,097	4,964,520
Inventory		8,512	3,321
Prepaid expenses and other assets		<u>38,802</u>	<u>102,367</u>
Total current assets		<u>5,109,640</u>	<u>8,091,952</u>
FIXED ASSETS			
Furniture and equipment		166,773	330,384
Leasehold improvements		<u>77,001</u>	<u>738,733</u>
		243,774	1,069,117
Less: Accumulated depreciation and amortization		<u>(39,363)</u>	<u>(205,084)</u>
Net fixed assets		<u>204,411</u>	<u>864,033</u>
OTHER ASSETS			
Grants receivable, non-current		-	215,000
Deposits		107,716	150,072
Right of use asset		<u>3,217,393</u>	<u>-</u>
Total other assets		<u>3,325,109</u>	<u>365,072</u>
TOTAL ASSETS		<u>\$ 8,639,160</u>	<u>\$ 9,321,057</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	297,300	\$ 350,065
Operating lease liability		262,045	-
Accrued expenses		179,872	174,990
Deferred rent, current		-	34,139
Tenant improvement allowance, current		-	69,749
Refundable advance		<u>47,738</u>	<u>-</u>
Total current liabilities		<u>786,955</u>	<u>628,943</u>
LONG-TERM LIABILITIES			
Deferred rent, net of current		-	185,388
Tenant improvement allowance, net of current		-	636,409
Operating lease payable		<u>3,539,426</u>	<u>-</u>
Total long-term liabilities		<u>3,539,426</u>	<u>821,797</u>
Total liabilities		<u>4,326,381</u>	<u>1,450,740</u>
NET ASSETS			
Without donor restrictions		355,451	303,757
With donor restrictions		<u>3,957,328</u>	<u>7,566,560</u>
Total net assets		<u>4,312,779</u>	<u>7,870,317</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 8,639,160</u>	<u>\$ 9,321,057</u>

See accompanying notes to financial statements.

ADVOCATES FOR YOUTH

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Individual contributions	\$ 164,916	\$ -	\$ 164,916	\$ 143,363
Foundation and corporate grants	-	3,795,645	3,795,645	7,873,576
Government grants	-	500,000	500,000	1,447,726
Publications and merchandise	8,596	-	8,596	8,233
Program service fees	101,514	-	101,514	207,628
Interest income and other	61,378	-	61,378	17,353
Net assets released from donor restrictions	<u>7,904,877</u>	<u>(7,904,877)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>8,241,281</u>	<u>(3,609,232)</u>	<u>4,632,049</u>	<u>9,697,879</u>
EXPENSES				
Program Services:				
Youth Empowerment	1,974,396	-	1,974,396	1,801,889
Public Affairs	969,237	-	969,237	980,136
International Programs	374,974	-	374,974	364,789
Education and Outreach	1,700,965	-	1,700,965	1,523,227
HIV/AIDS Education	948,923	-	948,923	1,113,265
Adolescent Sexual Health Services	862,277	-	862,277	727,941
Public Information Services	<u>3,307</u>	<u>-</u>	<u>3,307</u>	<u>11,753</u>
Total program services	<u>6,834,079</u>	<u>-</u>	<u>6,834,079</u>	<u>6,523,000</u>
Supporting Services:				
Management and General	924,014	-	924,014	890,327
Fundraising	<u>431,494</u>	<u>-</u>	<u>431,494</u>	<u>388,014</u>
Total supporting services	<u>1,355,508</u>	<u>-</u>	<u>1,355,508</u>	<u>1,278,341</u>
Total expenses	<u>8,189,587</u>	<u>-</u>	<u>8,189,587</u>	<u>7,801,341</u>
Change in net assets	51,694	(3,609,232)	(3,557,538)	1,896,538
Net assets at beginning of year	<u>303,757</u>	<u>7,566,560</u>	<u>7,870,317</u>	<u>5,973,779</u>
NET ASSETS AT END OF YEAR	<u>\$ 355,451</u>	<u>\$ 3,957,328</u>	<u>\$ 4,312,779</u>	<u>\$ 7,870,317</u>

ADVOCATES FOR YOUTH

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019				
	Program Services				
	Youth Empowerment	Public Affairs	International Programs	Education and Outreach	HIV/AIDS Education
Salaries	\$ 755,154	\$ 488,868	\$ 137,548	\$ 337,618	\$ 460,315
Payroll taxes and employee benefits	157,468	101,941	27,869	70,402	87,535
Printing and duplicating	19,118	977	7,434	2,976	450
Legal and accounting	508	-	-	648	24
Rent	99,186	64,084	17,950	30,007	37,763
Insurance	-	-	-	-	-
Depreciation and amortization	7,367	8,901	(400)	771	3,220
Telephone and fax	8,065	7,920	2,046	4,045	5,591
Other travel	187,204	27,061	24,940	33,586	19,650
Professional and consulting	191,981	51,317	22,469	1,001,115	226,327
Postage and mailings	6,809	30	2,410	5,499	1,835
Equipment rental, repair and maintenance	3,399	2,210	619	1,520	2,072
Office supplies and expense	1,417	(460)	130	9,135	2,252
Dues and publications	2,426	62,530	-	165	-
Meetings and conferences	142,088	24,433	17,894	50,344	14,273
Advertising	59,273	417	-	40,489	9,143
Bank fees	74	6	505	102	-
Non-capitalized equipment	-	4,386	-	578	840
Contributions	7,165	10,000	-	-	1,500
Seed grants	120,400	50,000	68,437	45,000	-
Staff development	2,500	-	-	-	-
Staff travel	86,169	30,040	29,575	38,612	57,142
Temporary personnel and intern stipends	74,012	12,425	14,701	4,506	1,080
Training materials	22,400	1,401	401	13,390	1,588
Computer services	6,747	13,208	412	1,173	1,362
Public relations	522	282	14	212	48
Miscellaneous	-	-	-	-	-
Special events	6,636	680	-	-	731
Registration fees	6,308	6,580	20	9,072	14,182
TOTAL	\$ 1,974,396	\$ 969,237	\$ 374,974	\$ 1,700,965	\$ 948,923

							2018
<u>Supporting Services</u>							
<u>Adolescent</u>							
<u>Sexual</u>	<u>Public</u>	<u>Total</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
<u>Health</u>	<u>Information</u>	<u>Program</u>	<u>and General</u>		<u>Supporting</u>	<u>Expenses</u>	<u>Expenses</u>
<u>Services</u>	<u>Services</u>	<u>Services</u>			<u>Services</u>		
\$ 271,050	\$ 1,110	\$ 2,451,663	\$ 362,686	\$ 271,315	\$ 634,001	\$ 3,085,664	\$ 2,896,593
56,521	232	501,968	9,044	56,576	65,620	567,588	558,762
1,128	4,539	36,622	9,183	7,103	16,286	52,908	52,641
108	-	1,288	60,304	-	60,304	61,592	56,349
35,290	140	284,420	288,555	35,140	323,695	608,115	557,544
-	-	-	12,232	-	12,232	12,232	14,836
4,837	5	24,701	-	5,003	5,003	29,704	34,348
4,180	29	31,876	24,041	1,400	25,441	57,317	59,153
6,506	4	298,951	2,845	1,024	3,869	302,820	395,671
136,133	931	1,630,273	52,179	22,339	74,518	1,704,791	1,520,862
841	1,004	18,428	4,790	3,893	8,683	27,111	27,931
1,220	5	11,045	2,699	1,221	3,920	14,965	19,417
281	-	12,755	10,366	40	10,406	23,161	22,135
1,340	-	66,461	2,006	1,704	3,710	70,171	77,549
8,508	3	257,543	12,506	1,169	13,675	271,218	259,143
-	-	109,322	340	-	340	109,662	72,666
-	-	687	7,829	4,805	12,634	13,321	10,068
-	-	5,804	17,815	-	17,815	23,619	12,561
-	-	18,665	5,023	-	5,023	23,688	36,803
317,500	-	601,337	-	-	-	601,337	639,621
-	-	2,500	-	-	-	2,500	5,000
10,837	144	252,519	9,165	5,208	14,373	266,892	181,934
1,311	-	108,035	178	1,600	1,778	109,813	71,055
578	(5,190)	34,568	(9)	3	(6)	34,562	91,203
802	351	24,055	13,078	5,603	18,681	42,736	34,700
87	-	1,165	10,779	29	10,808	11,973	12,532
-	-	-	-	-	-	-	14,902
-	-	8,047	3,115	-	3,115	11,162	9,398
3,219	-	39,381	3,265	6,319	9,584	48,965	55,964
<u>\$ 862,277</u>	<u>\$ 3,307</u>	<u>\$ 6,834,079</u>	<u>\$ 924,014</u>	<u>\$ 431,494</u>	<u>\$ 1,355,508</u>	<u>\$ 8,189,587</u>	<u>\$ 7,801,341</u>

ADVOCATES FOR YOUTH

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,557,538)	\$ 1,896,538
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	29,704	34,349
Loss on retirement of assets	637,043	-
(Increase) decrease in:		
Accounts receivable	(39,341)	5,589
Grants receivable	3,138,423	(1,359,728)
Inventory	(5,191)	2,207
Prepaid expenses and other assets	63,565	(12,579)
Deposits	42,356	-
Right of use asset	(3,217,393)	-
(Decrease) increase in:		
Accounts payable	(52,765)	22,050
Accrued expenses	4,882	10,079
Deferred rent	(219,527)	107,512
Tenant improvement allowance	(706,158)	(28,962)
Refundable advance	47,738	-
Operating lease liability	<u>3,801,471</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(32,731)</u>	<u>677,055</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>(7,125)</u>	<u>(163,262)</u>
Net cash used by investing activities	<u>(7,125)</u>	<u>(163,262)</u>
Net (decrease) increase in cash and cash equivalents	(39,856)	513,793
Cash and cash equivalents at beginning of year	<u>2,993,116</u>	<u>2,479,323</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,953,260</u>	<u>\$ 2,993,116</u>
SUPPLEMENTAL INFORMATION:		
Sale of Donated Stock	<u>\$ -</u>	<u>\$ 1,851,756</u>
Landlord Provided Improvement Allowance	<u>\$ -</u>	<u>\$ 735,120</u>

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2019

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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended March 31, 2019 and applied retrospectively.

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, 2018, 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. 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. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount paid was \$500 and it is recorded in employee taxes and benefits. Advocates is not a private foundation.

Uncertain tax positions -

For the year ended March 31, 2019, 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.

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2019

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

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.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) 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 (or certain grantors) 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.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with 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 funding received in advance of incurring the related expenses is recorded as "net assets with donor restrictions".

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

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2019

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

Contributions and grants (continued) -

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.

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, 2019, advertising expense totaled \$109,662.

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 the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of March 31, 2018 as unrestricted net assets in the amount of \$303,757 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$7,566,560 are now classified as "net assets with donor restrictions".

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance.

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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

New accounting pronouncements (not yet adopted) (continued) -

The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. Advocates has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

Advocates plans to adopt the new ASUs at the respective required implementation dates.

2. **NET ASSETS WITH DONOR RESTRICTIONS**

As of March 31, 2019, the net assets with donor restrictions balance consisted of the following:

Program Services:	
Youth Empowerment	\$ 1,127,158
Adolescent Sexual Health Services	457,687
Public Affairs	23,500
HIV/AIDS Education	858,269
International Programs	387,410
Education and Outreach	<u>561,661</u>
Total program services	3,415,685
Restricted for time: General operations	<u>541,643</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 3,957,328</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	\$ 1,962,583
Adolescent Sexual Health Services	957,080
Public Affairs	100,000
HIV/AIDS Education	1,104,830
International Programs	358,844
Education and Outreach	<u>1,709,423</u>
Total program services	6,192,760
Passage of time: General operations	<u>1,712,117</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 7,904,877</u>

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

3. NET ASSETS RELEASED FROM RESTRICTIONS (Continued)

Included in the released amounts are amounts spent with United States Government funds in the amount of \$916,825.

4. COMMITMENTS - OPERATING LEASES

Advocates was under a fifteen year lease agreement for office space in Washington, D.C., which expired 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.

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.

During 2019, Advocates elected to early implement 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 the early adoption and implementation of the ASU using a prospective approach, Advocates recorded right-of-use asset of \$3,498,666, net of leasehold improvements of \$73,489 and operating lease liability of \$3,572,155 by calculating the net present value of the lease commitments using discount rate of 5%.

The right-of-use assets and operating lease liabilities are being amortized over the respective lives of the leases. As of March 31, 2019, the unamortized right-of-use assets was valued at \$3,217,393 and the unamortized operating lease liabilities were valued at \$3,801,471.

Rent and other operating costs included in rent expense for the year ended March 31, 2019 totaled \$608,115. Future minimum lease payments are as follows:

Year Ending March 31,

2020	\$ 446,234
2021	457,390
2022	468,825
2023	480,545
2024	492,559
2023 and Thereafter	<u>2,512,444</u>
	4,857,997
Less: Imputed interest	<u>(1,056,526)</u>
TOTAL OPERATING LEASE LIABILITY	<u>\$ 3,801,471</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.

ADVOCATES FOR YOUTH

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

5. PENSION PLAN (Continued)

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, 2019 totaled \$116,224, 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 2019. 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. 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, 2019:

Cash and cash equivalents	\$ 2,953,260
Accounts receivable	67,969
Grants receivable	<u>2,041,097</u>
Subtotal financial assets available within one year	5,062,326
Less: Donor restricted funds	<u>(3,415,685)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,646,641</u>

Advocates has a policy to structure its financial assets to be available and liquid as its obligations become due. As of March 31, 2019, Advocates has financial assets equal to approximately two months of operating expenses.

8. SUBSEQUENT EVENTS

In preparing these financial statements, Advocates has evaluated events and transactions for potential recognition or disclosure through October 23, 2019, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

ADVOCATES FOR YOUTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2019

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
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	\$ -	\$ 370,321
CBA to Promote School Centered HIV/STD Prevention for YMSM	93.079	N/A	N/A	-	118,784
National Partnership	93.079	N/A	N/A	<u>45,000</u>	<u>256,949</u>
Total U.S. Department of Health and Human Services - Centers for Disease Control and Prevention Direct Programs CFDA Number 93.079				<u>45,000</u>	<u>746,054</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>68,437</u>	<u>170,771</u>
Total U.S. Department of State Direct Programs CFDA Number 19.345				<u>-</u>	<u>170,771</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 113,437</u>	<u>\$ 916,825</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, 2019. 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 the 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, 2019

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, 2019**

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, 2019, and the related notes to the financial statements, which collectively comprise Advocates' basic financial statements, and have issued our report thereon dated October 23, 2019.

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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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".

October 23, 2019



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, 2019. 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 the 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 the 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, 2019.

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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.



October 23, 2019