



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED MARCH 31, 2020

ADVOCATES FOR YOUTH

CONTENTS

	PAGE NO.
I. Financial Section	
Financial Statements, for the Year Ended March 31, 2020, with Summarized Financial Information for 2019, Including the Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs	I-(1 - 19)
II. 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	II-(1 - 2)
III. Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by <i>Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i>	III-(1 - 2)

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED MARCH 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

ADVOCATES FOR YOUTH

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	I-(3 - 4)
EXHIBIT A - Statement of Financial Position, as of March 31, 2020, with Summarized Financial Information for 2019	I-5
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended March 31, 2020, with Summarized Financial Information for 2019	I-6
EXHIBIT C - Statement of Functional Expenses, for the Year Ended March 31, 2020, with Summarized Financial Information for 2019	I-(7 - 8)
EXHIBIT D - Statement of Cash Flows, for the Year Ended March 31, 2020, with Summarized Financial Information for 2019	I-9
NOTES TO FINANCIAL STATEMENTS	I-(10 - 16)
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Schedule of Expenditures of Federal Awards, for the Year Ended March 31, 2020	I-17
SCHEDULE 2 - Schedule of Findings and Questioned Costs, for the Year Ended March 31, 2020	I-(18 - 19)



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, 2020, 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRF CPA.COM

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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, 2020, 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' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2019, 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 November 6, 2020 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.



November 6, 2020

ADVOCATES FOR YOUTH
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,667,876	\$ 2,953,260
Accounts receivable	17,472	67,969
Grants receivable	2,393,978	1,340,313
Inventory	7,593	8,512
Prepaid expenses and other assets	<u>8,452</u>	<u>38,802</u>
Total current assets	<u>5,095,371</u>	<u>4,408,856</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>(70,490)</u>	<u>(39,363)</u>
Net fixed assets	<u>173,284</u>	<u>204,411</u>
OTHER ASSETS		
Grants receivable, net of current portion	1,767,367	-
Deposits	107,716	107,716
Right of use asset	<u>2,963,232</u>	<u>3,217,393</u>
Total other assets	<u>4,838,315</u>	<u>3,325,109</u>
TOTAL ASSETS	<u>\$ 10,106,970</u>	<u>\$ 7,938,376</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Operating lease payable	\$ 286,865	\$ 262,045
Accounts payable	269,207	297,301
Accrued expenses	189,163	179,872
Refundable advance	<u>22,378</u>	<u>47,738</u>
Total current liabilities	<u>767,613</u>	<u>786,956</u>
LONG-TERM LIABILITIES		
Operating lease payable, net of current portion	<u>3,252,561</u>	<u>3,539,426</u>
Total liabilities	<u>4,020,174</u>	<u>4,326,382</u>
NET ASSETS		
Without donor restrictions	365,996	355,451
With donor restrictions, as restated	<u>5,720,800</u>	<u>3,256,543</u>
Total net assets	<u>6,086,796</u>	<u>3,611,994</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,106,970</u>	<u>\$ 7,938,376</u>

See accompanying notes to financial statements.

ADVOCATES FOR YOUTH

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Individual contributions	\$ 217,957	\$ -	\$ 217,957	\$ 164,916
Foundation and corporate grants	-	8,725,304	8,725,304	3,795,645
Government grants	780,815	-	780,815	500,000
Publications and merchandise	15,022	-	15,022	8,596
Program service fees	229,669	-	229,669	101,514
Interest income and other	28,249	-	28,249	61,378
Net assets released from donor restrictions	<u>6,225,603</u>	<u>(6,261,047)</u>	<u>(35,444)</u>	<u>-</u>
Total revenue	<u>7,497,315</u>	<u>2,464,257</u>	<u>9,961,572</u>	<u>4,632,049</u>
EXPENSES				
Program Services:				
Youth Empowerment	1,821,703	-	1,821,703	1,974,396
Public Affairs	806,902	-	806,902	969,237
International Programs	441,980	-	441,980	374,974
Education and Outreach	1,610,339	-	1,610,339	1,700,965
HIV/AIDS Education	957,694	-	957,694	948,923
Adolescent Sexual Health Services	576,214	-	576,214	862,277
Public Information Services	<u>24,309</u>	<u>-</u>	<u>24,309</u>	<u>3,307</u>
Total program services	<u>6,239,141</u>	<u>-</u>	<u>6,239,141</u>	<u>6,834,079</u>
Supporting Services:				
Management and General	845,073	-	845,073	924,014
Fundraising	<u>402,556</u>	<u>-</u>	<u>402,556</u>	<u>431,494</u>
Total supporting services	<u>1,247,629</u>	<u>-</u>	<u>1,247,629</u>	<u>1,355,508</u>
Total expenses	<u>7,486,770</u>	<u>-</u>	<u>7,486,770</u>	<u>8,189,587</u>
Change in net assets	10,545	2,464,257	2,474,802	(3,557,538)
Net assets at beginning of year, as restated	<u>355,451</u>	<u>3,256,543</u>	<u>3,611,994</u>	<u>7,169,532</u>
NET ASSETS AT END OF YEAR	<u>\$ 365,996</u>	<u>\$ 5,720,800</u>	<u>\$ 6,086,796</u>	<u>\$ 3,611,994</u>

ADVOCATES FOR YOUTH

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020				
	Program Services				
	Youth Empowerment	Public Affairs	International Programs	Education and Outreach	HIV/AIDS Education
Salaries	\$ 728,031	\$ 351,155	\$ 163,824	\$ 360,076	\$ 553,808
Payroll taxes and employee benefits	141,128	68,072	31,016	69,801	100,530
Printing and duplicating	2,414	3,131	40	2,756	3,594
Legal and accounting	-	-	-	1,745	-
Rent	106,824	52,076	23,849	34,591	60,241
Insurance	-	-	-	-	-
Depreciation and amortization	11,971	5,788	2,030	1,633	3,197
Telephone and fax	3,684	3,668	1,087	3,479	3,715
Other travel	173,315	19,958	56,613	80,969	8,769
Professional and consulting	218,374	24,569	54,531	825,295	128,220
Postage and mailings	5,680	1,601	81	7,443	932
Equipment rental, repair and maintenance	3,326	1,606	731	1,606	2,470
Office supplies and expense	402	1,156	45	1,082	332
Dues and publications	18,374	44,166	85	1,038	566
Meetings and conferences	165,230	23,140	8,901	78,655	14,235
Advertising	4,322	77,747	92	49,155	4,424
Bank fees	228	7	88	262	-
Non-capitalized equipment	-	1,734	103	3,265	935
Contributions	3,010	5,477	223	-	752
Seed grants	44,000	50,000	66,730	489	37,050
Staff development	-	-	-	-	-
Staff travel	53,494	19,840	14,619	38,583	22,712
Temporary personnel and intern stipends	70,891	18,567	15,724	14,346	636
Training materials	47,463	20,330	677	31,340	1,668
Computer services	10,349	10,226	639	1,375	1,753
Public relations	247	428	245	24	37
Special events	196	50	7	16	104
Registration fees	8,750	2,410	-	1,315	7,014
TOTAL	\$ 1,821,703	\$ 806,902	\$ 441,980	\$ 1,610,339	\$ 957,694

								2019
<u>Supporting Services</u>								
Adolescent Sexual Health Services	Public Information Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
\$ 245,319	\$ 2,472	\$ 2,404,685	\$ 417,324	\$ 270,309	\$ 687,633	\$ 3,092,318	\$ 3,085,664	
47,556	479	458,582	79,807	48,974	128,781	587,363	567,588	
55	18,709	30,699	16,898	3,862	20,760	51,459	52,908	
-	-	1,745	69,402	-	69,402	71,147	61,592	
35,829	357	313,767	102,383	39,486	141,869	455,636	608,115	
-	-	-	11,989	-	11,989	11,989	12,232	
568	6	25,193	1,474	4,460	5,934	31,127	29,704	
1,715	9	17,357	17,395	1,201	18,596	35,953	57,317	
6,594	7	346,225	1,799	763	2,562	348,787	302,820	
118,526	38	1,369,553	53,626	4,036	57,662	1,427,215	1,704,791	
77	875	16,689	1,110	3,346	4,456	21,145	27,111	
1,094	11	10,844	2,840	1,205	4,045	14,889	14,965	
565	-	3,582	9,619	55	9,674	13,256	23,161	
527	16	64,772	1,311	1,864	3,175	67,947	70,171	
3,573	5	293,739	7,882	995	8,877	302,616	271,218	
-	-	135,740	-	-	-	135,740	109,662	
-	-	585	11,261	2,013	13,274	13,859	13,321	
-	-	6,037	19,761	-	19,761	25,798	23,619	
333	-	9,795	867	250	1,117	10,912	23,688	
103,500	3	301,772	-	-	-	301,772	601,337	
-	-	-	-	-	-	-	2,500	
6,427	-	155,675	3,354	6,389	9,743	165,418	266,892	
970	-	121,134	250	-	250	121,384	109,813	
843	919	103,240	1,412	-	1,412	104,652	34,562	
1,441	385	26,168	2,014	5,800	7,814	33,982	42,736	
16	-	997	10,598	18	10,616	11,613	11,973	
11	-	384	145	3,437	3,582	3,966	11,162	
675	18	20,182	552	4,093	4,645	24,827	48,965	
\$ 576,214	\$ 24,309	\$ 6,239,141	\$ 845,073	\$ 402,556	\$ 1,247,629	\$ 7,486,770	\$ 8,189,587	

ADVOCATES FOR YOUTH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,474,802	\$ (3,557,538)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	31,127	29,704
Loss on retirement of assets	-	637,043
Net change in right of use asset and operating lease payable	(7,884)	584,078
Decrease (increase) in:		
Accounts receivable	50,497	(39,341)
Grants receivable	(2,821,032)	3,138,423
Inventory	919	(5,191)
Prepaid expenses and other assets	30,350	63,565
Deposits	-	42,356
(Decrease) increase in:		
Accounts payable	(28,094)	(52,765)
Accrued expenses	9,291	4,882
Deferred rent	-	(219,527)
Tenant improvement allowance	-	(706,158)
Refundable advance	<u>(25,360)</u>	<u>47,738</u>
Net cash used by operating activities	<u>(285,384)</u>	<u>(32,731)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>-</u>	<u>(7,125)</u>
Net cash used by investing activities	<u>-</u>	<u>(7,125)</u>
Net decrease in cash and cash equivalents	(285,384)	(39,856)
Cash and cash equivalents at beginning of year	<u>2,953,260</u>	<u>2,993,116</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,667,876</u>	<u>\$ 2,953,260</u>

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

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, 2019, from which the summarized information was derived.

New accounting pronouncement adopted -

During 2019, Advocates adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. Advocates adopted the ASU using a modified prospective basis. As a result of the adoption, amounts previously identified as unconditional in the amount of \$700,787 have been removed from the March 31, 2019 balance.

ADVOCATES FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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

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. Advocates is not a private foundation.

Uncertain tax positions -

For the year ended March 31, 2020, 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, grants and contracts -

The majority of Advocates' revenue is received through contributions as well as grants from the U.S. Government, international organizations 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 and contracts 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, 2020

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

Contributions, grants and contracts (continued) -

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants and contracts 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 and contract 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.

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, 2020, advertising expense totaled \$135,740.

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.

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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

New accounting pronouncement (not yet adopted) -

FASB issued 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. During 2020, the FASB delayed the implementation date under ASU 2020-05 for an additional year. Organizations may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019 and for interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is still permitted.

Advocates plans to adopt the new ASU at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. NET ASSETS WITH DONOR RESTRICTIONS

As of March 31, 2020, the net assets with donor restrictions consisted of the following:

Program Services:	
Youth Empowerment	\$ 1,593,913
Adolescent Sexual Health Services	13,360
Public Affairs	56,770
HIV/AIDS Education	62,546
International Programs	47,299
Education and Outreach	253,939
Communication	335,477
Development	<u>384,934</u>
Total program services	2,748,238
Restricted for time: General operations	<u>2,972,562</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 5,720,800</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	\$ 1,667,806
Adolescent Sexual Health Services	479,327
Public Affairs	78,168
HIV/AIDS Education	441,290
International Programs	146,472
Education and Outreach	1,506,042
Communication	<u>214,035</u>
Total program services	4,533,140
Passage of time: General operations	<u>1,727,907</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 6,261,047</u>

ADVOCATES FOR YOUTH

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

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, 2020:

Cash and cash equivalents	\$ 2,667,876
Accounts receivable	17,472
Grants receivable	<u>2,393,978</u>
Subtotal financial assets available within one year	5,079,326
Less: Donor restricted funds	<u>(2,748,238)</u>
 FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	 <u>\$ 2,331,088</u>

Advocates has a policy to structure its financial assets to be available and liquid as its obligations become due. As of March 31, 2020, Advocates has financial assets equal to approximately one 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 of \$73,489 and operating lease liability of \$4,120,543 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, 2020, the unamortized right-of-use asset was valued at \$2,963,232 and the unamortized operating lease liability were valued at \$3,539,426.

Rent and other operating costs included in rent expense for the year ended March 31, 2020 totaled \$455,636. Future minimum lease payments are as follows:

<u>Year Ending March 31,</u>	
2021	\$ 457,390
2022	468,825
2023	480,545
2024	492,559
2025	504,873
2026 and Thereafter	<u>2,007,570</u>
	4,411,762
Less: Imputed interest	<u>(872,336)</u>
TOTAL OPERATING LEASE LIABILITY	<u>\$ 3,539,426</u>

ADVOCATES FOR YOUTH

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

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, 2020 totaled \$116,285, 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 2020. 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, 2020, contributors to Advocates have made unconditional written promises to give, of which \$4,120,543, remained due and outstanding. 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, 2020:

Less than one year	\$ 2,393,978
One to five years	<u>1,830,000</u>
Total	4,223,978
Less: Allowance to discount balance to present value	<u>(62,633)</u>
NET RECEIVABLES	<u>\$ 4,161,345</u>

9. SUBSEQUENT EVENTS

In preparing these financial statements, Advocates has evaluated events and transactions for potential recognition or disclosure through November 6, 2020, the date the financial statements were issued.

ADVOCATES FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

9. SUBSEQUENT EVENTS (Continued)

On April 17, 2020, Advocates entered into a seventeen month promissory note agreement in the amount of \$551,543 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.

SUPPLEMENTAL INFORMATION

ADVOCATES FOR YOUTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2020

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	\$ 20,000	\$ 298,014
CBA to Promote School Centered HIV/STD Prevention for YMSM	93.079	N/A	N/A	<u>12,050</u>	<u>318,819</u>
Total U.S. Department of Health and Human Services - Centers for Disease Control and Prevention Direct Programs CFDA Number 93.079				<u>32,050</u>	<u>616,833</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>66,730</u>	<u>163,982</u>
Total U.S. Department of State Direct Programs CFDA Number 19.345				<u>66,730</u>	<u>163,982</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 98,780</u>	<u>\$ 780,815</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, 2020. 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, 2020

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>
Protection from the Ground Up: Strengthening LGBTI* Organizations in Pakistan and Mobilizing Allies	19.345

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, 2020**

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, 2020, and the related notes to the financial statements, which collectively comprise Advocates' basic financial statements, and have issued our report thereon dated November 6, 2020.

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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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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".

November 6, 2020



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, 2020. 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, 2020.

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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.



November 6, 2020