

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED MARCH 31, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

ADVOCATES FOR YOUTH

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Advocates for Youth (Advocates), which comprise the statement of financial position as of March 31, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates as of March 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Advocates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Advocates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Advocates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Advocates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Advocates' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023, on our consideration of Advocates's 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 solely 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 the effectiveness of Advocates's 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's internal control over financial reporting and compliance.



October 13, 2023

ADVOCATES FOR YOUTH
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

ASSETS			
		<u>2023</u>	<u>2022</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	6,062,347	\$ 5,647,153
Cash held for others		114,420	113,692
Accounts receivable		39,077	29,621
Grants receivable		1,452,408	1,607,652
Inventory		4,365	9,654
Prepaid expenses and other assets		<u>69,027</u>	<u>82,815</u>
Total current assets		<u>7,741,644</u>	<u>7,490,587</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>(163,872)</u>	<u>(132,745)</u>
Net fixed assets		<u>79,902</u>	<u>111,029</u>
OTHER ASSETS			
Grants receivable, net		771,605	1,820,656
Deposits		107,716	107,716
Right-of-use asset, net		<u>2,113,577</u>	<u>2,412,640</u>
Total other assets		<u>2,992,898</u>	<u>4,341,012</u>
TOTAL ASSETS	\$	<u>10,814,444</u>	<u>11,942,628</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Operating lease liability	\$	371,008	\$ 341,257
Accounts payable		410,246	360,833
Accrued expenses		282,247	231,234
Fiscal sponsorship payable		35,958	19,793
Refundable advance		<u>176,932</u>	<u>165,713</u>
Total current liabilities		<u>1,276,391</u>	<u>1,118,830</u>
LONG-TERM LIABILITIES			
Operating lease liability, net of current portion		<u>2,227,057</u>	<u>2,598,064</u>
Total liabilities		<u>3,503,448</u>	<u>3,716,894</u>
NET ASSETS			
Without donor restrictions		1,093,674	865,452
With donor restrictions		<u>6,217,322</u>	<u>7,360,282</u>
Total net assets		<u>7,310,996</u>	<u>8,225,734</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>10,814,444</u>	<u>11,942,628</u>

See accompanying notes to financial statements.

ADVOCATES FOR YOUTH

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Individual contributions	\$ 226,951	\$ -	\$ 226,951	\$ 244,933
Foundation and corporate grants	-	6,861,849	6,861,849	8,398,648
Government grants	958,741	-	958,741	842,565
Program service fees	373,274	-	373,274	319,055
Interest, publications and other	81,784	-	81,784	20,741
Net assets released from donor restrictions	<u>8,004,809</u>	<u>(8,004,809)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>9,645,559</u>	<u>(1,142,960)</u>	<u>8,502,599</u>	<u>9,825,942</u>
EXPENSES				
Program Services:				
Youth Empowerment	2,010,512	-	2,010,512	1,672,666
Public Affairs	1,348,673	-	1,348,673	1,352,149
International Programs	48,594	-	48,594	71,716
Education and Outreach	3,043,771	-	3,043,771	2,091,459
HIV/AIDS Education	1,316,884	-	1,316,884	977,738
Adolescent Sexual Health Services	227,943	-	227,943	377,902
Public Information Services	<u>2,129</u>	<u>-</u>	<u>2,129</u>	<u>2,312</u>
Total program services	<u>7,998,506</u>	<u>-</u>	<u>7,998,506</u>	<u>6,545,942</u>
Supporting Services:				
Management and General	909,142	-	909,142	858,890
Fundraising	<u>509,689</u>	<u>-</u>	<u>509,689</u>	<u>440,481</u>
Total supporting services	<u>1,418,831</u>	<u>-</u>	<u>1,418,831</u>	<u>1,299,371</u>
Total expenses	<u>9,417,337</u>	<u>-</u>	<u>9,417,337</u>	<u>7,845,313</u>
Change in net assets	228,222	(1,142,960)	(914,738)	1,980,629
Net assets at beginning of year	<u>865,452</u>	<u>7,360,282</u>	<u>8,225,734</u>	<u>6,245,105</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,093,674</u>	<u>\$ 6,217,322</u>	<u>\$ 7,310,996</u>	<u>\$ 8,225,734</u>

ADVOCATES FOR YOUTH

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023							
	Program Services							
	Youth Empowerment	Public Affairs	International Programs	Education and Outreach	HIV/AIDS Education	Adolescent Sexual Health Services	Public Information Services	Total Program Services
Salaries	\$ 888,148	\$ 689,982	\$ 26,402	\$ 1,003,643	\$ 646,471	\$ 152,270	-	\$ 3,406,916
Professional and consulting	139,946	183,039	474	1,386,742	335,816	8,574	-	2,054,591
Payroll taxes and employee benefits	177,222	137,902	5,268	200,268	118,759	30,384	-	669,803
Lease expense	95,562	73,730	2,817	107,072	65,268	16,245	-	360,694
Temporary help and intern stipends	201,225	42,411	1,218	22,464	7,441	8,731	-	283,490
Meetings and conferences	159,653	9,001	382	40,459	11,713	1,499	-	222,707
Other travel	156,202	16,721	4,081	27,726	33,625	580	21	238,956
Travel - Staff	81,789	29,534	6,172	53,256	46,642	3,047	-	220,440
Seed grants, net of refunds	15,000	22,000	-	66,603	34,305	-	-	137,908
Legal and accounting	415	537	20	1,408	12	4	32	2,428
Dues and publications	4,158	71,529	258	12,867	288	1,624	-	90,724
Advertising	5,265	11,617	-	55,713	-	-	-	72,595
Training materials	39,880	11,155	68	16,153	1,179	-	-	68,435
Telephone and fax	5,045	3,892	133	7,966	4,154	778	-	21,968
Computer services	3,432	16,224	75	8,677	1,869	1,162	319	31,758
Staff Development	4,988	4,355	450	11,270	1,000	-	-	22,063
Depreciation and amortization	8,927	6,632	181	1,170	1,093	2,034	-	20,037
Registration Fees	6,318	1,788	450	3,888	4,553	-	-	16,997
Public Relations	1,720	2,737	4	1,986	88	21	1,131	7,687
Non-capitalized equipment	-	-	-	7,379	83	-	-	7,462
Postage and mailings	4,436	6,886	-	1,749	19	41	-	13,131
Printing and duplicating	6,190	325	37	201	111	159	626	7,649
Insurance	57	-	-	-	-	-	-	57
Equipment rental, repair and maintenance	1,519	1,099	42	1,599	1,030	243	-	5,532
Office Supplies and Expense	582	1,627	32	2,219	158	374	-	4,992
Contributions	2,229	3,950	30	1,139	733	173	-	8,254
Special Events	604	-	-	-	474	-	-	1,078
Miscellaneous	-	-	-	154	-	-	-	154
Bank fees	-	-	-	-	-	-	-	-
TOTAL	\$ 2,010,512	\$ 1,348,673	\$ 48,594	\$ 3,043,771	\$ 1,316,884	\$ 227,943	\$ 2,129	\$ 7,998,506

See accompanying notes to financial statements.

ADVOCATES FOR YOUTH

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023			2022	
	Supporting Services				
	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 491,187	\$ 345,700	\$ 836,887	\$ 4,243,803	\$ 3,677,487
Professional and consulting	19,767	11,112	30,879	2,085,470	1,702,539
Payroll taxes and employee benefits	86,627	68,981	155,608	825,411	716,092
Lease expense	52,230	36,880	89,110	449,804	454,657
Temporary help and intern stipends	41	3,647	3,688	287,178	266,388
Meetings and conferences	18,117	3,996	22,113	244,820	85,448
Other travel	2,865	1,317	4,182	243,138	566
Travel - Staff	5,118	5,243	10,361	230,801	12,170
Seed grants, net of refunds	-	-	-	137,908	157,599
Legal and accounting	115,124	2,653	117,777	120,205	92,655
Dues and publications	7,585	3,340	10,925	101,649	102,198
Advertising	3,244	-	3,244	75,839	190,883
Training materials	242	-	242	68,677	80,632
Telephone and fax	16,785	1,671	18,456	40,424	38,930
Computer services	1,937	5,128	7,065	38,823	34,932
Staff Development	15,164	-	15,164	37,227	15,796
Depreciation and amortization	7,067	4,023	11,090	31,127	31,127
Registration Fees	560	6,200	6,760	23,757	17,061
Public Relations	13,901	323	14,224	21,911	22,124
Non-capitalized equipment	12,257	-	12,257	19,719	21,249
Postage and mailings	3,540	2,655	6,195	19,326	12,852
Printing and duplicating	4,264	5,866	10,130	17,779	11,813
Insurance	17,264	-	17,264	17,321	16,429
Equipment rental, repair and maintenance	6,626	551	7,177	12,709	12,356
Office Supplies and Expense	6,591	11	6,602	11,594	9,214
Contributions	774	392	1,166	9,420	11,110
Special Events	-	-	-	1,078	1,845
Miscellaneous	265	-	265	419	31,869
Bank fees	-	-	-	-	17,292
TOTAL	\$ 909,142	\$ 509,689	\$ 1,418,831	\$ 9,417,337	\$ 7,845,313

See accompanying notes to financial statements.

ADVOCATES FOR YOUTH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (914,738)	\$ 1,980,629
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,127	31,127
Amortization of right-of-use asset	299,063	282,766
Discount on grants receivable	52,384	-
(Increase) decrease in:		
Accounts receivable	(9,456)	32,622
Grants receivable	1,151,911	(1,200,552)
Inventory	5,289	(1,554)
Prepaid expenses and other assets	13,788	6,698
(Decrease) increase in:		
Operating lease liability	(341,256)	(313,239)
Accounts payable	49,413	233,656
Accrued expenses	51,013	8,571
Fiscal sponsorship payable	16,165	(256,924)
Refundable advance	<u>11,219</u>	<u>(27,649)</u>
Net cash provided by operating activities	<u>415,922</u>	<u>776,151</u>
Net increase in cash and cash equivalents	415,922	776,151
Cash and cash equivalents at beginning of year	<u>5,760,845</u>	<u>4,984,694</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING CASH HELD FOR OTHERS	<u>\$ 6,176,767</u>	<u>\$ 5,760,845</u>

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023

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, 2022, 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.

Additionally, during the year ended March 31, 2023, Advocates received funds on behalf of another organization to facilitate programmatic work. These funds will be distributed to another organization within one year and are considered restricted cash and cash equivalents.

ADVOCATES FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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

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, 2023, Advocates has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

Inventory consists of publications and other merchandise and is measured at the lower of cost and net realizable value under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

Accounts and grants receivable -

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

Contributions and grants -

Advocates receives contributions, including unconditional promises to give, from many sources as well as grants from the U.S. Government, 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 or grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

ADVOCATES FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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

Contributions and grants (continued) -

Contributions and grants 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 awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional.

Funds received in advance of the incurrence of qualifying expenditures are recorded as deferred revenue unless they are from the United States Government which is then recorded as a refundable advance. For contributions and grants treated as contributions, Advocates had approximately \$408,230 in unrecognized conditional awards as of March 31, 2023.

Program service fees -

Contracts and program revenue classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers*, are recorded as revenue when performance obligations are met. Advocates has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

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, 2023, advertising expense totaled \$75,839.

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023

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

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for Advocates for the year ending March 31, 2024 but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

Advocates plans to adopt the new ASU at the required implementation date 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, 2023, the net assets with donor restrictions consisted of the following:

Program Services:	
Development	\$ 3,517,163
HIV/AIDS Education	998,926
Youth Empowerment	931,228
Education and Outreach	517,932
Communication	250,046
Adolescent Sexual Health Services	<u>2,027</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 6,217,322</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:	
Development	\$ 3,654,766
Education and Outreach	2,368,253
Youth Empowerment	924,384
Communication	500,486
HIV/AIDS Education	500,379
Public Affairs	55,750
Adolescent Sexual Health Services	<u>791</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 8,004,809</u>

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023

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, 2023:

Cash and cash equivalents	\$ 6,062,347
Accounts receivable	39,077
Grants receivable	<u>2,224,013</u>
Subtotal financial assets available within one year	8,325,437
Less: Donor restricted funds	<u>(6,217,322)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 2,108,115**

Advocates has a policy to structure its financial assets to be available and liquid as its obligations become due. As of March 31, 2023, Advocates has financial assets equal to approximately two month of operating expenses.

5. COMMITMENTS - OPERATING LEASES

On February 2, 2017, Advocates signed an eleven year lease agreement for office space in Washington, D.C. The lease commenced on November 1, 2017 and expires on December 31, 2028. Base rent under the lease agreement is \$35,905 per month, adjusted annually by an increase of 2.5% and a pro-rata increase in real estate taxes. The office lease provides for free rent for the first fourteen months of the lease term. The lease also requires a \$107,716 security deposit. Advocates received a tenant improvement allowance of \$735,120 as part of the lease agreement.

Advocates implemented Financial Accounting Standards Board (FASB) *Accounting Standards Update* (ASU) 2016-02 related to leases. ASU 2016-02 requires the recognition of a right-of-use asset and corresponding lease liability, initially measured at the present value of the lease payments. Accordingly, with adoption and implementation of the ASU using a prospective approach, Advocates recorded a right-of-use asset of \$3,498,666, net of leasehold improvements allowance of \$73,489. Advocates recorded the offsetting operating lease liability of \$2,285,741 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, 2023, the unamortized right-of-use asset was valued at \$2,113,577 and the unamortized operating lease liability were valued at \$2,598,065. As of 2023, the weighted-average remaining lease term and rate for the financing lease is years and 5%.

Rent and other operating costs included in lease expense for the year ended March 31, 2023 totaled \$449,805. Future minimum lease payments are as follows:

Year Ending March 31,

2024	\$ 492,559
2025	504,873
2026	517,495
2027	530,432
2028	543,693
Thereafter	415,953
Less: Imputed interest	(406,940)
Less: Current portion	<u>(371,008)</u>

LONG-TERM PORTION **\$ 2,227,057**

ADVOCATES FOR YOUTH

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023

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, 2023 totaled \$158,945, 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 (Uniform Guidance)*. 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 2023. 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, 2023, contributors to Advocates have made unconditional written promises to give totaling \$2,285,741. 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, 2023:

Less than one year	\$ 1,452,408
One to five years	<u>833,333</u>
Total	2,285,741
Less: Allowance to discount balance to present value	<u>(61,728)</u>
NET GRANTS RECEIVABLE	<u>\$ 2,224,013</u>

9. SUBSEQUENT EVENTS

In preparing these financial statements, Advocates has evaluated events and transactions for potential recognition or disclosure through October 13, 2023, the date the financial statements were issued.