

Supporting and Mentoring Youth Advocates and Leaders

Financial Statements
and Independent Auditors' Report

December 31, 2018 and 2017

Supporting and Mentoring Youth Advocates and Leaders

Financial Statements
December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Supporting and Mentoring Youth Advocates and Leaders

We have audited the accompanying financial statements of the Sexual Minority Youth Assistance League, doing business as Supporting and Mentoring Youth Advocates and Leaders (SMYAL), which comprise the statements of financial position as of December 31, 2018 and 2017; the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SMYAL as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia
August 16, 2019

Supporting and Mentoring Youth Advocates and Leaders

Statements of Financial Position December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 466,069	\$ 279,139
Grants receivable	132,148	123,841
Deposits	9,200	9,200
Intangible assets, net	12,500	-
Property and equipment, net	205,709	220,396
Total assets	<u>\$ 825,626</u>	<u>\$ 632,576</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 48,558	\$ 36,122
Mortgage payable, net	172,054	187,801
Total liabilities	<u>220,612</u>	<u>223,923</u>
Net Assets		
Without donor restrictions:		
Undesignated	498,170	301,809
Board-designated – operating reserve	106,844	106,844
Total net assets	<u>605,014</u>	<u>408,653</u>
Total liabilities and net assets	<u>\$ 825,626</u>	<u>\$ 632,576</u>

Supporting and Mentoring Youth Advocates and Leaders

Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Special events:			
Special event revenue	\$ 472,819	\$ -	\$ 472,819
Less: costs of direct benefit to donors	(129,236)	-	(129,236)
Net revenue from special events	343,583	-	343,583
Contributions	565,844	42,400	608,244
Government grants	-	568,026	568,026
Miscellaneous income	8,650	-	8,650
Interest income	619	-	619
Net assets released from restrictions	610,426	(610,426)	-
Total revenue and support	1,529,122	-	1,529,122
Expenses			
Program services:			
Health and wellness	247,298	-	247,298
Community education	187,449	-	187,449
Youth leadership development	176,352	-	176,352
Transitional housing	461,088	-	461,088
Total program services	1,072,187	-	1,072,187
Supporting services:			
General and administrative	174,190	-	174,190
Fundraising	86,384	-	86,384
Total supporting services	260,574	-	260,574
Total expenses	1,332,761	-	1,332,761
Change in Net Assets	196,361	-	196,361
Net Assets, beginning of year	408,653	-	408,653
Net Assets, end of year	\$ 605,014	\$ -	\$ 605,014

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Statement of Activities
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Special events:			
Special event revenue	\$ 355,488	\$ -	\$ 355,488
Less: costs of direct benefit to donors	(95,150)	-	(95,150)
Net revenue from special events	260,338	-	260,338
Contributions	370,200	4,620	374,820
Government grants	-	511,119	511,119
Miscellaneous income	7,084	-	7,084
Interest income	734	-	734
Net assets released from restrictions	522,558	(522,558)	-
 Total revenue and support	 1,160,914	 (6,819)	 1,154,095
 Expenses			
Program services:			
Health and wellness	222,089	-	222,089
Community education	211,691	-	211,691
Youth leadership development	235,161	-	235,161
Transitional housing	365,282	-	365,282
 Total program services	 1,034,223	 -	 1,034,223
Supporting services:			
General and administrative	69,923	-	69,923
Fundraising	59,448	-	59,448
 Total supporting services	 129,371	 -	 129,371
 Total expenses	 1,163,594	 -	 1,163,594
 Change in Net Assets	 (2,680)	 (6,819)	 (9,499)
 Net Assets, beginning of year	 411,333	 6,819	 418,152
 Net Assets, end of year	 \$ 408,653	 \$ -	 \$ 408,653

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Health and Wellness	Community Education	Youth Leadership Development	Transitional Housing	Total Program Services	General and Administrative	Fundraising	Direct Costs of Special Events	Total
Salaries	\$ 100,328	\$ 105,585	\$ 83,786	\$ 200,070	\$ 489,769	\$ 26,773	\$ 26,773	\$ -	\$ 543,315
Payroll taxes	8,866	9,302	7,494	16,687	42,349	2,495	2,495	-	47,339
Employee benefits	11,458	12,058	9,568	22,848	55,932	3,053	3,052	-	62,037
Contracted services	66,142	-	-	20,736	86,878	34,548	34,547	-	155,973
Conferences and meetings	2,976	2,976	2,976	2,975	11,903	-	-	-	11,903
Occupancy	4,366	4,366	4,366	117,167	130,265	-	-	-	130,265
Office and other supplies	3,745	3,745	3,745	3,745	14,980	1,872	1,872	-	18,724
Printing and copying	370	370	370	370	1,480	185	184	-	1,849
Postage and delivery	201	201	201	201	804	101	100	-	1,005
Telephone	2,000	2,000	2,000	2,000	8,000	1,000	1,000	-	10,000
Equipment rental	1,863	1,863	1,863	1,863	7,452	932	931	-	9,315
Bank fees	-	-	-	-	-	5,027	-	-	5,027
Dues and subscriptions	483	483	483	483	1,932	242	242	-	2,416
Travel	1,724	1,724	1,724	1,724	6,896	863	862	-	8,621
Depreciation and amortization	4,024	4,024	4,024	4,024	16,096	2,011	2,011	-	20,118
Marketing	7,096	7,096	7,096	7,096	28,384	3,547	3,547	-	35,478
Information technology	6,287	6,287	6,287	6,287	25,148	3,144	3,144	-	31,436
Interest	-	-	-	-	-	8,838	-	-	8,838
Insurance	2,321	2,321	2,321	2,321	9,284	1,160	1,160	-	11,604
Payroll fees	-	-	-	-	-	2,160	-	-	2,160
Program supplies	14,119	14,119	14,119	41,562	83,919	-	-	-	83,919
Accounting fees	-	-	-	-	-	71,776	-	-	71,776
Fall Brunch	-	-	-	-	-	-	-	129,236	129,236
Repair and maintenance	6,012	6,012	6,012	6,012	24,048	3,006	3,006	-	30,060
Licenses and permits	52	52	52	52	208	26	26	-	260
Utilities	2,865	2,865	2,865	2,865	11,460	1,431	1,432	-	14,323
Scholarships	-	-	15,000	-	15,000	-	-	-	15,000
Total Functional Expenses	247,298	187,449	176,352	461,088	1,072,187	174,190	86,384	129,236	1,461,997
Less: Direct Benefits to Donors	-	-	-	-	-	-	-	(129,236)	(129,236)
Total Expenses	\$ 247,298	\$ 187,449	\$ 176,352	\$ 461,088	\$ 1,072,187	\$ 174,190	\$ 86,384	\$ -	\$ 1,332,761

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Statement of Functional Expenses For the Year Ended December 31, 2017

	Health and Wellness	Community Education	Youth Leadership Development	Transitional Housing	Total Program Services	General and Administrative	Fundraising	Direct Costs of Special Events	Total
Salaries	\$ 97,383	\$ 92,229	\$ 96,864	\$ 61,953	\$ 348,429	\$ 33,323	\$ 23,730	\$ -	\$ 405,482
Payroll taxes	7,528	7,129	7,488	4,789	26,934	1,847	1,848	-	30,629
Employee benefits	9,855	9,334	9,803	6,270	35,262	2,400	2,400	-	40,062
Contracted services	22,399	18,075	17,797	100,473	158,744	5,451	5,451	-	169,646
Conferences and meetings	6,664	6,664	6,664	-	19,992	2,500	2,500	-	24,992
Occupancy	5,534	5,534	5,534	110,400	127,002	-	-	88,536	215,538
Office and other supplies	4,786	4,786	4,786	150	14,508	1,795	1,794	-	18,097
Printing and copying	3,828	3,828	3,828	-	11,484	998	997	6,614	20,093
Postage and delivery	465	465	465	-	1,395	175	174	-	1,744
Telephone	1,236	1,236	1,236	4,689	8,397	464	464	-	9,325
Equipment rental	2,468	2,468	2,468	-	7,404	926	925	-	9,255
Bank fees	352	352	352	-	1,056	133	133	-	1,322
Dues and subscriptions	451	451	451	-	1,353	170	170	-	1,693
Travel	2,742	2,742	2,742	2,068	10,294	1,029	1,028	-	12,351
Depreciation and amortization	4,850	4,850	4,850	-	14,550	1,292	1,819	-	17,661
Marketing	7,125	7,125	7,125	-	21,375	2,671	2,671	-	26,717
Information technology	10,221	10,221	10,221	-	30,663	3,833	3,832	-	38,328
Interest	2,378	2,378	2,378	-	7,134	1,419	892	-	9,445
Insurance	2,979	2,979	2,979	-	8,937	1,118	1,117	-	11,172
Payroll fees	415	415	415	-	1,245	156	156	-	1,557
Program supplies	8,843	8,843	18,128	51,334	87,148	-	-	-	87,148
Accounting fees	12,625	12,625	12,625	9,600	47,475	4,735	4,735	-	56,945
Repair and maintenance	6,179	6,179	6,179	4,401	22,938	2,317	2,317	-	27,572
Licenses and permits	110	110	110	-	330	42	42	-	414
Utilities	673	673	673	9,155	11,174	1,129	253	-	12,556
Scholarships	-	-	9,000	-	9,000	-	-	-	9,000
Total Functional Expenses	222,089	211,691	235,161	365,282	1,034,223	69,923	59,448	95,150	1,258,744
Less: Direct Benefits to Donors	-	-	-	-	-	-	-	(95,150)	(95,150)
Total Expenses	\$ 222,089	\$ 211,691	\$ 235,161	\$ 365,282	\$ 1,034,223	\$ 69,923	\$ 59,448	\$ -	\$ 1,163,594

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Statements of Cash Flows For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 196,361	\$ (9,499)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,118	17,661
Amortization of debt issuance costs	265	527
Change in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(8,307)	(104,901)
Contributions receivable	-	1,000
Prepaid expenses and other assets	-	9,200
Increase in:		
Accounts payable and accrued expenses	12,436	12,952
Net cash provided by (used in) operating activities	220,873	(73,060)
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,931)	(11,029)
Purchase of intangible assets	(15,000)	-
Net cash used in investing activities	(17,931)	(11,029)
Cash Flows from Financing Activity		
Principal payments under mortgage payable	(16,012)	(17,069)
Net cash used in financing activity	(16,012)	(17,069)
Net Increase (Decrease) in Cash and Cash Equivalents	186,930	(101,158)
Cash and Cash Equivalents, beginning of year	279,139	380,297
Cash and Cash Equivalents, end of year	\$ 466,069	\$ 279,139
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	\$ 8,838	\$ 9,638

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2018 and 2017

1. Nature of Operations

The Sexual Minority Youth Assistance League, doing business as Supporting and Mentoring Youth Advocates and Leaders (SMYAL), was incorporated under the laws of the District of Columbia on August 16, 1984, as a 501(c)(3) not-for-profit corporation dedicated to the health and well-being of all lesbian, gay, bisexual, transgender, and questioning (LGBTQ) youth. SMYAL's mission is to support LGBTQ youth in the Washington, DC metropolitan region. Through youth leadership, SMYAL creates opportunities for LGBTQ youth to build self-confidence, develop critical life skills, and engage their peers and community through service and advocacy. Committed to social change, SMYAL builds, sustains, and advocates for programs, policies, and services that LGBTQ youth need as they grow into adulthood. SMYAL funds its programs and supporting services primarily through individual contributions, foundation grants, corporate support, and government grants.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and Board-designated endowment.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

SMYAL considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

Grants Receivable

Grants receivable consist of amounts due to be reimbursed to SMYAL for expenses incurred under various grant agreements. All grants receivable are expected to be collected within one year and are recorded at net realizable value. No allowance for doubtful accounts is recorded, as management believes that all amounts are fully collectible.

Property and Equipment

Property and equipment purchases at a cost of \$1,000 or more and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation on furniture and equipment is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. The building is being depreciated on the straight-line basis over 45 years, and building improvements are amortized over their estimated useful lives, which range from five to 30 years. Expenditures for major repairs and improvements are capitalized.

Intangible Assets

Intangible assets are recorded and measured at cost. The capitalized value is amortized on a straight-line basis over the projected useful life of 3 years. Intangible assets are periodically reviewed when impairment indicators are present to assess recoverability from future operations using undiscounted cash flows. No impairment loss was recognized for the year ended December 31, 2018.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. SMYAL reports them as net assets with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to one of SMYAL's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Grants from both federal and private sources that are cost reimbursable in nature are recognized as revenue as the related expenditures are incurred. Costs incurred in excess of cash received are reflected as grants receivable in the accompanying statements of financial position. Advances received from grantors prior to incurring the costs are recorded as refundable advances in the accompanying statements of financial position.

Special event revenues, other than contributions, applicable to the current fiscal year are recognized as revenue in the year the special event takes place. Special event revenue received for the following fiscal year's event is deferred and recognized when the event takes place.

Revenue from all other sources is recognized when earned.

In-Kind Contributions

The value of contributions that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are recorded at their estimated fair value, as provided by the donor, at the date of receipt.

SMYAL also receives services donated by volunteers in carrying out its program services. These donated services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification 958-605-25-16, *Contributed Services*.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Marketing Costs

Marketing costs are expensed as incurred and totaled \$35,478 and \$26,717 for the years ended December 31, 2018 and 2017, respectively.

Reclassification

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications have no effect on the change in net assets previously reported.

Change in Accounting Principle

On August 18, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. SMYAL has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

Subsequent Events

In preparing these financial statements, SMYAL has evaluated events and transactions for potential recognition or disclosure through August 16, 2019, the date the financial statements were available to be issued.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2018 and 2017

3. Liquidity and Availability

SMYAL strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews SMYAL's liquid asset needs and adjusts the cash balances as necessary. Amounts in excess of operating liquidity needs are invested in cash equivalents.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 466,069	\$ 279,139
Grants receivable	<u>132,148</u>	<u>123,841</u>
Total available for general expenditures	<u>\$ 598,217</u>	<u>\$ 402,980</u>

4. Concentration of Risks

Credit Risk

Financial instruments that potentially subject SMYAL to significant concentrations of credit risk consist of cash and cash equivalents. SMYAL maintains various cash deposit and transaction accounts with financial institutions, and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). SMYAL has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Revenue Risk

For the years ended December 31, 2018 and 2017, 37% and 44%, respectively, of SMYAL's revenue and support was provided by government grants. Any significant reduction in revenue and support may adversely impact SMYAL's financial position and operations.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2018 and 2017

5. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Building	\$ 315,964	\$ 315,964
Building improvements	122,639	119,973
Furniture and equipment	<u>48,462</u>	<u>48,462</u>
Total property and equipment	487,065	484,399
Less: accumulated depreciation and amortization	<u>(281,356)</u>	<u>(264,003)</u>
Property and equipment, net	<u><u>\$ 205,709</u></u>	<u><u>\$ 220,396</u></u>

6. Intangible Assets

Intangible assets consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Website	\$ 15,000	\$ -
Less: accumulated amortization	<u>(2,500)</u>	<u>-</u>
Intangible assets, net	<u><u>\$ 12,500</u></u>	<u><u>\$ -</u></u>

Amortization expense for each year of the estimated remaining lives is estimated to be as follows for the years ending December 31:

2019	\$ 5,000
2020	5,000
2021	<u>2,500</u>
Future estimated amortization	<u><u>\$ 12,500</u></u>

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2018 and 2017

7. Mortgage Payable

In July 2013, SMYAL refinanced its mortgage for its face value at the date of the refinance, at a 4.42% interest rate with monthly payments of \$2,158 and a balloon payment of all unpaid principal and interest due on the maturity date of July 17, 2018. In 2017, the maturity date was further extended to October 13, 2018.

In October 2018, SMYAL refinanced its mortgage for its face value at the date of the refinance, at a 6.75% interest rate with monthly payments of \$2,008 and a balloon payment of all unpaid principal and interest due on the maturity date of October 13, 2028. The mortgage is secured by real property.

Future minimum principal payments under the mortgage are as follows for the years ending December 31:

2019	\$	12,722
2020		13,621
2021		14,583
2022		15,613
2023		16,715
Thereafter		<u>98,800</u>
Future minimum principal payments	\$	<u>172,054</u>

In 2013, SMYAL deferred debt issuance costs of \$2,591 incurred in the refinancing of its mortgage obligation. This amount is being amortized over the term of the related debt using the straight-line method. Debt issuance costs, net of amortization, are reported as a direct deduction from the face amount of the mortgage payable to which such costs relate. Deferred debt issuance costs were \$264 at December 31, 2017. There were no deferred issuance costs at December 31, 2018. Amortization expense was \$265 and \$527 for the years ended December 31, 2018 and 2017, respectively, and is included as a component of interest expense in the accompanying statements of activities.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2018 and 2017

8. Commitment and Contingencies

Operating Leases

SMYAL entered into a lease agreement for a four-unit apartment plus an office structure in Washington, DC. The structure was utilized for the Transitional Housing program. The lease commenced on January 1, 2017 and expired on December 31, 2018. The lease called for base monthly rental payments of \$9,200 during the first year, and \$9,400 during the second year. Total rent expense under this operating lease was \$112,800 and \$110,400 for the years ended December 31, 2018 and 2017, respectively.

SMYAL also leases a copier machine under an operating lease, which expires in June 2022. Future minimum lease payments under this lease are as follows for the years ended December 31:

2019	\$	8,700
2020		8,700
2021		8,700
2022		4,350
		<hr/>
Future minimum lease payments	\$	<u>30,450</u>

Government Cooperative Agreements and Grants

Funds that SMYAL receives from various U.S. state and local government agencies are subject to audit under the provisions of the cooperative agreements. The ultimate determination of amounts received under the cooperative agreements and grants is based upon the allowance of costs reported to, and accepted by, the oversight agencies. Until such cooperative agreements are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

9. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All costs incurred directly for a certain function or program are coded directly or split among those activities. Expenses that are allocated include salaries, employee benefits, payroll taxes, meeting and travel, information technology, office expenses, and other, which are allocated on the basis of estimates of time and effort.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2018 and 2017

10. Retirement Plan

SMYAL maintains a simple individual retirement plan and contributes 2% of the employee' s salary for all eligible employees. Employees may contribute up to the maximum amount allowable by law. Total retirement plan expenses were \$5,989 and \$6,748 for the years ended December 31, 2018 and 2017, respectively.

11. Income Taxes

SMYAL is exempt from payment of taxes on income other than net unrelated business income under section 501(c)(3) of the Internal Revenue Code (IRC). For the years ended December 31, 2018 and 2017, there were no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to SMYAL are deductible as provided in IRC Section 170(b)(1)(A)(vi).

Management has evaluated SMYAL' s tax positions and concluded that SMYAL' s financial statements do not include any uncertain tax positions.