

Supporting and Mentoring Youth Advocates and Leaders

Financial Statements
and Independent Auditors' Report

December 31, 2020 and 2019

Supporting and Mentoring Youth Advocates and Leaders

Financial Statements
December 31, 2020 and 2019

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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 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, 2020 and 2019; 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.

Auditor's Responsibility (continued)

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, 2020 and 2019, 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.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
August 16, 2021

Supporting and Mentoring Youth Advocates and Leaders

Statements of Financial Position December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 1,287,770	\$ 1,108,014
Grants receivable	41,469	140,173
Intangible assets, net	2,500	7,500
Property and equipment, net	194,816	199,022
Deposits	24,100	24,100
Total assets	<u>\$ 1,550,655</u>	<u>\$ 1,478,809</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 53,181	\$ 39,166
Refundable advances	-	344,845
Loan payable – Paycheck Protection Program	266,000	-
Mortgage payable	145,512	159,341
Total liabilities	<u>464,693</u>	<u>543,352</u>
Net Assets		
Without donor restrictions:		
Undesignated	465,962	616,613
Board-designated – operating reserve fund	600,000	298,844
Board-designated – infrastructure fund	20,000	20,000
Total net assets	<u>1,085,962</u>	<u>935,457</u>
Total liabilities and net assets	<u>\$ 1,550,655</u>	<u>\$ 1,478,809</u>

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Special events:			
Special event revenue	\$ 265,322	\$ -	\$ 265,322
Less: costs of direct benefit to donors	(28,363)	-	(28,363)
Net revenue from special events	236,959	-	236,959
Contributions	931,936	128,000	1,059,936
Government grants	1,137,678	-	1,137,678
Training revenue	20,922	-	20,922
Interest income	4,443	-	4,443
Net assets released from restrictions	128,000	(128,000)	-
 Total revenue and support	 2,459,938	 -	 2,459,938
Expenses			
Program services:			
Health and wellness	281,684	-	281,684
Community education	384,507	-	384,507
Youth leadership development	298,511	-	298,511
Transitional housing	1,091,112	-	1,091,112
 Total program services	 2,055,814	 -	 2,055,814
Supporting services:			
General and administrative	183,881	-	183,881
Fundraising	69,738	-	69,738
 Total supporting services	 253,619	 -	 253,619
 Total expenses	 2,309,433	 -	 2,309,433
 Change in Net Assets	 150,505	 -	 150,505
 Net Assets, beginning of year	 935,457	 -	 935,457
 Net Assets, end of year	 \$ 1,085,962	 \$ -	 \$ 1,085,962

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Special events:			
Special event revenue	\$ 558,135	\$ -	\$ 558,135
Less: costs of direct benefit to donors	(138,574)	-	(138,574)
Net revenue from special events	419,561	-	419,561
Contributions	674,209	86,150	760,359
Government grants	784,055	-	784,055
In-kind contributions	50,000	-	50,000
Training revenue	23,699	-	23,699
Interest income	1,896	-	1,896
Net assets released from restrictions	86,150	(86,150)	-
Total revenue and support	2,039,570	-	2,039,570
Expenses			
Program services:			
Health and wellness	261,491	-	261,491
Community education	326,278	-	326,278
Youth leadership development	232,351	-	232,351
Transitional housing	656,683	-	656,683
Total program services	1,476,803	-	1,476,803
Supporting services:			
General and administrative	166,991	-	166,991
Fundraising	65,333	-	65,333
Total supporting services	232,324	-	232,324
Total expenses	1,709,127	-	1,709,127
Change in Net Assets	330,443	-	330,443
Net Assets, beginning of year	605,014	-	605,014
Net Assets, end of year	\$ 935,457	\$ -	\$ 935,457

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services					Supporting Services				Total
	Health and Wellness	Community Education	Youth Leadership Development	Transitional Housing	Total Program Services	General and Administrative	Fundraising	Direct Costs of Special Events	Total Supporting Services	
Salaries	\$ 161,119	\$ 178,442	\$ 149,430	\$ 546,930	\$ 1,035,921	\$ 37,065	\$ 37,064	\$ -	\$ 74,129	\$ 1,110,050
Payroll taxes	13,365	14,802	12,396	45,369	85,932	3,075	3,074	-	6,149	92,081
Employee benefits	17,047	18,880	15,810	57,867	109,604	3,921	3,922	-	7,843	117,447
Contracted services	17,920	55,093	23,641	500	97,154	8,200	9,221	-	17,421	114,575
Conferences and meetings	1,890	1,890	1,890	1,890	7,560	946	946	-	1,892	9,452
Occupancy	-	-	-	290,157	290,157	-	-	-	-	290,157
Office and other supplies	4,063	4,063	4,063	4,063	16,252	2,031	2,031	-	4,062	20,314
Printing and copying	47	47	47	47	188	24	25	-	49	237
Postage and delivery	80	80	80	80	320	41	41	-	82	402
Telephone	2,257	2,257	2,257	2,257	9,028	1,131	1,130	-	2,261	11,289
Equipment rental	1,910	1,910	1,910	1,910	7,640	955	956	-	1,911	9,551
Bank fees	-	-	-	-	-	1,761	-	-	1,761	1,761
Dues and subscriptions	285	285	285	285	1,140	143	143	-	286	1,426
Travel	1,192	1,192	1,192	1,192	4,768	597	596	-	1,193	5,961
Depreciation and amortization	2,941	2,941	2,941	2,941	11,764	1,471	1,471	-	2,942	14,706
Marketing	4,579	4,579	4,579	4,579	18,316	2,290	2,290	-	4,580	22,896
Information technology	4,464	4,464	4,464	4,464	17,856	2,231	2,232	-	4,463	22,319
Interest	-	-	-	-	-	10,547	-	-	10,547	10,547
Insurance	4,279	4,279	4,279	4,279	17,116	2,139	2,139	-	4,278	21,394
Payroll fees	-	-	-	-	-	2,927	-	-	2,927	2,927
Program supplies	37,712	37,712	37,713	102,084	215,221	-	-	-	-	215,221
Professional fees	-	-	-	-	-	99,928	-	-	99,928	99,928
Fall Brunch	-	-	-	-	-	-	-	28,363	28,363	28,363
Repair and maintenance	6,002	6,002	6,002	-	18,006	2,252	2,252	-	4,504	22,510
Licenses and permits	52	52	52	52	208	26	26	-	52	260
Utilities	480	480	480	20,166	21,606	180	179	-	359	21,965
Advocacy	-	45,057	-	-	45,057	-	-	-	-	45,057
Scholarships	-	-	25,000	-	25,000	-	-	-	-	25,000
Total Functional Expenses	281,684	384,507	298,511	1,091,112	2,055,814	183,881	69,738	28,363	281,982	2,337,796
Less: direct benefit to donors	-	-	-	-	-	-	-	(28,363)	(28,363)	(28,363)
Total Expenses	\$ 281,684	\$ 384,507	\$ 298,511	\$ 1,091,112	\$ 2,055,814	\$ 183,881	\$ 69,738	\$ -	\$ 253,619	\$ 2,309,433

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services					Supporting Services				Total
	Health and Wellness	Community Education	Youth Leadership Development	Transitional Housing	Total Program Services	General and Administrative	Fundraising	Direct Costs of Special Events	Total Supporting Services	
Salaries	\$ 116,579	\$ 134,863	\$ 114,104	\$ 294,668	\$ 660,214	\$ 31,175	\$ 31,175	\$ -	\$ 62,350	\$ 722,564
Payroll taxes	11,458	12,982	11,252	19,345	55,037	2,975	2,142	-	5,117	60,154
Employee benefits	14,997	16,990	14,727	25,317	72,031	3,895	2,806	-	6,701	78,732
Contracted services	54,137	47,123	7,948	-	109,208	10,250	10,250	-	20,500	129,708
Conferences and meetings	4,418	4,418	4,417	4,417	17,670	-	-	-	-	17,670
Occupancy	6,484	6,484	6,485	168,336	187,789	-	-	-	-	187,789
Office and other supplies	3,908	3,908	3,908	3,908	15,632	1,953	1,956	-	3,909	19,541
Printing and copying	318	318	318	318	1,272	158	158	-	316	1,588
Postage and delivery	208	208	208	208	832	103	103	-	206	1,038
Telephone	2,217	2,217	2,217	2,217	8,868	1,108	1,109	-	2,217	11,085
Equipment rental	1,866	1,866	1,866	1,866	7,464	933	934	-	1,867	9,331
Bank fees	-	-	-	-	-	1,978	-	-	1,978	1,978
Dues and subscriptions	407	407	407	407	1,628	204	204	-	408	2,036
Travel	2,391	2,391	2,391	2,391	9,564	1,196	1,196	-	2,392	11,956
Depreciation and amortization	3,537	3,537	3,537	3,537	14,148	1,769	1,770	-	3,539	17,687
Marketing	3,511	3,511	3,511	3,511	14,044	1,755	1,756	-	3,511	17,555
Information technology	6,512	6,512	6,512	6,512	26,048	3,256	3,257	-	6,513	32,561
Interest	-	-	-	-	-	11,380	-	-	11,380	11,380
Insurance	4,189	4,189	4,189	4,189	16,756	2,094	2,095	-	4,189	20,945
In-kind expenses	-	50,000	-	-	50,000	-	-	-	-	50,000
Payroll fees	-	-	-	-	-	2,478	-	-	2,478	2,478
Program supplies	15,509	15,509	15,509	100,282	146,809	-	-	-	-	146,809
Professional fees	-	-	-	-	-	83,910	-	-	83,910	83,910
Fall Brunch	-	-	-	-	-	-	-	138,574	138,574	138,574
Repair and maintenance	5,434	5,434	5,434	5,434	21,736	2,716	2,717	-	5,433	27,169
Licenses and permits	83	83	83	83	332	41	41	-	82	414
Utilities	3,328	3,328	3,328	3,328	13,312	1,664	1,664	-	3,328	16,640
Bad debt	-	-	-	6,409	6,409	-	-	-	-	6,409
Scholarships	-	-	20,000	-	20,000	-	-	-	-	20,000
Total Functional Expenses	261,491	326,278	232,351	656,683	1,476,803	166,991	65,333	138,574	370,898	1,847,701
Less: direct benefit to donors	-	-	-	-	-	-	-	(138,574)	(138,574)	(138,574)
Total Expenses	\$ 261,491	\$ 326,278	\$ 232,351	\$ 656,683	\$ 1,476,803	\$ 166,991	\$ 65,333	\$ -	\$ 232,324	\$ 1,709,127

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 150,505	\$ 330,443
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	14,706	17,687
Change in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	98,704	(8,025)
Deposits	-	(14,900)
Increase (decrease) in:		
Accounts payable and accrued expenses	14,015	(9,392)
Refundable advances	(344,845)	344,845
	(66,915)	660,658
Net cash (used in) provided by operating activities		
Cash Flows from Investing Activity		
Purchases of property and equipment	(5,500)	(6,000)
	(5,500)	(6,000)
Net cash used in investing activity		
Cash Flows from Financing Activities		
Proceeds from issuance of loan	266,000	-
Principal payments under mortgage payable	(13,829)	(12,713)
	252,171	(12,713)
Net cash provided by (used in) financing activities		
Net Increase in Cash and Cash Equivalents	179,756	641,945
Cash and Cash Equivalents, beginning of year	1,108,014	466,069
Cash and Cash Equivalents, end of year	\$ 1,287,770	\$ 1,108,014
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	\$ 10,547	\$ 11,380

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

For the purpose of the statements of cash flows, 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.

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 both years ended December 31, 2020 and 2019.

Property and Equipment

Property and equipment purchased 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.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Refundable Advances

Grant receipts that are in excess of matching grant expenses for the year are recognized as refundable advances in the accompanying statements of financial position.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

SMYAL recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. SMYAL reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds 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 statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

A portion of SMYAL's revenue is derived from cost-reimbursable government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when SMYAL has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when SMYAL satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration SMYAL expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, SMYAL combines it with other performance obligations until a distinct bundle of goods or services exists.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Specifically, for the various types of contracts, SMYAL recognizes revenue as follows:

Special event revenue, other than contributions, applicable to the current fiscal year are recognized as revenue in the year the special event takes place, which is when the sole performance obligation is satisfied.

Training revenue is recognized at the time of the training, which is when the sole performance obligation is satisfied.

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, are recorded as in-kind contributions. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used.

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, 2020 and 2019

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.

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.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022. Management continues to evaluate the potential impact of this update on SMYAL's financial statements.

Subsequent Events

In preparing these financial statements, SMYAL has evaluated events and transactions for potential recognition or disclosure through August 16, 2021, the date the financial statements were available to be issued.

3. Liquidity and Availability

SMYAL strives to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. 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.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2020 and 2019

3. Liquidity and Availability (continued)

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,287,770	\$ 1,108,014
Grants receivable	<u>41,469</u>	<u>140,173</u>
Total financial assets	1,329,239	1,248,187
Less: Board-designated funds	<u>(620,000)</u>	<u>(318,844)</u>
Total available for general expenditures	<u>\$ 709,239</u>	<u>\$ 929,343</u>

The Board-designated funds are not subject to an annual spending rate. Although SMYAL does not intend to spend from the Board-designated funds, other than amounts appropriate for general expenditures as part of SMYAL's annual budget approval, these amounts could be made available through Board approval if necessary.

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.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2020 and 2019

4. Concentration of Risks (continued)

Revenue Risk

For the years ended December 31, 2020 and 2019, 46% and 38%, 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.

5. Intangible Assets

Intangible assets consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Website	\$ 15,000	\$ 15,000
Less: accumulated amortization	<u>(12,500)</u>	<u>(7,500)</u>
Intangible assets, net	<u>\$ 2,500</u>	<u>\$ 7,500</u>

Amortization expense of the estimated remaining lives is estimated to be \$2,500 for the year ending December 31, 2021.

6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Building	\$ 315,964	\$ 315,964
Building improvements	122,639	122,639
Furniture and equipment	<u>59,963</u>	<u>54,462</u>
Total property and equipment	498,566	493,065
Less: accumulated depreciation and amortization	<u>(303,750)</u>	<u>(294,043)</u>
Property and equipment, net	<u>\$ 194,816</u>	<u>\$ 199,022</u>

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2020 and 2019

7. Loan Payable – Paycheck Protection Program

SMYAL applied for a loan under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 pandemic, for which SMYAL qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities). The Paycheck Protection Program Flexibility Act of 2020 was enacted on June 5, 2020, and amends the PPP to give borrowers more freedom in how and when loan funds are spent, while retaining the possibility of full forgiveness.

The loan was granted to SMYAL on April 17, 2020 in the amount of \$266,000, and the entire loan amount was used for qualifying expenses in order to apply for full forgiveness. Once the loan is, in part or wholly, forgiven and legal release is received, SMYAL will reduce the liability by the amount forgiven and record a gain on extinguishment in the statements of activities, which is expected to occur in fiscal year 2021.

If SMYAL is not approved for full forgiveness by the SBA, the loan would bear interest at a fixed rate of 1.00%, which is payable monthly commencing on the date when the SBA makes a decision on SMYAL's application for forgiveness, and would mature on April 17, 2022. The proceeds from this loan may be repaid by SMYAL at any time prior to maturity, with no prepayment penalties, should full forgiveness not be granted.

8. Economic Injury Disaster Loan Advance

SMYAL applied for a loan advance under the Economic Injury Disaster Loan Assistance (EIDL) program pursuant to Division A, Title 1 of the CARES Act. The EIDL program is designed to provide economic relief to small businesses that are currently experiencing a temporary loss of revenue due to COVID-19. The loan advance was granted to SMYAL on April 30, 2020 in the amount of \$10,000. Management decided not to apply for the loan. The EIDL program does not require repayment of the loan advance, and it is included in government grants in the statements of activities.

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Notes to Financial Statements
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9. 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 final 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 final 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:

2021	\$	14,583
2022		15,613
2023		16,715
2024		17,895
2025		19,160
Thereafter		<u>61,546</u>
Future minimum principal payments	\$	<u>145,512</u>

10. Line of Credit

SMYAL maintains a \$105,000 revolving line of credit to finance short-term working capital needs. Borrowings under this facility are payable on demand. The line of credit requires payments of interest on a monthly basis at 4.25%. SMYAL did not have an outstanding balance on this line of credit at both December 31, 2020 and 2019.

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Notes to Financial Statements
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11. Commitment and Contingencies

Operating Leases

SMYAL maintains a lease agreement for a four-unit apartment plus an office in Washington, DC. The apartment is utilized for the Transitional Housing program. The lease commenced on January 1, 2017 and expired on December 31, 2018. Per the terms of the lease agreement, SMYAL has an option to renew for two additional periods of two years. In 2019, this lease was renewed, and was set to expire on December 31, 2020. In 2020, the lease was further renewed and is set to expire on December 31, 2022. The lease calls for base monthly rental payments of \$9,200 during the first year, \$9,400 during the second year, and an annual rental increase of 2% thereafter, which does not include the pro rata share of the building operating expenses and real estate taxes.

SMYAL entered into a lease agreement for a residential building in Washington, DC. The lease commenced on September 10, 2019 and is set to expire on September 10, 2021. The lease calls for base monthly rental payments of \$14,400 during the first year, and an annual rental increase of 3% thereafter, which does not include the pro rata share of the building operating expenses and real estate taxes.

Total occupancy expense was \$290,157 and \$187,789 for the years ended December 31, 2020 and 2019, respectively.

SMYAL also leases a copier machine under an operating lease, which expires in June 2022.

Future minimum lease payments under all leases are as follows for the years ending December 31:

2021	\$ 127,356
2022	<u>4,350</u>
Future minimum lease payments	<u><u>\$ 131,706</u></u>

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Notes to Financial Statements
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11. Commitment and Contingencies (continued)

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.

12. 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.

13. 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 \$14,707 and \$11,225 for the years ended December 31, 2020 and 2019, respectively.

14. 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, 2020 and 2019, 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.