

Supporting and Mentoring Youth Advocates and Leaders

Financial Statements
and Independent Auditor's Report

December 31, 2021 and 2020

Supporting and Mentoring Youth Advocates and Leaders

Financial Statements
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020; the related statements of activities, functional expenses, and cash flows for the years 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 SMYAL as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in 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 SMYAL and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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.

Responsibilities of Management for the Financial Statements (continued)

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 SMYAL's 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 will always detect a material misstatement when it exists. 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 SMYAL's 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 SMYAL's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

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

Vienna, Virginia
June 24, 2022

Supporting and Mentoring Youth Advocates and Leaders

Statements of Financial Position December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 1,116,438	\$ 1,287,770
Grants receivable	539,187	41,469
Intangible assets, net	10,857	2,500
Property and equipment, net	215,095	194,816
Deposits	43,521	24,100
Total assets	<u>\$ 1,925,098</u>	<u>\$ 1,550,655</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 90,125	\$ 53,181
Refundable advances	123,961	-
Loan payable – Paycheck Protection Program	-	266,000
Mortgage payable	130,943	145,512
Total liabilities	<u>345,029</u>	<u>464,693</u>
Net Assets		
Without donor restrictions:		
Undesignated	910,069	465,962
Board-designated – operating reserve fund	650,000	600,000
Board-designated – infrastructure fund	20,000	20,000
Total net assets	<u>1,580,069</u>	<u>1,085,962</u>
Total liabilities and net assets	<u>\$ 1,925,098</u>	<u>\$ 1,550,655</u>

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Special events:			
Special event revenue	\$ 478,938	\$ -	\$ 478,938
Less: costs of direct benefit to donors	(138,493)	-	(138,493)
Net revenue from special events	340,445	-	340,445
Contributions	995,624	71,150	1,066,774
Government grants	1,795,623	-	1,795,623
Training revenue	22,676	-	22,676
Interest income	2,159	-	2,159
Gain on debt extinguishment	266,000	-	266,000
Net assets released from restrictions	71,150	(71,150)	-
Total revenue and support	3,493,677	-	3,493,677
Expenses			
Program services:			
Health and wellness	350,363	-	350,363
Community education	351,123	-	351,123
Youth leadership development	308,248	-	308,248
Transitional housing	1,698,594	-	1,698,594
Total program services	2,708,328	-	2,708,328
Supporting services:			
General and administrative	209,765	-	209,765
Fundraising	81,477	-	81,477
Total supporting services	291,242	-	291,242
Total expenses	2,999,570	-	2,999,570
Change in Net Assets	494,107	-	494,107
Net Assets, beginning of year	1,085,962	-	1,085,962
Net Assets, end of year	\$ 1,580,069	\$ -	\$ 1,580,069

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 Functional Expenses
For the Year Ended December 31, 2021

	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	\$ 218,539	\$ 201,423	\$ 181,768	\$ 891,513	\$ 1,493,243	\$ 42,166	\$ 42,166	\$ -	\$ 84,332	\$ 1,577,575
Payroll taxes	17,999	16,590	14,971	73,427	122,987	3,473	3,473	-	6,946	129,933
Employee benefits	26,467	24,394	22,013	107,968	180,842	5,107	5,107	-	10,214	191,056
Contracted services	34,634	19,292	20,772	216	74,914	12,797	12,796	-	25,593	100,507
Conferences and meetings	1,046	1,046	1,046	1,046	4,184	525	525	-	1,050	5,234
Occupancy	-	-	-	428,452	428,452	-	-	-	-	428,452
Office and other supplies	4,623	4,623	4,623	4,623	18,492	2,312	2,312	-	4,624	23,116
Postage and delivery	61	61	61	61	244	31	31	-	62	306
Telephone	1,154	1,154	1,154	1,154	4,616	578	579	-	1,157	5,773
Equipment rental	1,963	1,963	1,963	1,963	7,852	983	982	-	1,965	9,817
Bank fees	-	-	-	-	-	520	-	-	520	520
Dues and subscriptions	674	674	674	674	2,696	337	337	-	674	3,370
Travel	714	714	714	714	2,856	356	356	-	712	3,568
Depreciation and amortization	3,664	3,664	3,664	3,664	14,656	1,832	1,832	-	3,664	18,320
Marketing	8,138	8,138	8,138	8,138	32,552	4,068	4,068	-	8,136	40,688
Information technology	3,966	3,966	3,966	3,966	15,864	1,984	1,984	-	3,968	19,832
Interest	-	-	-	-	-	10,004	-	-	10,004	10,004
Insurance	5,820	5,820	5,820	5,820	23,280	2,911	2,911	-	5,822	29,102
Payroll fees	-	-	-	-	-	4,051	-	-	4,051	4,051
Program supplies	18,578	18,578	18,578	116,054	171,788	-	-	-	-	171,788
Professional fees	-	-	-	-	-	113,712	-	-	113,712	113,712
Fall Brunch	-	-	-	-	-	-	-	138,493	138,493	138,493
Repair and maintenance	1,485	1,485	1,485	15,057	19,512	1,691	1,691	-	3,382	22,894
Licenses and permits	82	82	82	82	328	42	42	-	84	412
Utilities	756	756	756	34,002	36,270	285	285	-	570	36,840
Advocacy	-	36,700	-	-	36,700	-	-	-	-	36,700
Scholarships	-	-	16,000	-	16,000	-	-	-	-	16,000
Total Functional Expenses	350,363	351,123	308,248	1,698,594	2,708,328	209,765	81,477	138,493	429,735	3,138,063
Less: direct benefit to donors	-	-	-	-	-	-	-	(138,493)	(138,493)	(138,493)
Total Expenses	\$ 350,363	\$ 351,123	\$ 308,248	\$ 1,698,594	\$ 2,708,328	\$ 209,765	\$ 81,477	\$ -	\$ 291,242	\$ 2,999,570

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

Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 494,107	\$ 150,505
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	18,320	14,706
Gain on debt extinguishment	(266,000)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(497,718)	98,704
Deposits	(19,421)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	36,944	14,015
Refundable advances	123,961	(344,845)
	(109,807)	(66,915)
Cash Flows from Investing Activities		
Purchases of property and equipment	(33,928)	(5,500)
Purchase of intangible assets	(13,028)	-
	(46,956)	(5,500)
Cash Flows from Financing Activities		
Proceeds from issuance of loan	-	266,000
Principal payments under mortgage payable	(14,569)	(13,829)
	(14,569)	252,171
Net (Decrease) Increase in Cash and Cash Equivalents	(171,332)	179,756
Cash and Cash Equivalents, beginning of year	1,287,770	1,108,014
Cash and Cash Equivalents, end of year	\$ 1,116,438	\$ 1,287,770
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	\$ 10,004	\$ 10,547

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2021 and 2020

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, D.C. 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

SMYAL's 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, 2021 and 2020

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 90 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 three 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, 2021 and 2020.

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.

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.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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.

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.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

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.

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 Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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 in 2022. Management continues to evaluate the potential impact of this update on SMYAL's financial statements.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective in 2022, and is not expected to have a significant impact on SMYAL's financial statements.

Subsequent Events

In preparing these financial statements, SMYAL has evaluated events and transactions for potential recognition or disclosure through June 24, 2022, the date the financial statements were available to be issued.

3. Liquidity and Availability

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,116,438	\$ 1,287,770
Grants receivable	<u>539,187</u>	<u>41,469</u>
Total financial assets	1,655,625	1,329,239
Less: Board-designated funds	<u>(670,000)</u>	<u>(620,000)</u>
Total available for general expenditures	<u>\$ 985,625</u>	<u>\$ 709,239</u>

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, 2021 and 2020

3. Liquidity and Availability (continued)

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. Concentrations of Risk

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, 2021 and 2020, 51% and 46%, 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>2021</u>	<u>2020</u>
Website	\$ 28,028	\$ 15,000
Less: accumulated amortization	<u>(17,171)</u>	<u>(12,500)</u>
Intangible assets, net	<u>\$ 10,857</u>	<u>\$ 2,500</u>

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2021 and 2020

5. Intangible Assets (continued)

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

2022	\$	4,343
2023		4,343
2024		2,171
		<hr/>
Future estimated amortization	\$	10,857
		<hr/> <hr/>

6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Building	\$ 315,964	\$ 315,964
Building improvements	122,639	122,639
Furniture and equipment	93,891	59,963
	<hr/>	<hr/>
Total property and equipment	532,494	498,566
Less: accumulated depreciation and amortization	(317,399)	(303,750)
	<hr/>	<hr/>
Property and equipment, net	\$ 215,095	\$ 194,816
	<hr/> <hr/>	<hr/> <hr/>

7. Paycheck Protection Program Loan

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.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2021 and 2020

7. Paycheck Protection Program Loan (continued)

The PPP loan was granted to SMYAL on April 17, 2020 in the amount of \$266,000. During the covered period, SMYAL incurred qualifying expenditures and applied for forgiveness of the PPP loan. In June 2021, the full amount of the PPP loan was forgiven by the SBA. SMYAL has accounted for the loan in accordance with Accounting Standards Codification 470 and recorded a gain on loan extinguishment in 2021, the period when official forgiveness notification was received.

8. 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:

2022	\$	15,613
2023		16,715
2024		17,895
2025		19,160
2026		20,513
Thereafter		41,047
		<hr/>
Future minimum principal payments	\$	<u>130,943</u>

9. 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, 2021 and 2020.

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Notes to Financial Statements
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10. Commitment and Contingencies

Operating Leases

SMYAL leases four residential properties in Washington, D.C. that are used for the Transitional Housing program. These units are, in turn, utilized to provide temporary housing assistance in fulfillment of program objectives. All leases are operating leases and have original terms of one to three years. Monthly rent varies from \$9,780 to \$14,400, with an annual escalation of 2% to 3% between the four leases.

Total occupancy expense was \$428,452 and \$290,157 for the years ended December 31, 2021 and 2020, 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:

2022	\$	531,139
2023		495,203
2024		360,005
2025		<u>74,709</u>
Future minimum lease payments	\$	<u><u>1,461,056</u></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.

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Notes to Financial Statements
December 31, 2021 and 2020

11. 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.

12. 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 \$16,796 and \$14,707 for the years ended December 31, 2021 and 2020, respectively.

13. 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, 2021 and 2020, there was 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.