

Supporting and Mentoring Youth Advocates and Leaders

Financial Statements
and Independent Auditor's Report

December 31, 2022 and 2021

Supporting and Mentoring Youth Advocates and Leaders

Financial Statements
December 31, 2022 and 2021

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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, 2022 and 2021; 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, 2022 and 2021, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, SMYAL adopted Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases*, and all subsequent ASUs that modified ASC 842. SMYAL has applied the modified retrospective method to adopt this standard during the year ended December 31, 2022, and adjusted the presentation in the financial statements as permitted by ASC 842. Our opinion is not modified with respect to this matter.

Emphasis of Matter (continued)

As discussed in Note 2 to the financial statements, SMYAL adopted Financial Accounting Standards Board issued ASU 2020-07, *Not-for-Profit-Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

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

- 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.

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.



Vienna, Virginia
August 22, 2023

Supporting and Mentoring Youth Advocates and Leaders

Statements of Financial Position December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 1,759,431	\$ 1,116,438
Grants receivable	403,713	539,187
Intangible assets, net	6,514	10,857
Property and equipment, net	198,915	215,095
Deposits	43,521	43,521
Right-of-use asset – operating lease	1,033,178	-
Total assets	<u>\$ 3,445,272</u>	<u>\$ 1,925,098</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 108,822	\$ 90,125
Refundable advances	150,000	123,961
Mortgage payable	115,296	130,943
Lease liability – operating lease	1,035,770	-
Total liabilities	<u>1,409,888</u>	<u>345,029</u>
Net Assets		
Without donor restrictions:		
Undesignated	1,265,384	910,069
Board-designated – operating reserve fund	750,000	650,000
Board-designated – infrastructure fund	20,000	20,000
Total net assets	<u>2,035,384</u>	<u>1,580,069</u>
Total liabilities and net assets	<u>\$ 3,445,272</u>	<u>\$ 1,925,098</u>

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Special events:			
Special event revenue	\$ 636,034	\$ -	\$ 636,034
Less: costs of direct benefit to donors	(175,476)	-	(175,476)
Net revenue from special events	460,558	-	460,558
Government grants	2,381,925	-	2,381,925
Contributions	1,492,191	220,000	1,712,191
Training revenue	8,778	-	8,778
Interest income	6,309	-	6,309
Net assets released from restrictions	220,000	(220,000)	-
Total revenue and support	4,569,761	-	4,569,761
Expenses			
Program services:			
Health and wellness	596,271	-	596,271
Community education	336,001	-	336,001
Youth leadership development	324,969	-	324,969
Transitional housing	2,369,549	-	2,369,549
Total program services	3,626,790	-	3,626,790
Supporting services:			
General and administrative	381,839	-	381,839
Fundraising	105,817	-	105,817
Total supporting services	487,656	-	487,656
Total expenses	4,114,446	-	4,114,446
Change in Net Assets	455,315	-	455,315
Net Assets, beginning of year	1,580,069	-	1,580,069
Net Assets, end of year	\$ 2,035,384	\$ -	\$ 2,035,384

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
Government grants	1,795,623	-	1,795,623
Contributions	995,624	71,150	1,066,774
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 Functional Expenses
For the Year Ended December 31, 2022

	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	\$ 424,947	\$ 186,403	\$ 169,201	\$ 1,250,903	\$ 2,031,454	\$ 36,508	\$ 36,508	\$ -	\$ 73,016	\$ 2,104,470
Payroll taxes	35,070	15,384	13,964	103,235	167,653	3,013	3,013	-	6,026	173,679
Employee benefits	50,307	22,067	20,031	148,087	240,492	4,322	4,322	-	8,644	249,136
Contracted services	33,124	33,124	33,124	-	99,372	170,275	43,200	-	213,475	312,847
Conferences and meetings	1,495	1,495	1,495	1,495	5,980	746	747	-	1,493	7,473
Occupancy	-	-	-	591,374	591,374	-	-	-	-	591,374
Office and other supplies	5,866	5,866	5,866	5,866	23,464	2,934	2,935	-	5,869	29,333
Postage and delivery	37	37	37	37	148	19	20	-	39	187
Telephone	1,765	1,765	1,765	1,765	7,060	882	883	-	1,765	8,825
Equipment rental	1,906	1,906	1,906	1,906	7,624	953	953	-	1,906	9,530
Bank fees	-	-	-	2,700	2,700	-	-	-	-	2,700
Dues and subscriptions	530	530	530	530	2,120	265	265	-	530	2,650
Travel	1,602	1,602	1,602	1,602	6,408	801	801	-	1,602	8,010
Depreciation and amortization	4,104	4,104	4,104	4,104	16,416	2,054	2,053	-	4,107	20,523
Marketing	6,903	6,903	6,903	6,903	27,612	3,451	3,451	-	6,902	34,514
Information technology	4,704	4,704	4,704	4,704	18,816	2,353	2,353	-	4,706	23,522
Interest	-	-	-	-	-	8,438	-	-	8,438	8,438
Insurance	4,245	4,245	4,245	4,245	16,980	2,123	2,123	-	4,246	21,226
Payroll fees	-	-	-	-	-	4,588	-	-	4,588	4,588
Program supplies	15,013	20,838	20,839	172,975	229,665	-	-	-	-	229,665
Professional fees	-	-	-	-	-	135,924	-	-	135,924	135,924
Fall Brunch	-	-	-	-	-	-	-	175,476	175,476	175,476
Repair and maintenance	3,535	3,535	3,535	3,535	14,140	1,767	1,767	-	3,534	17,674
Licenses and permits	36	36	36	36	144	18	18	-	36	180
Utilities	1,082	1,082	1,082	63,547	66,793	405	405	-	810	67,603
Advocacy	-	20,375	-	-	20,375	-	-	-	-	20,375
Scholarships	-	-	30,000	-	30,000	-	-	-	-	30,000
Total Functional Expenses	596,271	336,001	324,969	2,369,549	3,626,790	381,839	105,817	175,476	663,132	4,289,922
Less: direct benefit to donors	-	-	-	-	-	-	-	(175,476)	(175,476)	(175,476)
Total Expenses	\$ 596,271	\$ 336,001	\$ 324,969	\$ 2,369,549	\$ 3,626,790	\$ 381,839	\$ 105,817	\$ -	\$ 487,656	\$ 4,114,446

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

Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 455,315	\$ 494,107
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,523	18,320
Gain on debt extinguishment	-	(266,000)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	135,474	(497,718)
Deposits	-	(19,421)
Right-of-use asset – operating lease	(1,033,178)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	18,697	36,944
Refundable advances	26,039	123,961
Lease liability – operating lease	1,035,770	-
Net cash provided by (used in) operating activities	658,640	(109,807)
Cash Flows from Investing Activities		
Purchases of property and equipment	-	(33,928)
Purchase of intangible assets	-	(13,028)
Net cash used in investing activities	-	(46,956)
Cash Flows from Financing Activity		
Principal payments under mortgage payable	(15,647)	(14,569)
Net cash used in financing activity	(15,647)	(14,569)
Net Increase (Decrease) in Cash and Cash Equivalents	642,993	(171,332)
Cash and Cash Equivalents, beginning of year	1,116,438	1,287,770
Cash and Cash Equivalents, end of year	\$ 1,759,431	\$ 1,116,438
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	\$ 8,438	\$ 10,004
Noncash Transactions Arising from the ASC 842 Adoption		
Recognition of right-of-use asset	\$ (1,536,293)	\$ -
Recognition of lease liability	\$ 1,536,293	\$ -

See accompanying notes.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021

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 is 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, 2022 and 2021.

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, 2022 and 2021

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.

Leases

SMYAL records a right-of-use asset and lease liability for its operating and finance leases. The right-of-use (“ROU”) asset is amortized over the shorter of the lease term or the economic life of the leased asset. The associated lease liability represents the net present value of the future amounts due under the lease, calculated using a risk-free rate of return selected based on the term of the lease. Non-lease components are not separated from lease components for accounting purposes. SMYAL does not apply the recognition requirements under Accounting Standards Codification Topic 842 (*Leases*) to short-term leases.

The ROU assets also include any lease payments made and exclude lease incentives. SMYAL’s lease terms may include options to extend or terminate the lease when it is reasonably certain that SMYAL will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

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.

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.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2022 and 2021

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.

Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). From a lessee perspective, the new guidance is intended to increase transparency and comparability by recognizing lease assets and lease liabilities in the statements of financial position and disclosing key information about leasing arrangements. ASU 2016-02 requires lessees to report a right-of-use asset along with a lease liability for both operating and finance leases. FASB has issued ASUs subsequent to ASU 2016-02 to further clarify and improve Topic 842.

Upon the adoption of Topic 842 on January 1, 2022, SMYAL recorded an initial right-of-use asset of \$1,536,293 and an initial lease liability of \$1,536,293. SMYAL elected to apply practical expedients allowing it to 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; and 3) not reassess initial direct costs for any existing leases. SMYAL also elected to apply the practical expedient to use hindsight in determining the lease term.

Supporting and Mentoring Youth Advocates and Leaders

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Adopted 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*. This guidance is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities will be required to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial contributions. Nonprofit entities will also be required to disclose various information related to contributed nonfinancial assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. SMYAL has implemented ASU 2020-07 in 2022. There were no changes as a result of the implementation. The implementation had no impact on previously reported net assets.

Subsequent Events

In preparing these financial statements, SMYAL has evaluated events and transactions for potential recognition or disclosure through August 22, 2023, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,759,431	\$ 1,116,438
Grants receivable	<u>403,713</u>	<u>539,187</u>
Total financial assets	2,163,144	1,655,625
Less: Board-designated funds	<u>(770,000)</u>	<u>(670,000)</u>
Total available for general expenditures	<u>\$ 1,393,144</u>	<u>\$ 985,625</u>

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3. Liquidity and Availability (continued)

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.

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, 2022 and 2021, 52% and 51%, 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.

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5. Intangible Assets

Intangible assets consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Website	\$ 28,028	\$ 28,028
Less: accumulated amortization	<u>(21,514)</u>	<u>(17,171)</u>
Intangible assets, net	<u>\$ 6,514</u>	<u>\$ 10,857</u>

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

2023	\$ 4,343
2024	<u>2,171</u>
Future estimated amortization	<u>\$ 6,514</u>

6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Building	\$ 315,964	\$ 315,964
Building improvements	122,639	122,639
Furniture and equipment	<u>93,891</u>	<u>93,891</u>
Total property and equipment	532,494	532,494
Less: accumulated depreciation and amortization	<u>(333,579)</u>	<u>(317,399)</u>
Property and equipment, net	<u>\$ 198,915</u>	<u>\$ 215,095</u>

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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 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:

2023	\$	16,715
2024		17,896
2025		19,160
2026		20,513
2027		21,962
Thereafter		<u>19,050</u>
Future minimum principal payments	\$	<u><u>115,296</u></u>

8. 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, 2022 and 2021.

9. Leases

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 between the four leases.

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9. Leases (continued)

Operating Leases (continued)

A right-of-use asset and a lease liability are recorded in the accompanying statement of financial position at December 31, 2022 for the existing operating leases of four residential properties used for the Transitional Housing program. Occupancy expenses totaled \$591,374 and \$428,452 for the years ended December 31, 2022 and 2021, respectively.

Supplemental qualitative information related to SMYAL's operating leases was as follows at December 31, 2022:

Operating lease cost	\$	526,137
Cash paid for amounts included in the measurement of lease liability – operating cash flows	\$	523,545
Right-of-use asset obtained in exchange for new lease obligations	\$	1,033,178
Weighted-average remaining lease term (in years)		3
Weighted-average discount rate		1.76%

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

2023	\$	527,433
2024		<u>527,433</u>
Total undiscounted future cash flows		1,054,866
Less: discount to present value at 1.76%		<u>(19,096)</u>
Total operating lease liability	\$	<u><u>1,035,770</u></u>

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9. Leases (continued)

Finance Leases

SMYAL maintained a finance lease for a copy machine that expired in June 2022. Right-of-use asset and a liability for this finance lease were not recorded at January 1, 2022, since the lease had less than 12 months term. In June 2022, SMYAL re-negotiated its finance lease for a new copy machine. The new finance lease did not commence until January 1, 2023, with a term of 60 months ending on December 31, 2027. SMYAL did not record a right-of-use asset and a lease liability in the accompanying statement of financial position at December 31, 2022, since the lease commenced after the year end. For the period from June until the end of December 2022, SMYAL was using an old copy machine on a month-to-month lease term.

10. 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.

11. 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 \$22,559 and \$16,796 for the years ended December 31, 2022 and 2021, respectively.

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.

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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, 2022 and 2021, 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.