



**AUDIT REPORT**

**FINANCIAL AND FEDERAL AWARD  
COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED MARCH 31, 2014**

# ADVOCATES FOR YOUTH

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## **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED MARCH 31, 2014**  
**WITH SUMMARIZED FINANCIAL**  
**INFORMATION FOR 2013**

# ADVOCATES FOR YOUTH

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# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### INDEPENDENT AUDITOR'S REPORT

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of Advocates for Youth (Advocates), which comprise the statement of financial position as of March 31, 2014, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

#### 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates as of March 31, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## Report on Summarized Comparative Information

We have previously audited Advocates' 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on page I-15, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2014 on our consideration of Advocates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Advocates' internal control over financial reporting and compliance.



October 2, 2014

**ADVOCATES FOR YOUTH**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,108,430	\$ 2,729,493
Accounts receivable	41,321	23,162
Grants receivable (Note 7)	2,774,526	1,705,582
Inventory	13,839	32,524
Prepaid expenses and other assets	<u>72,917</u>	<u>77,082</u>
Total current assets	<u>6,011,033</u>	<u>4,567,843</u>
<b>FIXED ASSETS</b>		
Furniture and equipment	357,608	358,916
Less: Accumulated depreciation	<u>(313,500)</u>	<u>(295,879)</u>
Net fixed assets	<u>44,108</u>	<u>63,037</u>
<b>OTHER ASSETS</b>		
Grants receivable, non-current (Note 7)	1,000,000	-
Deposits	<u>43,857</u>	<u>42,357</u>
Total other assets	<u>1,043,857</u>	<u>42,357</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,098,998</u></b>	<b><u>\$ 4,673,237</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 139,530	\$ 172,906
Accrued expenses	138,763	142,945
Deferred rent, current portion (Note 4)	<u>49,640</u>	<u>33,498</u>
Total current liabilities	<u>327,933</u>	<u>349,349</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred rent, net of current portion (Note 4)	<u>239,067</u>	<u>288,707</u>
Total liabilities	<u>567,000</u>	<u>638,056</u>
<b>NET ASSETS</b>		
Unrestricted	428,385	414,212
Temporarily restricted (Note 3)	<u>6,103,613</u>	<u>3,620,969</u>
Total net assets	<u>6,531,998</u>	<u>4,035,181</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,098,998</u></b>	<b><u>\$ 4,673,237</u></b>

## ADVOCATES FOR YOUTH

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Individual contributions	\$ 108,713	\$ -	\$ 108,713	\$ 89,062
Foundation and corporate grants	-	7,051,527	7,051,527	2,657,569
Government grants	-	804,387	804,387	1,511,553
Publications and merchandise	10,400	-	10,400	11,710
Program service fees	123,626	-	123,626	33,243
Annual youth conference	14,561	-	14,561	10,500
Other	731	-	731	3,949
Interest income	4,212	-	4,212	4,300
Net assets released from donor restrictions (Note 2)	<u>5,373,270</u>	<u>(5,373,270)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>5,635,513</u>	<u>2,482,644</u>	<u>8,118,157</u>	<u>4,321,886</u>
<b>EXPENSES</b>				
Program Services:				
Youth Empowerment	715,549	-	715,549	334,165
Public Affairs	1,773,616	-	1,773,616	1,775,762
International Programs	418,148	-	418,148	596,826
Education and Outreach	161,955	-	161,955	94,985
HIV/AIDS Education	469,077	-	469,077	790,882
Adolescent Sexual Health Services	1,201,394	-	1,201,394	1,300,663
Public Information Services	79,840	-	79,840	211,225
Youth of Color	<u>264,971</u>	<u>-</u>	<u>264,971</u>	<u>299,849</u>
Total program services	<u>5,084,550</u>	<u>-</u>	<u>5,084,550</u>	<u>5,404,357</u>
Supporting Services:				
Management and General	2,679	-	2,679	141
Fundraising	<u>534,111</u>	<u>-</u>	<u>534,111</u>	<u>518,873</u>
Total supporting services	<u>536,790</u>	<u>-</u>	<u>536,790</u>	<u>519,014</u>
Total expenses	<u>5,621,340</u>	<u>-</u>	<u>5,621,340</u>	<u>5,923,371</u>
Change in net assets	14,173	2,482,644	2,496,817	(1,601,485)
Net assets at beginning of year	<u>414,212</u>	<u>3,620,969</u>	<u>4,035,181</u>	<u>5,636,666</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 428,385</u></b>	<b><u>\$ 6,103,613</u></b>	<b><u>\$ 6,531,998</u></b>	<b><u>\$ 4,035,181</u></b>

**ADVOCATES FOR YOUTH**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<b>2014</b>				
	<b>Program Services</b>				
	<b>Youth Empowerment</b>	<b>Public Affairs</b>	<b>International Programs</b>	<b>Education and Outreach</b>	<b>HIV/AIDS Education</b>
Salaries	\$ 280,735	\$ 548,971	\$ 175,201	\$ 35,265	\$ 210,274
Payroll taxes and employee benefits (Note 5)	60,843	119,945	38,308	7,722	42,553
Printing and duplicating	17,867	5,873	584	6,077	469
Legal and auditing	-	-	-	-	-
Rent (Note 4)	35,451	70,651	22,692	4,691	15,706
Insurance	-	-	-	-	-
Depreciation	2,139	5,540	1,529	438	581
Telephone and fax	2,264	4,843	940	878	2,210
Other travel	16,874	126,779	31,327	31,432	7,077
Professional and consulting	30,922	33,821	19,723	45,749	29,398
Postage and mailings	34,273	1,464	386	1,393	292
Equipment rental, repair and maintenance	-	17,364	-	-	-
Office supplies and expense	1,284	1,079	104	50	253
Dues and publications	723	28,742	129	2,150	-
Meetings and conferences	11,830	79,913	3,227	2,606	35,908
Advertising	22,723	746	-	-	80
Bank fees	-	-	261	-	-
Non-capitalized equipment	-	2,180	-	-	-
Contributions	9,425	7,250	300	200	-
Seed grants	21,739	321,317	40,443	-	32,500
Staff development	-	2,000	-	-	-
Staff travel	19,485	44,596	10,046	6,520	18,868
Temporary personnel and intern stipends	7,548	17,571	5,159	3,548	2,125
Training materials	15,853	13,743	382	-	439
Computer services	1,164	28,610	738	102	789
Public relations	159	549	641	151	350
Miscellaneous	-	36	30	-	-
Special events	2,066	-	-	-	-
Registration fees	5,935	11,169	1,715	50	2,830
Sub-total	601,302	1,494,752	353,865	149,022	402,702
Management and general allocation	114,247	278,864	64,283	12,933	66,375
<b>TOTAL</b>	<b>\$ 715,549</b>	<b>\$ 1,773,616</b>	<b>\$ 418,148</b>	<b>\$ 161,955</b>	<b>\$ 469,077</b>

2013								
				Supporting Services				
Adolescent Sexual Health Services	Public Information Services	Youth of Color	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
\$ 543,257	\$ 24,465	\$ 99,759	\$ 1,917,927	\$ 485,749	\$ 295,948	\$ 781,697	\$ 2,699,624	\$ 2,607,866
113,147	5,356	20,920	408,794	50,117	64,685	114,802	523,596	487,432
7,593	11,419	550	50,432	14,189	4,286	18,475	68,907	56,659
-	-	-	-	49,343	-	49,343	49,343	42,290
59,907	3,067	13,023	225,188	108,528	38,325	146,853	372,041	334,452
-	-	-	-	10,432	-	10,432	10,432	15,472
1,875	318	545	12,965	4,126	1,576	5,702	18,667	18,131
8,125	145	894	20,299	9,350	2,326	11,676	31,975	36,507
31,481	-	14,496	259,466	14,985	1,552	16,537	276,003	344,643
123,966	236	-	283,815	-	1,875	1,875	285,690	440,988
5,798	751	1,004	45,361	3,243	6,832	10,075	55,436	29,459
525	-	-	17,889	15,213	61	15,274	33,163	14,353
2,650	74	183	5,677	13,529	395	13,924	19,601	17,473
1,988	1,860	15	35,607	2,962	699	3,661	39,268	73,849
31,283	132	5,422	170,321	20,245	1,688	21,933	192,254	234,113
8,643	-	-	32,192	-	2,200	2,200	34,392	27,751
27	1,164	-	1,452	1,700	965	2,665	4,117	3,698
5,230	-	125	7,535	6,945	6	6,951	14,486	8,817
-	-	1,200	18,375	4,306	320	4,626	23,001	12,100
1,000	-	35,000	451,999	-	-	-	451,999	664,342
-	-	-	2,000	-	-	-	2,000	5,070
51,373	12	17,860	168,760	2,961	10,419	13,380	182,140	227,058
8,199	-	10,040	54,190	10,348	8,436	18,784	72,974	76,879
11,849	18,685	4,576	65,527	-	-	-	65,527	37,965
1,693	(592)	522	33,026	2,827	476	3,303	36,329	49,322
576	-	156	2,582	15,913	457	16,370	18,952	11,521
520	-	-	586	1,633	129	1,762	2,348	2,346
-	-	-	2,066	-	-	-	2,066	1,300
<u>4,223</u>	<u>-</u>	<u>2,554</u>	<u>28,476</u>	<u>1,356</u>	<u>5,177</u>	<u>6,533</u>	<u>35,009</u>	<u>41,515</u>
1,024,928	67,092	228,844	4,322,507	850,000	448,833	1,298,833	5,621,340	5,923,371
<u>176,466</u>	<u>12,748</u>	<u>36,127</u>	<u>762,043</u>	<u>(847,321)</u>	<u>85,278</u>	<u>(762,043)</u>	<u>-</u>	<u>-</u>
<b><u>\$ 1,201,394</u></b>	<b><u>\$ 79,840</u></b>	<b><u>\$ 264,971</u></b>	<b><u>\$ 5,084,550</u></b>	<b><u>\$ 2,679</u></b>	<b><u>\$ 534,111</u></b>	<b><u>\$ 536,790</u></b>	<b><u>\$ 5,621,340</u></b>	<b><u>\$ 5,923,371</u></b>

## ADVOCATES FOR YOUTH

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,496,817	\$ (1,601,485)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,667	18,131
Loss on retirement of assets	262	-
(Increase) decrease in:		
Accounts receivable	(18,159)	(14,627)
Grants receivable	(2,068,944)	1,771,597
Inventory	18,685	(5,753)
Prepaid expenses and other assets	4,165	(19,369)
Deposits	(1,500)	-
Increase (decrease) in:		
Accounts payable	(33,376)	(62,503)
Accrued expenses	(4,182)	(19,774)
Deferred rent	<u>(33,498)</u>	<u>(14,877)</u>
Net cash provided by operating activities	<u>378,937</u>	<u>51,340</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	<u>-</u>	<u>(4,653)</u>
Net cash used by investing activities	<u>-</u>	<u>(4,653)</u>
Net increase in cash and cash equivalents	378,937	46,687
Cash and cash equivalents at beginning of year	<u>2,729,493</u>	<u>2,682,806</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 3,108,430</u></b>	<b><u>\$ 2,729,493</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Sale of Donated Stock	<b><u>\$ 1,276,974</u></b>	<b><u>\$ 997,788</u></b>

**ADVOCATES FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

Advocates for Youth (Advocates) was incorporated in 1980, under the District of Columbia Nonprofit Corporation Act, for the purpose of conducting public education, information and communication programs, with the aim of reducing the incidence of unintended adolescent pregnancy and the spread of HIV infection.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Advocates' financial statements for the year ended March 31, 2013, from which the summarized information was derived.

Cash and cash equivalents -

Advocates considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, Advocates maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Fixed assets -

Furniture and equipment are stated at cost. Furniture and equipment, with costs greater than \$1,000, are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years.

Income taxes -

Advocates is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Advocates is not a private foundation.

Uncertain tax positions -

For the year ended March 31, 2014, Advocates has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Inventory -

Inventory consists of publications and other merchandise, which are stated at the lower of cost or market value, using the first-in, first-out basis.

**ADVOCATES FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

Accounts and grants receivable -

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

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operations of Advocates and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Advocates and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Advocates receives funding under grants from the U.S. Government. The grants are recorded as temporarily restricted and subsequently released from restriction to the extent that expenses have been incurred for the purpose or period specified.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising costs -

Advocates incurs certain costs associated with advertising. Advocates expenses these costs as they are incurred. For the year ended March 31, 2014, advertising expense totaled \$34,392.

**ADVOCATES FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**2. TEMPORARILY RESTRICTED NET ASSETS**

As of March 31, 2014, the temporarily restricted net assets balance consisted of the following:

Program:	
Adolescent Sexual Health Services	\$ 897,071
Education and Outreach	289,127
HIV/AIDS Education	544,902
International Programs	100,961
Public Affairs	444,793
Urban Retreat	60,000
Youth Empowerment	101,054
Youth of Color	<u>90,000</u>
Total program	2,527,908
Passage of Time: General Operations	<u>3,575,705</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 6,103,613</u></b>

**3. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Program:	
Adolescent Sexual Health Services	\$ 1,175,771
Education and Outreach	81,836
HIV/AIDS Education	411,970
International Programs	198,295
Public Affairs	383,272
Urban Retreat	64,000
Youth Empowerment	715,549
Youth of Color	<u>117,964</u>
Total program	3,148,657
Passage of Time: General Operations	<u>2,224,613</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$ 5,373,270</u></b>

**4. COMMITMENTS - OPERATING LEASES**

Advocates entered into a fifteen-year lease agreement for office space, which expires in August 2018. The base rent is adjusted annually by an increase in the consumer price index and a pro-rata increase in real estate taxes.

Advocates' operating lease for its office space in Washington, D.C., provided for free rent for the first three months of the lease term. Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position. The deferred rent liability for the year ended March 31, 2014 was \$288,707.

**ADVOCATES FOR YOUTH**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2014**

**4. COMMITMENTS - OPERATING LEASES (Continued)**

Advocates entered into a one-year lease agreement for office space in Columbia, South Carolina. The lease commenced August 1, 2013 and expired on July 31, 2014. Base rent under the lease agreement is \$1,500 per month, with a \$1,500 security deposit.

Rent and other operating costs included in rent expense for the year ended March 31, 2014 totaled \$372,041.

Future minimum lease payments are as follows:

<u>Year Ending March 31,</u>	
2015	\$ 373,216
2016	376,396
2017	385,806
2018	395,451
2019	<u>166,463</u>
	<b><u>\$ 1,697,332</u></b>

**5. PENSION PLAN**

Advocates participates in a retirement arrangement pursuant to Section 403(b) of the Internal Revenue Code for the benefit of its employees. All employees working twenty or more hours weekly and having one-year of service are eligible for employer contributions to the plan. Employees are eligible to make voluntary contributions to the plan with pre-tax dollars after completing 90 days of service. Individual contracts issued under the plan provide for full and immediate vesting of both employer and employee contributions. Advocates contributed four percent of each eligible participant's salary to the plan during the year.

Pension expense for the year ended March 31, 2014 totaled \$88,840, and is included in payroll taxes and employee benefits in the accompanying Statement of Functional Expenses.

**6. CONTINGENCY**

Advocates receives funds from government grants and contracts, which are subject to audit under the provisions of OMB Circular A-133.

The ultimate determination of amounts received under the Federal programs is based upon the allowance of costs reported to and accepted by the government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2014. Until such audits have been accepted by the government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**7. GRANTS RECEIVABLE**

Included in grants receivable at March 31, 2014 are the following unconditional promises to give:

Federal	\$ 731,465
Foundation - Restricted	<u>3,043,061</u>
<b>TOTAL GRANTS RECEIVABLE</b>	<b><u>\$ 3,774,526</u></b>

**ADVOCATES FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**7. GRANTS RECEIVABLE (Continued)**

Grants receivable are due as follows at March 31, 2014:

**Year Ending March 31,**

2015	\$ 2,774,526
2016	<u>1,000,000</u>
	<b><u>\$ 3,774,526</u></b>

**8. SUBSEQUENT EVENTS**

In preparing these financial statements, Advocates has evaluated events and transactions for potential recognition or disclosure through October 2, 2014, the date the financial statements were issued.

**SUPPLEMENTAL INFORMATION**

## ADVOCATES FOR YOUTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2014

<u>Federal Granting Agency and Program Title</u>	<u>CFDA or Award Number</u>	<u>Expenditures</u>
<b>Direct Assistance:</b>		
<b>U.S. Department of Health and Human Services - Centers for Disease Control and Prevention:</b>		
CBA to Promote ESHE in SEAs/TEAs	93.079	\$ 172,025
Building the Capacity of Societal Institutions Serving American and Latina Young Women	93.938	162,445
Maternal, Infant and Reproductive Health: National and State Coalition Capacity Building	93.946	542,941
<b>U.S. Department of Health and Human Services - Public Health Service:</b>		
HIV/AIDS Health Promotion and Education	93.004	<u>117,964</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ <u>995,375</u></b>

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of Advocates under programs of the Federal government for the year ended March 31, 2014. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Advocates, it is not intended to and does not present the financial position, changes in net assets or cash flows of Advocates.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

ADVOCATES FOR YOUTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2014

**Section I - Summary of Audit Results**

**Financial Statements**

- 1). Type of auditor's report issued: **Unmodified**
- 2). Internal control over financial reporting:
- Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None Reported
- 3). Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

- 4). Internal control over major programs:
- Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None Reported
- 5). Type of auditor's report issued on compliance for major programs: **Unmodified**
- 6). Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

7). Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA or Award Number</u>
Maternal, Infant and Reproductive Health: National and State Coalition Capacity Building	93.946

- 8). Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- 9). Auditee qualified as a low-risk auditee?  Yes  No

**ADVOCATES FOR YOUTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**Section II - Financial Statement Findings**

There were no reportable findings.

**Section III - Federal Award Findings and Questioned Costs (Circular A-133, Section .510)**

There were no reportable findings.

**Section IV - Prior Year Findings**

There were no prior year audit findings.



## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Advocates for Youth (Advocates) as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise Advocates' basic financial statements, and have issued our report thereon dated October 2, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Advocates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Advocates' internal control. Accordingly, we do not express an opinion on the effectiveness of Advocates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Advocates' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Advocates' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

October 2, 2014



## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

### Report on Compliance for Each Major Federal Program

We have audited Advocates for Youth's (Advocates) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Advocates' major federal programs for the year ended March 31, 2014. Advocates' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Advocates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Advocates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Advocates' compliance.

### Opinion on Each Major Federal Program

In our opinion, Advocates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014.

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## Report on Internal Control Over Compliance

Management of Advocates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Advocates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Advocates' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



October 2, 2014