

The Hetrick-Martin Institute, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2018



The Hetrick-Martin Institute, Inc.

June 30, 2018

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Independent Auditor's Report

Board of Directors
The Hetrick-Martin Institute, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of The Hetrick-Martin Institute, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, 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 The Hetrick-Martin Institute, Inc. as of June 30, 2018, and the changes 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.

Other Matters

Supplementary Information

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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* as listed in the table of contents, 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 (*Date*) on our consideration of The Hetrick-Martin Institute, Inc.'s 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 solely 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 the effectiveness of The Hetrick-Martin Institute, Inc.'s 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 The Hetrick-Martin Institute, Inc.'s internal control over financial reporting and compliance.

BKD, LLP

New York, New York
April 1, 2019

The Hetrick-Martin Institute, Inc.
Statement of Financial Position
June 30, 2018

Assets

Cash and cash equivalents	\$ 591,880
Investments	268,214
Government contracts receivable (net of allowance for uncollectibles of \$79,000)	1,496,174
Contributions receivable	1,345,559
Prepaid expenses and other assets	125,520
Security deposits	26,515
Artwork held for sale	13,200
Fixed assets - net	<u>76,354</u>
Total assets	<u><u>\$ 3,943,416</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 354,430
Accrued vacations payable	295,660
Deferred revenue	221,500
Refundable advances	<u>160,639</u>
Total liabilities	<u>1,032,229</u>

Net Assets

Unrestricted - operating	1,462,069
Unrestricted - board designated reserve fund	<u>268,214</u>
Total unrestricted net assets	1,730,283
Temporarily restricted	<u>1,180,904</u>
Total net assets	<u>2,911,187</u>
Total liabilities and net assets	<u><u>\$ 3,943,416</u></u>

The Hetrick-Martin Institute, Inc.
Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues, Losses and Other Support			
Government contracts	\$ 4,849,012	\$ -	\$ 4,849,012
Contributions and grants	1,666,780	1,318,133	2,984,913
Special events	1,845,571	-	1,845,571
Direct cost of special events	(559,166)	-	(559,166)
Donated goods and services	94,360	-	94,360
Interest income	7,325	-	7,325
Investment loss	(8,108)	-	(8,108)
Other	53,675	-	53,675
Net assets released from restrictions	690,880	(690,880)	-
	<u>8,640,329</u>	<u>627,253</u>	<u>9,267,582</u>
Total revenues, losses and other support			
Expenses			
Program services			
Youth services	6,299,773	-	6,299,773
Supporting services			
Management and general	1,517,827	-	1,517,827
Fund raising	1,148,042	-	1,148,042
	<u>2,665,869</u>	<u>-</u>	<u>2,665,869</u>
Total supporting services			
	<u>8,965,642</u>	<u>-</u>	<u>8,965,642</u>
Total expenses			
Deconsolidation of Hetrick-Martin Institute - New Jersey, Inc. (Note 1)	(51,886)	-	(51,886)
Change in Net Assets	(377,199)	627,253	250,054
Net Assets, Beginning of Year	2,107,482	553,651	2,661,133
Net Assets, End of Year	<u>\$ 1,730,283</u>	<u>\$ 1,180,904</u>	<u>\$ 2,911,187</u>

The Hetrick-Martin Institute, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services		Supporting Services			Total	Total
	Youth Services	Management and General	Fund Raising	Special Events	Total		
Salaries	\$ 2,821,719	\$ 756,693	\$ 643,028	\$ -	\$ 1,399,721	\$ 4,221,440	
Fringe benefits	635,138	170,323	144,739	-	315,062	950,200	
Occupancy	1,001,128	203,020	205,891	-	408,911	1,410,039	
Depreciation and amortization	28,805	7,739	6,450	-	14,189	42,994	
Events - rental and catering	-	-	-	559,166	559,166	559,166	
Consultants and professional fees	683,331	121,319	102,906	-	224,225	907,556	
Youth awards	342,345	-	-	-	-	342,345	
Client related activities	186,378	-	-	-	-	186,378	
Equipment and repairs	114,310	19,739	19,739	-	39,478	153,788	
Printing, postage and messenger service	20,016	18,628	2,812	-	21,440	41,456	
Travel and meetings	134,604	-	-	-	-	134,604	
Bank charges and payroll services	-	63,797	-	-	63,797	63,797	
Bad debt	-	131,073	-	-	131,073	131,073	
Program supplies and rental	119,165	-	-	-	-	119,165	
Telephone, fax, and internet	52,028	12,506	10,628	-	23,134	75,162	
Insurance	36,142	10,019	10,018	-	20,037	56,179	
Donated goods and services	94,361	-	-	-	-	94,361	
Miscellaneous	22,313	-	-	-	-	22,313	
Office supplies	7,990	2,971	1,831	-	4,802	12,792	
Advertising	-	-	-	-	-	-	
Total expenses	6,299,773	1,517,827	1,148,042	559,166	3,225,035	9,524,808	
Less expenses deducted directly from revenues on the statement of activities							
Direct cost of special events	-	-	-	(559,166)	(559,166)	(559,166)	
Total expenses reported by function on the statement of activities	\$ 6,299,773	\$ 1,517,827	\$ 1,148,042	\$ -	\$ 2,665,869	\$ 8,965,642	

The Hetrick-Martin Institute, Inc.
Statement of Cash Flows
Year Ended June 30, 2018

Operating Activities	
Change in net assets	\$ 250,054
Items not requiring (providing) operating cash flows	
Deconsolidation of Hetrick-Martin Institute - New Jersey, Inc.	51,886
Depreciation and amortization	42,994
Investment loss	8,108
Changes in	
Government contracts receivable	(527,100)
Contributions receivable	(656,414)
Prepaid expenses and other assets	(42,520)
Accounts payable and accrued expenses	283,008
Accrued vacations payable	38,518
Deferred revenue	187,000
Refundable advances	148,332
	<hr/>
Net cash used in operating activities	(216,134)
	<hr/>
Investing Activities	
Purchase of investments	(7,187)
Proceeds from sales of investments	208,666
Fixed asset acquisitions	(37,124)
Deconsolidation of Hetrick-Martin Institute - New Jersey, Inc.	(51,886)
	<hr/>
Net cash provided by investing activities	112,469
	<hr/>
Decrease in Cash and Cash Equivalents	(103,665)
Cash and Cash Equivalents, Beginning of Year	695,545
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Cash and Cash Equivalents, End of Year	\$ 591,880
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The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

June 30, 2018

Note 1: Nature of Organization

The Hetrick-Martin Institute, Inc. (HMI), formerly known as The Institute for the Protection of Gay and Lesbian Youth, was formed in 1979, in New York City, to protect the interests of lesbian and gay youth, promote their physical and emotional health, and educate the general public with respect to the needs of these youth. HMI's primary sources of funding are contracts from governmental agencies, private (nongovernmental) contributions and special events.

HMI is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and has been designated as an organization which is not a private foundation.

As of July 1, 2017, HMI is no longer a membership corporation and does not have board control of Hetrick-Martin Institute - New Jersey, Inc. Accordingly, unrestricted net assets of \$51,886 were transferred to Hetrick-Martin Institute - New Jersey, Inc.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Includes money market and savings accounts other than amounts included in HMI's investment portfolio. Management considers liquid investments with original maturities of three months or less when acquired to be cash equivalents.

Investments

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

June 30, 2018

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices) and Level 2 (other significant observable inputs) are recognized on the actual transfer date.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for Doubtful Accounts

HMI determines whether an allowance for uncollectibles should be provided for government contracts and contributions receivable. Such estimates are based on management's assessment of the aged basis of its receivables, subsequent receipts, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. An allowance has been established for potential disallowances on government contracts.

Artwork Held for Sale

Artwork held for sale is reflected at its fair value on the date of donation, and is checked periodically for any impairment.

Fixed Assets

Fixed assets and leasehold improvements are recorded at cost. Items with a cost of \$1,000 and an estimated useful life of greater than one year are capitalized. Furniture and equipment are being depreciated on the straight-line method over seven to ten years. Leasehold improvements are being amortized at the lesser of their useful lives of five to ten years or the remaining term of the lease.

Long-Lived Asset Impairment

HMI evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2018.

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

June 30, 2018

Deferred Revenue

Deferred revenue represents cash received for events that will take place in the subsequent year.

Refundable Advances

Refundable advances consist of advances received on government contracts that are anticipated to be earned in the future.

Net Assets

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Included in unrestricted net assets is a board-designated reserve fund, which represents unrestricted contributions earmarked by the Board as a reserve for the agency. Temporarily restricted net assets are those whose use by HMI has been limited by donors to a specific time period or purpose.

Government Contracts Revenues and Receivables

Revenues from government contracts are recognized when earned. Expense-based contracts are recognized as allowable expenses are incurred. Performance-based contracts are recognized as milestones are achieved. Revenues from government agencies are subject to audit by the agencies. Funds received prior to revenue recognition are reflected as refundable advances. Government contracts receivable represent unpaid balances due from government agencies for amounts earned on contracts. No interest is charged on outstanding balances.

Contributions and Grants

Unconditional contributions and grants, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. HMI reports contributions and non-exchange grants as temporarily or permanently restricted revenue if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor or grantor restriction expires, that is, when the stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Special Events

HMI conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenues in the accompanying financial statements.

The Hetrick-Martin Institute, Inc.
Notes to Financial Statements
June 30, 2018

Donated Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Donated services represent the value assigned to legal services contributed by volunteers based on the actual hours worked at rates paid to professionals performing similar duties. Total donated services for the fiscal year ended June 30, 2018 was \$94,360.

Advertising

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on ratio value and other methods.

Income Taxes

HMI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, HMI is subject to federal income tax on any unrelated business taxable income.

HMI files tax returns in the U.S. federal jurisdiction.

Subsequent Events

Subsequent events have been evaluated through April 1, 2019, which is the date the financial statements were available to be issued.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that HMI has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

June 30, 2018

- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at June 30, 2018 as compared to that used at June 30, 2017.

U.S. Treasury notes: Valued at the closing price reported on the active market on which the individual securities are traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Note 3: Investments

	<u>Level 1</u>
Investments at fair value	
U.S. Treasury notes	<u>\$ 260,948</u>
Total investments reported on the fair value hierarchy	260,948
Cash and cash equivalents	<u>7,266</u>
Total investments	<u><u>\$ 268,214</u></u>

Note 4: Contributions Receivable

Unconditional contributions receivable have been recorded at present value. The discount on the amounts due in the future was immaterial to record. No allowance was considered necessary at June 30, 2019. Contributions receivable are due as follows:

2019	\$ 1,175,559
2020	<u>170,000</u>
Total contributions receivable	<u><u>\$ 1,345,559</u></u>

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

June 30, 2018

Note 5: Temporarily Restricted Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Academic enrichment for HIV prevention, GED preparation and job readiness	\$ 461,204
National Advocacy & Capacity Building	46,506
Supportive services programs, arts and culture programs, health and wellness programs, and New Jersey programs	86,938
Transgender employment project and National Latino Gay Men's Task Force	<u>96,232</u>
	<u>\$ 690,880</u>

Temporarily restricted net assets are available for the following purposes:

Time restrictions	\$ 556,499
Academic enrichment for HIV prevention, GED preparation and job readiness	357,411
Supportive services programs, arts and culture programs, health and wellness programs, and New Jersey programs	111,287
Transgender employment project and National Latino Gay Men's Task Force	<u>155,707</u>
	<u>\$ 1,180,904</u>

Note 6: Fixed Assets

Furniture and equipment	\$ 2,105,271
Leasehold improvements	<u>730,354</u>
	2,835,625
Accumulated depreciation and amortization	<u>(2,759,271)</u>
	<u>\$ 76,354</u>

Note 7: Lease Commitment

Commencing April 1, 2012, HMI entered into a ten-year lease agreement for its New York City office with the option to cancel at any time by providing one year's written notice. The rent expense for the year was \$1,072,943. Future minimum noncancelable lease commitments are as follows:

2019	\$ 1,079,798
2020	<u>547,812</u>
	<u>\$ 1,627,610</u>

The Hetrick-Martin Institute, Inc.
Notes to Financial Statements
June 30, 2018

Note 8: Concentrations

Financial instruments which potentially subject HMI to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

The amount of cash in excess of FDIC insurance limits was approximately \$440,000 as of June 30, 2018.

Note 9: Pension Plan

HMI provides a 401(k) defined contribution pension plan, which is managed by Automatic Data Processing, Inc. (ADP). HMI makes matching contributions of up to 3% of each full-time employee's salary as long as the employee has been employed for one full year. Pension expense for the year was \$70,701.

Note 10: Contingencies

HMI is responsible to report to the New York State Department of Health (NYSDOH) as well as various New York City government agencies. The Office of the New York State Attorney General, as well as various government agencies including the Internal Revenue Service, have the right to audit fiscal as well as programmatic compliance of HMI and adjustments could be required as a result of such audit.

Note 11: Subsequent Event

In August 2018, the staff of HMI voted on and approved to become part of the 1199SEIU United Healthcare Workers union.

Subsequent events have been evaluated through April 1, 2019, which is the date the financial statements were available to be issued.

Supplementary Information

The Hetrick-Martin Institute, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Program or Cluster Title/ Pass-through Grantor	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Child and Adult Care Food Program (CACFP)	10.558			
Pass-through from New York State Department of Health		C-5040	\$ -	\$ 22,582
Total U.S. Department of Agriculture			-	22,582
U.S. Department of Education				
Twenty-First Century Community Learning Centers	84.287			
Pass-through from New York State Education Department		C0402098	-	389,283
Total U.S. Department of Education			-	389,283
U.S. Department of Health and Human Services				
477 Cluster				
Community Services Block Grant	93.569			
Pass-through from New York City Department of Youth and Community Development		9805/6160	-	75,000
Medicaid Cluster				
Medical Assistance Program	93.778			
Pass-through from New York State Department of Health		C32113GG	-	192,673
HIV Emergency Relief Project Grants				
Pass-through from Public Health Solutions	93.914	11-OHY-568	-	104,178
Pass-through from Public Health Solutions		18-TPT-568	-	66,448
Total HIV Emergency Relief Project Grants			-	170,626
Maternal and Child Health Services Block Grant to the States	93.994			
Pass-through from New York State Department of Health		C32113GG	-	115,656
Total U.S. Department of Health and Human Services			-	553,955
U.S. Corporation for National and Community Service (CNCS)				
Social Innovation Fund	94.019			
Pass-through from New York City Center for Economic Opportunity (Mayor's Fund)		15SIHNY001	-	266,634
Total U.S. Corporation for National and Community Service (CNCS)			-	266,634
Total expenditures of federal awards			\$ -	\$ 1,232,454

The Hetrick-Martin Institute, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Hetrick-Martin Institute, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Hetrick-Martin Institute, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of The Hetrick-Martin Institute, Inc.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.
3. The Hetrick-Martin Institute, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
4. Ryan White/HIV Prevention revenues related to CFDA 93.914 are included in the government contract revenues on the statement of activities.
5. The Hetrick-Martin Institute, Inc. did not have any federal loan programs during the year ended June 30, 2018.

**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

Board of Directors
The Hetrick-Martin Institute, Inc.
New York, New York

We have audited, 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, the financial statements of The Hetrick-Martin Institute, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated (Date).

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Hetrick-Martin Institute, Inc.'s 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.

BKD, LLP

New York, New York
April 1, 2019

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
The Hetrick-Martin Institute, Inc.
New York, New York

Report on Compliance for the Major Federal Program

We have audited The Hetrick-Martin Institute, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on The Hetrick-Martin Institute, Inc.'s major federal program for the year ended June 30, 2018. The Hetrick-Martin Institute, Inc.'s major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for The Hetrick-Martin Institute, Inc.'s major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 The Hetrick-Martin Institute, Inc.'s 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 the major federal program. However, our audit does not provide a legal determination of The Hetrick-Martin Institute, Inc.'s compliance.

Opinion on the Major Federal Program

In our opinion, The Hetrick-Martin Institute, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of The Hetrick-Martin Institute, Inc. 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 The Hetrick-Martin Institute, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 The Hetrick-Martin Institute, Inc.'s 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

New York, New York
April 1, 2019

The Hetrick-Martin Institute, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

- Unmodified* *Qualified* *Adverse* *Disclaimer*

2. The independent auditor's report on internal control over financial reporting disclosed:

- Significant deficiency(ies)? *Yes* *None reported*
Material weakness(es)? *Yes* *No*

3. Noncompliance considered material to the financial statements was disclosed by the audit?

- Yes* *No*

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:

- Significant deficiency(ies)? *Yes* *None reported*
Material weakness(es)? *Yes* *No*

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:

- Unmodified* *Qualified* *Adverse* *Disclaimer*

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

- Yes* *No*

7. HMI's major program was:

Cluster/Program	CFDA Number
Twenty-First Century Community Learning Centers	84.287

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. HMI qualified as a low-risk auditee?

- Yes* *No*

The Hetrick-Martin Institute, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
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No matters are reportable.

The Hetrick-Martin Institute, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Reference Number	Summary of Finding	Status
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No matters are reportable.