

THE HETRICK-MARTIN INSTITUTE, INC.

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2019

THE HETRICK-MARTIN INSTITUTE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Hetrick-Martin Institute, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Hetrick-Martin Institute, Inc. ("HMI"), which comprise the statement of financial position as of June 30, 2019, 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 of 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 HMI'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 HMI'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, 2019, 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 Schedule of Expenditures of Federal Awards 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 March 24, 2020, on our consideration of HMI'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 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 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 HMI's internal control over financial reporting and compliance.

MBAF CPAs, LLC

New York, NY
March 24, 2020

THE HETRICK-MARTIN INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Cash and cash equivalents	\$ 1,025,357
Grants receivable, net	1,006,970
Pledges receivable	1,347,289
Prepaid expenses and other assets	243,977
Property and equipment, net	<u>66,520</u>
TOTAL ASSETS	<u>\$ 3,690,113</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 431,714
Accrued salaries and other payroll related expenses	193,606
Refundable contract advances	<u>146,445</u>
TOTAL LIABILITIES	<u>771,765</u>

NET ASSETS

Without donor restrictions	1,702,928
With donor restrictions	<u>1,215,420</u>
TOTAL NET ASSETS	<u>2,918,348</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,690,113</u>

The accompanying notes are an integral part of these financial statements.

THE HETRICK-MARTIN INSTITUTE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
OPERATING REVENUE WITHOUT DONOR RESTRICTIONS	
Government grants and contracts	\$ 3,425,050
Contributions and other grants	1,766,136
Special events, net of direct expenses of \$564,143	912,571
Rental income from Department of Education	811,411
In-kind contributions	134,886
	<hr/>
	7,050,054
 NET ASSETS RELEASED FROM RESTRICTIONS	
Satisfaction of program restrictions	<hr/>
	1,057,483
 TOTAL REVENUES AND SUPPORT	<hr/>
	8,107,537
 EXPENSES	
Program	5,404,707
Management and general	1,477,484
Fundraising	1,252,702
	<hr/>
TOTAL EXPENSES	8,134,893
	<hr/>
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<hr/>
	(27,356)
 CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	
Contributions from foundations	957,000
Contributions from individuals	135,000
Net assets released from restrictions	<hr/>
	(1,057,483)
 CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<hr/>
	34,517
 CHANGE IN NET ASSETS	<hr/>
	7,161
 NET ASSETS - BEGINNING OF YEAR	<hr/>
	2,911,187
 NET ASSETS - END OF YEAR	<hr/>
	\$ 2,918,348

The accompanying notes are an integral part of these financial statements.

THE HETRICK-MARTIN INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Supporting Services</u>			
	Youth Services	Management and General	Fundraising	Subtotal	Total
Salaries	\$ 2,344,616	\$ 633,359	\$ 762,902	\$ 1,396,261	\$ 3,740,877
Fringe benefits	567,960	151,215	184,806	336,021	903,981
Occupancy	1,004,707	204,482	205,891	410,373	1,415,080
Depreciation and amortization	14,661	15,055	4,770	19,825	34,486
Events - rental and catering	-	-	564,143	564,143	564,143
Consultants and professional fees	370,464	339,361	30,334	369,695	740,159
Youth awards	391,442	-	-	-	391,442
Client related activities	121,249	-	-	-	121,249
Equipment, rentals and repairs	77,271	19,739	19,739	39,478	116,749
Printing, postage and dues	58,577	20,110	16,489	36,599	95,176
Travel and meetings	136,075	-	-	-	136,075
Bank charges and payroll services	-	69,620	-	69,620	69,620
Program supplies and activities	188,638	-	-	-	188,638
Telephone, fax and internet	48,010	12,782	15,622	28,404	76,414
Insurance	4,084	10,018	10,018	20,036	24,120
Miscellaneous	69,562	-	-	-	69,562
Office supplies	6,548	1,743	2,131	3,874	10,422
Advertising and recruitment fees	843	-	-	-	843
	<u>5,404,707</u>	<u>1,477,484</u>	<u>1,816,845</u>	<u>3,294,329</u>	<u>8,699,036</u>
Less: expenses deducted directly from revenues on the statement of activities	-	-	(564,143)	(564,143)	(564,143)
	<u>\$ 5,404,707</u>	<u>\$ 1,477,484</u>	<u>\$ 1,252,702</u>	<u>\$ 2,730,186</u>	<u>\$ 8,134,893</u>

The accompanying notes are an integral part of these financial statements.

THE HETRICK-MARTIN INSTITUTE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 7,161
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	34,486
Changes in operating assets and liabilities:	
Grants receivable, net	489,204
Pledges receivable	(1,730)
Prepaid expenses and other assets	(91,942)
Accounts payable and accrued expenses	77,284
Accrued salaries and other payroll related expenses	(102,054)
Refundable contract advances	(14,194)
Deferred revenue	(221,500)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>176,715</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	268,212
Purchase of property and equipment	<u>(11,450)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>256,762</u>
NET INCREASE IN CASH	433,477
CASH - BEGINNING OF YEAR	<u>591,880</u>
CASH - END OF YEAR	<u>\$ 1,025,357</u>

The accompanying notes are an integral part of these financial statements.

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

1. NATURE OF THE 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, as determined by the Internal Revenue Service, is exempt from federal income tax under Section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and under the corresponding provisions of the New York State tax laws.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

HMI's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of HMI's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less when purchased.

Grants and Pledges Receivable

Grants and pledges receivable represent unconditional promises to give. Grants and pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable at June 30, 2019 was \$1,347,289. Grants receivable at June 30, 2019 was \$1,085,886 and is recorded net of allowance for uncollectible accounts on the statement of financial position. Allowance for uncollectible accounts was \$78,916 at June 30, 2019. Such estimate is based on management's assessment of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information.

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants and Contracts

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 in advance for which qualifying expenditures have not yet been incurred, or milestones have not yet been achieved, if any, are reflected as refundable advances. Grants 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. Contributions subject to donor restrictions are recognized in changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in change in net assets without donor restrictions. If a donor-imposed restriction is fulfilled in the same period in which it is received, the contribution is reported as an increase in net assets without donor restrictions.

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.

Donated Goods and Services

Donations of goods and services are recognized as contributions in-kind, at their fair value, provided the goods and services received create or enhance non-financial assets, require specified skills provided by individuals possessing those skills, and typically need to be purchased, if not provided by donation. Donated goods consist of clothing, equipment, accessories and tickets. Donated goods are estimated at \$96,076 at June 30, 2019.

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, 2019 was \$38,810.

Property and Equipment

Property and equipment are stated at cost net of depreciation using the straight-line method over the estimated useful lives of the assets (Note 4). HMI has established a \$1,000 threshold above which assets are evaluated to be 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. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Impairment

HMI reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, HMI recognizes an impairment loss. No impairment losses were recognized for the year ended June 30, 2019.

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications based upon benefits received.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Subsequent Events

HMI has evaluated events through March 24, 2020, which is the date the financial statements were available to be issued.

Income Taxes

HMI follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure and transition.

HMI files informational returns in the federal jurisdiction. With few exceptions, HMI is no longer subject to federal income tax examinations for fiscal years before 2016.

HMI believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts paid. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, HMI would classify it as interest expense. HMI would classify penalties in connection with underpayments of income tax as other expense.

Adopted Accounting Pronouncement

Financial Statement Presentation

During the year ended June 30, 2019, HMI adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now titled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method.

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncement (Continued)

Financial Statement Presentation (Continued)

As a result, HMI reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions and temporary restricted to net assets with donor restrictions. The adoption of this update had no other material effect on the HMI's financial position and changes in net assets.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. HMI is currently evaluating the effect the update will have on its financial statements.

In June 2018, the FASB issued an accounting standards update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. HMI is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements and lessor accounting. HMI is currently evaluating the effect the update will have on its financial statements but expects upon adoption that the update will have a material effect on HMI's financial condition due to the recognition of a right-of-use asset and related lease liability. HMI does not anticipate the update having a material effect on HMI's results of operations or cash flows, though such an effect is possible.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, HMI's presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. HMI is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021, with early application permitted.

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

HMI maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. HMI's management meets monthly to address projected cash flows to meet its operational expenditures. HMI's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$	1,025,357
Grants receivable, net		1,006,970
Pledges receivable		1,347,289
Total financial assets	\$	3,379,616
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract with time or purpose		(1,215,420)
Total financial assets available to management for general expenditures within one year	\$	2,164,196

At June 30, 2019, HMI has no board designated net assets.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30,:

	2019	Estimated Useful Life
Leasehold improvements	741,804	5-10 years
Furniture and fixtures	418,438	7-10 years
Equipment and software	1,686,833	7-10 years
Art collection	13,200	-
	2,860,275	
Less: accumulated depreciation and amortization	(2,793,755)	
	\$ 66,520	

Depreciation and amortization expense amounted to \$34,486 for the year ended June 30, 2019.

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

5. NET ASSETS WITH DONOR RESTRICTIONS

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

Time restrictions	\$	306,499
LGBTQ youth services		390,710
Academic enrichment		44,743
Job readiness training		217,016
Advocacy and capacity building		88,432
HMI café		10,083
	\$	<u>1,057,483</u>

Net assets with donor restrictions as of June 30, 2019 are available for the following purposes:

Time restrictions	\$	385,000
Emery award		100,000
LGBTQ youth services		316,701
Academic enrichment		35,257
Job readiness training		147,776
Advocacy and capacity building		145,769
HMI café		84,917
	\$	<u>1,215,420</u>

6. PENSION PLAN

HMI provides a 401(k) defined contribution pension plan, which is managed by Automatic Data Processing, Inc. 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. For the year ended June 30, 2019, pension expense for HMI was \$56,056 and is included on the statement of functional expenses under fringe benefits.

7. COMMITMENT

HMI entered into a cancelable operating lease with a one year written notice for space in New York during March 2012, which expires on June 30, 2022.

Rent expense for the year ended June 30, 2019 was \$1,072,843 and is included in the statement of functional expenses under occupancy. HMI subleases one of their premises to New York City School Construction Authority with the same cancelable terms as the operating lease above. They received rental income of \$811,411 from the Department of Education for the ended June 30, 2019, which is shown in the statement of activities under rental income.

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

8. RISK MANAGEMENT

HMI is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. HMI maintains commercial insurance to help protect itself from such risks.

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

9. CONCENTRATIONS

Financial instruments that potentially subject HMI to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000.

HMI received approximately 50% of its total revenue from federal and state grants and one federal grant accounted for approximately 14% of total revenue during the year ended June 30, 2019.

Three major grantors accounted for approximately 66% of grants receivable and two major donors accounted for approximately 35% of pledges receivable at June 30, 2019.

One vendor accounted for approximately 20% of accounts payable at June 30, 2019.

SUPPLEMENTARY INFORMATION

THE HETRICK-MARTIN INSTITUTE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through from New York State Department of Health			
Child and Adult Care Food Program (CACFP)	10.558	C-5040	\$ 30,767
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through from New York State Education Department			
21st Century Community Learning Center	84.287	C0402098	350,354
<u>MEDICAL ASSISTANCE PROGRAM</u>			
Pass-through from New York State Department of Health			
Comprehensive Adolescent Pregnancy Prevention (CAPP)	93.778	C32113GG	202,465
<u>MATERNAL & CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES</u>			
Pass-through from New York State Department of Health			
Comprehensive Adolescent Pregnancy Prevention (CAPP)	93.994	C32113GG	106,719
<u>HIV EMERGENCY RELIEF PROJECT GRANTS</u>			
Pass-through Public Health Solutions			
Ryan White Targeted HIV Testing Among Priority Populations	93.914	18-TPT-568	90,071
Outreach & Education for Combination Prevention: Community Based Organization	93.914	11-OHY-568	82,661
Total HIV Emergency Relief Project Grants			172,732
<u>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICES (CNCS)</u>			
Pass-through from New York City Center for Economic Opportunity			
Social Innovation Fund	94.019	15SIHNY001	125,479
Total Expenditures of Federal Awards			\$ 988,516

The accompanying notes are an integral part of this schedule.

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of The Hetrick-Martin Institute, Inc. (a not-for-profit organization) ("HMI") under programs of the federal government for the year ended June 30, 2019. 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 this Schedule presents only a selected portion of the operations of HMI, it is not intended and does not present the financial position, changes in net assets or cash flows of HMI.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and when applicable.

3. SUB-RECIPIENTS

Of the federal expenditures presented in the Schedule, HMI provided no federal awards to sub-recipients.

4. INDIRECT COST RATE

HMI elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

5. HIV EMERGENCY RELIEF PROJECT GRANTS

Ryan White/HIV Prevention revenues related to CFDA 93.914 are included in the government grants and contracts on the statement of activities.



Independent Auditor's 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

To the Board of Trustees
The Hetrick-Martin Institute, Inc.

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. ("HMI"), which comprise the statement of financial position as of June 30, 2019, 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 March 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HMI'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 HMI's internal control. Accordingly, we do not express an opinion on the effectiveness of HMI'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 HMI'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 HMI's financial statements are free of 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*.

We noted certain matters that we reported to management of HMI in a separate letter dated March 24, 2020.



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 HMI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HMI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MBAF CPAs, LLC

New York, NY
March 24, 2020



Independent Auditor's Report on Compliance With the Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

To the Board of Trustees
The Hetrick-Martin Institute, Inc.

Report on Compliance for the Major Federal Program

We have audited The Hetrick-Martin Institute, Inc.'s ("HMI") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on HMI's major federal program for the year ended June 30, 2019. HMI'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 terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with HMI'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* ("CFR") 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 HMI'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 with the major federal program. However, our audit does not provide a legal determination of HMI's compliance.

Opinion on the Major Federal Program

In our opinion, HMI 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, 2019.

Report on Internal Control over Compliance

Management of HMI 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 HMI's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with its 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 HMI's internal control over compliance.

Report on Internal Control over Compliance (Continued)

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

MBAF CPAs, LLC

New York, NY
March 24, 2020

THE HETRICK-MARTIN INSTITUTE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness (es) identified?	Yes _____	No <u> √ </u> _____
Significant deficiency (ies) identified that are not considered to be material weaknesses?	Yes _____	No <u> √ </u> _____
Noncompliance material to financial statements noted?	Yes _____	No <u> √ </u> _____

Federal Awards

Type of auditor’s report issued on compliance for major program: Unmodified

Internal control over major program:

Material weakness (es) identified?	Yes _____	No <u> √ </u> _____
Significant deficiency (ies) identified that are not considered to be material weaknesses?	Yes _____	No <u> √ </u> _____
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(b)?	Yes _____	No <u> √ </u> _____

Identification of Major Program:

<u>Name of Federal Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
21st Century Community Learning Center	84.287	\$ 350,354

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee: X Yes No

THE HETRICK-MARTIN INSTITUTE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None noted.