



THE HETRICK-MARTIN INSTITUTE, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2020 AND 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, 2020, 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 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, 2020, 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.



Emphasis of Matter

As further discussed in Note 8 to the financial statements, a global pandemic has been declared by the World Health Organization as a result of the rapidly growing outbreak of the coronavirus, COVID-19. The extent and ultimate impact of COVID-19 on HMI's operating and financial performance cannot be predicted at this time. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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, 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), 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.

June 30, 2019 Financial Statements

The financial statements of The Hetrick-Martin Institute, Inc. as of and for the year ended June 30, 2019 were audited by MBAF CPAs, LLC ("MBAF"), whose partners and professional staff joined BDO USA, LLP as of January 16, 2021, and has subsequently ceased operations. MBAF expressed an unmodified opinion on those statements in their report dated March 24, 2020.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2021 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 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 HMI'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 HMI's internal control over financial reporting and compliance.

BDO USA, LLP

New York, NY
April 29, 2021

THE HETRICK-MARTIN INSTITUTE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019
Cash	\$ 1,765,240	\$ 1,025,357
Grants receivable, net	1,281,915	939,441
Pledges receivable, net	620,131	1,268,373
Prepaid expenses and other assets	114,837	243,977
Property and equipment, net	44,472	66,520
TOTAL ASSETS	\$ 3,826,595	\$ 3,543,668
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 403,863	\$ 431,714
Paycheck Protection Program loan payable	682,690	-
Accrued salaries and other payroll related expenses	210,664	193,606
TOTAL LIABILITIES	1,297,217	625,320
COMMITMENT (Note 7)		
NET ASSETS		
Without donor restrictions	1,607,852	1,702,928
With donor restrictions	921,526	1,215,420
TOTAL NET ASSETS	2,529,378	2,918,348
TOTAL LIABILITIES AND NET ASSETS	\$ 3,826,595	\$ 3,543,668

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

THE HETRICK-MARTIN INSTITUTE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Government grants and contracts	\$ 3,485,570	\$ 3,425,050
Contributions and other grants	2,663,190	1,766,136
Special events, net of direct expenses of \$648,869 and \$564,143 in 2020 and 2019, respectively	18,574	912,571
Rental income from Department of Education	1,145,681	811,411
In-kind contributions	95,028	134,886
	<u>7,408,043</u>	<u>7,050,054</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	<u>1,372,644</u>	<u>1,057,483</u>
TOTAL REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS	<u>8,780,687</u>	<u>8,107,537</u>
EXPENSES		
Program	6,682,271	5,445,525
Management and general	1,202,757	1,436,666
Fundraising	990,735	1,252,702
TOTAL EXPENSES	<u>8,875,763</u>	<u>8,134,893</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(95,076)</u>	<u>(27,356)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions from foundations	1,078,750	957,000
Contributions from individuals	-	135,000
Net assets released from restrictions	<u>(1,372,644)</u>	<u>(1,057,483)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(293,894)</u>	<u>34,517</u>
CHANGE IN NET ASSETS	<u>(388,970)</u>	<u>7,161</u>
NET ASSETS - BEGINNING OF YEAR	<u>2,918,348</u>	<u>2,911,187</u>
NET ASSETS - END OF YEAR	<u>\$ 2,529,378</u>	<u>\$ 2,918,348</u>

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, 2020

	Program Services	Supporting Services			Total
	Youth Services	Management and General	Fundraising	Subtotal	
Salaries	\$ 2,924,213	\$ 426,331	\$ 634,186	\$ 1,060,517	\$ 3,984,730
Fringe benefits	664,320	96,911	147,627	244,538	908,858
Occupancy	1,195,765	179,365	119,576	298,941	1,494,706
Depreciation and amortization	15,875	2,646	3,527	6,173	22,048
Events - rental and catering	-	-	648,869	648,869	648,869
Consultants and professional fees	659,303	350,419	21,076	371,495	1,030,798
Youth awards	337,770	-	-	-	337,770
Client related activities	160,601	9,684	433	10,117	170,718
Equipment, rentals and repairs	133,082	29,574	22,180	51,754	184,836
Printing, postage and dues	59,169	23,031	9,878	32,909	92,078
Travel and meetings	87,105	8,621	560	9,181	96,286
Bank charges and payroll services	1,477	49,534	17,727	67,261	68,738
Uncollectible pledges receivable	211,775	-	-	-	211,775
Program supplies and activities	142,582	675	-	675	143,257
Telephone, fax and internet	41,132	6,855	9,140	15,995	57,127
Insurance	31,062	8,875	4,437	13,312	44,374
Miscellaneous	6,068	1,694	-	1,694	7,762
Office supplies	10,972	3,879	388	4,267	15,239
Advertising and recruitment fees	-	4,663	-	4,663	4,663
	6,682,271	1,202,757	1,639,604	2,842,361	9,524,632
Less: expenses deducted directly from revenues on the statement of activities	-	-	(648,869)	(648,869)	(648,869)
	\$ 6,682,271	\$ 1,202,757	\$ 990,735	\$ 2,193,492	\$ 8,875,763

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>			<u>Total</u>
	Youth Services	Management and General	Fundraising	Subtotal	
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	411,282	298,543	30,334	328,877	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
	5,445,525	1,436,666	1,816,845	3,253,511	8,699,036
Less: expenses deducted directly from revenues on the statement of activities	-	-	(564,143)	(564,143)	(564,143)
	\$ 5,445,525	\$ 1,436,666	\$ 1,252,702	\$ 2,689,368	\$ 8,134,893

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

THE HETRICK-MARTIN INSTITUTE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (388,970)	\$ 7,161
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,048	34,486
Uncollectible pledges receivable	211,775	-
Changes in operating assets and liabilities:		
Grants receivable	(342,474)	475,010
Pledges receivable	436,467	(1,730)
Prepaid expenses and other assets	129,140	(91,942)
Accounts payable and accrued expenses	(27,851)	77,284
Accrued salaries and other payroll related expenses	17,058	(102,054)
Deferred revenue	-	(221,500)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>57,193</u>	<u>176,715</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	268,212
Purchase of property and equipment	-	(11,450)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>256,762</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Paycheck Protection Program loan payable	<u>682,690</u>	<u>-</u>
NET INCREASE IN CASH	739,883	433,477
CASH - BEGINNING OF YEAR	<u>1,025,357</u>	<u>591,880</u>
CASH - END OF YEAR	<u>\$ 1,765,240</u>	<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, 2020 AND 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

HMI maintains cash balances, which at times during the year, exceeded the amount insured by the Federal Deposit Insurance Corporation (“FDIC”). Accounts at each institution are insured by the FDIC up to \$250,000 per depositor. HMI believes it mitigates its risk by banking with major financial institutions.

Grants Receivable

Grants receivable represent unconditional promises to give. Grants receivable that are expected to be collected within one year are recorded at net realizable value. Grants receivable at June 30, 2020 and 2019 was \$1,281,915 and \$939,441, respectively, and is recorded net of contract advances on the statements of financial position. HMI reviews grants receivable on a regular basis to determine collectability and estimates the portion of the balance that will not be collected, if any. No such amounts were recorded as of June 30, 2020 and 2019.

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Pledges receivable represent unconditional promises to give. Pledges receivable that are expected to be collected within one year and are recorded at net realizable value. Pledges receivable at June 30, 2020 and 2019 was \$620,131 and \$1,268,373, respectively, and is recorded net of allowance for uncollectible accounts on the statements of financial position. Allowance for uncollectible accounts at June 30, 2019 was \$78,916. There was no allowance for uncollectible accounts at June 30, 2020. HMI recognized uncollectible of pledges receivable of \$211,775 for the year ended June 30, 2020. During the year ended June 30, 2019, there was no uncollectible of pledges receivable recognized. 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.

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 Other 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.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises are unconditional.

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 recognized at the time of the event and recorded as special events revenues in the accompanying financial statements, net of direct expenses.

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. Total donated goods for the year ended June 30, 2019 was \$96,076. There were no donated goods for the year ended June 30, 2020.

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 years ended June 30, 2020 and 2019 was \$95,028 and \$38,810, respectively.

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment are stated at cost net of depreciation using the straight-line method over the estimated useful lives of the assets. HMI has established a \$5,000 threshold above which assets are evaluated to be capitalized. Furniture and fixtures and equipment and software 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 years ended June 30, 2020 and 2019.

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. The underlying allocation basis used for the statements of functional expenses is salary expense.

Advertising

The Organization expenses advertising costs as incurred. The Organization incurred \$4,663 and \$843 of advertising costs for the years ended June 30, 2020 and 2019, respectively, which is included in the accompanying statements of functional expenses.

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.

Reclassification

Certain accounts in the June 30, 2019 financial statements have been reclassified to conform to the June 30, 2020 presentation. These reclassifications had no effect on net income or net assets.

Subsequent Events

HMI has evaluated events through April 29, 2021, 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.

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

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 2017.

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

Contributions

During the year ended June 30, 2020, HMI adopted Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update provides guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional or not. The adoption of this update had no effect on HMI's financial position and change in net assets.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

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. In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the update for annual reporting periods beginning after December 15, 2019, and for interim reporting periods beginning after December 15, 2020, with early application permitted. HMI has elected the deferral and is currently evaluating the effect the update will have on its financial statements.

Lease Accounting

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, lessor accounting, and disclosures related to accounting changes and error corrections.

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 HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

Lease Accounting (continued)

In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the guidance for annual reporting periods beginning after December 15, 2021, and for interim reporting periods beginning after December 15, 2022, with early application permitted. HMI has elected the deferral and is currently evaluating the effect the update will have on its financial statements, but expects upon adoption that the update will have not a material effect on HMI's financial condition. HMI does not anticipate the update having a material effect on its results of operations or cash flows, though such an effect is possible.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued an accounting standards update which will replace the current incurred loss impairment methodology in GAAP with a methodology that reflects the expected credit losses. The update is intended to provide financial statement users with more decision-useful information about expected credit losses. This update is effective on a modified retrospective basis for financial statements issued for fiscal years beginning after December 15, 2022, and interim periods within fiscal years beginning after December 15, 2023. Early adoption is permitted for fiscal years beginning after December 15, 2018 including interim periods in those fiscal years. HMI is currently evaluating the effect the update will have on its financial statements.

Contributed Nonfinancial Assets

In September 2020, the FASB issued an accounting standards update which amends guidance for not-for-profit entities that receive contributed nonfinancial assets. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021, and for interim reporting periods beginning after June 15, 2022. HMI is currently evaluating the effect the update will have on its financial statements.

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 statements of financial position date for general expenditures are as follows:

	2020	2019
Cash	\$ 1,765,240	\$ 1,025,357
Grants receivable, net	1,281,915	939,441
Pledges receivable, net	620,131	1,268,373
Total financial assets	\$ 3,667,286	\$ 3,233,171
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract with time or purpose	(921,526)	(1,215,420)
Total financial assets available to management for general expenditures within one year	\$ 2,745,760	\$ 2,017,751

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES (CONTINUED)

At June 30, 2020 and 2019, HMI has no board designated net assets.

4. PROPERTY AND EQUIPMENT, NET

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

	<u>2020</u>	<u>2019</u>	Estimated Useful Life
Leasehold improvements	\$ 741,804	\$ 741,804	5-10 years
Furniture and fixtures	418,438	418,438	7-10 years
Equipment and software	1,686,833	1,686,833	7-10 years
Art collection	13,200	13,200	-
	<u>2,860,275</u>	<u>2,860,275</u>	
Less: accumulated depreciation and amortization	<u>(2,815,803)</u>	<u>(2,793,755)</u>	
	<u>\$ 44,472</u>	<u>\$ 66,520</u>	

Depreciation and amortization expense amounted to \$22,048 and \$34,486 for the years ended June 30, 2020 and 2019, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Time restrictions	\$ 340,000	\$ 306,499
LGBTQ youth services	439,686	390,710
Academic enrichment	86,411	44,743
Job readiness training	221,509	217,016
Advocacy and capacity building	96,465	88,432
HMI café	15,095	10,083
Afterschool	119,612	-
Arts and culture	24,720	-
Kiki coalition	20,332	-
Health and wellness	8,814	-
	<u>\$ 1,372,644</u>	<u>\$ 1,057,483</u>

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

5. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions as of June 30, 2020 and 2019 are available for the following purposes:

	2020	2019
Time restrictions	\$ 145,000	\$ 385,000
Emery award	20,000	100,000
LGBTQ youth services	233,265	316,701
Academic enrichment	48,846	35,257
Job readiness training	68,767	147,776
Advocacy and capacity building	49,304	145,769
HMI café	149,822	84,917
Afterschool	75,388	-
College access	71,397	-
Kiki coalition	54,668	-
Arts and culture	3,883	-
Health and wellness	1,186	-
Total net assets with donor restrictions	<u>\$ 921,526</u>	<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 years ended June 30, 2020 and 2019, pension expense for HMI was \$54,046 and \$56,056, respectively, and is included on the statements 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 years ended June 30, 2020 and 2019 was \$1,118,382 and \$1,072,843, respectively, and is included in the statements 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 \$1,145,681 and \$811,411 from the Department of Education for the years then ended June 30, 2020 and 2019, respectively, which is shown in the statements of activities under rental income from Department of Education.

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.

THE HETRICK-MARTIN INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

8. RISK MANAGEMENT (CONTINUED)

HMI may be involved in various claims and legal actions in the ordinary course of business. HMI does not believe there is any litigation that will have a material effect.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. HMI cannot reasonably estimate the length or severity of this pandemic; however, economic uncertainties have arisen which could have a material adverse effect on HMI's financial position, results of operations and cash flows. HMI believes they are taking appropriate actions to mitigate the negative impact.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law in response to the COVID-19 pandemic. The CARES Act includes many measures to provide relief to companies. HMI has not taken advantage of any such measures, except for the Paycheck Protection Program loan discussed below.

9. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

In May 2020, HMI received a loan in the amount of \$682,690 through the Paycheck Protection Program of the 2020 CARES Act ("PPP") administered by the Small Business Administration. The loan is due on May 26, 2022, and bears interest at 1 percent. HMI may prepay the loan at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for certain purposes, including payroll, employee benefits, rent, and utilities. Under the terms of the PPP, all or a portion of the loan may be forgiven based on certain requirements being met. On February 26, 2021, HMI has received the authorization of loan forgiveness for \$682,690 in principal and \$5,536 in interest.

10. CONCENTRATIONS

HMI received approximately 51% of its total revenue from federal and state grants and two federal grants accounted for approximately 23% of total revenue during the year ended June 30, 2020. HMI received approximately 50% of its total revenue from federal and state grants and two federal grants accounted for approximately 25% of total revenue during the year ended June 30, 2019.

Two major grantors accounted for approximately 50% of grants receivables and one major donor accounted for approximately 10% of pledges receivable at June 30, 2020. 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.

Two vendors accounted for approximately 31% of accounts payable at June 30, 2020. 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, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROVIDED TO SUBRECIPIENTS	FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-through from New York State Department of Health				
Child and Adult Care Food Program	10.558	C-5040	\$ -	\$ 21,387
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-through from New York State Education Department				
Twenty-First Century Community Learning Center	84.287	C403058	-	375,523
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-through from New York State Department of Health				
Medical Assistance Program	93.778	C32113GG	-	110,513
Maternal and Child Health Services Block Grant	93.994	C32113GG	-	199,237
Pass-through Public Health Solutions				
HIV Emergency Relief Project Grant	93.914	18-TPT-568	-	235,451
HIV Emergency Relief Project Grant	93.914	11-OHY-568	-	143,799
Total U.S. Department of Health and Human Services			-	689,000
Total Expenditures of Federal Awards			\$ -	\$ 1,085,910

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, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award 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, 2020. 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.

3. SUB-RECIPIENTS

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

4. INDIRECT COST RATE

HMI has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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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, 2020, 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 April 29, 2021.

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") as a basis for designing 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 or significant deficiencies 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 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 financial statements. 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 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.

BDO USA, LLP

New York, NY
April 29, 2021



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600 Third Avenue, 3rd Floor
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Independent Auditor's Report on Compliance With the Major Federal Program and on Internal Control Over Compliance Required by 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 *OMB Compliance Supplement* that could have a direct and material effect on HMI's major federal program for the year ended June 30, 2020. 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 for 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 for 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, 2020.

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.

BDO USA, LLP

New York, NY
April 29, 2021

THE HETRICK-MARTIN INSTITUTE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of Major Program:

CFDA Number Name of Federal Program

84.287 Twenty-First Century Community Learning Center

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, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements that are required to be reported, in accordance with generally accepted government auditing standards.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for federal awards (as defined in 2 CFR 200.516 (a)) that are required to be reported.