



# The Hetrick-Martin Institute, Inc.

Financial Statements  
Years Ended June 30, 2021 and 2020

# **The Hetrick-Martin Institute, Inc.**

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Financial Statements  
Years Ended June 30, 2021 and 2020

# The Hetrick-Martin Institute, Inc.

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Tel: 212-371-4446  
Fax: 212-371-9374  
www.bdo.com

622 Third Ave, Suite 3100  
New York, NY 10017

## Independent Auditor's Report

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

### *Opinion*

We have audited the financial statements of The Hetrick-Martin Institute, Inc. ("HMI"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HMI as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HMI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HMI's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HMI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HMI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*BDO USA, LLP*

New York, New York  
January 18, 2023

# The Hetrick-Martin Institute, Inc.

## Statements of Financial Position

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash	\$ 1,656,696	\$ 1,765,240
Grants receivable, net	1,957,550	1,281,915
Pledges receivable, net	957,793	620,131
Prepaid expenses and other assets	90,734	114,837
Property and equipment, net	22,424	44,472
<b>Total Assets</b>	<b>\$ 4,685,197</b>	<b>\$ 3,826,595</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 687,096	\$ 403,863
Paycheck Protection Program loan payable	682,690	682,690
Accrued salaries and other payroll related expenses	250,903	210,664
<b>Total Liabilities</b>	<b>1,620,689</b>	<b>1,297,217</b>
<b>Commitments and Contingencies (Notes 2, 3, 6 and 9)</b>		
<b>Net Assets</b>		
Net assets - without donor restrictions	1,264,827	1,607,852
Net assets - with donor restrictions	1,799,681	921,526
<b>Total Net Assets</b>	<b>3,064,508</b>	<b>2,529,378</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,685,197</b>	<b>\$ 3,826,595</b>

*See accompanying notes to the financial statements.*

# The Hetrick-Martin Institute, Inc.

## Statements of Activities

Year Ended June 30,	2021	2020
<b>Change in Net Assets Without Donor Restrictions</b>		
Government grants and contracts	\$ 2,976,231	\$ 3,485,570
Contributions and other grants	1,955,223	2,564,690
Special events, net of direct expenses of \$21,921 and \$648,869 in 2021 and 2020, respectively	272,934	18,574
Sponsorships	137,200	98,500
Rental income from New York City Department of Education	843,046	1,145,681
Forgiveness of debt - Paycheck Protection Program	682,690	-
In-kind contributions	142,315	95,028
	7,009,639	7,408,043
<b>Net Assets Released From Restrictions</b>		
Satisfaction of program restrictions	988,202	1,372,644
	7,997,841	8,780,687
<b>Expenses</b>		
Program	6,349,668	6,432,770
Management and general	843,973	1,450,118
Fundraising	1,147,225	992,875
	8,340,866	8,875,763
	(343,025)	(95,076)
<b>Change in Net Assets With Donor Restrictions</b>		
Contributions from foundations	1,866,357	1,078,750
Net assets released from restrictions	(988,202)	(1,372,644)
	878,155	(293,894)
<b>Change in Net Assets</b>	535,130	(388,970)
<b>Net Assets, beginning of year</b>	2,529,378	2,918,348
<b>Net Assets, end of year</b>	\$ 3,064,508	\$ 2,529,378

*See accompanying notes to the financial statements.*

# The Hetrick-Martin Institute, Inc.

## Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services	Supporting Services		Subtotal	Total
	Youth Services	Management and General	Fundraising		
Salaries	\$ 2,864,186	\$ 367,167	\$ 573,615	\$ 940,782	\$ 3,804,968
Fringe benefits	682,627	87,508	136,711	224,219	906,846
Occupancy	1,006,034	119,450	201,738	321,188	1,327,222
Depreciation and amortization	16,597	2,127	3,324	5,451	22,048
Events - rental and catering	-	-	21,921	21,921	21,921
Consultants and professional fees	571,999	73,326	114,555	187,881	759,880
Youth awards	246,611	-	-	-	246,611
Client related activities	302,162	-	-	-	302,162
Equipment, rentals and repairs	145,719	17,302	29,221	46,523	192,242
Printing, postage and dues	66,117	8,476	13,241	21,717	87,834
Travel and meetings	15,262	1,812	3,060	4,872	20,134
Bank charges and payroll services	73,525	8,730	14,744	23,474	96,999
Uncollectible pledges receivable	-	113,388	-	113,388	113,388
Program supplies and activities	74,252	375	-	375	74,627
Telephone, fax and internet	39,247	5,031	7,860	12,891	52,138
Insurance	94,445	11,214	18,939	30,153	124,598
In-kind professional services	107,127	13,733	21,455	35,188	142,315
Miscellaneous	39,946	4,744	8,010	12,754	52,700
Office supplies	3,812	445	752	1,197	5,009
Advertising and recruitment fees	-	9,145	-	9,145	9,145
	<b>6,349,668</b>	<b>843,973</b>	<b>1,169,146</b>	<b>2,013,119</b>	<b>8,362,787</b>
Less: expenses deducted directly from revenues on the statement of activities	-	-	(21,921)	(21,921)	(21,921)
<b>Total Expenses</b>	<b>\$ 6,349,668</b>	<b>\$ 843,973</b>	<b>\$ 1,147,225</b>	<b>\$ 1,991,198</b>	<b>\$ 8,340,866</b>

*See accompanying notes to the financial statements.*



# The Hetrick-Martin Institute, Inc.

## Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	Supporting Services		Subtotal	Total
	Youth Services	Management and General	Fundraising		
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	564,275	350,419	21,076	371,495	935,770
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	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
In-kind professional services	57,302	35,586	2,140	37,726	95,028
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
	<b>6,432,770</b>	<b>1,450,118</b>	<b>1,641,744</b>	<b>3,091,862</b>	<b>9,524,632</b>
Less: expenses deducted directly from revenues on the statement of activities	-	-	(648,869)	(648,869)	(648,869)
<b>Total Expenses</b>	<b>\$ 6,432,770</b>	<b>\$ 1,450,118</b>	<b>\$ 992,875</b>	<b>\$ 2,442,993</b>	<b>\$ 8,875,763</b>

*See accompanying notes to the financial statements.*

# The Hetrick-Martin Institute, Inc.

## Statements of Cash Flows

<i>Year Ended June 30,</i>	2021	2020
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 535,130	\$ (388,970)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	22,048	22,048
Uncollectible pledges receivable	113,388	211,775
Forgiveness of Paycheck Protection Program loan	(682,690)	-
Changes in operating assets and liabilities:		
Grants receivable	(675,635)	(342,474)
Pledges receivable	(451,050)	436,467
Prepaid expenses and other assets	24,103	129,140
Accounts payable and accrued expenses	283,233	(27,851)
Accrued salaries and other payroll related expenses	40,239	17,058
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(791,234)</b>	<b>57,193</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Paycheck Protection Program loan payable	682,690	682,690
<b>Net (Decrease) Increase in Cash</b>	<b>(108,544)</b>	<b>739,883</b>
<b>Cash, beginning of year</b>	<b>1,765,240</b>	<b>1,025,357</b>
<b>Cash, end of year</b>	<b>\$ 1,656,696</b>	<b>\$ 1,765,240</b>

*See accompanying notes to the financial statements.*

# The Hetrick-Martin Institute, Inc.

## Notes to Financial Statements

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### 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

#### *Basis of 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”). In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

#### *Financial Statement Presentation*

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. When such stipulations end or are fulfilled, such donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities. Certain donor-imposed restrictions are perpetual in nature. There were no donor-imposed restrictions net assets that were perpetual in nature for June 30, 2021 and 2020.

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, and are, therefore, available for general operations.

#### *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

# The Hetrick-Martin Institute, Inc.

## Notes to Financial Statements

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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, 2021 and 2020 was \$1,957,550 and \$1,281,915, respectively, and is recorded net of contract advances of \$472,077 and \$569,851, respectively, 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, 2021 and 2020.

### **Pledge Receivable**

Pledges receivable represent unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value. Pledges receivable at June 30, 2021 and 2020 was \$957,793 and \$620,131, respectively, and is recorded net of allowance for uncollectible accounts on the statements of financial position. There was no allowance for uncollectible accounts at June 30, 2021 and 2020. HMI recognized uncollectible of pledges receivable of \$113,388 and \$211,775 for the years ended June 30, 2021 and 2020, respectively. 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.

### **Transactions with Multiple Elements**

HMI has entered into certain revenue transactions that involve the delivery of multiple elements to the buyer. In accounting for these transactions, HMI must evaluate whether there is objective evidence of fair value for each individual element delivered and, if so, account for each element of the transaction separately, based on relevant revenue recognition accounting policies. An allocation of revenue is made to all elements for which fair value is determinable. The balance of consideration received for which the fair value is not determinable is allocated to the remaining elements.

Revenues with customers is comprised of:

June 30,	2021	2020
Special events	\$ 272,934	\$ 18,574
Sponsorship revenues	137,200	98,500
<b>Total Revenue from Contracts Subject to ASC 606</b>	<b>410,134</b>	<b>117,074</b>
<b>Total Other Revenues Not Subject to ASC 606 (1)</b>	<b>8,487,783</b>	<b>9,018,588</b>
<b>Total Operating Revenues</b>	<b>\$ 8,897,917</b>	<b>\$ 9,135,662</b>

(1) Other revenues not subject to ASC 606 include government grants and contracts, contributions, donated goods and services, and forgiveness of debt.

# The Hetrick-Martin Institute, Inc.

## Notes to Financial Statements

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### *Revenue Recognition*

#### *Government Grants and Contracts*

Government grants and contracts revenues are nonexchange transactions in which no commensurate value is exchanged. Accordingly, contribution accounting is applied under ASC Topic 958, *Not-for-Profit Entities*. Government grants and contracts are evaluated for contributions that are conditional. Factors indicating the existence of a conditional contribution include the presence of a barrier that must be overcome and either a right of return of assets transferred or a right of release of a funder's obligation to transfer the assets. Government grant and contract revenues are recognized when the conditions are satisfied, which is generally when the expenditures for each contract 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.

#### *Contributions and Other Grants*

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Contributions and promises to give are recorded as revenue at the time they are made or pledged unconditionally and supported by a written commitment. Contributions are classified as either with or without donor restrictions. Contributions are nonexchange transactions in which no commensurate value is exchanged. Therefore, contributions fall under the purview of ASC Topic 958, *Not-for-Profit Entities*. Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions.

Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution.

A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Organization fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Unconditional contributions without donor restrictions are recognized as revenue or support in changes in net assets without donor restrictions when received or promised. 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 changes in net assets without donor restrictions.

HMI applies Topic 606, *Revenue from Contracts with Customers*, to exchange transactions when applicable. Most of HMI's revenue for the years ended June 30, 2021 and 2020 were from non-exchange transaction revenue sources including government grants, contributions, and in-kind contributions.

# The Hetrick-Martin Institute, Inc.

## Notes to Financial Statements

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### *Special Events*

Topic 606 applies to the portion of HMI's special events income that is determined to be an exchange transaction. 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. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to HMI. The direct costs of the special events which ultimately benefit the donor rather than HMI are recorded as exchange transaction revenue and exchange transaction expense. All proceeds received in excess of the direct costs are recorded as special events income in the accompanying statements of activities.

For the year ended June 30, 2021, HMI reported special events income of \$294,855 and expense of \$21,921. For the year ended June 30, 2020, HMI reported special events income of \$667,443 and expense of \$648,869. The direct costs of special events include expenses for the benefit of the donor. For example, meal and facility rentals are considered direct costs of special events.

### *Sponsorship Revenues*

Sponsorship revenues involve various forms of sponsorship for HMI events. Sponsorship revenues are derived from 10-20 sponsorship agreements with counterparties who provide consideration in the form of cash in exchange for acknowledgement and advertising. Revenues are recognized when the events are conducted. For the years ended June 30, 2021 and 2020, sponsorship revenue amounted to \$137,200 and \$98,500, respectively.

Each year's performance obligations relate to the unique events for a given year. HMI's performance obligations are satisfied at a point in time and the contractual consideration for a given year is recognized once those performance obligations are fulfilled.

### *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. There were no donated goods for the years ended June 30, 2021 and 2020.

Donated services represent the value assigned to 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, 2021 and 2020 was \$142,315 and \$95,028, respectively.

### *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. 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.

# The Hetrick-Martin Institute, Inc.

## Notes to Financial Statements

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### ***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, 2021 and 2020.

### ***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***

HMI expenses advertising costs as incurred. HMI incurred \$9,145 and \$4,663 of advertising costs for the years ended June 30, 2021 and 2020, 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.

### ***Reclassifications***

Certain accounts in the June 30, 2020 financial statements have been reclassified to conform to the June 30, 2021 presentation. These reclassifications had no effect on net income or net assets.

### ***Subsequent Events***

HMI has evaluated events through January 18, 2023, which is the date the financial statements were available to be issued.

On December 21, 2021, HMI amended their operating lease agreement to part cancelable and part non-cancelable, effective July 1, 2022 through June 30, 2037.

# The Hetrick-Martin Institute, Inc.

## Notes to Financial Statements

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Future minimum rental lease payments are as follows:

Year ended June 30,		
2022	\$	1,142,972
2023		1,200,111
2024		1,224,113
2025		1,248,595
2026		1,273,567
Thereafter		16,762,317
	\$	<u>22,851,675</u>

### *Income Taxes*

HMI is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the “IRC”) and, therefore, has made no provision for income taxes in the accompanying financial statements.

Under U.S. GAAP, an organization must recognize the tax benefit associate with tax positions taken for tax-return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. HMI does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. HMI is subject to routine audits by a taxing authority. As of June 30, 2021, HMI was not subject to any examination by a taxing authority.

### *Recently Adopted Accounting Pronouncement*

#### Revenue from Contracts with Customers

During the year ended June 30, 2021, HMI adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as of July 1, 2020 using the modified-retrospective approach. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. HMI’s special events revenue is derived primarily from sponsorship revenue generated through relationships developed with reputable companies to serve as corporate sponsors for HMI’s events. Special events revenue is recognized as revenue at the time of the event. The adoption of ASU 2014-09 did not result in a material change to the timing of when revenue is recognized.

### *Issued but not yet Adopted Accounting Pronouncement*

#### Lease Accounting

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2021. HMI is currently evaluating the impact of the adoption of ASU 2016-02.



# The Hetrick-Martin Institute, Inc.

## Notes to Financial Statements

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### 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.

### Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The update requires not-for-profits to present contributed nonfinancial assets as a separate line item on the statement of activities, and to disclose information regarding each type of contributed nonfinancial assets. The update is effective for financial statements issued for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022, with early application permitted. HMI is currently evaluating the impact of the adoption of ASU 2020-07.

### **3. Liquidity 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:

<i>June 30,</i>	<b>2021</b>	<b>2020</b>
Cash	\$ 1,656,696	\$ 1,765,240
Grants receivable, net	1,957,550	1,281,915
Pledges receivable, net	957,793	620,131
Total financial assets available within one year	\$ 4,572,039	\$ 3,667,286
Less: amounts unavailable for general expenditures within one year due to:		
Restricted by contract with time or purpose	(1,799,681)	(921,526)
Total financial assets available to management for general expenditures within one year	\$ 2,772,358	\$ 2,745,760

At June 30, 2021 and 2020, HMI has no board designated net assets.

# The Hetrick-Martin Institute, Inc.

## Notes to Financial Statements

### 4. Property and Equipment, Net

Property and equipment, net consist of the following:

<i>June 30,</i>	2021	2020	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	
	<b>2,860,275</b>	<b>2,860,275</b>	
Less: accumulated depreciation and amortization	<b>(2,837,851)</b>	<b>(2,815,803)</b>	
	<b>\$ 22,424</b>	<b>\$ 44,472</b>	

Depreciation and amortization expense amounted to \$22,048 for each of the years ended June 30, 2021 and 2020.

### 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:

<i>Year Ended June 30,</i>	2021	2020
Time restrictions	\$ 80,000	\$ 340,000
LGBTQ youth services	439,064	439,686
Academic enrichment	68,403	86,411
Job readiness training	95,001	221,509
Advocacy and capacity building	49,304	96,465
HMI café	83,659	15,095
Afterschool	165,888	119,612
Arts and culture	3,883	24,720
College access	3,000	-
Kiki coalition	-	20,332
Health and wellness	-	8,814
<b>Total Released from Restrictions</b>	<b>\$ 988,202</b>	<b>\$ 1,372,644</b>

# The Hetrick-Martin Institute, Inc.

## Notes to Financial Statements

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Net assets with donor restrictions as of June 30, 2021 and 2020 are available for the following purposes:

<i>Year Ended June 30,</i>	<b>2021</b>	<b>2020</b>
Time restrictions	\$ 290,000	\$ 145,000
LGBTQ youth services	396,701	233,265
Academic enrichment	37,943	48,846
Job readiness training	92,467	68,767
Advocacy and capacity building	50,000	49,304
HMI café	161,164	149,822
Afterschool	209,500	75,388
College access	168,397	71,397
Kiki coalition	204,668	54,668
Health and wellness	56,185	1,186
Queer coders	112,656	-
Facebook	20,000	-
Emery award	-	20,000
Arts and culture	-	3,883
<b>Total Net Assets With Donor Restrictions</b>	<b>\$ 1,799,681</b>	<b>\$ 921,526</b>

### 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, 2021 and 2020, pension expense for HMI was \$75,054 and \$54,046, 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, 2021 and 2020 was \$1,138,697 and \$1,118,382, 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 \$843,046 and \$1,145,681 from the Department of Education for the years then ended June 30, 2021 and 2020, respectively, which is shown in the statements of activities under rental income from Department of Education.

# The Hetrick-Martin Institute, Inc.

## Notes to Financial Statements

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### 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.

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.

### 9. Paycheck Protection Program Loan Payable

In May 2020, HMI received a loan in the amount of \$682,690 (the “PPP Loan”) through the Paycheck Protection Program of the 2020 CARES Act (“PPP”) administered by the Small Business Administration. The PPP 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 PPP 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 PPP loan may be forgiven based on certain requirements being met.

On February 26, 2021, HMI received the authorization of PPP loan forgiveness for \$682,690 in principal and \$5,536 in interest. Accordingly, HMI recorded forgiveness of debt of the PPP loan in the accompanying statement of activities at June 30, 2021.

In May 2021, HMI received additional loan proceeds in the amount of \$682,690 (the “second PPP loan”), under the Paycheck Protection Program. The second PPP Loan, which was in the form of a promissory note, dated May 28, 2021, signed by HMI, with an original maturity of May 28, 2026, and bear interest at a rate of 1.0% per annum.

On October 24, 2022, subsequent to year end, HMI received notification from the Small Business Administration that HMI’s forgiveness application of their second PPP Loan and accrued interest was approved in full, and HMI has no further obligations related to their second PPP Loan.

The application for these funds requires HMI to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of HMI. This certification further requires HMI to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on HMI having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria.

### 10. Concentrations

HMI received approximately 51% of its total revenue from federal and state grants and two federal grants accounted for approximately 22% of total revenue during the year ended June 30, 2021. HMI

# The Hetrick-Martin Institute, Inc.

## Notes to Financial Statements

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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.

Three major grantors accounted for approximately 68% of grants receivables and one major donor accounted for approximately 15% of pledges receivable at June 30, 2021. 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 vendors accounted for approximately 48% of accounts payable at June 30, 2021. Two vendors accounted for approximately 31% of accounts payable at June 30, 2020.