

**THE HETRICK-MARTIN INSTITUTE, INC.**

Audited Financial Statements

June 30, 2022

## INDEPENDENT AUDITOR'S REPORT

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

### ***Opinion***

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, 2022 and the related statements of activities, functional expenses, and cash flows for the year 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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit 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 audit. 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 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the internal control of HMI. 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 the ability of HMI 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.

A handwritten signature in blue ink that reads "Sax CPAs LLP". The signature is written in a cursive, flowing style.

New York, NY  
June 28, 2023

**THE HETRICK-MARTIN INSTITUTE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2022**

**Assets**

Cash and cash equivalents	\$629,120
Government grants receivable, net (Note 2c)	1,973,210
Contributions receivable, net (Note 2c)	612,675
Other receivables	234,060
Prepaid expenses	19,204
Other assets (Note 3)	243,350
Cash - funds held for others (Note 4)	230,024
Security deposits	25,000
	<b>\$3,966,643</b>
Total assets	<b>\$3,966,643</b>

**Liabilities and Net Assets**

Liabilities:	
Accounts payable and accrued expenses	\$1,168,418
Due to related parties	93
Government grant advances	65,362
Paycheck Protection Program loan payable (Note 5)	682,690
Funds held for others (Note 4)	230,024
	<b>2,146,587</b>
Total liabilities	<b>2,146,587</b>
Net assets:	
Without donor restrictions	220,941
With donor restrictions (Note 6)	1,599,115
	<b>1,820,056</b>
Total net assets	<b>1,820,056</b>
Total liabilities and net assets	<b>\$3,966,643</b>

*The attached notes and auditor's report are an integral part of these financial statements.*

**THE HETRICK-MARTIN INSTITUTE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Government grants	\$3,517,349		\$3,517,349
Contributions	1,768,332	\$1,305,000	3,073,332
Special events (net of expenses with a direct benefit to donor) (Note 8)	866,630		866,630
Rental income	857,161		857,161
In-kind contributions (Note 3)	683,972		683,972
Interest and other income	1,783		1,783
Net assets released from restrictions (Note 6)	1,505,566	(1,505,566)	0
Total public support and revenue	<u>9,200,793</u>	<u>(200,566)</u>	<u>9,000,227</u>
Expenses:			
Program services:			
Youth services	6,790,587		6,790,587
Total program services	<u>6,790,587</u>	<u>0</u>	<u>6,790,587</u>
Supporting services:			
Management and general	1,784,743		1,784,743
Fundraising	1,669,349		1,669,349
Total supporting services	<u>3,454,092</u>	<u>0</u>	<u>3,454,092</u>
Total expenses	<u>10,244,679</u>	<u>0</u>	<u>10,244,679</u>
Change in net assets	(1,043,886)	(200,566)	(1,244,452)
Net assets - beginning of year	<u>1,264,827</u>	<u>1,799,681</u>	<u>3,064,508</u>
Net assets - end of year	<u>\$220,941</u>	<u>\$1,599,115</u>	<u>\$1,820,056</u>

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**THE HETRICK-MARTIN INSTITUTE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Youth Services	Management and General	Fundraising		
Salaries	\$3,013,201	\$436,134	\$620,363	\$1,056,497	\$4,069,698
Payroll taxes and benefits	719,704	104,643	148,845	253,488	973,192
Total personnel services	3,732,905	540,777	769,208	1,309,985	5,042,890
Occupancy	1,033,489	147,245	209,444	356,689	1,390,178
Consulting and professional fees	465,067	658,460	70,605	729,065	1,194,132
In-kind - legal services (Note 3)		74,572		74,572	74,572
Program supplies and activities	170,586			0	170,586
Youth awards	393,451			0	393,451
Insurance	43,423	6,291	8,948	15,239	58,662
Postage and printing	87,541	12,682	18,039	30,721	118,262
Communications	44,241	6,409	9,116	15,525	59,766
Equipment, rentals, and repairs	198,737	28,790	40,952	69,742	268,479
Travel and meetings (including in-kind)	240,907	34,899	49,641	84,540	325,447
Office expenses (including in-kind)	22,490	13,573	19,306	32,879	55,369
Client related activities	201,276			0	201,276
Other expenses	16,676	144	189	333	17,009
Bank charges and payroll services	134,496	18,178	17,896	36,074	170,570
Interest	5,302	906	1,188	2,094	7,396
Recruiting		6,100		6,100	6,100
Bad debt expense		226,493		226,493	226,493
Event expenses (Note 8)			617,955	617,955	617,955
Depreciation		9,224		9,224	9,224
Total expenses	6,790,587	1,784,743	1,832,487	3,617,230	10,407,817
Less: direct special event expenses netted with revenue (including in-kind)			(163,138)	(163,138)	(163,138)
Total expenses for statement of activities	\$6,790,587	\$1,784,743	\$1,669,349	\$3,454,092	\$10,244,679

*The attached notes and auditor's report are an integral part of these financial statements.*

**THE HETRICK-MARTIN INSTITUTE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Cash flows from operating activities:	
Change in net assets	(\$1,244,452)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	9,224
Bad debt	226,493
Donated airline travel miles	(230,150)
Changes in assets and liabilities:	
Due from related parties	99,009
Government grants receivable	(220,699)
Contributions receivable	265,978
Other receivables	(138,964)
Prepaid expenses	48,319
Security deposits	(1,688)
Accounts payable and accrued expenses	505,608
Due to related parties	(99,009)
Government grant advances	(4,062)
Funds held for others	(13,159)
Total adjustments	<u>446,900</u>
Net cash used for operating activities/ net decrease in cash and cash equivalents	(797,552)
Cash and cash equivalents - beginning of year	<u>1,656,696</u>
Cash and cash equivalents - end of year	<u><u>\$859,144</u></u>
Cash and cash equivalents consist of:	
Cash and cash equivalents	\$629,120
Cash - funds held for others	230,024
Cash and cash equivalents - end of year	<u><u>\$859,144</u></u>
Supplemental information:	
Interest and taxes paid	<u><u>\$0</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**THE HETRICK-MARTIN INSTITUTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**Note 1 - 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.

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

a. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

HMI reports information regarding its financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* - represents all activity without donor-imposed restrictions.
- *Net Assets With Donor Restrictions* - represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

HMI follows the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 958-605 for recording contributions, which are recognized at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.



Contributions may be subject to conditions, which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. Approximately \$105,000 of pledges receivable as of June 30, 2022 are due over a period of three years. This amount has not been discounted using present value techniques due to the immaterial nature of the discount.

HMI's government grants are primarily conditional non-exchange transactions and fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as a government grant advance. At June 30, 2022, all government grants receivables are expected to be collected within one year.

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. 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 statement of activities.

Rental income is recognized evenly over the life of the lease using the straight-line method.

HMI reviews all outstanding receivables at year end and makes an assessment as to collectability based on historical experience and the age of the receivable. Management established an allowance for potential uncollectable government grants receivable of \$81,000 at June 30, 2022. Additionally, management established an allowance for contributions receivable of \$25,000 at June 30, 2022.

d. Cash and Cash Equivalents

HMI considers all liquid investments available for current use and with an initial maturity of three months or less to be cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments, which potentially subject HMI to a concentration of credit risk consist of cash and money market accounts, which have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. While at year end HMI had material uninsured balances, management feels they have little risk and has not experienced any losses due to bank failure.

f. Fixed Assets

Fixed assets that exceed \$5,000 and have a useful life of greater than one year are recorded at cost or at the fair value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful life of the respective assets as follows:

Leasehold improvements - *Lesser of 5-10 years or remaining term of lease*

Furniture and fixtures - *7-10-year life*

Office equipment - *7-10-year life*

Maintenance and repairs, which neither materially add to the value of the asset nor appreciably prolong its life, are charged to expenses as incurred.

g. In-Kind Services

HMI recognizes contributions of services that create or enhance non-financial assets, or require specialized skills, are performed by those who possess those skills, and would typically be purchased if not donated.

Effective July 1, 2021, HMI adopted FASB Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

Board members and other individuals volunteer their time and perform a variety of services that assist HMI. These services do not meet the criteria to be recorded and have not been included in the financial statements. See Note 3 for further details.

h. Functional Allocation of Expenses

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

The following costs are allocated using time and effort as the basis:

- Salaries
- Payroll taxes and benefits
- Occupancy
- Consulting and professional fees
- Program supplies and activities
- Insurance
- Postage and printing
- Communications
- Equipment, rentals, and repairs
- Office expenses
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

i. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

j. Advertising

The cost of advertising is expensed as incurred.

k. Contingencies

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified, if it is probable that a liability has been incurred.

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 impact.

l. Accounting for Uncertainty of Income Taxes

HMI does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2019 and later are subject to examination by applicable taxing authorities.

m. New Accounting Pronouncement

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right-of-use asset" on the statement of financial position. HMI is in the process of evaluating the impact this standard will have on future financial statements.

**Note 3 - In-Kind Services and Materials**

In-kind contributions consist of the following:

	<u>December 31, 2022</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Legal	\$0	\$74,572	\$0	\$74,572
Office supplies	38,200	0	0	38,200
Direct benefit expense	0	0	71,200	71,200
Travel and meetings	<u>269,850</u>	<u>0</u>	<u>0</u>	<u>269,850</u>
Total expenses	<u>\$308,050</u>	<u>\$74,572</u>	<u>\$71,200</u>	453,822
Other assets - contributed airline travel miles				<u>230,150</u>
Total				<u>\$683,972</u>

Valuation Techniques and Inputs

Legal	Contributed services from lawyers are valued at the estimated fair value based on current rates for similar services.
Office supplies and direct benefit expenses	Contributed office supplies and benefit expenses are valued at the estimated fair value based on current rates for similar products.
Travel and meetings	In-kind travel and meetings consists of contributed travel miles used during the year. These miles are valued at the standard market rate for similar travel. Travel miles used during 2022 totaled \$269,850.
Other assets - contributed airline travel miles	Contributed travel miles are valued at the standard market rate for similar travel. Unused miles of \$231,500 have been included as other assets on the statement of financial position.

**Note 4 - Funds Held for Others**

HMI provides money management assistance to House Lives Matter (“HLM”), a nonprofit organization. HMI records funds received as a liability and reduces the liability as funds are disbursed on behalf of HLM. At June 30, 2022, cash held on behalf of HLM totaled \$230,024 and is reflected on the statement of financial position as an asset and a liability.

**Note 5 - Paycheck Protection Program Loan**

In May 2021, HMI obtained a loan from the Small Business Administration (“SBA”) in the amount of \$682,690 through the Paycheck Protection Program (“PPP”). Terms of the loan indicated that if certain conditions were met that the loan, or a portion thereof, would be forgiven. HMI treats the PPP proceeds as a loan payable in accordance with FASB ASC 470. Forgiveness on this loan was approved by the SBA on October 24, 2022. Accordingly, the loan is reflected as a liability as of June 30, 2022, and will be recognized as revenue during the year ended June 30, 2023.

**Note 6 - Net Assets with Donor Restrictions**

The following summarizes the changes in net assets with donor restrictions:

	<u>7/1/21</u>	<u>Contributions</u>	Released From <u>Restriction</u>	<u>6/30/22</u>
Program:				
Academic Enrichment	\$37,944	\$170,000	(\$131,704)	\$76,240
Advocacy & Capacity Building	50,000	0	(50,000)	0
Afterschool	209,500	35,000	(100,158)	144,342
Bereavement Counselor	0	175,000	(25,075)	149,925
College Access	168,397	100,000	(73,054)	195,343
Counseling/Case Management	0	325,000	(0)	325,000
Facebooks	20,000	0	(20,000)	0
Health & Wellness	56,185	0	(56,185)	0
HMI Cafe	156,163	20,000	(164,321)	11,842
Job Readiness Training	97,466	0	(66,265)	31,201
Kiki Coalition	204,668	0	(132,455)	72,213
LGBTQ Youth Services	396,702	375,000	(382,808)	388,894
Queer Coders	112,656	30,000	(131,803)	10,853
Scholarships	<u>0</u>	<u>75,000</u>	<u>(31,813)</u>	<u>43,187</u>
Total Program	1,509,681	1,305,000	(1,365,641)	1,449,040
Time	<u>290,000</u>	<u>0</u>	<u>(139,925)</u>	<u>150,075</u>
Total	<u>\$1,799,681</u>	<u>\$1,305,000</u>	<u>(\$1,505,566)</u>	<u>\$1,599,115</u>

**Note 7 - Line of Credit**

HMI has a \$750,000 revolving line of credit arrangement with a local financial institution with interest payments due monthly. Borrowings are collateralized by HMI's the personal property and fixtures. The variable interest is calculated using the greater of 4% or the Wall Street Journal Prime Rate plus 0.75%. There was no outstanding balance due on the note at June 30, 2022.

The line of credit matured in February 2023 and has not been renewed.

**Note 8 - Special Events**

During the year ended June 30, 2022, HMI held three in person fundraising events.

Special events proceeds are summarized as follows:

Gross revenue	\$1,029,768
Less: expenses with a direct benefit to donor	<u>(163,138)</u>
	866,630
Less: other event expenses	<u>(454,817)</u>
Total	<u>\$411,813</u>

**Note 9 - Commitments**

HMI entered into a cancelable operating lease with a one-year written notice for space in New York during March 2012, which expired on June 30, 2022. Rent expense for the year ended June 30, 2022 totaled \$1,153,677 and is included in occupancy expense on the statement of functional expenses.

HMI subleases one of their premises to the New York City School Construction Authority with the same cancelable terms as the operating lease above. They received rental income of \$857,161 from the Department of Education for the year ended June 30, 2022, which is shown on the statement of activities under rental income.

In December 2021, HMI amended their operating lease agreement to a part cancelable and a part noncancelable lease effective July 1, 2022 through June 30, 2037.

Minimum lease commitments are summarized as follows:

Year ending:	June 30, 2023	\$1,200,111
	June 30, 2024	1,224,113
	June 30, 2025	1,248,595
	June 30, 2026	1,273,567
	June 30, 2027	1,299,038
	Thereafter	<u>15,463,275</u>
Total		<u>\$21,708,699</u>

**Note 10 - Pension Plan**

HMI provides a 401(k) defined contribution pension plan to all eligible employees. HMI makes matching contributions of up to 3% of each full-time employee's salary so long as the employee has been employed for one full year. For the year ended June 30, 2022, pension expense for HMI was \$88,538 and is included on the statement of functional expenses under payroll taxes and benefits.

**Note 11 - Significant Concentrations**

During the year ended June 30, 2022, HMI received approximately 13% of total revenue from one government agency. At June 30, 2022, amounts due from this agency made up approximately 26% of total receivables.

One vendor accounted for approximately 39% of accounts payable and accrued expenses at June 30, 2022.

**Note 12 - Availability and Liquidity**

Financial assets available within one year of the date of the statement of financial position for general expenditure are as follows:

Cash and cash equivalents	\$629,120	
Government grants receivable, net	1,973,210	
Contributions receivable, net	<u>612,675</u>	
Total financial assets		\$3,215,005
Less amounts not available for general expenditures:		
Net assets with donor restrictions		<u>(1,599,115)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$1,615,890</u>

HMI maintains a policy of structuring its financial assets to be available for general expenditures, liabilities, and other obligations as they come due. HMI's management meets monthly to address projected cash flows to meet its operational expenditures.

**Note 13 - Subsequent Events**

Subsequent events have been evaluated through June 28, 2023, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all subsequent events that have occurred.