

The Hetrick-Martin Institute, Inc.

Audited Financial Statements and Single Audit Report

June 30, 2024

The Hetrick-Martin Institute, Inc.

Audited Financial Statements

June 30, 2024

CONTENTS

	Page
Independent Auditor's Report	1-3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expense	6
Statement of Cash Flows	7
Notes to Financial Statements	8-16
Schedules	
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards	18
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 <i>Government Auditing Standards</i>	19-20
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	21-23
Schedule of Findings and Questioned Costs	
Section I - Summary of Auditor's Results	24
Section II - Financial Statement Findings	25
Section III - Federal Award Findings and Questioned Costs	25



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

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, 2024 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, 2024, and the changes in 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 audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). 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 and *Government 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 GAAS and *Government 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The identify accompanying supplementary information such as the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are 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 identify accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited HMI's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024, 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.

Sax CPAs LLP

New York, NY
December 16, 2024

The Hetrick-Martin Institute, Inc.

Statement of Financial Position

At June 30, 2024

(With comparative totals at June 30, 2023)

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 596,157	\$ 1,027,854
Government grants receivable, net	1,345,957	1,229,066
Contributions receivable, net	1,410,743	1,565,018
Prepaid expenses	85,005	147,970
Other assets	146,810	398,150
Cash - funds held for others	397,576	462,413
Operating lease right-of-use ("ROU") assets	15,078,655	16,016,100
Security deposits	35,000	25,000
TOTAL ASSETS	<u>\$ 19,095,903</u>	<u>\$ 20,871,571</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 865,803	\$ 988,464
Government grant advances	107,273	109,803
Funds held for others	397,576	462,413
Loan payable	500,000	-
Operating lease liability	15,678,058	16,402,303
Total liabilities	<u>17,548,710</u>	<u>17,962,983</u>
NET ASSETS		
Without donor restrictions	(654,849)	(238,792)
With donor restrictions	2,202,042	3,147,380
Total net assets	<u>1,547,193</u>	<u>2,908,588</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,095,903</u>	<u>\$ 20,871,571</u>

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, 2024
(With comparative totals for the year ended June 30, 2023)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 6/30/24</u>	<u>Total 6/30/23</u>
PUBLIC SUPPORT AND REVENUE				
Government grants	\$ 3,465,767	\$ -	\$ 3,465,767	\$ 3,548,071
Paycheck Protection Program ("PPP") - loan forgiveness	-	-	-	692,210
Contributions	1,131,282	1,697,520	2,828,802	4,729,502
Special events (net of expenses with a direct benefit to donor)	722,732	436,212	1,158,944	1,282,879
Rental income	1,085,220	-	1,085,220	1,078,275
In-kind contributions	489,721	-	489,721	414,812
Interest and other income	64,082	-	64,082	86,090
Net assets released from restrictions	3,079,070	(3,079,070)	-	-
Total public support and revenue	<u>10,037,874</u>	<u>(945,338)</u>	<u>9,092,536</u>	<u>11,831,839</u>
EXPENSES				
Program services - youth services	7,256,903	-	7,256,903	7,108,610
Supporting services				
Management and general	1,643,736	-	1,643,736	2,041,671
Fundraising	1,553,292	-	1,553,292	1,593,026
Total supporting services	<u>3,197,028</u>	<u>-</u>	<u>3,197,028</u>	<u>3,634,697</u>
Total expenses	<u>10,453,931</u>	<u>-</u>	<u>10,453,931</u>	<u>10,743,307</u>
Change in net assets	(416,057)	(945,338)	(1,361,395)	1,088,532
NET ASSETS, <i>beginning of year</i>	<u>(238,792)</u>	<u>3,147,380</u>	<u>2,908,588</u>	<u>1,820,056</u>
NET ASSETS, <i>end of year</i>	<u>\$ (654,849)</u>	<u>\$ 2,202,042</u>	<u>\$ 1,547,193</u>	<u>\$ 2,908,588</u>

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

The Hetrick-Martin Institute, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2024
(With comparative totals for the year ended June 30, 2023)

	Program Services	Supporting Services			Total Expenses 6/30/24	Total Expenses 6/30/23
	Youth Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 3,203,183	\$ 517,270	\$ 771,046	\$ 1,288,316	\$ 4,491,499	\$ 4,161,849
Payroll taxes and benefits	1,004,839	162,239	241,877	404,116	1,408,955	1,106,252
Total personnel services	4,208,022	679,509	1,012,923	1,692,432	5,900,454	5,268,101
Occupancy	1,554,151	83,433	110,695	194,128	1,748,279	1,723,044
Consulting and professional fees	743,705	134,931	179,019	313,950	1,057,655	1,648,178
In-kind - legal services	-	111,223	-	111,223	111,223	80,873
Program supplies and activities	155,022	-	-	-	155,022	160,339
Youth awards	182,576	-	-	-	182,576	242,031
Insurance	-	67,145	-	67,145	67,145	51,698
Postage and printing	12,006	42,025	13,134	55,159	67,165	87,836
Communications	2,670	40,636	-	40,636	43,306	34,627
Equipment, rentals, and repairs	41,380	94,638	38,583	133,221	174,601	200,858
Travel and meetings	219,272	10,596	30,579	41,175	260,447	91,314
Travel - in-kind	-	169,350	-	169,350	169,350	230,150
Office expenses	3,661	13,535	1,288	14,823	18,484	28,813
Client related activities	131,185	-	178	178	131,363	125,763
Other expenses	2,989	41,536	1,889	43,425	46,414	262,389
Bank charges and payroll services	264	104,147	30,731	134,878	135,142	158,610
Interest	-	6,517	-	6,517	6,517	2,124
Recruiting	-	7,929	-	7,929	7,929	40,204
Bad debt expenses	-	36,586	-	36,586	36,586	13,963
Event expenses	-	-	1,128,162	1,128,162	1,128,162	547,740
In-kind - events and development	-	-	128,498	128,498	128,498	333,938
Total expenses	7,256,903	1,643,736	2,675,679	4,319,415	11,576,318	11,332,593
Less direct special event expenses netted with revenue (including in-kind)	-	-	(1,122,387)	(1,122,387)	(1,122,387)	(589,286)
Total expenses for statement of activities	\$ 7,256,903	\$ 1,643,736	\$ 1,553,292	\$ 3,197,028	\$ 10,453,931	\$ 10,743,307

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, 2024
(With comparative totals for the year ended June 30, 2023)

	June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,361,395)	\$ 1,088,532
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Forgiveness of Paycheck Protection Program loan payable	-	(682,690)
Change in operating lease right-of-use asset and liability	213,200	386,203
Changes in assets and liabilities:		
Government grants receivable	(116,891)	744,144
Contributions receivable	154,275	(952,343)
Other receivables	-	234,060
Prepaid expenses	62,965	(128,766)
Other assets	251,340	(154,800)
Security deposits	(10,000)	-
Accounts payable and accrued expenses	(122,661)	(179,954)
Due to related parties	-	(93)
Government grant advances	(2,530)	44,441
Funds held for others	(64,837)	232,389
Total adjustments	364,861	(457,409)
Net cash flows (used for) provided by operating activities	(996,534)	631,123
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan payable proceeds	500,000	-
Net cash flows provided by financing activities	500,000	-
Net increase (decrease) in cash and cash equivalents	(496,534)	631,123
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	1,490,267	859,144
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 993,733	\$ 1,490,267
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 596,157	\$ 1,027,854
Cash - funds held for others	397,576	462,413
Cash and cash equivalents - end of year	\$ 993,733	\$ 1,490,267
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 6,517	\$ -
Taxes paid	\$ -	\$ -

The attached notes and auditor's report are an integral part of these Financial Statements.

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

Year Ended June 30, 2024

Note 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 ("IRS"), 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 and Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958 - *Presentation of Financial Statement of Not-For-Profit Entities*. FASB ASC 958 requires HMI to report information regarding its financial position and activities according to the following specific 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.

b. Recently Adopted Accounting Standard

On July 1, 2023, HMI adopted the FASB's Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses* ("Topic 326"). Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions. The adoption of this standard did not have a material impact on HMI's financial statements.

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

c. Revenue Recognition

HMI follows the requirements of FASB ASC 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. 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.

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, 2024, all government grants receivable are expected to be collected within one year.

Special event revenue is comprised of payments received from third parties to support and/or attend fundraising events. Special event revenue includes an exchange transaction component for the value of the goods and services rendered, which follows revenue recognition guidance under FASB ASC 606 - *Revenue from Contracts with Customers*. The amount paid by third parties that is above the value of goods or services is considered a contribution. Revenue is recognized at the time the special event occurs.

Rental income is recognized evenly over the non-cancelable portion of the lease using the straight-line method.

HMI reviews all outstanding government grant and contribution 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 approximately \$47,500 and \$78,500 at June 30, 2024 and 2023, respectively. Additionally, management established an allowance for contributions receivable of approximately \$41,600 and \$37,500 at June 30, 2024 and 2023, respectively.

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.

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

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. HMI maintains several bank accounts that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000, which is the maximum allowed by law. At times, balances may exceed FDIC 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. 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. 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 4 for further details.

g. 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

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

h. 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.

i. Advertising

The cost of advertising is expensed as incurred.

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

Year Ended June 30, 2024

Note 2 - Summary of Significant Accounting Policies - Continued

j. 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.

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.

k. 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, 2021, and later are subject to examination by applicable taxing authorities.

l. Leases

HMI determines if an arrangement is or contains a lease at inception. Leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. The change in operating lease right-of-use asset and liability on the statement of cash flows includes the amortization of the ROU asset and cash payments for leases offset by the accretion of the discounted lease liability. Operating lease expense is recognized on a straight-line basis over the lease term. HMI does not report ROU assets and lease liabilities for any short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that HMI will exercise that option.

m. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with HMI's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

Year Ended June 30, 2024

Note 3 - Contributions Receivable

Contributions receivable are due in the following periods:

Year ending:

June 30, 2025	\$ 916,798
June 30, 2026	260,000
June 30, 2027	130,000
June 30, 2028	100,000
June 30, 2029	100,000
	1,506,798
Less fair value discount (4.33%-4.71%)	(54,529)
Less allowance for doubtful accounts	(41,526)
Total	\$ 1,410,743

Note 4 - In-Kind Services and Materials

In-kind contributions consist of the following:

	June 30, 2024			
	Program Services	Management and General	Fundraising	Total
Legal	\$ -	\$ 111,223	\$ -	\$ 111,223
Events and development	-	-	128,498	128,498
Travel and meetings	169,350	-	-	169,350
Subtotal	169,350	111,223	128,498	409,071
Other assets - contributed airline travel miles	-	-	-	80,650
Total expenses	\$ 169,350	\$ 111,223	\$ 128,498	\$ 489,721

	June 30, 2023			
	Program Services	Management and General	Fundraising	Total
Legal	\$ -	\$ 80,874	\$ -	\$ 80,874
Events and development	-	-	333,938	333,938
Total expenses	\$ -	\$ 80,874	\$ 333,938	\$ 414,812

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

Year Ended June 30, 2024

Note 4 - In-Kind Services and Materials - Continued

	<u>Valuation Techniques and Inputs</u>
Legal	Legal contributed services from lawyers are valued at the estimated fair value based on current rates for similar services.
Events and development	Contributed event and development expenses/services are valued at the estimated fair value based on current rates for similar products/services.
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 2024 and 2023 totaled \$169,350 and \$230,150, respectively.
Other assets - contributed airline travel miles	Contributed travel miles are valued at the standard market rate for similar travel. Unused miles of \$80,650 at June 30, 2024 have been included as other assets on the statement of financial position.

Note 5 - 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, 2024, cash held on behalf of HLM totaled \$397,576 and is reflected on the statement of financial position as an asset and a liability.

Note 6 - Operating Lease Right-of-Use (“ROU”) Asset and Operating Lease Liability

HMI evaluated current contracts to determine which met the criteria of a lease. HMI signed one master lease for four facilities which expires on June 30, 2037. HMI’s lease has been determined to be an operating lease. The lease does not include specific extension terms.

The ROU assets represent HMI’s right to use the underlying asset for the lease term, and the lease liabilities represent the HMI’s obligation to make lease payments arising from this lease. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. HMI has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2024 and June 30, 2023 was 3.13%. As of June 30, 2024 and 2023, the weighted average remaining lease term for HMI’s operating lease was 156 months and 168 months, respectively.

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

Year Ended June 30, 2024

Note 6 - Operating Lease Right-of-Use ("ROU") Asset and Operating Lease Liability - Continued

Cash paid for the operating lease for the year ended June 30, 2024 and 2023 was \$1,224,108 and \$1,051,111, respectively. There were no short-term lease costs during the year ended June 30, 2024 or June 20, 2023.

Future required minimum lease payments are as follows:

Year ending:

June 30, 2025	\$ 1,248,595
June 30, 2026	1,273,567
June 30, 2027	1,299,039
June 30, 2028	1,384,119
June 30, 2029	1,411,802
Thereafter	<u>12,667,357</u>
Total lease payments	19,284,479
Less present value discount	<u>(3,606,421)</u>
Total lease liability at June 30, 2024	<u><u>\$ 15,678,058</u></u>

HMI subleases one of their premises to the New York City School Construction Authority, with the New York City Department of Education acting as the tenant under the sublease. The lease is cancelable with a one-year notice. HMI received rental income of \$1,085,220 and \$1,078,275 from the New York City Department of Education for the years ended June 30, 2024 and 2023, which is shown on the statement of activities under rental income.

Note 7 - Net Assets with Donor Restrictions

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

Program:	7/1/23	Contributions	Released From Restriction	6/30/24
Academic enrichment	\$ 44,217	\$ 105,000	\$ (91,463)	\$ 57,754
Afterschool	97,411	150,000	(134,893)	112,518
Capital grant	110,000	-	(16,890)	93,110
Bereavement counselor	141,722	200,000	(274,513)	67,209
College access	73,620	-	(73,620)	-
Counseling case Management	946,727	502,520	(736,122)	713,125
HMI cafe	7,560	20,000	(19,977)	7,583
Job readiness training	98,433	-	(98,422)	11
LGBTQ youth services	402,333	-	(402,333)	-
Queer coders	54,136	-	(53,495)	641
Other grants	64,727	170,000	(71,221)	163,506
Special events	918,665	436,212	(918,665)	436,212
Scholarships	122,725	50,000	(122,352)	50,373
Total program	<u>3,082,276</u>	<u>1,633,732</u>	<u>(3,013,966)</u>	<u>1,702,042</u>
Time restrictions	65,104	500,000	(65,104)	500,000
Total	<u><u>\$ 3,147,380</u></u>	<u><u>\$ 2,133,732</u></u>	<u><u>\$ (3,079,070)</u></u>	<u><u>\$ 2,202,042</u></u>

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

Year Ended June 30, 2024

Note 7 - Net Assets with Donor Restrictions - Continued

	7/1/22	Contributions	From Restriction	6/30/23
Program:				
Academic enrichment	\$ 76,240	\$ 135,000	\$ (167,023)	\$ 44,217
Afterschool	144,342	75,000	(121,931)	97,411
Capital grant	-	110,000	-	110,000
Bereavement counselor	149,925	200,000	(208,203)	141,722
College access	195,343	-	(121,723)	73,620
Counseling case management	325,000	885,000	(263,273)	946,727
HMI cafe	11,842	20,000	(24,282)	7,560
Job readiness training	31,201	187,500	(120,268)	98,433
Kiki coalition	72,213	-	(72,213)	-
LGBTQ youth services	388,894	375,000	(361,561)	402,333
Queer coders	10,853	50,000	(6,717)	54,136
Other grants	-	85,000	(20,273)	64,727
Special events	-	918,665	-	918,665
Scholarships	43,187	100,000	(20,462)	122,725
Total program	1,449,040	3,141,165	(1,507,929)	3,082,276
Time restrictions	150,075	-	(84,971)	65,104
Total	<u>\$ 1,599,115</u>	<u>\$ 3,141,165</u>	<u>\$ (1,592,900)</u>	<u>\$ 3,147,380</u>

Note 8 - Loan Payable

In February 2024, HMI entered into a loan agreement with FJC, a nonprofit foundation, whereby, HMI is permitted to borrow a maximum of \$700,000 with an interest rate of approximately prime rate plus 3%. The loan is to be repaid in full in April 2026 and is collateralized by the receivables of HMI. As of June 30, 2024, the outstanding loan balance was \$500,000 and the effective interest rate was 11.50%.

Note 9 - Special Events

During the year ended June 30, 2024 and 2023, HMI held fundraising events.

Special events proceeds are summarized as follows:

	June 30,	
	2024	2023
Gross revenue	\$ 2,281,331	\$ 1,872,165
Less expenses with a direct benefit to donor	(1,122,387)	(589,286)
	1,158,944	1,282,879
Less other event expenses	(5,775)	(317,075)
Total	<u>\$ 1,153,169</u>	<u>\$ 965,804</u>

The Hetrick-Martin Institute, Inc.

Notes to Financial Statements

Year Ended June 30, 2024

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, 2024 and 2023, pension expense for HMI was \$85,059 and \$94,979 and is included on the statement of functional expenses under payroll taxes and benefits.

Note 11 - 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	\$ 596,157	
Government grants receivable, net	1,345,957	
Contributions receivable, net	<u>1,410,743</u>	
Total financial assets		\$ 3,352,857
Less amounts not available for general expenditures:		
Net assets with donor restrictions		<u>(2,202,042)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ 1,150,815</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 12 - Subsequent Events

Subsequent events have been evaluated through December 16, 2024, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure in the financial statements.

The Hetrick-Martin Institute, Inc.

Supplementary Information - Schedule of Expenditures of Federal Awards

June 30, 2024

THE HETRICK-MARTIN INSTIUTE, INC. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Pass-through Number	Federal AL #	Federal Expenditures
<u>Department of Health and Human Services</u>			
HIV Emergency Relief Project Grants (Ryan White HIV/AIDS, passed through the Program Part A), passed through Public Health Solutions	24-PNH-568PR	93.914	\$ 329,795
	25-PNH-568PR		153,075
Total Department of Health and Human Services			482,870
<u>United States Department of Housing and Urban Development</u>			
Youth Homelessness Demonstration Program, Direct		14.276	716,225
Total United States Department of Housing and Urban Development			716,225
Total Federal Expenditures			\$ 1,199,095

*Indicates a major program.

** No subrecipients were used

The Hetrick-Martin Institute, Inc.

Notes to Schedule of Expenditures of Federal Awards

June 30, 2024

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The Hetrick-Martin Institute, Inc. ("HMI") under programs of the federal government for the year ended June 30, 2024. Expenditures reported on the Schedule are reported using the accrual basis of accounting. Such expenditures are recognized and presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not present, the financial position, changes in net assets, or cash flows of HMI.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance. Under federal cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

HMI utilized the federally approved de minimus indirect cost rate.

Note 4 - Subrecipients

There were no amounts provided to subrecipients from Federal awards received during the year ended June 30, 2024.



**Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the 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 ("Government Auditing Standards"), the financial statements of The Hetrick-Martin Institute, Inc. ("HMI"), which comprise the statement of financial position as of and for the year ended June 30, 2024, 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 December 16, 2024.

Report on 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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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.

Sax CPAs LLP

New York, NY
December 16, 2024



**Report on Compliance for each Major Program and on Internal Control over
Compliance and on schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Hetrick-Martin Institute, Inc.'s ("HMI") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of HMI's major federal programs for the year ended June 30, 2024. HMI's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, HMI complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of HMI and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of HMI's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to HMI's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HMI's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HMI's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 HMI's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of HMI's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 HMI's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Board of Directors
The Hetrick-Martin Institute, Inc.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Sax CPAs LLP

New York, NY
December 16, 2024

The Hetrick-Martin Institute, Inc.

Schedule of Findings and Questioned Costs

June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED
Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified
Not considered to be material weaknesses? Yes No
Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified
Not considered to be material weaknesses? Yes No

Type of auditor's report issued on compliance for major programs: UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 516(a)? Yes No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.276	Youth Homelessness Demonstration Program

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

Auditee qualified as low-risk auditee? Yes No

The Hetrick-Martin Institute, Inc.

Schedule of Findings and Questioned Costs

June 30, 2024

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None