

**THE ATTIC YOUTH CENTER**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**THE ATTIC YOUTH CENTER**  
**YEARS ENDED JUNE 30, 2016**

**INDEX**

	<b><u>Page</u></b>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities For the Year Ended June 30, 2016	4
Statements of Activities For the Year Ended June 30, 2015	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-15
Supplementary Information:	
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>	16-17

***O'Hara, Ward & Associates***  
***Certified Public Accountants***  
***1036 Mill Creek Drive***  
***Feasterville, PA 19053***  
***TEL (215) 322-5558***  
***FAX (215) 322-5624***

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
The Attic Youth Center  
Philadelphia, Pennsylvania

**Report on the Financial Statements**

We have audited the accompanying financial statements of The Attic Youth Center (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of The Attic Youth Center as of June 30, 2016, 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.

***Other Matters***

***Report on Summarized Comparative Information***

We have previously audited The Attic Youth Center's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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 1, 2016, on our consideration of The Attic Youth Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

***O'Hara, Ward & Associates***  
***Feasterville, PA***

December 1, 2016

**THE ATTIC YOUTH CENTER**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2016 AND 2015**

<b>ASSETS</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents.....	\$ 197,337	\$ 191,943
Accounts Receivable.....	179,280	-
Contracts Receivable.....	65,962	69,183
Prepaid Expenses.....	<u>4,132</u>	<u>2,572</u>
<b>Total Current Assets.....</b>	<b><u>446,711</u></b>	<b><u>263,698</u></b>
<b>Property and Equipment Net of Accumulated</b>		
Depreciation of \$311,625 and \$288,988.....	<u>553,689</u>	<u>576,326</u>
<b><u>Other Assets</u></b>		
Beneficial Interest in Assets Held by Philadelphia Foundation.....	<u>18,785</u>	<u>19,695</u>
<b>Total Other Assets.....</b>	<b><u>18,785</u></b>	<b><u>19,695</u></b>
<b>TOTAL ASSETS.....</b>	<b><u>\$ 1,019,185</u></b>	<b><u>\$ 859,719</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable and Accrued Liabilities.....	<u>\$ 8,000</u>	<u>\$ 15,780</u>
<b>Total Current Liabilities.....</b>	<b><u>8,000</u></b>	<b><u>15,780</u></b>
<b><u>Net Assets</u></b>		
Unrestricted (Deficit).....	578,315	578,197
Temporarily Restricted.....	432,870	265,742
Permanently Restricted.....	<u>-</u>	<u>-</u>
<b>Total Net Assets.....</b>	<b><u>1,011,185</u></b>	<b><u>843,939</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS.....</b>	<b><u>\$ 1,019,185</u></b>	<b><u>\$ 859,719</u></b>

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

**THE ATTIC YOUTH CENTER**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Support and Revenues</u></b>				
Individuals.....	\$ 125,442	\$ -	\$ -	\$ 125,442
Foundations.....	238,148	385,532	-	623,680
Corporations.....	37,204	-	-	37,204
Government Contracts.....	395,057	-	-	395,057
Investment Gain/(Loss).....	286	-	-	286
Fee for Service.....	35,000	-	-	35,000
Net Assets Released from Restrictions.....	<u>218,404</u>	<u>(218,404)</u>	<u>-</u>	<u>-</u>
<b>Total Support and Revenues.....</b>	<b><u>1,049,541</u></b>	<b><u>167,128</u></b>	<b><u>-</u></b>	<b><u>1,216,669</u></b>
<b><u>Expenses</u></b>				
Program Services.....	826,799	-	-	826,799
Supporting Services:				
Management and General.....	113,677	-	-	113,677
Fundraising Expense.....	<u>108,947</u>	<u>-</u>	<u>-</u>	<u>108,947</u>
<b>Total Expenses.....</b>	<b><u>1,049,423</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,049,423</u></b>
<b>Change in Net Assets.....</b>	<b>118</b>	<b>167,128</b>	<b>-</b>	<b>167,246</b>
<b>Net Assets (Deficit), Beginning of Year.....</b>	<b><u>578,197</u></b>	<b><u>265,742</u></b>	<b><u>-</u></b>	<b><u>843,939</u></b>
<b>Net Assets (Deficit), End of Year.....</b>	<b><u>\$ 578,315</u></b>	<b><u>\$ 432,870</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,011,185</u></b>

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

**THE ATTIC YOUTH CENTER**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2015**

	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
<b><u>Support and Revenues</u></b>				
Individuals.....	\$ 154,640	\$ -	\$ -	\$ 154,640
Foundations.....	246,517	237,631	-	484,148
Corporations.....	313	-	-	313
Government Contracts.....	405,153	-	-	405,153
Investment Gain/(Loss).....	1,066	-	-	1,066
Fee for Service.....	34,999	-	-	34,999
Net Assets Released from Restrictions.....	<u>235,004</u>	<u>(235,004)</u>	<u>-</u>	<u>-</u>
<b>Total Support and Revenues.....</b>	<b><u>1,077,692</u></b>	<b><u>2,627</u></b>	<b><u>-</u></b>	<b><u>1,080,319</u></b>
<b><u>Expenses</u></b>				
Program Services.....	843,496	-	-	843,496
Supporting Services:				
Management and General.....	122,255	-	-	122,255
Fundraising Expense.....	<u>111,830</u>	<u>-</u>	<u>-</u>	<u>111,830</u>
<b>Total Expenses.....</b>	<b><u>1,077,581</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,077,581</u></b>
<b>Change in Net Assets.....</b>	<b>111</b>	<b>2,627</b>	<b>-</b>	<b>2,738</b>
<b>Net Assets (Deficit), Beginning of Year.....</b>	<b><u>578,086</u></b>	<b><u>263,115</u></b>	<b><u>-</u></b>	<b><u>841,201</u></b>
<b>Net Assets (Deficit), End of Year.....</b>	<b><u>\$ 578,197</u></b>	<b><u>\$ 265,742</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 843,939</u></b>

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

**THE ATTIC YOUTH CENTER**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2016**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)**

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>2016 Total</u></b>	<b><u>Memorandum Only 2015 Total</u></b>
<b><u>Personnel</u></b>					
Salaries.....	\$ 511,966	\$ 72,200	\$ 72,200	\$ 656,366	\$ 659,884
Payroll Taxes.....	43,144	6,085	6,085	55,314	51,856
Employee Benefits.....	<u>52,731</u>	<u>7,437</u>	<u>7,437</u>	<u>67,605</u>	<u>63,380</u>
<b>Total Personnel.....</b>	<u>607,841</u>	<u>85,722</u>	<u>85,722</u>	<u>779,285</u>	<u>775,120</u>
<b><u>Operating Expenses</u></b>					
Conferences and Meetings.....	5,602	790	790	7,182	6,643
Depreciation.....	22,637	-	-	22,637	24,006
Youth Stipends.....	31,638	4,730	-	36,368	30,918
Insurance.....	10,975	1,548	1,548	14,071	13,060
Interest Expense.....	-	-	-	-	257
Miscellaneous.....	8,231	1,161	1,161	10,553	14,321
Postage and Printing.....	11,533	1,627	1,627	14,787	16,847
Professional Fees.....	59,942	8,454	8,454	76,850	91,296
Repairs and Maintenance.....	10,235	1,443	1,443	13,121	20,642
Supplies.....	16,528	2,331	2,331	21,190	36,163
Telephone and Utilities.....	15,687	2,212	2,212	20,111	20,238
Travel Expenses.....	21,504	3,032	3,032	27,568	23,703
Website.....	<u>4,446</u>	<u>627</u>	<u>627</u>	<u>5,700</u>	<u>4,367</u>
<b>Total Operating Expenses.....</b>	<u>218,958</u>	<u>27,955</u>	<u>23,225</u>	<u>270,138</u>	<u>302,461</u>
<b>Total Expenses.....</b>	<u>\$ 826,799</u>	<u>\$ 113,677</u>	<u>\$ 108,947</u>	<u>\$ 1,049,423</u>	<u>\$ 1,077,581</u>

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

**THE ATTIC YOUTH CENTER**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Cash Flows From Operating Activities:</b>		
Change in Net Assets.....	\$ 167,246	\$ 2,738
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization.....	22,637	24,006
Unrealized (Gains)/Losses on Assets held by Philadelphia Foundation.....	660	(448)
(Increase) Decrease in Operating Assets:		
Accounts Receivables.....	(179,280)	-
Contract Receivables.....	3,221	2,585
Prepaid Expenses.....	(1,560)	(1,479)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses.....	<u>(7,780)</u>	<u>(9,114)</u>
<b>Net Cash From Operating Activities.....</b>	<b><u>5,144</u></b>	<b><u>18,288</u></b>
<b>Cash Flows From Investing Activities:</b>		
Philadelphia Foundation.....	250	250
Capital Expenditures.....	<u>-</u>	<u>(5,000)</u>
<b>Net Cash From Investing Activities.....</b>	<b><u>250</u></b>	<b><u>(4,750)</u></b>
<b>Net Cash From Financing Activities.....</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Change in Cash and Cash Equivalents.....</b>	<b>5,394</b>	<b>13,538</b>
<b>Cash and Cash Equivalents, Beginning of Year.....</b>	<b><u>191,943</u></b>	<b><u>178,405</u></b>
<b>Cash and Cash Equivalents, End of Year.....</b>	<b><u>\$ 197,337</u></b>	<b><u>\$ 191,943</u></b>
<b>Supplemental Disclosures:</b>		
Interest Paid.....	<u>\$ -</u>	<u>\$ -</u>

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

## **THE ATTIC YOUTH CENTER**

### **NOTES TO FINANCIAL STATEMENTS**

#### **YEARS ENDED JUNE 30, 2016 AND 2015**

#### **Note 1. Summary of Significant Accounting Policies**

##### **Objectives of the Organization**

The Attic Youth Center (the Attic) is Philadelphia's only agency exclusively serving lesbian, gay, bisexual, transgender, and questioning (LGBTQ) youth. Founded in 1993 as a support group for LGBTQ youth that met in the "attic" of a mainstream social service organization, The Attic has since grown into a comprehensive multi-service youth agency, serving youth ages 14-23. The Attic's mission is to create opportunities for LGBTQ youth to develop into healthy, independent, civic-minded adults within a safe and supportive community, and to promote the acceptance of LGBTQ youth in society. The Attic offers the following key programs:

1. The Life Skills Center provides individual and group programming in five concentration areas: job readiness, academic and educational enrichment, health and wellness, youth leadership, and arts and culture. Group activities include art, creative writing, tutoring, cooking and nutrition, career development, study hall, community engagement and leadership development. Individual services include life coaching and mentoring;
2. Supportive Services, including mental health counseling for individuals and families; case management, and support groups;
3. HIV prevention services including HIV testing and counseling; and
4. The Bryson Institute of The Attic Youth Center, which provides training and workshops on the best practices in meeting the needs of LGBTQ youth in schools, social service agencies, faith communities, families, and neighborhoods.

The major sources of revenue and support are contributions and contract revenue.

##### **Basis of Financial Statement Presentation:**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of The Attic Youth Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

## **THE ATTIC YOUTH CENTER**

### **NOTES TO FINANCIAL STATEMENTS (CONT'D)**

#### **YEARS ENDED JUNE 30, 2016 AND 2015**

#### **Note 1. Summary of Significant Accounting Policies (Cont'd)**

##### **Basis of Financial Statement Presentation (Cont'd):**

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of The Attic Youth Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by The Attic Youth Center

##### **Cash and Cash Equivalents:**

For the purposes of the Statements of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less, except bank certificates of deposit and treasury obligations, to be cash equivalents. Bank CD's and treasury obligations are considered to be temporary investments, not cash equivalents.

The Organization's cash and cash equivalent accounts and interest bearing deposits in banks and other financial institutions may at times exceed the federally insured limits. The Organization has not experienced any losses in these accounts. Management believes that the Organization is not exposed to any significant risk on these deposits.

##### **Allowance for Doubtful Accounts:**

The Organization uses the reserve for bad debt method of valuing doubtful accounts receivable, which is based on historical experience, coupled with a review of the current status of existing receivables. Based on management's assessments, the Organization provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written-off through a charge to the valuation allowance and a credit to accounts receivable.

##### **Contracts Receivable**

Contracts receivables are recorded at the un-discounted amounts of earned contract revenues. A provision for doubtful accounts has not been established as management considers all accounts to be collectible based upon a favorable history over a substantial period of time.

## **THE ATTIC YOUTH CENTER**

### **NOTES TO FINANCIAL STATEMENTS (CONT'D)**

#### **YEARS ENDED JUNE 30, 2016 AND 2015**

#### **Note 1. Summary of Significant Accounting Policies (Cont'd)**

##### **Property and Equipment:**

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Expenditures that enhance the useful lives of the assets are capitalized and depreciated. Expenditures for maintenance and repairs are charged to expenses as incurred. Property and equipment are depreciated over their estimated useful lives using the straight-line method. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

##### **Compensated Absences:**

While employed by the Organization employees are entitled to paid vacations, sick days, and other time off depending on job classification, length of service, and other factors. Employees leaving employment will not be paid for accumulated sick leave. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when earned, instead of when paid to employees.

##### **Management's Use of Estimates and Assumptions:**

Management uses estimates and assumptions in preparing its financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

##### **Donated Services:**

During the years ended June 30, 2016 and 2015, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services, however, but these services do not meet the criteria for recognition as contributed services.

##### **Public Support and Revenue Recognition:**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable values. Unconditional promises to give due in subsequent years are reflected as long-term promises to

**THE ATTIC YOUTH CENTER**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**Note 1. Summary of Significant Accounting Policies (Cont'd)**

**Public Support and Revenue Recognition (Cont'd):**

give and are recorded at the present values of their net realizable values, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires during the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction.

Revenue from government contracts are reported as unrestricted when qualifying expenses are incurred.

The Organization accounts for grant and contract revenues, which are exchange transactions, in the Statements of Activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as guidance. Any excess or deficiency of cash receipts over expenditures incurred is reported as "deferred income" or "government receivables", respectively. Upon termination, unexpended cash funds received under the terms of the grant provisions revert to the grantor, and are recorded as refundable advances in the Statements of Financial Position.

Income from special events and fundraisers for the next fiscal year is deferred and recognized in the period that the events take place.

**Federal Income Tax Status:**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

**Advertising Costs:**

The Organization expenses the costs of advertising and promotion as incurred. Advertising costs charged to operations amounted to \$-0- for the years ended June 30, 2016 and 2015.

**THE ATTIC YOUTH CENTER**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

**Note 1. Summary of Significant Accounting Policies (Cont'd)**

**Functional Allocation of Expenses:**

Certain operating expenses have been allocated to program services based on the reasonable benefit that the program derived from these expenses. There are various funding sources providing support towards the Organization's programs, and some of the expenses charged to the programs represent direct expenses related to program operations and objectives.

**Date of Management Evaluation of Subsequent Events:**

Management has evaluated subsequent events through December 1, 2016, the date on which the financial statements were available to be issued.

**Note 2. Property and Equipment**

Property and equipment includes the following:

	<b>Estimated useful lives in years</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Land .....	-	\$ 48,490	\$ 48,490
Building and improvements .....	10-39	767,068	767,068
Equipment .....	5	<u>49,756</u>	<u>49,756</u>
		865,314	865,314
Accumulated depreciation .....		<u>(311,625)</u>	<u>(288,988)</u>
		<b><u>\$ 553,689</u></b>	<b><u>\$ 576,326</u></b>

Depreciation charged to expense for the years ended June 30, 2016 and 2015 was \$22,637 and \$24,006, respectively.

**Note 3. Line of Credit**

The Organization has a line of credit with a maximum balance of \$250,000, which bears interest at the bank's commercial lending rate collateralized by the Organization's assets. The outstanding balances at June 30, 2016 and 2015 were \$-0-.

**THE ATTIC YOUTH CENTER**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**Note 4. Restrictions on Net Assets**

Temporarily restricted net assets at June 30 are as follows:

	<b><u>2016</u></b>	<b><u>2015</u></b>
Future Programs.....	\$ 430,719	\$ 245,584
Building Fund.....	<u>2,151</u>	<u>20,158</u>
Total.....	<b><u>\$ 432,870</u></b>	<b><u>\$ 265,742</u></b>

Net assets were released from donor restrictions as follows:

	<b><u>2016</u></b>	<b><u>2015</u></b>
Current Programs .....	\$ 201,496	\$ 235,004
Building Fund.....	<u>20,158</u>	<u>--</u>
Total.....	<b><u>\$ 221,654</u></b>	<b><u>\$ 235,004</u></b>

The required cash balances for temporarily restricted net assets is under-funded as of June 30, 2016 and 2015 due to the balances in contracts receivable and other operating requirements. Management feels this is not of particular concern at this time since they have access to the line of credit described in Note 3.

**Note 5. Concentrations**

The Organization received approximately 32% and 36% of its revenue and support from contracts with the City of Philadelphia for the years ended June 30, 2016 and 2015, respectively. These contracts must be applied for on an annual basis. The majority of contract receivables are due from the City of Philadelphia as of June 30, 2016 and 2015, respectively.

From time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. The Organization deposits its cash with credit worthy institutions and has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash.

**THE ATTIC YOUTH CENTER**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**Note 6. Fair Value Measurement**

The fair value measurements accounting literature establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows: Level 1, Quoted Prices in Active Markets; Level 2, Observable Measurement Criteria; and Level 3, Unobservable Measurement Criteria.

For applicable assets and liabilities subject to this pronouncement, the Organization will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the Organization will next attempt to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Organization will develop measurement criteria based on the best information available. The Organization has only Level 2 investments.

The Organization's beneficial interest in assets held by Philadelphia Foundation are reported at fair value in the accompanying statement of financial position.

	<b><u>Fair Value</u></b>	<b><u>Level 2</u></b>
<b>June 30, 2016</b>		
Beneficial Interest	<b><u>\$18,785</u></b>	<b><u>\$18,785</u></b>
<b>June 30, 2015</b>		
Beneficial Interest	<b><u>\$19,695</u></b>	<b><u>\$19,695</u></b>

Unrealized gains (losses) of \$(660) and \$448 for the years ended June 30, 2016 and 2015, respectively, are included in investment gain/loss.

**Note 7. Beneficial Interest in Assets Held by the Philadelphia Foundation**

The Organization was awarded an endowment in 2000 that is held by Philadelphia Foundation (Foundation) (a community foundation). The Fund is qualified as a component part of the Foundation. The Foundation has variance power and distributions to the Organization are based on the Foundation's spending policy (determined annually).

**THE ATTIC YOUTH CENTER**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**Note 7. Beneficial Interest in Assets Held by the Philadelphia Foundation (Cont'd)**

In accordance with FAS ASC 958, the original asset transfer has been recognized as an increase in an asset account entitled "Beneficial interest in assets held by The Philadelphia Foundation" in the statements of financial position. Subsequent changes in the value of that asset are recorded in the statements of activities and changes in net assets under investment loss. No distributions were made to the Organization during the years ended June 30, 2016 and 2015.

**Note 14. Reclassifications**

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's formats. Net assets and changes in net assets are unchanged due to these reclassifications.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of  
The Attic Youth Center  
Philadelphia, Pennsylvania

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, the financial statements of The Attic Youth Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 1, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Attic Youth Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Attic Youth Center's internal control. Accordingly, we do not express an opinion on the effectiveness of The Attic Youth Center'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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Attic Youth Center'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our

tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

***O'Hara, Ward & Associates***  
***Feasterville, PA***

December 1, 2016