

THE ATTIC YOUTH CENTER
FINANCIAL STATEMENTS
JUNE 30, 2019

THE ATTIC YOUTH CENTER
YEARS ENDED JUNE 30, 2019

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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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2019. In our opinion, the summarized comparative information in the Statements of Functional Expenses presented herein as of and for the year ended June 30, 2018 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 30, 2019, 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 30, 2019

**THE ATTIC YOUTH CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
<u>Current Assets</u>		
Cash and Cash Equivalents.....	\$ 1,043,853	\$ 838,312
Accounts Receivable.....	700	65,000
Contracts Receivable.....	86,936	123,312
Prepaid Expenses.....	<u>15,626</u>	<u>27,552</u>
Total Current Assets.....	<u>1,147,115</u>	<u>1,054,176</u>
Property and Equipment Net of Accumulated		
Depreciation of \$381,499 and \$357,868.....	<u>488,785</u>	<u>512,416</u>
<u>Other Assets</u>		
Beneficial Interest in Assets Held by Philadelphia Foundation.....	<u>23,432</u>	<u>22,742</u>
Total Other Assets.....	<u>23,432</u>	<u>22,742</u>
TOTAL ASSETS.....	<u>\$ 1,659,332</u>	<u>\$ 1,589,334</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable and Accrued Liabilities.....	\$ 11,325	\$ 16,191
Deferred Revenue.....	<u>-</u>	<u>25,450</u>
Total Current Liabilities.....	<u>11,325</u>	<u>41,641</u>
<u>Net Assets</u>		
Net Assets Without Donor Restrictions.....	772,938	582,905
Net Assets With Donor Restrictions.....	<u>875,069</u>	<u>964,788</u>
Total Net Assets.....	<u>1,648,007</u>	<u>1,547,693</u>
TOTAL LIABILITIES AND NET ASSETS.....	<u>\$ 1,659,332</u>	<u>\$ 1,589,334</u>

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

**THE ATTIC YOUTH CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenues</u>			
Individuals.....	\$ 198,401	\$ 30,940	\$ 229,341
Foundations.....	92,140	155,223	247,363
Corporations.....	106,617	193,998	300,615
Government Contracts.....	396,118	-	396,118
Non-Government Contracts.....	198,297	-	198,297
Special Events, Net of Expenses of \$100,922.....	192,642	-	192,642
Investment Gain/(Loss).....	5,325	-	5,325
Net Assets Released from Restrictions.....	<u>469,880</u>	<u>(469,880)</u>	<u>-</u>
Total Support and Revenues.....	<u>1,659,420</u>	<u>(89,719)</u>	<u>1,569,701</u>
<u>Expenses</u>			
Program Services.....	1,106,918	-	1,106,918
Supporting Services:			
Management and General.....	209,116	-	209,116
Fundraising Expense.....	<u>153,353</u>	<u>-</u>	<u>153,353</u>
Total Expenses.....	<u>1,469,387</u>	<u>-</u>	<u>1,469,387</u>
Change in Net Assets.....	190,033	(89,719)	100,314
Net Assets (Deficit), Beginning of Year.....	<u>582,905</u>	<u>964,788</u>	<u>1,547,693</u>
Net Assets (Deficit), End of Year.....	<u>\$ 772,938</u>	<u>\$ 875,069</u>	<u>\$ 1,648,007</u>

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

**THE ATTIC YOUTH CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenues</u>			
Individuals.....	\$ 110,074	\$ 110,000	\$ 220,074
Foundations.....	101,935	412,244	514,179
Corporations.....	70,055	127,774	197,829
Government Contracts.....	404,102	-	404,102
Non-Government Contracts.....	177,859	-	177,859
Investment Gain/(Loss).....	235	-	235
Net Assets Released from Restrictions.....	<u>420,455</u>	<u>(420,455)</u>	<u>-</u>
Total Support and Revenues.....	<u>1,284,715</u>	<u>229,563</u>	<u>1,514,278</u>
<u>Expenses</u>			
Program Services.....	960,162	-	960,162
Supporting Services:			
Management and General.....	184,778	-	184,778
Fundraising Expense.....	<u>135,503</u>	<u>-</u>	<u>135,503</u>
Total Expenses.....	<u>1,280,443</u>	<u>-</u>	<u>1,280,443</u>
Change in Net Assets.....	4,272	229,563	233,835
Net Assets (Deficit), Beginning of Year.....	<u>578,633</u>	<u>735,225</u>	<u>1,313,858</u>
Net Assets (Deficit), End of Year.....	<u>\$ 582,905</u>	<u>\$ 964,788</u>	<u>\$ 1,547,693</u>

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, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
<u>Personnel</u>					
Salaries.....	\$ 669,960	\$ 135,803	\$ 99,589	\$ 905,352	\$ 772,811
Payroll Taxes.....	53,015	10,746	7,881	71,642	60,697
Employee Benefits.....	85,695	17,370	12,738	115,803	85,980
Total Personnel.....	808,670	163,919	120,208	1,092,797	919,488
<u>Operating Expenses</u>					
Professional Fees.....	81,695	16,560	12,144	110,399	101,711
Rental Assistance.....	51,645	-	-	51,645	2,378
Supplies.....	27,949	5,665	4,154	37,768	29,492
Travel Expenses.....	24,360	4,938	3,621	32,919	28,442
Repairs and Maintenance.....	19,726	3,998	2,932	26,656	51,923
Depreciation.....	23,631	-	-	23,631	23,122
Telephone and Utilities.....	12,228	2,479	1,818	16,525	19,989
Postage and Printing.....	8,641	1,751	1,284	11,676	14,810
Youth Stipends.....	10,733	2,176	1,596	14,505	16,770
Insurance.....	7,447	1,510	1,107	10,064	13,819
Public Relations.....	7,269	1,474	1,081	9,824	-
Dues, Fees, and Subscriptions.....	6,293	1,275	935	8,503	6,251
Staff Training.....	4,743	961	705	6,409	808
Website.....	4,346	881	646	5,873	11,203
Rent.....	3,374	684	502	4,560	4,760
Equipment.....	1,660	336	247	2,243	4,985
Conferences and Meetings.....	1,510	306	224	2,040	4,405
Miscellaneous.....	998	203	149	1,350	2,987
Database.....	-	-	-	-	23,100
Total Operating Expenses.....	298,248	45,197	33,145	376,590	360,955
Total Expenses.....	\$ 1,106,918	\$ 209,116	\$ 153,353	\$ 1,469,387	\$ 1,280,443

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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in Net Assets.....	\$ 100,314	\$ 233,835
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization.....	23,631	23,122
Unrealized (Gains)/Losses on Assets held by Philadelphia Foundation.....	(940)	(1,866)
(Increase) Decrease in Operating Assets:		
Accounts Receivables.....	64,300	140,763
Contract Receivables.....	36,376	(30,933)
Prepaid Expenses.....	11,926	(25,752)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses.....	(4,866)	5,191
Deferred Revenue.....	<u>(25,450)</u>	<u>25,450</u>
Net Cash From Operating Activities.....	<u>205,291</u>	<u>369,810</u>
Cash Flows From Investing Activities:		
Beneficial Interest in Assets Held by The Philadelphia Foundation.....	<u>250</u>	<u>250</u>
Net Cash From Investing Activities.....	<u>250</u>	<u>250</u>
Change in Cash and Cash Equivalents.....	205,541	370,060
Cash and Cash Equivalents, Beginning of Year.....	<u>838,312</u>	<u>468,252</u>
Cash and Cash Equivalents, End of Year.....	<u>\$ 1,043,853</u>	<u>\$ 838,312</u>

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

**THE ATTIC YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

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 opportunities for LGBTQ youth to learn, practice, and master the skills they will need to successfully transition into adulthood. Youth participate in support groups, workshops, internships, individual life coaching, mentoring, case management, housing navigation, and HIV testing and counseling. Programming is offered in five concentration areas:
 - a. Workforce Development
 - b. Academic Achievement
 - c. Health and Wellness
 - d. Homelessness Prevention and Remediation
 - e. Leadership Development and Civic Engagement
2. Mental Health Services provide individual and family therapy as well as therapeutic groups.
3. Supportive Services include daily meals and access to food, access to computers and other technology, daily drop-in, and access to other basic needs such as hygiene supplies.
4. The Bryson Institute of The Attic Youth Center 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.

Basis of Financial Statement Presentation:

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

**THE ATTIC YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

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

Basis of Financial Statement Presentation (Cont'd):

Net Assets Without Donor Restriction - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

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.

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 reviews all existing receivables and considers all accounts to be collectible based upon a favorable history over a substantial period of time.

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.

**THE ATTIC YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

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

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, 2019 and 2018, 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 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.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net

**THE ATTIC YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

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

Public Support and Revenue Recognition (Cont'd):

assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

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, 2019 and 2018.

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.

**THE ATTIC YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

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

Date of Management Evaluation of Subsequent Events:

In preparing the accompanying financial statements, Management has evaluated events and transactions for potential recognition or disclosure through December 30, 2019, the date on which the financial statements were available to be issued.

Note 2. Property and Equipment

Property and equipment includes the following:

	Estimated useful lives in years	<u>2019</u>	<u>2018</u>
Land	-	\$ 48,490	\$ 48,490
Building and improvements	10-39	767,066	767,066
Equipment	5	<u>54,728</u>	<u>54,728</u>
		870,284	870,284
Accumulated depreciation		<u>(381,499)</u>	<u>(357,868)</u>
		<u>\$ 488,785</u>	<u>\$ 512,416</u>

Depreciation charged to expense for the years ended June 30, 2019 and 2018 was \$23,631 and \$23,122, respectively.

Note 3. Restrictions on Net Assets

Temporarily restricted net assets at June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Future Programs.....	<u>\$ 875,069</u>	<u>\$ 964,788</u>

Net assets were released from donor restrictions as follows:

	<u>2019</u>	<u>2018</u>
Current Programs	<u>\$ 469,880</u>	<u>\$ 420,455</u>

**THE ATTIC YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

Note 3. Restrictions on Net Assets (Cont'd)

The required cash balances for net assets with restrictions was under-funded as of June 30, 2018 due to the balances in contracts receivable and other operating requirements. Management felt this was not of particular concern at this time since they have access to the line of credit described in Note 9. The required cash balances for net assets with restrictions was funded as of June 30, 2019.

Note 4. 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 is reported at fair value in the accompanying statement of financial position.

	<u>Fair Value</u>	<u>Level 2</u>
June 30, 2019		
Beneficial Interest	<u>\$ 23,432</u>	<u>\$ 23,432</u>
June 30, 2018		
Beneficial Interest	<u>\$ 22,742</u>	<u>\$ 22,742</u>

Unrealized gains of \$940 and \$1,866 for the years ended June 30, 2019 and 2018, respectively, are included in investment gain/loss.

**THE ATTIC YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

Note 5. 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).

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, 2019 and 2018.

Note 6. Concentrations

The Organization received approximately 25% and 27% of its revenue and support from contracts with the City of Philadelphia for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, 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.

Note 7. Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

**THE ATTIC YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

Note 8. Liquidity

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents.....	\$ 1,043,853	\$ 838,312
Contributions Receivable.....	700	65,000
Contracts Receivable.....	<u>86,936</u>	<u>123,312</u>
	<u>\$ 1,131,489</u>	<u>\$ 1,026,624</u>

In addition to financial assets available to meet general expenditures over the year, the Organization operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient program fees and other revenues as needed.

Note 9. 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, 2019 and 2018 were \$-0-.

Note 10. Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's formats. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 11. Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the original effective dates of ASU 2014-09 were deferred by one year through the issuance of ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606): *Deferral of the Effective Date*. For most nonprofit organizations, ASU 2014-09 (as revised) is effective for annual reporting periods beginning after December 15, 2018. The impact of adopting this ASU on the Agency's financial statements for subsequent periods has not yet been determined.

**THE ATTIC YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

Note 11. Recently Issued Accounting Pronouncements (Cont'd)

In February 2016, the FASB issued ASU 2017-02, *Leases* (Topic 842), which supersedes FASB ASC Topic 840, *Leases* (Topic 840) and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. Lessor accounting is mostly unchanged from the current model, but updated to align with certain changes to the lessee accounting model and the new revenue recognition standard. The ASU is effective for most nonprofit organizations for fiscal years beginning after December 15, 2018. The impact of adopting this ASU on the Agency's financial statements for subsequent periods has not yet been determined.

**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, 2019, 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 30, 2019.

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 30, 2019