

**THE ATTIC YOUTH CENTER**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**THE ATTIC YOUTH CENTER**  
**YEARS ENDED JUNE 30, 2020 AND 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, 2020 and 2019, 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, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Report on Summarized Comparative Information***

We have previously audited The Attic Youth Center's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 30, 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, 2019 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 January 22, 2021, 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***

January 22, 2021

**THE ATTIC YOUTH CENTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents.....	\$ 1,094,757	\$ 1,043,853
Accounts Receivable.....	-	700
Contracts Receivable.....	104,988	86,936
Prepaid Expenses.....	<u>13,700</u>	<u>15,626</u>
<b>Total Current Assets.....</b>	<b><u>1,213,445</u></b>	<b><u>1,147,115</u></b>
<b>Property and Equipment Net of Accumulated</b>		
Depreciation of \$403,870 and \$381,499.....	<u>466,414</u>	<u>488,785</u>
<b><u>Other Assets</u></b>		
Beneficial Interest in Assets Held by Philadelphia Foundation.....	<u>22,916</u>	<u>23,432</u>
<b>Total Other Assets.....</b>	<b><u>22,916</u></b>	<b><u>23,432</u></b>
<b>TOTAL ASSETS.....</b>	<b><u>\$ 1,702,775</u></b>	<b><u>\$ 1,659,332</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable and Accrued Liabilities.....	\$ 13,319	\$ 11,325
CARES Act PPP Loan, Current Portion.....	<u>42,917</u>	<u>-</u>
<b>Total Current Liabilities.....</b>	<b><u>56,236</u></b>	<b><u>11,325</u></b>
<b><u>Long Term Liabilities</u></b>		
CARES Act PPP Loan, net of Current Portion.....	<u>164,283</u>	<u>-</u>
<b>Total Long Term Liabilities.....</b>	<b><u>164,283</u></b>	<b><u>-</u></b>
<b>Total Liabilities.....</b>	<b><u>220,519</u></b>	<b><u>11,325</u></b>
<b><u>Net Assets</u></b>		
Net Assets Without Donor Restrictions.....	790,415	772,938
Net Assets With Donor Restrictions.....	<u>691,841</u>	<u>875,069</u>
<b>Total Net Assets.....</b>	<b><u>1,482,256</u></b>	<b><u>1,648,007</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS.....</b>	<b><u>\$ 1,702,775</u></b>	<b><u>\$ 1,659,332</u></b>

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

**THE ATTIC YOUTH CENTER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b><u>Total</u></b>
<b><u>Support and Revenues</u></b>			
Individuals.....	\$ 219,575	\$ -	\$ 219,575
Foundations.....	363,373	191,921	555,294
Corporations.....	152,566	57,300	209,866
Government Contracts.....	356,818	-	356,818
Non-Government Contracts.....	46,028	-	46,028
Investment Gain/(Loss).....	3,137	-	3,137
Net Assets Released from Restrictions.....	<u>432,449</u>	<u>(432,449)</u>	<u>-</u>
<b>Total Support and Revenues.....</b>	<u>1,573,946</u>	<u>(183,228)</u>	<u>1,390,718</u>
<b><u>Expenses</u></b>			
Program Services.....	1,016,501	-	1,016,501
Supporting Services:			
Management and General.....	478,259	-	478,259
Fundraising Expense.....	<u>61,709</u>	<u>-</u>	<u>61,709</u>
<b>Total Expenses.....</b>	<u>1,556,469</u>	<u>-</u>	<u>1,556,469</u>
<b>Change in Net Assets.....</b>	17,477	(183,228)	(165,751)
<b>Net Assets (Deficit), Beginning of Year.....</b>	<u>772,938</u>	<u>875,069</u>	<u>1,648,007</u>
<b>Net Assets (Deficit), End of Year.....</b>	<u>\$ 790,415</u>	<u>\$ 691,841</u>	<u>\$ 1,482,256</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**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b><u>Support and Revenues</u></b>			
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>
<b>Total Support and Revenues.....</b>	<u>1,659,420</u>	<u>(89,719)</u>	<u>1,569,701</u>
<b><u>Expenses</u></b>			
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>
<b>Total Expenses.....</b>	<u>1,469,387</u>	<u>-</u>	<u>1,469,387</u>
<b>Change in Net Assets.....</b>	190,033	(89,719)	100,314
<b>Net Assets (Deficit), Beginning of Year.....</b>	<u>582,905</u>	<u>964,788</u>	<u>1,547,693</u>
<b>Net Assets (Deficit), End of Year.....</b>	<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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2020 Total</b>	<b>2019 Total</b>
<b><u>Personnel</u></b>					
Salaries.....	\$ 553,654	\$ 264,050	\$ 34,071	\$ 851,775	\$ 905,352
Payroll Taxes.....	44,753	21,344	2,754	68,851	71,642
Employee Benefits.....	84,044	40,083	5,172	129,299	115,803
<b>Total Personnel.....</b>	<b>682,451</b>	<b>325,477</b>	<b>41,997</b>	<b>1,049,925</b>	<b>1,092,797</b>
<b><u>Operating Expenses</u></b>					
Professional Fees.....	205,742	98,123	12,661	316,526	110,399
Rental Assistance.....	-	-	-	-	51,645
Supplies.....	28,487	13,586	1,753	43,826	37,768
Travel Expenses.....	14,325	6,832	882	22,039	32,919
Repairs and Maintenance.....	11,006	5,249	677	16,932	26,656
Depreciation.....	14,541	6,935	895	22,371	23,631
Telephone and Utilities.....	12,750	6,081	785	19,616	16,525
Postage and Printing.....	8,220	3,920	506	12,646	11,676
Youth Stipends.....	13,700	-	-	13,700	14,505
Insurance.....	9,316	4,443	573	14,332	10,064
Public Relations.....	500	238	31	769	9,824
Dues, Fees, and Subscriptions.....	4,363	2,081	268	6,712	8,503
Staff Training.....	2,108	1,006	130	3,244	6,409
Website.....	1,870	892	115	2,877	5,873
Rent.....	2,853	1,361	176	4,390	4,560
Equipment.....	-	-	-	-	2,243
Conferences and Meetings.....	3,757	1,792	231	5,780	2,040
Miscellaneous.....	512	243	29	784	1,350
<b>Total Operating Expenses.....</b>	<b>334,050</b>	<b>152,782</b>	<b>19,712</b>	<b>506,544</b>	<b>376,590</b>
<b>Total Expenses.....</b>	<b>\$ 1,016,501</b>	<b>\$ 478,259</b>	<b>\$ 61,709</b>	<b>\$ 1,556,469</b>	<b>\$ 1,469,387</b>

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities:</b>		
Change in Net Assets.....	\$ (165,751)	\$ 100,314
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization.....	22,371	23,631
Unrealized (Gains)/Losses on Assets held by Philadelphia Foundation.....	266	(940)
(Increase) Decrease in Operating Assets:		
Accounts Receivables.....	700	64,300
Contract Receivables.....	(18,052)	36,376
Prepaid Expenses.....	1,926	11,926
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses.....	1,994	(4,866)
Deferred Revenue.....	-	(25,450)
<b>Net Cash From Operating Activities.....</b>	<u>(156,546)</u>	<u>205,291</u>
<b>Cash Flows From Investing Activities:</b>		
Beneficial Interest in Assets Held by The Philadelphia Foundation.....	<u>250</u>	<u>250</u>
<b>Net Cash From Investing Activities.....</b>	<u>250</u>	<u>250</u>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from CARES Act PPP Loan.....	<u>207,200</u>	<u>-</u>
<b>Net Cash From Financing Activities.....</b>	<u>207,200</u>	<u>-</u>
<b>Change in Cash and Cash Equivalents.....</b>	<b>50,904</b>	<b>205,541</b>
<b>Cash and Cash Equivalents, Beginning of Year.....</b>	<u>1,043,853</u>	<u>838,312</u>
<b>Cash and Cash Equivalents, End of Year.....</b>	<u>\$ 1,094,757</u>	<u>\$ 1,043,853</u>

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

**THE ATTIC YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**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, 2020 AND 2019**

**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, 2020 AND 2019**

**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:**

Contributed services are included in the financial statements as support and expenses in those cases where the services provided: (1) are significant and form an integral part of the efforts of the Organization, (2) would be performed by salaried personnel if contributed services were not available, and (3) the Organization controls the employment and duties of the service donors. The value of contributed services is based upon the actual salaries and benefits paid to the individual by the contributing organization. The value of the contribution of casual or occasional services is not included in the financial statements, since such services are not susceptible to objective measurement.

**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

**THE ATTIC YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

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

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

(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 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.

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

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.

**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.

**Comparative Financial Statements:**

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**THE ATTIC YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**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 January 22, 2021, 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>2020</u></b>	<b><u>2019</u></b>
Land .....	-	\$ 48,490	\$ 48,490
Building and improvements .....	10-40	767,066	767,066
Equipment .....	5	<u>54,728</u>	<u>54,728</u>
		870,284	870,284
Accumulated depreciation .....		<u>(403,870)</u>	<u>(381,499)</u>
		<b><u>\$ 466,414</u></b>	<b><u>\$ 488,785</u></b>

Depreciation charged to expense for the years ended June 30, 2020 and 2019 was \$22,371 and \$23,631, respectively.

**Note 3. Restrictions on Net Assets**

Temporarily restricted net assets at June 30 are as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Future Programs.....	<u>\$ 691,841</u>	<u>\$ 875,069</u>

Net assets were released from donor restrictions as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Current Programs .....	<u>\$ 432,449</u>	<u>\$ 469,880</u>

**THE ATTIC YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 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.

	<b><u>Fair Value</u></b>	<b><u>Level 2</u></b>
<b>June 30, 2019</b>		
Beneficial Interest	<u>\$ 22,916</u>	<u>\$ 22,916</u>
<b>June 30, 2018</b>		
Beneficial Interest	<u>\$ 23,432</u>	<u>\$ 23,432</u>

Unrealized gains of \$266 and \$940 for the years ended June 30, 2020 and 2019, respectively, are included in investment gain/loss.

**Note 5. Reclassifications**

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's formats. Net assets and changes in net assets are unchanged due to these reclassifications.

**THE ATTIC YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**Note 6. 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, 2020 and 2019.

**Note 7. Concentrations**

The Organization received approximately 25% and 25% of its revenue and support from contracts with the City of Philadelphia for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, 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 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:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Cash and Cash Equivalents.....	\$ 1,094,757	\$ 1,043,853
Contributions Receivable.....	--	700
Contracts Receivable.....	<u>104,988</u>	<u>86,936</u>
	<b><u>\$ 1,199,745</u></b>	<b><u>\$ 1,131,489</u></b>

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.



**THE ATTIC YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019**

**Note 9. Adoption of Accounting Pronouncement**

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASC 606) and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASC 606 and all related amendments using the modified retrospective transition method on July 1, 2019. The Organization concluded that the adoption of the new standard did not require an adjustment to the opening net asset balances.

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 July 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

**Note 10. Recently Issued Accounting Pronouncements**

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, 2021. 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, 2020 AND 2019**

**Note 11. 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, 2020 and 2019 were \$-0-.

**Note 12. Subsequent Event-Coronavirus Pandemic**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. It is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

**Note 13. Forgivable Loans Under the SBA Paycheck Protection Program**

On May 5, 2020, the Organization received loan proceeds in the amount of \$207,200 under the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES) which was enacted March 27, 2020. The CARES Act provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes during the 24-week period beginning on the date of disbursement of the loan, including payroll, benefits, rent and utilities. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months. The Organization intends to use the proceeds for purposes consistent with the PPP and currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

Future principal payments on the PPP loan are as follows at June 30,:

2021.....	\$ 42,917
2022.....	<u>164,283</u>
	\$ <u>207,200</u>

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**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, 2020, 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 January 22, 2021.

**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*

January 22, 2021