THE ATTIC YOUTH CENTER

FINANCIAL STATEMENTS

JUNE 30, 2023

THE ATTIC YOUTH CENTER

YEARS ENDED JUNE 30, 2023 AND 2022

INDEX

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Attic Youth Center as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Attic Youth Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Attic Youth Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Attic Youth Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Attic Youth Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Report on Summarized Comparative Information

We have previously audited The Attic Youth Center’s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2023. In our opinion, the summarized comparative information in the Statements of Functional Expenses presented herein as of and for the year ended June 30, 2022 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 April 2, 2024, 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
Yardley, PA

April 2, 2024

THE ATTIC YOUTH CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,439,229	$ 1,257,616
Contracts Receivable	543,364	69,522
Prepaid Expenses	26,019	15,711
Total Current Assets	2,008,612	1,342,849
Property and Equipment Net of Accumulated Depreciation of $475,057 and $450,110	433,476	436,663
Other Assets		
Beneficial Interest in Assets Held by Philadelphia Foundation	28,005	25,906
Total Other Assets	28,005	25,906
TOTAL ASSETS	$ 2,470,093	$ 1,805,418
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 44,368	$ 18,338
Accrued Payroll and Payroll Taxes	1,514	1,874
Total Current Liabilities	45,882	20,212
Net Assets		
Net Assets Without Donor Restrictions	1,840,319	1,347,667
Net Assets With Donor Restrictions	583,892	437,539
Total Net Assets	2,424,211	1,785,206
TOTAL LIABILITIES AND NET ASSETS	$ 2,470,093	$ 1,805,418

See independent auditors' report and accompanying notes to the financial statements.

THE ATTIC YOUTH CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Individuals	$ 363,106	$ -	$ 363,106
Foundations	581,765	373,658	955,423
Corporations	143,204	8,532	151,736
Government Contracts	335,911	-	335,911
Investment Gain/(Loss)	6,490	-	6,490
Net Assets Released from Restrictions	235,837	(235,837)	-
Total Support and Revenues	1,666,313	146,353	1,812,666
Expenses			
Program Services	836,625	-	836,625
Supporting Services:			
Management and General	591,238	-	591,238
Fundraising Expense	135,112	-	135,112
Total Expenses	1,562,975	-	1,562,975
Change in Net Assets from Operations	103,338	146,353	249,691
Other Changes in Net Assets			
Employee Retention Credit	389,314	-	389,314
Total Change in Net Assets	492,652	146,353	639,005
Net Assets (Deficit), Beginning of Year	1,347,667	437,539	1,785,206
Net Assets (Deficit), End of Year	$ 1,840,319	$ 583,892	$ 2,424,211

See independent auditors' report and accompanying notes to the financial statements.

THE ATTIC YOUTH CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Individuals	$ 475,782	$ -	$ 475,782
Foundations	279,165	181,911	461,076
Corporations	305,672	74,944	380,616
Government Contracts	259,318	-	259,318
Investment Gain/(Loss)	(1,269)	-	(1,269)
Net Assets Released from Restrictions	462,397	(462,397)	-
Total Support and Revenues	1,781,065	(205,542)	1,575,523
Expenses			
Program Services	943,486	-	943,486
Supporting Services:			
Management and General	553,102	-	553,102
Fundraising Expense	153,701	-	153,701
Total Expenses	1,650,289	-	1,650,289
Change in Net Assets	130,776	(205,542)	(74,766)
Net Assets (Deficit), Beginning of Year	1,216,891	643,081	1,859,972
Net Assets (Deficit), End of Year	$ 1,347,667	$ 437,539	$ 1,785,206

See independent auditors' report and accompanying notes to the financial statements.

THE ATTIC YOUTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	Program Services	Management and General	Fundraising	2023 Total	2022 Total
Personnel					
Salaries	$ 592,046	$ 193,072	$ 101,625	$ 886,743	$ 978,498
Payroll Taxes	43,631	17,973	7,773	69,377	78,517
Employee Benefits	69,341	25,401	12,611	107,353	110,372
Total Personnel	705,018	236,446	122,009	1,063,473	1,167,387
Operating Expenses					
Professional Fees	17,461	220,821	1,750	240,032	258,887
Staff Training	1,635	210	-	1,845	28,962
Supplies	43,853	14,518	418	58,789	27,365
Depreciation	-	24,947	-	24,947	23,875
Telephone and Utilities	-	24,054	-	24,054	23,266
Repairs and Maintenance	1,487	32,281	-	33,768	22,953
Travel Expenses	40,122	818	21	40,961	18,483
Youth Stipends	21,198	1,825	64	23,087	18,086
Dues, Fees, and Subscriptions	1,871	4,124	4,608	10,603	15,913
Insurance	345	15,764	-	16,109	14,217
Equipment	-	5,236	-	5,236	10,759
Postage and Printing	1,696	2,038	1,328	5,062	8,327
Public Relations	105	6,570	4,383	11,058	6,635
Conferences and Meetings	584	838	-	1,422	2,675
Website	-	748	-	748	2,499
Bad Debt Expense	1,250	-	531	1,781	-
Total Operating Expenses	131,607	354,792	13,103	499,502	482,902
Total Expenses	$ 836,625	$ 591,238	$ 135,112	$ 1,562,975	$ 1,650,289

See independent auditors' report and accompanying notes to the financial statements.

THE ATTIC YOUTH CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in Net Assets	$ 639,005	$ (74,766)
Adjustments to Reconcile Increase in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	24,947	23,875
Unrealized (Gains)/Losses on Assets held by		
Philadelphia Foundation	(2,349)	3,771
(Increase) Decrease in Operating Assets:		
Pledges Receivable	-	62,000
Contract Receivables	(473,842)	(38,580)
Prepaid Expenses	(10,308)	17,652
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	25,670	(25,152)
Net Cash From Operating Activities	203,123	(31,200)
Cash Flows From Investing Activities:		
Beneficial Interest in Assets Held by		
The Philadelphia Foundation	250	250
Capital Expenditures	(21,760)	(16,489)
Net Cash From Investing Activities	(21,510)	(16,239)
Change in Cash and Cash Equivalents	181,613	(47,439)
Cash and Cash Equivalents, Beginning of Year	1,257,616	1,305,055
Cash and Cash Equivalents, End of Year	$ 1,439,229	$ 1,257,616

See independent auditors' report and accompanying notes to the financial statements.

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.

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.

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

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.

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.

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.

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.

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

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 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.

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.

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

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.

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:

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category, including personnel costs and occupancy, have been allocated based on estimates made by management. Personnel and occupancy costs have been allocated based on time studies.

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, 2022, from which the summarized information was derived.

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 April 2, 2024, the date on which the financial statements were available to be issued.

Note 2. Reclassifications

Certain reclassifications have been made to the 2022 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 3. Property and Equipment

Property and equipment includes the following:

	Estimated useful lives in years	2023	2022
Land	-	$ 48,490	$ 48,490
Building and improvements	10-40	799,376	779,866
Equipment	5	60,667	58,417
		908,533	886,773
Accumulated depreciation		(475,057)	(450,110)
		$ 433,476	$ 436,663

Depreciation charged to expense for the years ended June 30, 2023 and 2022 was $24,947 and $23,875, respectively.

Note 4. Restrictions on Net Assets

Temporarily restricted net assets at June 30 are as follows:

	2023	2022
Future Programs	$ 583,892	$ 437,539

Net assets were released from donor restrictions as follows:

	2023	2022
Current Programs	$ 235,837	$ 462,397

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 Organization. The Organization has variance power, but distributions to the Organization are based on the Foundation's spending policy (determined annually).

Note 5. 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, 2023 and 2022.

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

	Fair Value	Level 2
June 30, 2023		
Beneficial Interest	$ 28,005	$ 28,005
June 30, 2022		
Beneficial Interest	$ 25,906	$ 25,906

Unrealized gains/(losses) of $2,099 and $(3,771) for the years ended June 30, 2023 and 2022, respectively, are included in investment gain/loss.

Note 7. Concentrations

The Organization received approximately 19% and 16% of its revenue and support from contracts with the City of Philadelphia for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, respectively. The Organization also received approximately 11% of its revenue and support from one other donor for the year ended June 30, 2023.

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:

	2023	2022
Cash and Cash Equivalents	$ 1,439,229	$ 1,257,616
Contracts Receivable	543,364	69,522
	$ 1,982,593	$ 1,327,138

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. Employee Retention Credit

The Coronavirus Aid, Relief and Economic Security (CARES) Act provided a refundable tax credit against certain employment taxes paid by eligible employers for qualifying wages paid to employees. The Organization was eligible for the Employee Retention Credit (ERC) for certain quarters of 2020 and 2021. Amended payroll tax returns were filed for the respective eligible quarters. Refunds in the amount of $389,314 were received during the fiscal year ending June 30, 2023. The ERC refund is reported as a component of other changes in net assets in the Statement of Activities for the year ended June 30, 2023.

Note 10. Employee Retention Credit (Cont'd)

Laws and regulations concerning government programs, including the Employee Retention Credit established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact, if any, this would have upon the Organization.

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, 2023 and 2022 were $-0-.

Note 12. Adoption of Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases" (Topic 842) ("ASU 2016-02"), which requires lessees to record most leases on their Statements of Financial Position but recognize the expenses on their Statement of Activities in a manner similar to Accounting Standards Codification ("ASC") 840, "Leases" ("ASC 840"). ASU 2016 -02 requires that a lessee recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

On July 1, 2022, the Organization adopted ASU 2016-02 using the modified retrospective approach, which permits application of this new guidance at the beginning of the period of adoption, with comparative periods continuing to be reported under ASC 840. The Company also elected the package of practical expedients permitted under the transition guidance within ASU 2016-02, which among other things, permits the Organization to not reassess under the new standard the Organization's prior conclusions about lease identification, lease classification and initial direct costs. As part of this adoption, the Organization elected not to record operating right-of-use assets or operating lease liabilities for leases with an initial term of 12 months or less. Payments on those leases will be recognized on a straight-line basis through the Organization's statements of operations over the lease term. The Organization also elected to combine lease and non-lease components on all new or modified operating leases into a single lease component for all classes of assets. As of June 30, 2023, there were no leases to capitalize.

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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, 2023, 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 April 2, 2024.

Report on 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.

Report on 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
Yardley, PA

April 2, 2024