

STUDENT ADVOCACY, INC.

FINANCIAL STATEMENTS

December 31, 2022

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Independent Auditor's Report

**The Board of Directors
Student Advocacy, Inc**

Opinion

We have audited the accompanying financial statements of Student Advocacy, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, 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 Student Advocacy, Inc. as of December 31, 2022, 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 Student Advocacy, Inc. 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.

Emphasis-of-Matter

Change in accounting principle: As discussed in Note 2 to the financial statements, effective January 1, 2022, Student Advocacy, Inc. adopted FASB Accounting Standards Update 2016-02, *Leases* (Topic 842), using the modified retrospective approach. Our opinion is not modified with respect to this matter.

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 Student Advocacy, Inc. '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 Organization'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 Organization'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.

Christ J. Cant, CPA PC

Mount Kisco, New York
October 24, 2023

STUDENT ADVOCACY, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2022

ASSETS

Current Assets:	
Cash	\$ 1,233,217
Investments (Note 5)	109,977
Contracts and grants receivable (Note 4)	93,739
Pledges receivable	42,440
Prepaid expenses	<u>25,128</u>
Total Current Assets	1,504,501
Fixed assets, net of accumulated depreciation (Note 6)	59,286
Operating right-of-use assets	227,679
Deposits	<u>3,708</u>
Total Assets	\$ <u>1,795,174</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts and accrued expenses payable	\$ 15,645
Accrued wages payable	30,296
Scholarships payable (Note 10)	17,300
Operating lease liability, current portion (Note 7)	<u>57,146</u>
Total Current Liabilities	120,387
Operating lease liability, long-term portion (Note 7)	<u>168,119</u>
Total Liabilities	<u>288,506</u>
Net Assets:	
Without donor restrictions	1,449,807
With donor restrictions	<u>56,861</u>
Total Net Assets	<u>1,506,668</u>
Total Liabilities & Net Assets	\$ <u>1,795,174</u>

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

STUDENT ADVOCACY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support:			
Westchester County Youth Bureau	\$	\$ 196,964	\$ 196,964
Other government grants		155,006	155,006
OPWDD		39,827	39,827
Contributions & fundraisers	1,137,240		1,137,240
Donated services (Note 9)	63,250		63,250
Program revenue	19,393		19,393
Investment return, net	1,579		1,579
Net Assets released from restrictions:			
Satisfaction of program restrictions	<u>434,936</u>	<u>(434,936)</u>	<u>-</u>
Total Support	<u>1,656,398</u>	<u>(43,139)</u>	<u>1,613,259</u>
Expenditures:			
Program expenses	722,871		722,871
Administrative expenses	290,156		290,156
Fundraising expenses	<u>228,204</u>		<u>228,204</u>
Total Expenditures	<u>1,241,231</u>		<u>1,241,231</u>
Increase (decrease) in Net Assets	415,167	(43,139)	372,028
Net Assets, beginning of year	<u>1,034,640</u>	<u>100,000</u>	<u>1,134,640</u>
Net Assets, end of year	\$ <u>1,449,807</u>	\$ <u>56,861</u>	\$ <u>1,506,668</u>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

STUDENT ADVOCACY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	<u>Program</u> <u>Expenses</u>	<u>Administrative</u> <u>Expenses</u>	<u>Fundraising</u> <u>Expenses</u>	<u>Total</u>
Salaries	\$ 513,871	\$ 149,055	\$ 53,697	\$ 716,623
Payroll taxes & employee benefits	71,046	20,608	7,424	99,078
Fundraising events			141,792	141,792
Donated services (Note 9)		63,250		63,250
Lease expense	48,723	4,434	4,435	57,592
Bookkeeping fees		34,357		34,357
Insurance	19,871	1,809	1,809	23,489
Dues & subscriptions	16,716		4,438	21,154
Consultants-other	10,472	953	5,258	16,683
Utilities	11,423	1,040	1,040	13,503
Auditing		11,449		11,449
Office expenses	9,403	840	841	11,084
Repairs & maintenance	7,413	675	675	8,763
Bank charges			6,245	6,245
Telephone	3,197	291	291	3,779
Conference & workshop	3,547			3,547
Equipment rental	1,786	162	162	2,110
Scholarship awards	1,500			1,500
Miscellaneous	434	433	38	905
Postage	385	35	35	455
Printing	262	24	24	310
Depreciation	<u>2,822</u>	<u>741</u>	<u> </u>	<u>3,563</u>
 Total Expenditures	 <u>\$ 722,871</u>	 <u>\$ 290,156</u>	 <u>\$ 228,204</u>	 <u>\$ 1,241,231</u>

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

STUDENT ADVOCACY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

Cash flows from operating activities:	
Increase (decrease) in Net Assets	\$ 372,028
Adjustments to reconcile increase (decrease) in Net Assets to net cash provided (used) by operating activities:	
Depreciation	3,563
Amortization of operating right-of-use assets	53,448
Donated stock	(6,091)
Realized and unrealized (gain) loss on investments	341
(Increase) decrease in contracts and grants receivable	21,659
(Increase) decrease in pledges receivable	322
(Increase) decrease in prepaid expenses	(1,420)
Increase (decrease) in accounts and accrued expenses payable	(5,149)
Increase (decrease) in accrued wages and vacation payable	(16,622)
Increase (decrease) in operating lease liabilities	(55,862)
Increase (decrease) in scholarships payable	<u>(6,000)</u>
 Net cash provided (used) by operating activities	 <u>360,217</u>
 Cash flows from investing activities:	
Purchase of fixed assets	(61,340)
Purchase of investments	(1,172)
Proceeds from sale of investments	<u>5,750</u>
 Net cash provided (used) by investing activities	 <u>(56,762)</u>
 Net increase (decrease) in cash	 303,455
 Cash-beginning of year	 <u>929,762</u>
 Cash-end of year	 \$ <u>1,233,217</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest	\$ -0-
Income tax	\$ -0-

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

STUDENT ADVOCACY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 1 – Description of Organization:

Student Advocacy, Inc. (the “Agency”) is a not-for-profit corporation that provides support services and technical information to the public at large and to parents, individuals and agencies who wish to assure children and youth have access to appropriate education.

Note 2 – Significant Accounting Policies:

a. **Basis of Accounting**

The accompanying financial statements are prepared in accordance with U.S. generally accepted accounting principles on the accrual basis of accounting.

b. **Cash and Cash Equivalents**

The Agency considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

c. **Investments**

Investments are classified as held for investment and are stated at fair market value. Realized and unrealized gains or losses and investment income are reflected within investment return, net, in the statement of activities. Securities received as donations are recorded at fair market value and are generally sold immediately.

d. **Net Assets**

The accompanying financial statements present information regarding the financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of the Agency and may be used at the discretion of management and the board of directors. Net assets with donor restrictions are subject to stipulations imposed by donors or grantors. Some restrictions are temporary in nature; those restrictions that will be met by the passage of time or accomplishing the purpose restriction. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

e. **Functional Expense Allocations**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of time and effort studies; and office and occupancy which are allocated on a square-footage basis.

STUDENT ADVOCACY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 2 – Significant Accounting Policies (continued):

f. Volunteers

Board members and volunteers made significant contributions of their time to the Agency. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

g. Revenue Recognition

Income from unconditional contributions is recognized when received or pledged. Contract and grant revenue is recognized in accordance with FASB ASC 958-605, Not-for-Profit Entities: Revenue Recognition when the conditions are fulfilled and when the contract and grant expenses are incurred.

Program revenue is recognized in accordance with Accounting Standards Update (“ASU”) 2014-09 *Revenue from Contracts with Customers* (Topic 606) at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing services. Contracts and accounts receivable are stated at the amount that management expects to collect, therefore no allowance for doubtful accounts has been deemed necessary.

h. New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, "Leases (Topic 842)" and subsequent amendments, which replaced previous lease accounting guidance in U.S. GAAP and requires lessees to recognize right-of-use assets and corresponding lease liabilities on the Statement of Financial Position for all in-scope leases with a term of greater than 12 months and requires disclosure of certain quantitative and qualitative information pertaining to an entity's leasing arrangements. The Agency adopted the requirements of the standard on January 1, 2022, using the optional modified retrospective transition method provided by accounting pronouncement, ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements." ASU 2018-11 allows entities to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption.

The Agency elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows the Agency not to reassess (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) initial direct costs for any existing leases.

STUDENT ADVOCACY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 2 – Significant Accounting Policies (continued):

h. New Accounting Pronouncements (continued)

The Agency elected to not separate non-lease components from lease components for all classes of underlying assets. The Agency elected the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of right-of-use assets. Adoption of the standard resulted in the recognition of lease right-of-use assets of \$281,127 and lease liabilities of \$281,127 as of January 1, 2022. The adoption of the standard did not have a material impact on the Agency's *Statement of Activity* or *Statement of Cash Flows*. Refer to Note 7 for additional information related to the Agency's accounting for leases.

i. Leases

The Agency's lease portfolio primarily consists of leases for its office space and certain office equipment under operating leases. The Agency determines if an arrangement is a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Agency obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. Leases with an initial term of 12 months or less are not recorded on the Statement of Financial Position; the Agency recognizes expense for these leases on a straight-line basis over the lease term. For leases with an initial term in excess of 12 months, lease right-of-use assets and lease liabilities are recognized based on the present value of the future lease payments over the committed lease term at the lease commencement date. If the Agency's leases do not provide an implicit rate, the Agency uses the risk-free rate and the information available at the lease commencement date in determining the present value of future lease payments. Most leases include one or more options to renew and the exercise of renewal options is at the Agency's sole discretion. The Agency does not include renewal options in its determination of the lease term unless the renewals are deemed to be reasonably certain at lease commencement. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. The Agency has lease agreements with lease and non-lease components, which the Agency elects to combine as one lease component for all classes of underlying assets. Non-lease components include variable costs based on actual costs incurred by the lessor related to the payment of real estate taxes, common area maintenance, and insurance. These variable payments are expensed as incurred as variable lease costs.

STUDENT ADVOCACY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 2 – Significant Accounting Policies (continued):

j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

k. Income Tax Status

The Agency was formed under Section 402 of the Not-For-Profit Corporation Law of the State of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Agency adopted the provision pertaining to uncertain tax positions and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Agency is generally no longer subject to income tax examinations by the applicable taxing jurisdictions for periods prior to 2020.

l. Subsequent Events

Subsequent events have been evaluated through October 24, 2023 which is the date the financial statements were available to be issued.

Note 3 – Liquidity and Availability:

The Agency is substantially supported by contributions and grants and must maintain sufficient resources to meet those responsibilities to its donors. As part of the liquidity plan, the Agency has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations that come due and invests excess cash in investments and money market accounts.

The Agency has \$1,479,373 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash, investments and receivables. Financial assets of \$56,861 are subject to donor restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

STUDENT ADVOCACY, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 4 – Contracts and Accounts Receivable:

As of December 31, 2022, receivables from contracts and grants include:

Westchester County Youth Bureau	\$ 52,439
Department of Probation	20,006
OPWDD	10,802
Children’s Village	8,000
Yonkers CDBG	<u>2,492</u>
Total	\$ <u>93,739</u>

Note 5 – Fair Value Measurements:

The Agency adopted the provisions pertaining to fair value measurements and disclosures which offers framework consisting of a three-tier hierarchy of inputs to be used in determining the fair market value of assets and liabilities. The following is a summary of the fair value hierarchy of inputs: *Fair value measurements based on Level 1 inputs:* Includes quoted prices in active markets for identical assets or liabilities to which the company has access at the measurement date. *Fair value measurement based on Level 2 inputs:* Includes inputs other than quoted market prices that are directly or indirectly observable for the assets or liability, including quoted prices in an active market for similar assets or liabilities; quoted prices in a market that is not active for the same or similar assets or liabilities; inputs other than quoted market prices that are observable for the asset or liability. *Fair value measurements based on Level 3 inputs:* Includes unobservable inputs reflecting the assumptions that a market participant would use to price the asset or liability.

The following table provides the fair value hierarchy of the Agency’s financial assets as of December 31, 2022:

<u>Financial Assets</u>	<u>Level 2</u>
Certificates of Deposit	\$ <u>109,977</u>

Certificates of deposit are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

STUDENT ADVOCACY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 6 – Fixed Assets:

Fixed assets are carried at cost, net of accumulated depreciation. These amounts do not purport to represent replacement or realized values. Depreciation is recorded using the straight-line method based on the useful lives of the assets, which is estimated to be 3-5 years. Leasehold improvements are amortized over the term of the applicable lease.

Fixed assets consisted of the following:

Furniture and equipment	\$ 169,551
Leasehold improvements	22,240
Computer equipment	<u>61,340</u>
Total assets	253,131
Less: Accumulated depreciation	<u>(193,845)</u>
Total fixed assets, net	\$ <u>59,286</u>

Note 7 – Commitments and Contingencies:

- a. Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of cash accounts in financial institutions, which from time to time exceed the federal depository insurance coverage limits.
- b. Pursuant to the Agency's contractual relationships with certain funding sources, outside agencies have the right to examine the books and records of the Agency involving transactions relating to these contracts. The accompanying financial statements made no provisions for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of Management, any actual disallowances would be immaterial.
- c. The Agency is obligated under operating lease agreements for its administrative office and for office equipment. The components of leases for the year ended December 31, 2022 were as follows:

Operating lease expense	\$ 57,592
Variable lease expense	<u>7,046</u>
Total	\$ <u>64,638</u>

STUDENT ADVOCACY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 7 – Commitments and Contingencies (continued):

c. Supplemental information related to operating leases:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 60,006
ROU assets obtained in exchange for new operating lease liabilities	\$ 281,127
Weighted-average remaining operating lease terms	3.91 years
Weighted-average discount rate for operating leases	1.27%

Future maturities of lease liabilities are as follows:

2023	\$ 60,699
2024	61,834
2025	56,570
2026	<u>54,315</u>
Total	233,418
Less present value discount	<u>(8,153)</u>
Total lease liability	225,265
Less current portion	<u>(57,146)</u>
Long-term lease liabilities	\$ <u>168,119</u>

Note 8 – Government Support:

During 2022, Westchester County Youth Bureau contributed \$196,964 to the Agency for its youth development programs. In addition, the Agency received \$155,006 in other governmental grants. The Agency's management represents that the funds were spent in compliance with the agreements and did not replace funds previously provided from another source nor contributed to any surplus.

STUDENT ADVOCACY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 9 – In-Kind Contribution of Donated Services:

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Agency acknowledges the fair market value of donated legal services of \$63,250 as unrestricted support with a corresponding amount reported as program expenses.

Donated expenses entail a non-recurring service for single research project provided and donated pro bono by a law firm.

Note 10 – Scholarship Award Program:

The Agency has recorded a liability for college scholarships promised in the amount of \$17,300 as of December 31, 2022. This amount is net of scholarship forfeitures by students who did not meet enrollment and other requirements.

Note 11 – Tax Deferred Annuity Plan:

The Agency maintains a section 403(b) retirement plan in which all contributions are made by employees. The Agency does not contribute to the plan.

Note 12 – Net Assets:

Restricted support is recorded as an increase in net assets with donor restrictions. When the restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported on the *statement of activities* as net assets released from restrictions. The Agency has net assets with donor restrictions of \$56,861 for certain salaries as of December 31, 2022.

Note 13 – COVID-19 Pandemic:

The accompanying December 31, 2022 financial statements of the Agency do not include any adjustments related to the COVID-19 pandemic. The extent of the impact of COVID-19 on the Agency's operational and financial performance will depend on future developments, all of which are highly uncertain and cannot be predicted at this time.