

ADVOCATING OPPORTUNITY
FINANCIAL STATEMENTS
AND
ACCOUNTANT'S REVIEW REPORT
DECEMBER 31, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Advocating Opportunity
Toledo, OH

We have reviewed the accompanying financial statements of Advocating Opportunity (the Organization), (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2019, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to the Organization's financial data and making inquiries of Organization personnel. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Gilmore Jason Mahler, LTD

Maumee, Ohio
March 30, 2021

ADVOCATING OPPORTUNITY
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

Cash and cash equivalents	\$	105,123
Grants receivable		65,713
Property and equipment - net		24,676
Total assets	\$	<u>195,512</u>

LIABILITIES AND NET ASSETS

Liabilities

Accrued liability	\$	15,038
Notes payable		30,300
Total liabilities		<u>45,338</u>

Net assets

Without donor restrictions		138,290
With donor restrictions		11,884
Total net assets		<u>150,174</u>
Total liabilities and net assets	\$	<u>195,512</u>

See independent accountant's review report.
The accompanying notes are an integral part of these financial statements.

**ADVOCATING OPPORTUNITY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues			
Direct public grants	\$ 655,185	\$ 17,125	\$ 672,310
Foundation and trust grants	23,552		23,552
Direct public support	59,745		59,745
Contributed services	127,362		127,362
Interest income	86		86
Total operating revenues	<u>865,930</u>	<u>17,125</u>	<u>883,055</u>
Net assets released from restrictions	5,241	(5,241)	0
Total operating revenues	<u>871,171</u>	<u>11,884</u>	<u>883,055</u>
Expenses			
Program service	728,660	0	728,660
Management and general	132,774		132,774
Total expenses	<u>861,434</u>	<u>0</u>	<u>861,434</u>
Change in net assets	9,737	11,884	21,621
Net assets at beginning of year	<u>128,553</u>	<u>0</u>	<u>128,553</u>
Net assets at end of year	<u>\$ 138,290</u>	<u>\$ 11,884</u>	<u>\$ 150,174</u>

See independent accountant's review report.
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ADVOCATING OPPORTUNITY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	<u>Program Service</u>	<u>Management and General</u>	<u>Total</u>
Payroll and payroll tax expense	\$ 470,755	\$ 70,439	\$ 541,194
Employee benefits	93,100	3,716	96,816
Rent	12,059	26,188	38,247
Utilities	2,509	4,251	6,760
Contract services	29,950	8,659	38,609
Office expense		10,485	10,485
Staff Development	2,559		2,559
Client resources	97,661		97,661
Dues and Fees	2,636		2,636
Travel and entertainment	6,578	1,590	8,168
Vehicle	2,940	980	3,920
Depreciation expense	7,913	2,638	10,551
Miscellaneous		3,828	3,828
	<u>\$ 728,660</u>	<u>\$ 132,774</u>	<u>\$ 861,434</u>

See independent accountant's review report.
The accompanying notes are an integral part of these financial statements.

**ADVOCATING OPPORTUNITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019**

Cash flows from operating activities	
Change in net assets	\$ 21,621
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation expense	10,551
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Grants receivable	2,939
Increase (decrease) in liabilities:	
Accrued payroll and other	9,685
Interest on notes payable	300
Net cash provided by operating activities	<u>45,096</u>
 Net increase in cash	 45,096
 Cash at beginning of year	 <u>60,027</u>
Cash at end of year	<u><u>\$ 105,123</u></u>

See independent accountant's review report.
The accompanying notes are an integral part of these financial statements.

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 1–Nature of activities

Advocating Opportunity (the Organization) was established in 2014 as a not-for-profit organization and operates in Toledo, Ohio and Columbus, Ohio. The Organization partners with dozens of organizations and agencies that serve victims of human sex trafficking. The mission of the Organization is to provide comprehensive legal advocacy, direct representation, and holistic services to all victims of human trafficking including labor and sex trafficking, prostitution, and commercial sexual exploitation. Revenue is derived primarily from various grants, both public and privately funded. The Organization is also funded through public support from supporting organizations.

Note 2–Significant accounting policies

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The accrual basis of accounting provides for the recognition of revenues when earned and the recognition of expenses when incurred.

Adoption of new accounting pronouncement

ASU 2018-08, *Not-for-profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Made* (ASU 2018-08), which clarifies and improves the current guidance about whether a transfer of assets is a contribution or an exchange transaction. Furthermore, it required the Organization to determine if a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The updated standard had no material impact the financial statements and related disclosures. The Organization adopted ASU 2018-08 as of January 1, 2019.

See independent accountant's review report.

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2019

Note 2—Significant accounting policies—continued

Cash and cash equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains deposits in federally insured financial institutions. At times these deposits exceed federally insured limits; however, management monitors the soundness of these financial institutions and believes the Organization's risk is negligible.

Grants receivable

Grants receivable are recorded at the amount expected to be collected. The Organization receives grant revenue on a reimbursement basis for their main grant from Victims of Crime Act (VOCA). The amount incurred but not yet received is the valued amount of grants receivable as of December 31, 2019. Grants receivable are considered fully collectible as of December 31, 2019. Accordingly, no allowance for uncollectible accounts is required.

Financial statement presentation

The accompanying financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities* to be in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Furthermore, the ASC Topic expands disclosures about the Organizations' liquidity, financial performance, and cash flows.

Net assets without donor restrictions

Net assets without donor restrictions consist of all the resources and obligations related to the daily operations of the Organization. The operating budgets are approved, and operating results are reviewed by the Board of Directors.

Net assets with donor restrictions

The net assets with donor restrictions include amounts received that are designated for future periods or restricted by the donor for specific purposes.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See independent accountant's review report.

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2019

Note 2—Significant accounting policies—continued

Property and equipment

Property and equipment are carried at cost when purchased and placed in service. Expenditures relating to long term use assets (i.e. car purchase) are capitalized, while expenditures for maintenance and repairs are charged to expense. Depreciation is provided at rates designed to amortize the carrying amount of an asset over its estimated useful life and is computed by using the straight-line method.

Program revenue

The Organization's revenue consists principally of direct public grants and in-kind donations (See Note 7). Other sources include foundation and trust grants, direct public support, and interest income.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income taxes

A provision for income taxes has not been included in the financial statements since the Internal Revenue Service has determined the Organization to be exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

Management of the Organization is required to determine whether a tax position of the Organization, such as tax exemption designation, is more likely than not to be sustained upon examination by the applicable taxing authority. Management of the Organization is not aware of any tax positions for which it is reasonably possible that a significant change in a tax position will occur in the next twelve months. However, management's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions).

See independent accountant's review report.

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2019

Note 2—Significant accounting policies—continued

New accounting pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard will require that a lessee recognize assets and liabilities on the balance sheet for all leases with a lease term of more than twelve months, with the result being the recognition of a right of use asset and a lease liability. Recognition and presentation of expenses will depend on the classification of the lease as either finance or operating. The standard will also require quantitative and qualitative disclosures to supplement the amounts recorded in the financial statements to afford better understanding of the Organization's leasing activities. The new standard, as amended, is effective for fiscal years beginning after December 15, 2021 with early adoption permitted. The Organization is currently evaluating the effect that this standard will have on its financial statements.

Note 3—Property and equipment

Property and equipment consisted of the following as of December 31, 2019:

Computers	\$	6,011
Vehicles		43,000
Furniture and fixtures		5,242
	Total cost	54,253
Less accumulated depreciation		(29,577)
Net property and equipment	\$	24,676

Depreciation expense for the year ended December 31, 2019 was \$10,551.

Note 4—Leases

In November 2017, the Organization entered into a lease agreement for office space in Toledo, Ohio used as a site for clients to utilize when needed at a rate of \$1,295 per month. The Organization is paying monthly rent of \$750 but does not have a formal rent agreement for this location. As the Organization began to expand, two office spaces were rented out in Columbus, Ohio beginning in February 2016 in the amount of \$518 rent each month (with a clause of rent increasing 3% each year) and March 2019 in the amount of \$450. For all leases, the terms are on a month by month basis. Rent expense for the year ended December 31, 2019 totaled \$38,247.

Note 5—Line of credit

The Organization has a line of credit for \$30,000. The interest rate for this line of credit is a floating rate and is based on LIBOR plus 3% at December 31, 2019. The outstanding balance for the year ended December 31, 2019 totaled \$30,300. The total line of credit interest expense for the year ended December 31, 2019 was \$2,829. The line of credit is unsecured.

See independent accountant's review report.

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2019

Note 6—Retirement plan

The Organization has a 401(k) plan, which provides for contributions on behalf of the employees. In 2019, the Organization contributed 3% for all eligible employees paid once a year, typically in June/July of the subsequent year. The plan covers all employees who have attained the age of 21 and have at least one year of service. The accrued liability for the year ended December 31, 2019 was \$15,037. The 401(k) expense for the year ended December 31, 2019 was \$23,543.

Note 7—In-kind donations

The Organization receives in-kind donations for use in programs that support its mission and purpose. Such gifts are recorded at their estimated fair value at the date of donation based upon the quantities donated, their condition, and utility for use. The in-kind donation detail is reflected as contributed services as a line item on the statement of activities and statement of functional expenses for the below categories.

In-kind contributions were provided by the following donation sources for the year ended December 31, 2019:

For profit corporations	\$ 37,994
Non-profit organizations	91,450
Total in-kind donations	<u>\$ 129,444</u>

For profit corporations

The Organization receives payroll services, rent, and legal service discounts, which are valued at the fair market value for the services provided.

Non-profit organizations

The Organization receives client service resources, which is valued at fair market value.

Note 8—Methods used for the allocation of expenses between program and management and general

The financial statements report certain categories of expense that are attributable to the program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Most expenses are charged directly to program services based on specific identification. The expenses that are allocated include: rent and utilities which are allocated based on use of the space between program service purposes and office use; vehicle and depreciation expense which is allocated based on use of the vehicle for program service and other uses; and payroll and payroll tax expense and employee benefits are split between individual job duties based on hours spent relating to each category. Costs that can be charged to specific cost centers are allocated to the associated program with remaining expenses charged to management and general.

See independent accountant's review report.

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2019

Note 9—Liquidity and availability of financial assets

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows at December 31, 2019:

Cash	\$	105,123
Grant receivable		65,713
Total assets available for expenditure within one year	\$	<u>170,836</u>

The Organization has \$170,836 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash and grant receivables. There are donor restricted funds within the above cash balance, in the amount of \$11,884, that are restricted for client resource expenses. These funds were utilized for client resource expenses in 2020. The Organization manages cash in savings accounts to ensure funds are available to meet operating needs.

Note 10—Subsequent events

The Organization has evaluated subsequent events through March 30, 2021, which is the date the financial statements were available for issuance. Outside of the items discussed in these financial statements, no other material subsequent events have occurred through this date that required further recognition or disclosure.

As a result of the spread of the COVID-19 coronavirus during 2020, economic uncertainties have arisen as of the date of the financial statements. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the impact on the Organization’s clients, funders, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization’s financial condition or results of operations is uncertain.

In April 2020, the Organization was approved for a Paycheck Protection Program (PPP) loan, in the amount of \$113,572, under section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). As of March 30, 2021, the PPP loan agreement has been signed and funding was received in April 2020. Section 1102 of the CARES Act temporarily adds a new program, titled the “Paycheck Protection Program,” (PPP) to the SBA’s 7(a) Loan Program. CARES Act provides the Organization the potential for forgiveness up to the full principal amount of the qualifying PPP loan based upon the Organization using the PPP loan proceeds to pay qualifying expenses. As of March 30, 2021, the full amount of the loan has been forgiven.

Additionally, the Organization received a loan in the amount of \$150,000 from the U.S. Small Business Administration Economic Injury Disaster Loan (EIDL) program.

See independent accountant’s review report.