

**ADVOCATING OPPORTUNITY
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2020 AND 2019**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Advocating Opportunity
Toledo, OH

We have audited the accompanying statement of financial position of Advocating Opportunity (the Organization) for the year ended December 31, 2020, and the related notes to the financial statement. We have reviewed the accompanying statements of activities and changes in net assets, functional expenses and cash flows for the year ended December 31, 2020, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. 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.

Auditors' Responsibility for the Statement of Financial Position and Related Notes

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 entity'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 entity'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.

Accountants' Responsibility for the Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows and Related Notes

Our responsibility is to conduct the review engagements 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. 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.

We are required to be independent of Advocating Opportunity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Auditors' Opinion

In our opinion, the statement of financial position and related notes to the financial statements present fairly, in all material respects, the financial position of Advocating Opportunity as of the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Accountants' Conclusion

Based on our review, we are not aware of any material modification that should be made to the accompanying statements of activities and changes in net assets, functional expenses and cash flows and the related notes to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2019 Financial Statements

The financial statements of Advocating Opportunity as of December 31, 2019, were reviewed by Gilmore Jasion Mahler, LTD whose members and professional staff joined CliftonLarsonAllen LLP as of January 1, 2023 and has subsequently ceased operations. Gilmore Jasion Mahler, LTD's report dated March 30, 2021, stated that based on their review, they are not aware of any material modifications that should be made to the 2019 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

CliftonLarsonAllen LLP

Maumee, Ohio
December 12, 2023

ADVOCATING OPPORTUNITY
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	Audited	Reviewed
	2020	2019
	<u> </u>	<u> </u>
ASSETS		
Assets		
Cash and cash equivalents	\$ 248,117	\$ 105,123
Grants receivable	155,899	65,713
Total assets	<u>404,016</u>	<u>170,836</u>
Property and equipment - net	13,925	24,676
Total assets	<u>\$ 417,941</u>	<u>\$ 195,512</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued payroll and other	\$ 18,949	\$ 15,038
Line of credit	30,000	30,300
Economic Injury Disaster Loan	150,000	0
Total liabilities	<u>198,949</u>	<u>45,338</u>
Net assets		
Without donor restrictions	218,992	138,290
With donor restrictions	0	11,884
Total net assets	<u>218,992</u>	<u>150,174</u>
Total liabilities and net assets	<u>\$ 417,941</u>	<u>\$ 195,512</u>

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

ADVOCATING OPPORTUNITY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2020 and 2019

	Reviewed 2020			Reviewed 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues						
Direct public grants	\$ 694,055	\$ 0	\$ 694,055	\$ 655,185	\$ 17,125	\$ 672,310
Foundation and trust grants and direct public support	183,053		183,053	83,297		83,297
Paycheck Protection Program loan forgiveness	113,500		113,500			0
Contributed services	132,276		132,276	127,362		127,362
Interest income	541		541	86		86
Total operating revenues	1,123,425	0	1,123,425	865,930	17,125	883,055
Net assets released from restrictions	11,884	(11,884)	0	5,241	(5,241)	0
Total operating revenues	1,135,309	(11,884)	1,123,425	871,171	11,884	883,055
Expenses						
Program service	860,454		860,454	728,660		728,660
Management and general	194,153		194,153	132,774		132,774
Total expenses	1,054,607	0	1,054,607	861,434	0	861,434
Change in net assets	80,702	(11,884)	68,818	9,737	11,884	21,621
Net assets at beginning of year	138,290	11,884	150,174	128,553		128,553
Net assets at end of year	<u>\$ 218,992</u>	<u>\$ 0</u>	<u>\$ 218,992</u>	<u>\$ 138,290</u>	<u>\$ 11,884</u>	<u>\$ 150,174</u>

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

ADVOCATING OPPORTUNITY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2020 and 2019

	Reviewed 2020			Reviewed 2019		
	Program Service	Management and General	Total	Program Service	Management and General	Total
Payroll and payroll tax expense	\$ 586,809	\$ 70,439	\$ 657,248	\$ 470,755	\$ 70,439	541,194
Employee benefits	106,205	3,716	109,921	93,100	3,716	96,816
Rent	3,483	31,537	35,020	12,059	26,188	38,247
Utilities	0	3,517	3,517	2,509	4,251	6,760
Contract services	123,196	43,738	166,934	29,950	8,659	38,609
Office expense		26,990	26,990		10,485	10,485
Staff development			0	2,559		2,559
Client resources	3,275		3,275	97,661		97,661
Dues and fees			0	2,636		2,636
Travel and entertainment	5,002		5,002	6,578	1,590	8,168
Vehicle	3,258	1,086	4,344	2,940	980	3,920
Depreciation expense	8,063	2,688	10,751	7,913	2,638	10,551
Insurance	10,577		10,577			0
Miscellaneous	10,586	10,442	21,028		3,828	3,828
	<u>\$ 860,454</u>	<u>\$ 194,153</u>	<u>\$ 1,054,607</u>	<u>\$ 728,660</u>	<u>\$ 132,774</u>	<u>861,434</u>

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

ADVOCATING OPPORTUNITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	Reviewed 2020	Reviewed 2019
Cash flows from operating activities		
Change in net assets	\$ 68,818	\$ 21,621
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	10,751	10,551
Forgiveness of Paycheck Protection Program Loan	(113,572)	0
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	(90,186)	2,939
Increase (decrease) in liabilities:		
Accrued payroll and other	3,911	9,685
Net cash provided by (used in) operating activities	(120,278)	44,796
Cash flows from financing activities		
Proceeds (payment) on line of credit	(300)	300
Proceeds on Economic Injury Disaster Loan	150,000	0
Proceeds on Paycheck Protection Program Loan	113,572	0
Net cash used in investing activities	263,272	300
Net increase in cash	142,994	45,096
Cash at beginning of year	105,123	60,027
Cash at end of year	\$ 248,117	\$ 105,123
Supplemental cash flow information		
Forgiveness of Paycheck Protection Program loan	\$ 113,500	\$ 0

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

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 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.

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.

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 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, 2020. Grants receivable are considered fully collectible as of December 31, 2020. Accordingly, no allowance for uncollectible accounts is required.

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.

Revenues

The Organization's revenue consists principally of direct public grants and in-kind donations (See Note 8). Other sources include foundation and trust grants, direct public support, and interest income. All revenues are recorded as contributions in accordance with FASB ASC Topic, *Not-for-profit Entities – Revenue Recognition*. The Organization revenues 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.

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Note 2—Significant accounting policies—continued

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).

New accounting pronouncements

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.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07), which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021 with early adoption permitted and is to be applied retrospectively. The Organization is currently evaluating the effect that ASU 2020-07 will have on its financial statements and related disclosures.

Subsequent events

The Organization has evaluated subsequent events through December 12, 2023, which is the date the financial statements were available for issuance. Other than the events disclosed in Note 4, Note 6 and Note 9, no other material subsequent events have occurred through this date that required further recognition or disclosure.

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Note 3—Property and equipment

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

	<u>2020</u>	<u>2019</u>
Computers	\$ 6,011	\$ 6,011
Vehicles	43,000	43,000
Furniture and fixtures	5,242	5,242
Total cost	<u>54,253</u>	<u>54,253</u>
Less accumulated depreciation	40,328	29,577
Net property and equipment	<u>\$ 13,925</u>	<u>\$ 24,676</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$10,751 and \$10,551, respectively.

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 for an additional space 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 noted above, the terms are on a month-to-month basis. An additional space was rented in Columbus, Ohio beginning in October 2020 with an agreement through December 2021 in the amount of \$1,200 per month. Rent expense for the years ended December 31, 2020 and 2019 totaled \$35,020 and \$38,247, respectively.

Subsequent to year end effective July 2021, the Organization entered into a three-year lease agreement for office space in Toledo, Ohio. Payments are due monthly in the amount of \$3,744 from July 1, 2021 through June 30, 2022, \$4,011 from July 1, 2022 through June 30, 2023, and \$4,279 from July 1, 2023 through June 30, 2024.

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 the Wall Street Journal prime rate plus 3% (6.25% at December 31, 2020). The outstanding balance at December 31, 2020 and 2019 totaled \$180,000 and \$30,300, respectively. The total line of credit interest expense for the years ended December 31, 2020 and 2019 was \$0 and \$2,829, respectively. The line of credit is unsecured.

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Note 6—Economic Injury Disaster Loan

The Organization was granted a loan in the amount of \$150,000 from the U.S. Small Business Administration (SBA) Economic Injury Disaster Loan (EIDL) program. The loan was approved in June 2020. The EIDL loan was to be repaid in monthly installments of \$614, including principal and interest, over thirty years, beginning in June 2021. Subsequent to year end during 2021 and 2022, the SBA extended deferral of payments on all EIDL loans. Installment payments of principal and interest are due monthly beginning December 2022. Payments will first be applied to accrued interest before principal payments will begin. Interest will accrue at the rate of 2.75% per annum and the loan is collateralized by the assets of the Organization. The balance of the loan was \$150,000 and \$0 at December 31, 2020 and 2019, respectively.

Future principal maturities for the EIDL for the years ending December 31 are as follows:

2021	\$	0
2022		2,095
2023		3,671
2024		3,773
2025		3,878
Thereafter		136,583
		<u>\$ 150,000</u>

Subsequent to year end in December 2021, the loan was amended to increase the balance due to \$475,200, and the monthly installments to be repaid increased to \$2,077.

Note 7—Retirement plan

The Organization has a 401(k) plan, which provides for contributions on behalf of the employees. The Organization contributes 3% for all eligible employees on an annual basis. The contribution typically occurs 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 at December 31, 2020 and 2019 was \$0 and \$15,037, respectively. The 401(k) expense for the years ended December 31, 2020 and 2019 was \$13,501 and \$23,543, respectively.

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Note 8–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 years ended December 31:

	<u>2020</u>	<u>2019</u>
For profit corporations	\$ 62,006	\$ 37,994
Non-profit organizations	70,270	91,450
Total in-kind donations	<u>\$ 132,276</u>	<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 9–Paycheck Protection Program loan

In March 2020, passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act established the Paycheck Protection Program (PPP), administered by the Small Business Administration (SBA) to provide forgivable loans to qualifying entities. During April 2020 the Organization received a forgivable loan through the PPP in the amount of \$113,572. The entire balance is eligible for forgiveness provided a forgiveness application is filed and approved by the SBA. Management has indicated they believe all of the requirements for forgiveness have been met, and received notification of full forgiveness in December 2020. The forgiveness is subject to audit by the SBA for up to six years after forgiveness. At December 31, 2020, the forgiven balance was recognized as operating revenue on the statement of activities and changes in net assets.

Subsequent to year end in March 2021, the Organization received a second forgivable loan through the PPP in the amount of \$124,666. The entire balance is eligible for forgiveness provided a forgiveness application is filed and approved by the SBA. Management has indicated they believe all of the requirements for forgiveness have been met, and received notification of full forgiveness in November 2021. The forgiveness is subject to audit by the SBA for up to six years after forgiveness.

ADVOCATING OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Note 10—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.

Note 11—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:

	<u>2020</u>	<u>2019</u>
Cash	\$ 248,117	\$ 105,123
Grants receivable	155,899	65,713
Less net assets with donor restrictions	0	(11,884)
Total	<u>\$ 404,016</u>	<u>\$ 158,952</u>

The Organization has \$404,016 and \$158,952 at December 31, 2020 and 2019, respectively, 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. The Organization manages cash in savings accounts to ensure funds are available to meet operating needs.

Note 12—Risks and uncertainties

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.



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