FAMILY VIOLENCE APPELLATE PROJECT

Financial Statements

Year Ended

December 31, 2018

With Independent Auditors' Report Thereon

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Family Violence Appellate Project

We have audited the accompanying financial statements of Family Violence Appellate Project (a California nonprofit organization) which comprise the statement of financial position as of December 31, 2018 and 2017 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Violence Appellate Project as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
The prior year summarized comparative information has been derived from Family Violence Appellate Project's December 31, 2017 financial statements. In our report dated March 27, 2018, we expressed an unmodified opinion on those financial statements.

Regalia & Associates

April 15, 2019
Danville, California

Statements of Financial Position
December 31, 2018 and 2017

ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	$ 1,506,028	$ 1,205,179
Contributions receivable	54,248	151,478
Prepaid expenses and other assets	29,874	19,026
Total current assets	1,590,150	1,375,683
Right of Use - Premises	284,204	-
	$ 1,874,354	$ 1,375,683

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities:		
Accounts payable and accrued liabilities	$ 32,087	$ 29,949
Lease payable - current portion	61,423	-
Total current liabilities	93,510	29,949
Lease payable - noncurrent portion	239,980	-
Total liabilities	333,490	29,949
Net assets:		
Net assets without donor restrictions	1,507,531	1,250,734
Net assets with donor restrictions	33,333	95,000
Total net assets	1,540,864	1,345,734
	$ 1,874,354	$ 1,375,683

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2018 and 2017

Changes in net assets without donor restrictions:	2018	2017
Revenue and support:		
Program fees and other earned income	$ 8,966	$ 5,322
Contributed income:		
Foundation grants	122,039	108,299
Government grants	742,250	609,029
Individual donations	86,263	212,134
Corporate/law firm contributions	41,220	21,780
In-kind contributions	1,393,853	1,652,738
Fundraising activities	213,811	190,142
Total contributed income	2,599,436	2,794,122
Net assets released from restrictions:		
Satisfaction of program restrictions	61,667	24,993
Total revenue and support	2,670,069	2,824,437
Expenses:		
Program expenses	2,016,160	2,110,433
General and administrative	282,529	232,265
Fundraising	114,583	114,510
Total expenses	2,413,272	2,457,208
Increase in net assets without donor restrictions	256,797	367,229
Changes in net assets with donor restrictions:		
Grants and contributions	-	95,000
Net assets released from restrictions	(61,667)	(24,993)
Increase (decrease) in net assets with donor restrictions	(61,667)	70,007
Increase in net assets	195,130	437,236
Net assets at beginning of year	1,345,734	908,498
Net assets at end of year	$ 1,540,864	$ 1,345,734

Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating activities:		
Program fees and other income received	$ 8,966	$ 5,322
Receipts from government grants	786,308	648,494
Receipts from foundations	172,039	58,299
Receipts of other contributed income	130,655	252,014
Receipts from fundraising activities	213,811	190,142
Disbursements for program expenses	(18,800)	(13,521)
Payments for salaries, benefits and payroll taxes	(749,112)	(627,070)
Payments to vendors	(260,217)	(72,647)
Cash provided by operating activities	283,650	441,033
Investing activities:		
Capitalization of right of use asset	(284,204)	-
Cash used for investing activities	(284,204)	-
Financing activities:		
Establishment of lease payable	337,828	-
Principal payments applied to lease payable	(36,425)	-
Cash provided by financing activities	301,403	-
Net increase in cash and cash equivalents	300,849	441,033
Cash and cash equivalents at beginning of year	1,205,179	764,146
Cash and cash equivalents at end of year	$ 1,506,028	$ 1,205,179
Additional cash flow information:		
State registration taxes paid	$ 75	$ 75
Interest and finance charges paid	$ -	$ -

Statement of Functional Expenses
Year Ended December 31, 2018

(with comparative results for the year ended December 31, 2017)

	Program Services	General and Admin- istrative	Fund- raising	Total 2018	Total 2017
Bank charges and fees	$ -	$ 2,663	$ 8,746	**$ 11,409**	$ 10,117
Computers and technology	13,084	4,945	656	**18,685**	14,334
Events	226	3,066	31,060	**34,352**	26,785
In-kind expenses:					
In-kind attorney services	1,003,588	-	-	**1,003,588**	1,382,955
In-kind professional fees	30,495	35,010	-	**65,505**	95,225
Other pro-bono services	311,490	3,520	9,750	**324,760**	174,558
Insurance	2,297	2,485	238	**5,020**	4,845
Occupancy	50,306	17,338	4,440	**72,084**	30,747
Office/phone/supplies	10,826	3,311	867	**15,004**	6,167
Professional fees	49,264	25,555	1,673	**76,492**	52,963
Program expenses	18,800	-	-	**18,800**	13,521
Salaries, payroll taxes, and benefits	513,342	183,255	56,418	**753,015**	636,223
Travel, meals and conferences	12,442	1,381	735	**14,558**	8,768
Totals	$2,016,160	$ 282,529	$ 114,583	**$ 2,413,272**	$ 2,457,208

Notes to Financial Statements
December 31, 2018 and 2017

1. Organization

Family Violence Appellate Project (FVAP) is a non-profit organization incorporated in California in 2012 and operates from its headquarters in Oakland, California. FVAP's primary mission is to ensure the safety and well-being of survivors of domestic violence and their children by helping survivors of domestic violence obtain effective appellate representation.

FVAP works to empower victims and survivors of domestic violence through the court system to ensure that they and their children can live in safe and healthy environments, free from abuse.

2. Summary of Significant Accounting Policies

Basis of presentation –The financial statements of FVAP have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require FVAP to report information regarding its financial position and activities according to the following net asset classifications:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of FVAP's management and the board of directors.
>
> **Net assets with donor restrictions**: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of FVAP or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to FVAP's ongoing program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and cash equivalents – FVAP's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Concentrations of credit risk – Financial instruments that potentially subject FVAP to concentrations of credit risk consist principally of cash and cash equivalents and investments. FVAP maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. FVAP's cash and cash equivalent accounts have been placed with high credit quality financial institutions. FVAP has not experienced, nor does it anticipate, any losses with respect to such accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Finance Advisory Committee believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Contributions receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Fair value measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). FVAP groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

2. Summary of Significant Accounting Policies *(continued)*

Fair value measurements *(continued)*

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 statements of activities as net assets released from restrictions.

In-kind donations – FVAP received donated professional services of $1,393,853 and $1,652,738 for the years ended December 31, 2018 and 2017, respectively. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statements of activities and statements of functional expenses.

Several volunteers have made significant contributions of their time in furtherance of FVAP's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

Functional expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Various common expenses (such as occupancy, compensation, office, etc.) have been allocated generally consistent with employee time allocation models.

Use of estimates – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies *(continued)*

Income taxes –FVAP is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. FVAP has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. FVAP has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

FVAP has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

Recent and Relevant Accounting Pronouncements – The following pronouncements became effective for fiscal years beginning subsequent to December 15, 2017:

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. FVAP has adjusted the presentation of these statements accordingly.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) *Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, ASU No. 2018-10, and ASU No. 2018-11. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities and changes in net assets.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of April 15 2019 (the date of the Independent Auditors' Report), FVAP management has made this evaluation and has determined that FVAP has the ability to continue as a going concern.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Net Assets
Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, but it has not opted to do so as of December 31, 2018.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition
Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

3. Cash and Cash Equivalents

Cash and cash equivalents of $1,205,179 and $764,146 at December 31, 2018 and 2017, respectively, consist of funds on deposit in checking, savings and online accounts. Funds on deposit in savings bear interest at rates ranging from 0.05% to 0.10% per annum as of December 31, 2018. FVAP attempts to limit its credit risk associated with cash balances by utilizing financial institutions that are well capitalized and highly rated.

4. Grants and Pledges Receivable

Grants and pledges receivable of $151,478 and $159,043 at December 31, 2018 and 2017, respectively, are due from various government agencies and foundations and are stated at net realizable value. Management has determined that all amounts are fully collectible and therefore no reserve for uncollectible amounts has been established.

Notes to Financial Statements

5. Availability and Liquidity

FVAP regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. FVAP has various sources of liquidity at its disposal, including cash and cash equivalents, access to potential lines of credit (if necessary), and other sources (including the future collection of receivables).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, FVAP considers all expenditures related to its ongoing activities of providing legal and related services to survivors of domestic violence to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, FVAP operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of FVAP's cash and shows positive cash generated by operations for fiscal years 2018 and 2017.

As of December 31, 2018, the following tables show the total financial assets held by FVAP and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2018	2017
Cash and cash equivalents	$ 1,506,028	$ 1,205,179
Contributions receivable	54,248	151,478
Total financial assets	1,560,276	1,356,657
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	33,333	95,000
Financial assets available to meet general expenditures over the next twelve months	$ 1,526,943	$ 1,261,657

FVAP's goal is generally to maintain financial assets equal to or in excess of 90 days of operating expenses (approximately $255,000). As part of its liquidity plan, excess cash is routinely transferred to savings, money market accounts, and a cash sweep account.

6. Office Lease

FVAP leases its corporate office space under a 63-month operating lease through May 15, 2023. The lease provides for an option to extend the term for an additional 36 months. FVAP is responsible for its own property insurance. As of December 31, 2018, minimum annual payments due under the lease are as follows: Year Ending December 31, 2019: $72,369; Year Ending December 31, 2020: $74,540; Year Ending December 31, 2021: $76,772; Year Ending December 31, 2022: $79,078; and Year Ending December 31, 2023: $26,618. Rent expense is recorded under the straight-line method in accordance with ASU 2016-02. Occupancy expense (which includes rent and common area maintenance charges) amounted to $72,084 and $30,747 for the years ended December 31, 2018 and 2017, respectively.

Notes to Financial Statements

7. In-Kind Contributions

During the years ended December 31, 2018 and 2017, FVAP was the recipient of a substantial amount of in-kind contributions. The values of these contributions, as reflected in the financial statements, are as follows for the years ended December 31:

	2018	2017
In-kind attorney services	$ 1,003,588	$ 1,382,955
In-kind professional fees	65,505	95,225
Other pro-bono services	324,760	174,558
Total in-kind donations received	$ 1,393,853	$ 1,652,738

8. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future performances, which are not reflected in the combined financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate FVAP to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond the FVAP's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management and operating personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts.

Management believes that such commitments, contingencies and risks will not have a material adverse effect on the combined financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting entities.

9. Net Assets

Net Assets Without Donor Restrictions
Net Assets Without Donor Restrictions (previously unrestricted net assets) of $1,250,734 and $883,505 represent the cumulative retained surpluses of FVAP through December 31, 2018 and 2017, respectively.

Net Assets With Donor Restrictions
A summary of the activity affecting net assets with donor restrictions for the year ended December 31, 2018 is as follows:

Description	Balance Dec. 2017	Additions	Released from Restriction	Balance Dec. 2018
American Academy of Matrimonial Lawyers Foundation	$ 5,000	$ -	$ 5,000	$ -
Blue Shield of California Foundation	75,000	-	41,667	33,333
CA Partnership To End Domestic Violence	15,000	-	15,000	-
Totals	$ 95,000	$ -	$ 61,667	$ 33,333

Notes to Financial Statements

10. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, FVAP is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of personal time off which is payable upon termination of the employee. Annual leave accruals are recorded in the financial statements as an accrued liability on the statement of financial position based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to $24,797 and $20,834 at December 31, 2018 and 2017, respectively.

11. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

12. Retirement Plan

FVAP offers employees the opportunity for participation in a salary reduction retirement plan (with a discretionary Employer match) qualified under Internal Revenue Code Section 401(k). The Plan covers all eligible participants and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and, as such, has been amended periodically to comply with changes made to ERISA through 2018. FVAP contributed $9,169 and $6,870 to the plan for the years ended December 31, 2018 and 2017, respectively.

13. Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31 is as follows:

	Totals	Level 1	Level 2	Level 3
2018: Contributions receivable	$ 54,248	$ -	$ 54,248	$ -
2017: Contributions receivable	$ 151,478	$ -	$ 151,478	$ -

14. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, FVAP has evaluated subsequent events through April 15, 2019, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.