

FAMILY VIOLENCE APPELLATE PROJECT
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

May 1, 2020

Board of Directors
Family Violence Appellate Project
Oakland, California

I have audited the financial statements of Family Violence Appellate Project (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Directors
Family Violence Appellate Project
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Opinion

In my 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, 2019, 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.


Healy and Associates
Concord, California

FAMILY VIOLENCE APPELLATE PROJECT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,729,246
Accounts receivable	103,262
Prepaid expenses	<u>19,887</u>

Total Current Assets 1,852,395

Security deposits	12,687
Right of use - Premises	<u>219,856</u>

Total Assets \$ 2,084,938

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 36,314
Lease payable - current portion	<u>66,136</u>

Total Current Liabilities 102,450

Lease payable - noncurrent portion	<u>173,844</u>
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Total Liabilities 276,294

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Without donor restrictions	1,666,379
With donor restrictions	<u>142,265</u>

Total Net Assets 1,808,644

Total Liabilities and Net Assets \$ 2,084,938

FAMILY VIOLENCE APPELLATE PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Foundation grants and awards	\$ 133,641	\$ 53,500	\$ 187,141
Government grants and contracts	821,450	126,265	947,715
Contributions	142,738	-	142,738
Fundraising activities	184,374	-	184,374
In-kind revenue	917,276	-	917,276
Program fees and other revenue	4,484	-	4,484
	<u>2,203,963</u>	<u>179,765</u>	<u>2,383,728</u>
Net assets released from restriction	<u>70,833</u>	<u>(70,833)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>2,274,796</u>	<u>108,932</u>	<u>2,383,728</u>
EXPENDITURES			
Program services	1,669,933	-	1,669,933
Administrative services	335,851	-	335,851
Fundraising expenses	110,164	-	110,164
TOTAL EXPENSES	<u>2,115,948</u>	<u>-</u>	<u>2,115,948</u>
CHANGE IN NET ASSETS	158,848	108,932	267,780
NET ASSETS, beginning of year	<u>1,507,531</u>	<u>33,333</u>	<u>1,540,864</u>
NET ASSETS, end of year	<u>\$ 1,666,379</u>	<u>\$ 142,265</u>	<u>\$ 1,808,644</u>

See Notes to Financial Statements

FAMILY VIOLENCE APPELLATE PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Administrative Services	Fundraising Expenses	Total
Wages	\$ 544,353	\$ 216,780	\$ 63,544	\$ 824,677
Payroll taxes	41,122	16,611	4,851	62,584
Employee benefits	49,569	19,268	5,430	74,267
Total Personnel Expenses	635,044	252,659	73,825	961,528
In-kind services	886,002	15,428	7,330	908,760
Occupancy	49,616	19,826	5,853	75,295
Professional services	36,837	33,454	2,796	73,087
Events and discretionary	2,354	1,169	14,669	18,192
Computers and technology	10,350	3,684	822	14,856
Insurance	11,262	2,935	277	14,474
Travel	10,855	1,029	361	12,245
In-kind goods and supplies	8,516	-	-	8,516
Case and accessibility expenses	7,024	-	-	7,024
Banks charges and fees	-	2,997	3,442	6,439
Telecommunications	2,875	1,178	321	4,374
Dues and memberships	4,235	-	-	4,235
Office supplies	1,982	759	138	2,879
Miscellaneous expenses	1,335	429	82	1,846
Printing, shipping, and postage	725	304	248	1,277
Other program expenses	921	-	-	921
Total Expenses	\$ 1,669,933	\$ 335,851	\$ 110,164	\$ 2,115,948

FAMILY VIOLENCE APPELLATE PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 267,780
CHANGES IN ASSETS AND LIABILITIES:	
Accounts receivable	(49,014)
Prepaid expenses	(2,700)
Accounts payable and accrued expenses	4,227
Change in right of use asset	64,348
Principal payments applied to lease payable	<u>(61,423)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>223,218</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	223,218
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,506,028</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,729,246</u></u>

FAMILY VIOLENCE APPELLATE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE A – NATURE OF ACTIVITIES

Family Violence Appellate Project (Organization) is a California nonprofit public benefit corporation, incorporated in 2012 and operates from its headquarters in Oakland, California. The Organization'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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization 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 the Organization'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 the Organization 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.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

FAMILY VIOLENCE APPELLATE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents measured using Level 1 inputs. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1— Quoted prices for identical assets and liabilities in active markets.

Level 2—Observable inputs other than Level 1, which include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

Receivables and Credit Policies

Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts. An allowance is established based on factors such as historical experience, economic conditions, credit quality, age of the account balances, and a review of subsequent collections.

The Organization evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. Management did not consider an allowance for doubtful accounts necessary as of December 31, 2019.

Fixed Assets

Fixed asset additions in excess of \$5,000 are recorded at cost, or if donated, at fair value on the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred. The Organization has no capitalized fixed assets at December 31, 2019.

FAMILY VIOLENCE APPELLATE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exemption Status

The Organization has received exempt status under section 501(c)(3) of the Internal Revenue Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has no unrelated business income, and management has analyzed tax positions taken and has concluded that there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Revenue Recognition

The Organization is supported primarily through government contracts and grants, foundation grants and awards, contributions, and in-kind services.

In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, 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. As permitted by ASC 958, donor-restricted contributions whose restrictions are met in the same year may be reported as unrestricted support.

Revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

Donated Services, Goods, and Supplies

The Organization records donated services, goods, and supplies at their estimated fair value on the date of receipt. Donated professional services, goods, and supplies for the year ended December 31, 2019 are \$917,276 as reflected in the accompanying statement of activities and statement of functional expenses.

In addition, the Organization receives contributions of volunteer time in furtherance of the Organization’s mission throughout the year. However, these services are not reflected in the accompany financial statements as they do not meet the criteria for recognition under US GAAP.

FAMILY VIOLENCE APPELLATE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited based on employee time spent in the functional area.

Newly Adopted Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requires organizations to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods and services. The Organization adopted the standard on January 1, 2019. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all organizations that receive or make contributions. The ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The Organization adopted the standard on January 1, 2019. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

NOTE C – CONCENTRATIONS

At December 31, 2019, the Organization has \$263,185 in cash held in financial institutions exceeding insured limits. To date, the Organization has not experienced, nor does it anticipate, any losses with respect to such accounts. Management monitors the creditworthiness of the financial institutions on an on-going basis.

At December 31, 2019, two funders accounted for 100% of total receivables (67% and 33%).

The Organization received approximately 49% of its annual revenue not including in-kind revenue, and 30% including in-kind, from four funders. The loss of that funding could have an impact on the future operations of the Organization.

FAMILY VIOLENCE APPELLATE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE D – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,729,246
Accounts receivable	<u>103,262</u>
Total Financial Assets	1,832,508
Less amounts not available to be used within one year:	
Net assets with purpose restrictions to be met in one year	<u>(142,265)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$1,690,243</u></u>

The Organization has \$1,690,243 in financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE E – OFFICE LEASE

The Organization leases its corporate office space under a 63-month operating lease through May 2023. The lease provides for an option to extend the term for an additional 36 months. The Organization has accounted for the right of use asset and lease liability in accordance with ASU 2016-02 and is reflected in the accompanying statement of financial position. The right of use assets present value was calculated using an annual discount rate of .4% for a total value of \$337,828 at the onset of the lease. At December 31, 2019, the remaining right of use asset is \$219,856 and the remaining lease liability is \$239,980

Operating rental expense for the year ended December 31, 2019 was \$75,295. The future minimum lease commitments are as follows:

<u>Year Ended December 31</u>	
2020	\$ 74,540
2021	\$ 76,772
2022	\$ 79,079
2023	\$ 26,618

FAMILY VIOLENCE APPELLATE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE F – CONTIGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization’s management believes the Organization has complied with the terms of all grants.

NOTE G – IN-KIND CONTRIBUTIONS

During the year ended December 31, 2019, the Organization was the recipient of substantial amounts of in-kind contributions of services and goods. The values of these contributions, as reflected in the accompany financial statements, are as follows:

In-kind pro-bono attorney services	\$ 710,270
In-kind legal services	181,500
In-kind professional services	16,990
In-kind goods and supplies	8,516
Total	<u>\$ 917,276</u>

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2019, net assets with donor restriction activity consisted of the following:

Nature of Restriction	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Specific purpose and programs:				
Homelessness	\$ -	\$126,170	\$ -	\$ 126,170
Legal assistance	-	95	-	95
Strategic planning	-	50,000	(37,500)	12,500
Other purpose	-	3,500	-	3,500
Time restricted	33,333	-	(33,333)	-
Total	<u>\$ 33,333</u>	<u>\$ 179,765</u>	<u>(\$ 70,833)</u>	<u>\$ 142,265</u>

FAMILY VIOLENCE APPELLATE PROJECT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE I – EMPLOYEE BENEFITS

The Organization's employees are entitled to paid time off based upon length of service and other factors. As of December 31, 2019, the respective accrued vacation liability was \$25,784. This amount is reflected as accrued expenses in the statement of financial position.

The Organization offers employees the opportunity to participate 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 2019. Employer contributions for matching is \$12,334 for the year ended December 31, 2019.

NOTE J – SUBSEQUENT EVENTS

Subsequent to year end the Organization signed a sublease to prepare and open a location in Washington state. Management has evaluated subsequent events for recognition and disclosure through May 1, 2020, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2019, that required recognition or disclosure in the financial statements.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter could negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.