

FAMILY VIOLENCE APPELLATE PROJECT
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

April 27, 2023

To the Board of Directors
of Family Violence Appellate Project
Oakland, California

Opinion

I have audited the accompanying financial statements of Family Violence Appellate Project (a nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Family Violence Appellate Project and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Violence Appellate Project's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Family Violence Appellate Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Violence Appellate Project's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.



Healy and Associates
Concord, California

FAMILY VIOLENCE APPELLATE PROJECT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 274,036
Investments	1,806,369
Contributions receivable	91,966
Government grants receivable	118,208
Prepaid expenses	<u>29,864</u>

Total Current Assets 2,320,443

Security deposits	13,308
Right-of-use asset	<u>156,719</u>

Total Assets \$ 2,490,470

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 125,900
Lease payable - current portion	<u>67,903</u>

Total Current Liabilities 193,803

Lease payable - long-term portion	<u>88,397</u>
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Total Liabilities 282,200

CONTINGENCIES

NET ASSETS

Without donor restrictions	1,705,593
With donor restrictions	<u>502,677</u>

Total Net Assets 2,208,270

Total Liabilities and Net Assets \$ 2,490,470

FAMILY VIOLENCE APPELLATE PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
In-kind services	\$ 1,788,879	\$ -	\$ 1,788,879
Government grants	229,730	1,096,285	1,326,015
Contributions	353,387	5,900	359,287
PPP forgiveness	195,705	-	195,705
Fundraising event			
Gross	99,326		
Less: direct expenses	<u>(26,447)</u>	-	72,879
In-kind goods and supplies	12,211	-	12,211
Other income	4,724	-	4,724
Investment loss, net	<u>(22,903)</u>	-	<u>(22,903)</u>
	<u>2,634,612</u>	<u>1,102,185</u>	<u>3,736,797</u>
Net assets released from restriction	<u>1,241,710</u>	<u>(1,241,710)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>3,876,322</u>	<u>(139,525)</u>	<u>3,736,797</u>
EXPENSES			
Program services	3,203,035	-	3,203,035
Administrative services	777,382	-	777,382
Fundraising expenses	<u>114,236</u>	<u>-</u>	<u>114,236</u>
TOTAL EXPENSES	<u>4,094,653</u>	<u>-</u>	<u>4,094,653</u>
CHANGE IN NET ASSETS	<u>(218,331)</u>	<u>(139,525)</u>	<u>(357,856)</u>
NET ASSETS, beginning of year	<u>1,923,924</u>	<u>642,202</u>	<u>2,566,126</u>
NET ASSETS, end of year	<u>\$ 1,705,593</u>	<u>\$ 502,677</u>	<u>\$ 2,208,270</u>

See Notes to Financial Statements

FAMILY VIOLENCE APPELLATE PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Administrative Services	Fundraising Expenses	Total
Wages	\$ 1,036,202	\$ 479,510	\$ 83,511	\$ 1,599,223
Employee benefits	127,285	55,785	10,670	193,740
Payroll taxes	74,328	39,677	6,806	120,811
Total Personnel Expenses	1,237,815	574,972	100,987	1,913,774
In-kind services	1,766,119	22,760	-	1,788,879
Professional services	89,007	128,894	346	218,247
Occupancy	41,332	21,937	3,853	67,122
Events and discretionary	-	4,363	26,447	30,810
Insurance	17,857	6,015	455	24,327
Computers and technology	15,328	4,985	646	20,959
Telecommunications	8,807	4,108	738	13,653
In-kind goods and supplies	5,203	970	6,038	12,211
Case and accessibility expenses	8,534	-	-	8,534
Banks charges, online donation, and fees	-	7,011	1,020	8,031
Dues and memberships	7,056	-	-	7,056
Travel	3,667	98	42	3,807
Office supplies	771	404	66	1,241
Fees and licenses	287	753	31	1,071
Other program expenses	712	-	-	712
Printing, shipping, and postage	540	112	14	666
Total Expenses	3,203,035	777,382	140,683	4,121,100
Less expenses included with revenues on the statement of activities:				
Direct fundraising expenses	-	-	(26,447)	(26,447)
Total expenses included in the expense section of the statement of activities	\$ 3,203,035	\$ 777,382	\$ 114,236	\$ 4,094,653

FAMILY VIOLENCE APPELLATE PROJECT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING	
ACTIVITIES:	
Change in net assets	\$ (357,856)
Adjustments to reconcile change in net assets	
to net cash used by operating activities:	
Unrealized loss	35,661
PPP forgiveness	(195,705)
PPP interest expense	1,392
CHANGES IN ASSETS AND LIABILITIES:	
Contributions and grants receivable	348,056
Prepaid expenses	(10,074)
Deposits	(196)
Accounts payable and accrued expenses	64,504
Right-of-use asset	(65,559)
Lease liability	53,559
	<hr/>
NET CASH USED BY OPERATING ACTIVITIES	<u>(126,218)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in investments	<u>(212,758)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(212,758)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(338,976)
CASH AND CASH EQUIVALENTS, beginning of year	<u>613,012</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 274,036</u></u>

See Notes to Financial Statements

FAMILY VIOLENCE APPELLATE PROJECT
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

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, whereby 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 APPELATE PROJECT
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

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, cash equivalents and investments measured using Level 1 and 2 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 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 in active markets.

Level 2—Observable inputs other than Level 1, which include quoted prices for similar assets 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.

Contributions and Grants Receivable

Contributions and grants receivable are recorded at net realizable value consisting of the amount awarded less an allowance for uncollectible amounts. 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, 2022.

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, 2022.

FAMILY VIOLENCE APPELATE PROJECT
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

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 grants, foundation grants and awards, contributions, and in-kind services.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has \$352,211 in cost-reimbursement grants that have not been recognized as of December 31, 2022 because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the cost-reimbursable federal and state grants.

In-kind 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, 2022 are \$1,801,090 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 accompanying financial statements as they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

FAMILY VIOLENCE APPELATE PROJECT
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

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.

NOTE C – CONCENTRATIONS

At December 31, 2022, the Organization has \$34,484 in cash held in Union Bank exceeding insured limits and \$490 in PayPal, which carries no insurance. 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.

In-kind services and goods represent 48% of the annual revenue. The Organization received approximately 50% of its annual revenue, not including in-kind revenue, and 26% including in-kind, from one funder. The loss of that funding could have an impact on the future operations of the Organization.

Concentrations exist in accounts receivable as 58% as of December 31, 2022 is due from three funders (30%, 14%, and 14%).

NOTE D – INVESTMENTS

The composition and fair value of cash and investments held in investment accounts at December 31, 2022 is as follows:

Fidelity government MMF – Level 1	\$ 268,212
Certificates of deposit – Level 2	1,538,157
Investments, end of year	<u>\$ 1,806,369</u>

Investment activity for the year ended December 31, 2022 is as follows:

Investments, beginning of year	\$ 1,629,272
Cash invested	200,000
Unrealized loss	(35,661)
Interest and realized earnings	12,758
Investments, end of year	<u>\$1,806,369</u>

FAMILY VIOLENCE APPELATE PROJECT
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE E – PPP FORGIVENESS

In March 2021, the Organization received a second loan of \$192,797 from the Payroll Protection Program (PPP), offered through the Small Business Administration, in response to COVID-19. The PPP carries an interest rate of 1% and becomes payable five years after issuance. In September 2022, the Organization received forgiveness of the full amount of the PPP grant of \$192,797 plus \$2,908 in interest, for a total of \$195,705 which is included in the accompanying statement of activities.

NOTE F – 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	\$ 274,036
Investments	1,806,369
Contributions and grants receivable	<u>210,174</u>
Total Financial Assets	2,290,579
Less amounts not available to be used within one year:	
Net assets with purpose restrictions to be met in one year	<u>(502,677)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$1,787,902</u></u>

The Organization has \$1,787,902 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 G – CONTINGENCIES

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.

FAMILY VIOLENCE APPELATE PROJECT
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE H – LEASE

The Organization follows FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases*, guidance which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments.

The Organization leases its corporate office space under a non-cancellable operating lease through May 2025. During the year ended December 31, 2022, the Organization entered into an amendment to its lease to extend the lease end date from May 2023 to May 2025. The lease contains no significant restrictions. The lease provides for escalating payments from May 2023 through May 2025. The client used the risk-free interest rate of 4% to determine present value.

Right-of-use assets were \$156,719 and lease liabilities were \$156,300 as of December 31, 2022. The weighted-average discount rate used to calculate the present value of future minimum lease payments was 4%. The weighted-average lease term was 2.33 years as of December 31, 2022.

Lease expenses consist of the following as of December 31, 2022:

Operating lease expenses	<u>\$ 67,122</u>
Total lease expense	<u><u>\$ 67,122</u></u>

The total cash amount paid for operating leases was \$79,078, and noncash reductions to operating lease assets was \$2,730, for the fiscal year ended December 31, 2022.

Maturity analysis of future minimum lease payments for all operating leases are shown as follows as of December 31:

2023	\$ 71,080
2024	68,017
2025	<u>22,893</u>
Total minimum lease payment	161,990
Less: net present value adjustment	<u>(5,690)</u>
Present value of minimum lease payments	<u><u>\$ 156,300</u></u>

FAMILY VIOLENCE APPELATE PROJECT
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2022, net assets with donor restriction activity consisted of the following:

<u>Nature of Restriction</u>	<u>Beginning Balance</u>	<u>Income and Contributions</u>	<u>Released from Restriction</u>	<u>Ending Balance</u>
Purpose/Program:				
Legal assistance	\$34,929	\$925,770	(\$863,351)	\$97,348
Other purpose	11,529	176,415	(110,993)	76,951
Time restricted	595,744	-	(267,366)	328,378
Total	<u>\$ 642,202</u>	<u>\$1,102,185</u>	<u>(\$1,241,710)</u>	<u>\$502,677</u>

NOTE J – IN-KIND CONTRIBUTIONS

During the year ended December 31, 2022, 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 accompanying financial statements, are as follows:

<u>Services or Goods Received and Allocation</u>	<u>Basis for Valuation</u>	<u>Total</u>
<u>Program Services</u>		
Pro-bono attorney services	FMV of services stated by donor	\$ 1,606,742
Legal services	FMV of services stated by donor	158,977
Professional services	FMV of services stated by donor	400
Goods and supplies	FMV of discounted software fees	5,203
		<u>1,771,322</u>
<u>Administrative Services</u>		
Professional services	FMV of services stated by donor	22,760
Goods and supplies	FMV of discounted software fees	970
		<u>23,730</u>
<u>Fundraising</u>		
Goods and supplies	FMV of discounted software fees	138
Professional Services	FMV of services stated by donor	5,900
		<u>6,038</u>
Total		<u>\$ 1,801,090</u>

FAMILY VIOLENCE APPELATE PROJECT
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE K – EMPLOYEE BENEFITS

The Organization's employees are entitled to paid time off based upon length of service and other factors. As of December 31, 2022, the respective accrued vacation liability was \$68,086. 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 2022. Employer contributions for matching is \$23,576 for the year ended December 31, 2022.

NOTE L – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through April 27, 2023, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2022, that required recognition or disclosure in the financial statements.