**FREE TO THRIVE**

**FINANCIAL STATEMENTS**

December 31, 2020 and 2019

YSR CPA GROUP, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

AUDIT + TAX + ADVISORY

**FREE TO THRIVE**
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# INDEPENDENT AUDITORS' REPORT

To the Risk Management Committee and Board of Directors
of Free to Thrive

***Opinion***

We have audited the accompanying financial statements of Free to Thrive (a California nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Free to Thrive as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Free to Thrive and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Free to Thrive'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***

Our 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 our 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, we:

- 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 Free to Thrive'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Free to Thrive's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

***Emphasis of a Matter – Change in Accounting Principle***

For the year ended December 31, 2020, the Organization adopted Financial Accounting Standards Board's (FASB) accounting standards update (ASU) 2016-18 Statement of Cash Flows (Topic 230), Restricted Cash as described in Note 1. The changes required by the update have been applied to all periods presented. Our opinion is not modified with respect to that matter.

YSR CPA Group, P.C.

Encinitas, California
October 25, 2021

**FREE TO THRIVE**
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

| | 12/31/20 | 12/31/19 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | $ 608,889 | $ 538,066 |
| Restricted cash | 67,906 | - |
| Investments | 110 | - |
| Pledge receivable | 10,000 | - |
| Grants receivables | 162,500 | - |
| Prepaid expenses | 8,241 | 5,225 |
| TOTAL ASSETS | $ 857,646 | $ 543,291 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | $ 5,979 | $ 9,542 |
| Accrued expenses | 12,069 | 16,735 |
| Client trust liability | 67,906 | - |
| TOTAL CURRENT LIABILITIES | 85,954 | 26,277 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 242,382 | 62,254 |
| Restricted client trust | 67,906 | - |
| Board-designated reserves | 400,407 | 300,103 |
| With donor restrictions | 60,997 | 154,657 |
| TOTAL NET ASSETS | 771,692 | 517,014 |
| TOTAL LIABILITIES AND NET ASSETS | $ 857,646 | $ 543,291 |

**FREE TO THRIVE**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| REVENUE AND SUPPORT | | | |
| Contributions | $ 423,503 | $ 117,500 | $ 541,003 |
| Government grants and assistance | 389,700 | 10,000 | 399,700 |
| Special event revenue | | | |
| net direct expenses of $14,622 | 76,043 | - | 76,043 |
| In-kind facility use | 5,300 | - | 5,300 |
| In-kind services | 6,600 | - | 6,600 |
| Interest income | 305 | - | 305 |
| Loss on sale of investment | (202) | - | (202) |
| Net assets released from restrictions | 221,160 | (221,160) | - |
| TOTAL REVENUE AND SUPPORT | 1,122,409 | (93,660) | 1,028,749 |
| EXPENSES | | | |
| Program Expenses: | 524,533 | - | 524,533 |
| Supporting Services: | | | |
| General and administrative | 125,373 | - | 125,373 |
| Fundraising | 124,165 | - | 124,165 |
| TOTAL EXPENSES | 774,071 | - | 774,071 |
| INCREASE IN NET ASSETS | 348,338 | (93,660) | 254,678 |
| NET ASSETS AT BEGINNING OF YEAR | 362,357 | 154,657 | 517,014 |
| NET ASSETS AT END OF YEAR | $ 710,695 | $ 60,997 | $ 771,692 |

See accompanying independent auditors' report and notes to the financial statements

**FREE TO THRIVE**
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| REVENUE AND SUPPORT | | | |
| Contributions | $ 259,962 | $ 89,500 | $ 349,462 |
| Government grants and assistance | 153,645 | 191,000 | 344,645 |
| Special event revenue | | | |
| net direct expenses of $6,837 | 40,198 | - | 40,198 |
| In-kind facility use | 5,300 | - | 5,300 |
| In-kind services | 6,600 | - | 6,600 |
| Interest income | 103 | - | 103 |
| Other income | - | - | - |
| Net assets released from restrictions | 125,843 | (125,843) | - |
| TOTAL REVENUE AND SUPPORT | 591,651 | 154,657 | 746,308 |
| EXPENSES | | | |
| Program Expenses: | 317,383 | - | 317,383 |
| Supporting Services: | | | |
| General and administrative | 81,468 | - | 81,468 |
| Fundraising | 48,726 | - | 48,726 |
| TOTAL EXPENSES | 447,577 | - | 447,577 |
| INCREASE IN NET ASSETS | 144,074 | 154,657 | 298,731 |
| NET ASSETS AT BEGINNING OF YEAR | 218,283 | - | 218,283 |
| NET ASSETS AT END OF YEAR | $ 362,357 | $ 154,657 | $ 517,014 |

**FREE TO THRIVE**
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

| | | SUPPORTING SERVICES | | TOTAL |
|---|---|---|---|---|
| | Program Expense | General and Administrative | Fundraising | Total Expenses |
| OTHER EXPENSES | | | | |
| Salaries and wages | $ 427,116 | $ 86,624 | $ 104,748 | $ 618,488 |
| Payroll taxes | 26,929 | 5,464 | 6,635 | 39,028 |
| Employee benefits | 9,188 | 1,864 | 2,264 | 13,316 |
| Direct program expenses | 19,422 | - | - | 19,422 |
| Professional fees | - | 12,600 | - | 12,600 |
| Outside services | - | 9,519 | - | 9,519 |
| Office expenses | 12,990 | 2,748 | 9,243 | 24,981 |
| Occupancy | 4,240 | 530 | 530 | 5,300 |
| Travel | 6,706 | - | 745 | 7,451 |
| Conferences and meetings | 1,230 | - | - | 1,230 |
| Insurance | 10,341 | 1,410 | - | 11,751 |
| Other expenses | 6,371 | 4,614 | - | 10,985 |
| TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES | $ 524,533 | $ 125,373 | $ 124,165 | $ 774,071 |

**FREE TO THRIVE**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

| | | SUPPORTING SERVICES | | TOTAL |
|---|---|---|---|---|
| | Program Expense | General and Administrative | Fundraising | Total Expenses |
| OTHER EXPENSES | | | | |
| Salaries and wages | $ 233,159 | $ 53,000 | $ 35,750 | $ 321,909 |
| Payroll taxes | 19,649 | 4,532 | 3,057 | 27,238 |
| Employee benefits | 3,146 | 726 | 490 | 4,362 |
| Direct program expenses | 8,754 | - | - | 8,754 |
| Professional fees | - | 6,600 | - | 6,600 |
| Outside services | - | 7,278 | - | 7,278 |
| Office expenses | 9,640 | 2,039 | 6,860 | 18,539 |
| Occupancy | 4,240 | 530 | 530 | 5,300 |
| Travel | 18,352 | - | 2,039 | 20,391 |
| Conferences and meetings | 1,754 | - | - | 1,754 |
| Insurance | 11,518 | 1,571 | - | 13,089 |
| Other expenses | 7,171 | 5,192 | - | 12,363 |
| TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES | $ 317,383 | $ 81,468 | $ 48,726 | $ 447,577 |

**FREE TO THRIVE**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

| | 12/31/20 | 12/31/19 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITES | | |
| Change in net assets | $ 254,678 | $ 298,731 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Contributed securities | 6,780 | - |
| Proceeds from sale of contributed securities | (7,092) | - |
| Loss on sale of contributed securities | 202 | - |
| Forgiveness of EIDL advance | (8,000) | - |
| (Increase) decrease in: | | |
| Accounts receivable | - | 36,593 |
| Pledge receivable | (10,000) | - |
| Grants receivable | (162,500) | - |
| Prepaid expenses | (3,016) | (5,225) |
| Increase (decrease) in | | |
| Accounts payable | (3,563) | 6,525 |
| Accrued expenses | (4,666) | 6,628 |
| Client trust liability | 67,906 | - |
| NET CASH PROVIDED BY OPERATING ACTIVITIES: | 130,729 | 343,252 |
| CASH FLOWS PROVIDED BY FINANCIING ACTIVITIES | | |
| Proceeds from EIDL advance | 8,000 | - |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 8,000 | - |
| INCREASE IN CASH AND RESTRICTED CASH | 138,729 | 343,252 |
| CASH AND RESTRICTED CASH AT BEGINNING OF YEAR | 538,066 | 194,814 |
| CASH AND RESTRICTED CASH AT END OF YEAR | $ 676,795 | $ 538,066 |

See accompanying independent auditors' report and notes to the financial statements

## NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Free to Thrive (the “Organization”) was formed in June 2016 to provide mobile, holistic and trauma-informed legal services to victims and survivors of human trafficking by providing free legal services and connections to other supportive services. The Organization also works to raise awareness about human trafficking via trainings for community members, legal professionals, law enforcement and social service providers. The Organization maintains its principal office in San Diego, California.

The following is a brief description of the Organization’s programs:

- The Criminal Justice Program advocates for its clients in a variety of criminal matters.
- The Family Justice Program provides survivors with trauma-informed legal representation in domestic violence restraining orders, divorce, child custody disputes, and legal advocacy dependency cases.
- The Open Doors Criminal Vacatur Program works with survivors to clear outstanding warrants and vacate convictions related to their exploitation.
- Specialized Legal Services helps clients find skilled pro bono attorneys to assist with specialized legal needs.
- The Survivors of Trafficking Empowerment Program (S.T.E.P.) provides pro bono attorneys to clients in specialized areas of the law including worker's rights, civil rights, landlord-tenant, bankruptcy, and more. This program also connects clients to a variety of non-legal services that cultivate physical and mental health, financial independence and entrepreneurship, including mentorship, education, employment, financial skill building, and leadership training.
- The Financial Empowerment Academy supports clients with the skills and tools for them to gain their financial independence.
- LGBTQ Trafficking Victim’s Access to Justice Initiative identifies and serves LGBTQ victims and survivors of human trafficking.

During the year ended December 31, 2020, the Organization had 186 clients with a total of 414 legal matters. 98% of its clients identify as female, the remaining identify as transgender and nonbinary. Approximately 81% of the Organizations clients experienced sex-trafficking, 3.4% were labor trafficked, and 13.5% experienced both sex and labor trafficking.

The Organization’s community engagement and education reached 6,412 individuals through community awareness training, legal education, community partner training and community outreach.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective January 1, 2018.

## NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

- *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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

- *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 may be 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 statement 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 the Organization's ongoing services and interest earned. Nonoperating activities are limited to resources and other activities considered to be of a more unusual or nonrecurring nature.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability developed based on market date obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset of liability developed based on the best information available.

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fair Value Measurements (continued)

The standard describes three-tier hierarchy of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Due to the short-term nature of cash, receivables, other assets, accounts payable and accrued expenses, fair value approximates carrying value.

New Accounting Pronouncements Recently Adopted

In November 2016, the Financial Accounting Standards Board (FASB) issued accounting standards update (ASU) 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Organization adopted ASU 2016-18 as of January 1, 2020. Due to the nature of this accounting standards update, this had an impact on items reported in the statements of cash flows and related disclosures, but no impact on the Organizations financial position or results of operations.

Recent Accounting Pronouncements Not Yet Adopted

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. This ASU is meant to improve generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. An NFP will be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets.

The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. An NFP will be required to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets and additional information for each category of contributed nonfinancial assets. The amendments in this ASU are affective for annual periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022 and should be applied on a retrospective basis. Early adoption is permitted.

## NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Cash

Restricted cash represents funds held in a separate bank account for the benefit of a client.

The following table summarizes cash and restricted cash reported on the statement of cash flows:

| | 12/31/20 | 12/31/19 |
|---|---|---|
| Cash | $ 608,889 | $ 538,066 |
| Restricted cash | 67,906 | - |
| Total cash and restricted cash | $ 676,795 | $ 538,066 |

Pledge Receivables

Pledge receivables represent unconditional promises to give and are reported at fair value by discounting the expected future pledge payments at the balance sheet date. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows. In subsequent years, this discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. In addition, pledges are recorded net of an allowance. The allowance for uncollectible pledges is determined by management. There were no allowances for uncollectible pledges for the year ended December 31, 2020. There were no pledge receivables for the year ended December 31, 2019, thus no allowance was considered necessary. Changes in the fair value of pledges receivable are reported in the statement of activities as contribution revenue except for changes in the allowance which are reported as program expenses at each subsequent reporting date.

Grants Receivables

Grants receivables arise in the normal course of operations. It is the policy of management to review the outstanding receivables at period end, as well as any bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts.

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. No allowance for was considered necessary for the year ended December 31, 2020 as management determined all receivables are collectable. There were no grants receivable for the year ended December 31, 2019, thus no allowance was considered necessary.

Investments

Investments are carried at fair value in the statement of financial position. Investment return (including realized and unrealized gains and losses on investments, interest and dividends, and investment expense) is included in the change in net assets without donor restrictions unless restricted by donor or law. Investment return on restricted assets is reported as an increase in net assets with donor restrictions if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment return is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue Recognition

The Organization generally measures revenue based on the amount of consideration the Organization expects to be entitled for the transfer of good or services to a customer, then recognizes this revenue when or as the Organization satisfies its performance obligations. The Organization evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. For the years ended December 31, 2020 and 2019, the Organization did not have any revenue from contracts with customers under Topic 606.

Contributed revenue may include gifts of cash or promises to give. Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received and 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. 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 accordance with Topic 958, Revenue Recognition, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement.

Contributed Services and Facilities

The Organization utilizes the services of volunteers throughout the year that perform a variety of tasks that assist the Organization with various programs. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The services do not meet the criteria for recognition as a contribution and are not reflected in the financial statements.

The Organization received pro bono accounting services of $6,600 and benefited from in-kind donation of rent for office space of $5,300 for both years ended December 31, 2020 and 2019, respectively, which is reported as revenue in the statement of activities and as an expense in the statement of functional expenses.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management. The expenses that are allocated include salaries and wages, benefits and payroll taxes which are allocated on the basis of estimates of time and effort.

## NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. The Organization did not have any unrelated business income for the years ended December 31, 2020 and 2019 and, therefore, no provision for income taxes has been made.

The Organization follows the provision of uncertain tax positions as addressed in FASB Accounting Standards Codification. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. The Organization believes that it has taken no significant uncertain tax positions for the years ended December 31, 2020 and 2019. Management believes the Organization is no longer subject to income tax examinations by applicable taxing jurisdictions for the years prior to December 31, 2017.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

## NOTE 2. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

| Financial assets at year-end: | | 12/31/20 | 12/31/19 |
|---|---|---|---|
| Cash | $ | 676,795 | 538,066 |
| Investments | | 110 | - |
| Pledges receivable | | 10,000 | - |
| Grants receivable | | 162,500 | - |
| Total financial assets | | 849,405 | 538,066 |
| Less amounts not available to be used within one year: | | | |
| Restricted cash – client trust | | 67,906 | - |
| Board-designated cash | | 400,407 | 300,103 |
| Restricted by donor with purpose restrictions | | 60,997 | 154,657 |
| Financial assets available to meet general expenditures over the next twelve months | $ | 320,095 | 83,306 |

As of December 31, 2020 and 2019, respectively, the Organization had $320,095 and $83,306 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain a minimum of 90 days operating expenses. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity monthly.

### NOTE 2. AVAILABILITY AND LIQUIDITY (continued)

The Organization is also supported by restricted grants and contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was $400,407 and $300,103 for the years ended December 31, 2020 and 2019, respectively. In the event of an unanticipated liquidity need, the Organization could draw upon its board-designated cash.

### NOTE 3. CONCENTRATION OF CREDIT RISK

Cash

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash. The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor. At December 31, 2020 and 2019, the Organization exceeded federally insured limits by $327,081 and $288,664, respectively.

### NOTE 4. FAIR VALUE MEASUREMENTS

The Organization's investments consist of money market mutual funds and are stated at fair value based on quoted prices in active markets (all Level 1 measurements).

The following table represents the financial instruments carried at fair value as of December 31:

| | 12/31/20 | | |
|---|---|---|---|
| | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
| Money market funds | $ 110 | $ 110 | $ - |

The Organization held no investments as of December 31, 2019.

### NOTE 5. CARES ACT LOANS

Paycheck Protection Program Loan

In April 2020, the Organization was granted a $94,700 loan under the Paycheck Protection Program (the "PPP Loan") administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. In accordance with ASC Subtopic 958-605 in situations in which the PPP's eligibility and loan forgiveness criteria are expected to be met, the proceeds from the PPP Loan had been initially recognized as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements.

On March 16, 2021, the PPP Loan was fully forgiven. The Organization recognized $94,700 as government grants and assistance revenue for the year ended December 31, 2020 in accordance with guidance for conditional contributions as a refundable advance; that is, once the measurable performance or other barrier and right of return of the PPP Loan no longer existed.

## NOTE 5. CARES ACT LOANS (continued)

Economic Injury Disaster Loan Advance

In May 2020, the Organization received an advance of $8,000 from the SBA. While the SBA refers to this program as an advance, it was written into law as a grant and the amount given through this program does not need to be repaid Under the original rules of the CARES Act, EIDL advances were deducted from the PPP forgiveness amount. On December 27, 2020, the Consolidated Appropriations Act of 2021 (CAA) was signed into law. In addition to funding new Paycheck Protection Program (PPP) loans, the CAA relaxed certain rules governing the program and made many retroactive changes applicable to PPP loans issued in 2020. As part of the CAA, EIDL advances were retroactively not deducted from the PPP forgiveness amount regardless of when the loan was forgiven, thus the EIDL advance has been recognized as government grants and assistance in the statement of activities.

## NOTE 6. NET ASSETS

The Organization's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts. Net assets without donor restrictions consist of the following at December 31:

| | 12/31/20 | 12/31/19 |
|---|---|---|
| Board-designated | $ 400,407 | $ 300,103 |
| Restricted client trust | 67,906 | - |
| Undesignated | 242,382 | 62,254 |
| Total net assets without donor restrictions | $ 710,695 | $ 362,357 |

Board-designated net assets consist of assets restricted by the Board of Directors for operational reserves that are available to meet the Organization's future expenditures and restricted client trust funds held for the benefit of a client.

Net assets with donor restrictions consists of the following at December 31:

| | 12/31/20 | 12/31/19 |
|---|---|---|
| San Diego Women's Foundation | $ 12,500 | $ 34,587 |
| San Diego County Community Enhancement Grant | 10,000 | 11,000 |
| Lawyer's Club of San Diego | 5,000 | 2,000 |
| JEM Project | 33,497 | - |
| County of San Diego Crime Reduction Grant | - | 107,070 |
| | $ 60,997 | $ 154,657 |

Net assets released from net assets with donor restrictions are as follows:

| | 12/31/20 | 12/31/19 |
|---|---|---|
| Satisfaction of program restrictions | $ 221,160 | 125,843 |

## NOTE 7. RETIREMENT PLAN

The Organization maintains a tax-deferred retirement plan qualified under Section 401(k) of the Internal Revenue Code and covers substantially all employees. Employees are eligible after they have completed one year of service and have attained the age of 21. Employees may elect to defer up to 100% of their salaries. The Organization matching contribution for each payroll period is 100% of the participant's eligible elective deferrals that do not exceed 4% of the participant's eligible compensation. The Organization had no matching contributions for the years ended December 31, 2020 and 2019, respectively.

## NOTE 8. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 25, 2021, the date which the financial statements were available to be issued.