



REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

**FAMILIES AGAINST MANDATORY MINIMUMS
FOUNDATION (FAMM)**

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SALTI & ASSOCIATES, LLC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Families Against Mandatory Minimums Foundation
Washington, DC

I have audited the accompanying financial statements of Families Against Mandatory Minimums Foundation (FAMM), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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 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

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 from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amount 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 estimated 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.

INDEPENDENT AUDITOR'S REPORT

(continued)

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Families Against Mandatory Minimums Foundation as of December 31, 2016, 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.

Report on Summarized Comparative Information

I have previously audited FAMM's 2015 financial statements, and my report dated February 29, 2016, expressed an unqualified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with audited financial statements from which it has been derived.

Washington, DC

N. Quinn S. Q. G.

April 11, 2017

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016

WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 2 and 3)	\$ 973,526	\$ 992,506
Investment in securities (note 5 and 6)	694,732	988,509
Accrued interest receivable (note 7)	1,293	479
Grants and pledges receivable (note 4)	475,000	301,360
Prepaid expenses	2,422	22,432
Total Current Assets	<u>2,146,973</u>	<u>2,305,286</u>
PROPERTY AND EQUIPMENT-AT COST		
Furniture	3,495	3,495
Equipment	41,372	15,151
Software	20,067	20,067
Less: accumulated depreciation	(40,530)	(31,099)
Property and Equipment, Net	<u>24,404</u>	<u>7,614</u>
OTHER ASSETS		
Security deposit (note 8)	8,888	8,888
Total Other Assets	<u>8,888</u>	<u>8,888</u>
TOTAL ASSETS	<u>\$ 2,180,265</u>	<u>\$ 2,321,788</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 42,127	\$ 60,759
Accrued vacation payable	25,274	19,765
Federal income tax payable (note 2)	-	7,508
Deferred rent (note 9)	8,029	13,568
Total Current Liabilities	<u>75,430</u>	<u>101,600</u>
TOTAL LIABILITIES	<u>75,430</u>	<u>101,600</u>
NET ASSETS		
Unrestricted net assets		
Undesignated	181,502	670,188
Designated by Board (note 13)	990,000	990,000
Total unrestricted net assets	<u>1,171,502</u>	<u>1,660,188</u>
Temporarily restricted net assets (note 11)	933,333	560,000
Total Net Assets	<u>2,104,835</u>	<u>2,220,188</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,180,265</u>	<u>\$ 2,321,788</u>

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	Unrestricted	Temporarily Restricted	2016	2015
REVENUE				
Foundation grants	\$ 200,000	\$ 1,000,000	\$ 1,200,000	435,000
Individual contributions	1,177,019	-	1,177,019	1,461,095
Interest income	5,681	-	5,681	761
Unrealized loss on investment	-	-	-	(1,491)
Realized loss on investment	512	-	512	(5,615)
In-kind donations (note 12)	446,775	-	446,775	427,144
Temporarily restricted net assets released from restrictions (note 10)	626,667	(626,667)	-	-
TOTAL REVENUE	2,456,654	373,333	2,829,987	2,316,894
EXPENSES				
Program Expenses:				
State and Regional Programs	560,363	-	560,363	436,020
Public Education	717,751	-	717,751	471,305
Federal Advocacy	1,235,052	-	1,235,052	966,173
Total Program Expenses	2,513,166	-	2,513,166	1,873,498
Supporting Services Expenses:				
Fundraising	221,142	-	221,142	129,143
General and Administration	211,032	-	211,032	188,002
Total Supporting Services Expenses	432,174	-	432,174	317,145
TOTAL EXPENSES	2,945,340	-	2,945,340	2,190,643
CHANGE IN NET ASSETS	(488,686)	373,333	(115,353)	126,251
Net assets, beginning of year	1,660,188	560,000	2,220,188	2,093,937
NET ASSETS, END OF YEAR	\$ 1,171,502	\$ 933,333	\$ 2,104,835	\$ 2,220,188

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	State and Regional Programs	Public Education	Federal Advocacy	Fundraising	General Administration	2016	2015
Salaries	\$ 161,958	\$ 390,779	\$ 336,678	\$ 89,546	\$ 145,598	\$ 1,124,559	\$ 918,861
Payroll taxes	12,427	30,857	24,943	6,753	10,785	85,765	69,425
Fringe benefits	15,631	37,285	31,978	8,516	16,198	109,608	66,206
Accounting and auditing	-	-	-	-	10,619	10,619	9,833
Advertising	5,500	6,830	30,816	90	-	43,236	52,430
Bank, interest & credit card fees	-	-	-	5,151	822	5,973	7,165
Conferences & meetings	1,361	50,256	4,557	142	4,604	60,920	27,795
Consultants & temporary help	79,058	27,622	484,368	8,160	1,533	600,741	275,711
Depreciation	-	-	-	-	9,431	9,431	5,443
Donations	15,000	-	25,000	-	-	40,000	1,250
Dues, subscriptions, & licensing	10,320	16,150	13,732	10,122	(196)	50,128	41,601
Equipment rental & maintenanc	-	-	-	-	7,270	7,270	6,679
Insurance	-	-	-	-	3,524	3,524	3,577
Internet services	-	-	-	-	9,916	9,916	9,513
Occupancy	-	-	-	-	138,196	138,196	139,096
Office supplies & expense	913	15,575	30	500	29,563	46,581	36,754
Postage & delivery	731	273	61	3,601	433	5,099	6,528
Printing & publications	435	6,876	934	3,088	2,214	13,547	19,350
Recruiting & staff training	-	2,134	90	596	-	2,820	666
Stipends to prisoners/families	15,363	1,400	6,855	-	-	23,618	13,219
Telephone	887	1,695	2,528	1,001	9,938	16,049	12,709
Taxes - federal	-	-	-	-	-	-	7,508
Travel	20,017	52,392	14,529	5,110	(1,083)	90,965	32,180
Allocated direct expenses	32,105	77,627	66,577	17,730	(194,039)	-	-
Expenses before In-Kind	371,706	717,751	1,043,676	160,106	205,326	2,498,565	1,763,499
In-Kind expenses (note 12)	188,657	-	191,376	61,036	5,706	446,775	427,144
Totals	\$ 560,363	\$ 717,751	\$ 1,235,052	\$ 221,142	\$ 211,032	\$ 2,945,340	\$ 2,190,643

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016	2015
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Cash received from operations	\$ 2,669,862	\$ 1,892,938
Interest income received	5,681	761
Federal income tax paid	-	7,508
Cash paid for operating activities	(2,962,079)	(1,749,207)
Net cash (used) provided by operating activities	(286,536)	152,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	-	(990,000)
Proceeds from sale of equities	293,777	2,680
Purchase of equipment	(26,221)	(3,888)
Net cash flows from investing activities	267,556	(991,208)
NET (DECREASE) IN CASH	(18,980)	(839,208)
Cash and cash equivalents at beginning of year	992,506	1,831,714
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 973,526	\$ 992,506
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (115,353)	\$ 126,251
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	9,431	5,443
Unrealized loss (gain) on investment	-	1,491
(Increase) decrease in assets:		
Grant/Pledges receivable	(173,640)	845
Accrued interest receivable	(814)	(479)
Prepaid expenses	20,010	(6,020)
Employee advances	-	2,092
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(16,600)	16,319
Accrued vacation payable	5,509	(388)
Deferred rent	(5,539)	(1,047)
Federal income tax liability	(7,508)	7,508
Accrued payroll expense	(2,032)	(15)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	\$ (286,536)	\$ 152,000

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

1. ORGANIZATION

Families Against Mandatory Minimums Foundation (FAMM), a non-profit organization, was incorporated in 1991 in the District of Columbia. FAMM is the national voice for fair and proportionate sentencing laws. We shine a light on the human face of sentencing, advocate for state and federal sentencing reform, and mobilize thousands of individuals whose lives are adversely affected.

Federal Programs: FAMM's Federal program is focused on eliminating federal Mandatory Minimums and preserving and improving advisory guidelines so that judges can make individualized assessments of offenders. FAMM educates federal policymakers on the benefits of allowing judges individualize sentences that fit the crime and the defendant. We carry out this mission by creating new briefing and educational materials, hosting Capitol Hill panels and briefings, testifying before legislatures and the United State Sentencing Commission, and advocating for presidential pardons and commutations.

State Programs: FAMM's state work has two components: (1) Project States, which are the states in which we have aggressive, full-scale campaigns for reform led by in-state project directors, and (2) Opportunity States, which are states where: we see an opportunity for reform, we seek to bring a unique or additional voice to the discussion, or are invited to testify or weigh in on a proposed reform. Presently, Florida and Massachusetts are FAMM's project states.

Public Education Program: FAMM's media, public and member outreach improves awareness of existing sentencing problems to build support for reform. FAMM's communications team creates and distributes press releases, op-eds, action alerts and social media posts that highlight and complement reform efforts. We pride ourselves on being a one-stop-shop for news, information and analysis on sentencing laws and reforms for our 33,000+ membership via our website, ealerts and social media.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets pursuant to Accounting Standards Codification 958, *Financial Statements of Not-for-Profit Organizations*.

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recognized when earned and expenses are recorded when incurred.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, Families Against Mandatory Minimums Foundation considers cash on hand and cash in the bank with less than three months maturity to be cash equivalents.

Property and Equipment

Property and equipment is stated at cost and is being depreciated using the straight-line method over the estimated lives of the assets ranging from five to seven years. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and the resulting gain or loss is included in revenue or expense. FAMM capitalizes fixed asset purchases of amounts in excess of \$1,500.

Income Taxes

Families Against Mandatory Minimums Foundation has been granted an exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The internal Revenue Service has classified FAMM as other than a private foundation.

Uncertain Tax Position

The Financial Accounting Standards Board (FASB) released FASB ASC740-10, Income Taxes, that provide guidance for reporting uncertainty in income taxes. For the year ended December 31, 2016, FAMM has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax provisions qualify for either recognition or disclosure in the financial statements.

Description of Net Assets

There are three classes of net assets. They can each be defined as follows:

Unrestricted Net Assets – Revenues derived from individual donations, unrestricted contributions, government grants and contacts, investment income (other than the temporarily restricted portion of true endowment investment income), and other inflows of assets whose use by FAMM is not limited by donor-imposed restrictions. Certain unrestricted net assets have been designated by the Board of Directors to be maintained for project funds, and for working capital reserve.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Net Assets (continued)

Temporarily Restricted Net Assets – Contributions and other inflows of assets whose use by FAMM is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of FAMM, such as usage for specific programs, including certain overhead and indirect costs, or for spending from investment income.

When a donor restriction expires, that is, when a stipulated time restriction end or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported on the consolidated statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – This represents net assets which the organization must maintain in perpetuity. The Organization has no permanently restricted net assets.

Revenue Recognition

Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires (when stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various program services have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. FAMM is also required to make estimates and assumptions that affect the reported amount of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

FAMM adopted Statement of Financial Accounting Standards (ASC-958-320), “Accounting for Certain Investments Held by Not-for-Profit Organizations.” The provisions of this standard require that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value on the balance sheet. The unrealized gain or loss on investments is reflected in the statement of activities.

3. UNINSURED CASH BALANCES

FAMM maintains its cash balances at two high quality financial institutions, which, at times, may exceed federal insured limits. As of December 31, 2016, the operating bank account has exceeded the limits of FDIC. However, FAMM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

4. GRANTS/PLEDGES RECEIVABLE

The grant/pledges receivable balance of \$475,000 at December 31, 2016 is all due in less than one year. FAMM does not record an allowance for uncollectible accounts receivable as accounts are written off when they are determined uncollectible.

5. FAIR VALUE MEASUREMENT

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Basis of Fair Value Measurement

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

6. FAIR VALUE MEASUREMENT (Continued)

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

The following tables set forth by level within the fair value hierarchy FAMM’s investment assets are liabilities at fair value as of December 31, 2016. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Financial assets and liabilities measured at fair value on a recurring basis consist of the following amounts as of December 31, 2016:

		Quoted Prices in active markets for identical assets (level 1)	Investments Significant other observable inputs (level 2)	Fair Value Significan t other unobserva ble inputs (level 3)	Balance as of December 31, 2016
Asset Category:					
Certificates of Deposit:					
Synchrony Bank, matures on 2/27/2017	\$	-	\$ 225,469	\$ -	\$ 225,469
Bank of India New York, matures on 5/10/2017		-	245,110	-	245,110
Bank of China New York, matures on 8/31/2017		-	225,456	-	225,456
Total investment at fair value:	\$	-	\$ 696,025	\$ -	\$ 696,025

The certificate of deposit bears an average interest rate of approximately .776%.

7. ADVERTISING

FAMM incurred in 2016 advertising expense in the amount of \$43,236. The purpose of the advertising was for the promotion and supporting fair sentencing laws in accordance with the Organization’s core mission.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

8. INVESTMENTS

FAMM investments are comprised of equity securities which are classified as trading securities and are carried at their fair value based on the quoted market prices of the securities at December 31, 2016. Net unrealized gain on trading securities are included in the changes in net assets.

Investments, at fair value consist of the following:

	2016	2015
Cash and cash equivalents held in		
Investment portfolio	\$ 302,536	\$ 203,379
Certificates of Deposit	694,732	988,509
Accrued interest	<u>1,293</u>	<u>479</u>
Total Investments	<u>\$ 998,561</u>	<u>\$1,192,368</u>

Unrestricted investment return consists

Of the following:

Interest and dividends	\$ 5,681	\$ 761
Realized loss on investment	-	(5,615)
Unrealized (loss) gain on investment	<u>512</u>	<u>(1,491)</u>
Unrestricted investment return, net	<u>\$ 6,193</u>	<u>\$ 6,345</u>

9. LEASE COMMITMENTS

FAMM leases office space under a five-year agreement effective August 1, 2012. Base rent is \$9,842 per month increasing by a factor of 3.5% per year. The following is a schedule of the future minimum lease payments

For Year Ended December 31,	
2017	<u>\$114,125</u>
Total	<u>\$114,125</u>

In accordance with the lease, FAMM paid a security deposit of \$26,664 recognized in the Statement of Financial Position. The lease provides for a reduction of the security deposit in the amount of \$17,776 which was applied against two-months rent in 2015. The security deposit balance is \$8,888 as of December 31, 2016.

Rent expense for the years ended December 31, 2016 and 2015 totaled \$138,196 and \$139,096 respectively.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

10. DEFERRED RENT

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Statements of Financial Position.

The deferred rent liability for the year ended December 31, 2016 was \$8,029.

11. TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted balance of \$933,333 as of December 31, 2016 is restricted for general program use in fiscal year 2017.

12. TEMPORARILY RESTRICTED NET ASSETS RELEASED

Temporarily restricted net assets in the amount of \$626,667 were released in fiscal year 2016 for General Program Support purposes.

13. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2016, FAMM was the beneficiary of donated goods and services, which allow FAMM to provide greater resources towards various programs. These consisted of donated consultant hours and legal fees. The total donation for 2016 was \$446,775.

14. BOARD DESIGNATED RESERVE

The Board of FAMM has elected to reserve funds from the unrestricted net assets. The total amount reserved is \$990,000 comprised of cash and certificates of deposit as of December 31, 2016. The Board approved to allocate the undesignated reserve to cover budgetary expenditures for 2017 and to allow six months reserve of operating costs.

15. SUBSEQUENT EVENTS

In preparing these financial statements, FAMM has evaluated events and transactions for potential recognition or disclosure through April 11, 2017, the date the financial statements were issued. Management has determined that there are no subsequent events that require recognition or disclosure in these financial statements.