



REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

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

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position as of December 31, 2018 With Summarized Financial Information for 2017	3
Statement of Activities For the Year Ended December 31, 2018 With Summarized Financial Information for 2017	4
Statement of Functional Expenses For the Year Ended December 31, 2018 With Summarized Financial Information for 2017	5
Statement of Cash Flows For the Year Ended December 31, 2018 With Summarized Financial Information for 2017	6
Notes to Financial Statements	7-15



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, 2018, 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 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, 2018, 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 2017 financial statements, and my report dated April 11, 2018, 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, 2017, is consistent, in all material respects, with audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in the year ended December 31, 2018, FAMM adapted and retrospectively applied Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Non-for-Profit Entities* (Topic 958); *Presentation of Financial Statements of Non-for-Profit Entities*. My opinion is not modified with respect to this matter.

Washington, DC

No. 1011 SIO 11

July 31, 2019

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 2 and 3)	\$ 1,484,166	\$ 972,204
Investment in securities (note 3 and 6)	1,015,084	997,666
Accrued interest receivable	6,700	2,202
Grants and pledges receivable (note 5)	1,417,500	1,188,800
Other receivables	1,114	1,770
Due from related party (note 7)	60,000	-
Prepaid expenses	34,354	35,413
Total Current Assets	<u>4,018,918</u>	<u>3,198,055</u>
PROPERTY AND EQUIPMENT-AT COST		
Furniture	3,495	3,495
Equipment	101,213	77,393
Software	20,067	20,067
Less: accumulated depreciation	<u>(74,779)</u>	<u>(53,223)</u>
Property and Equipment, Net	<u>49,996</u>	<u>47,732</u>
OTHER ASSETS		
Security deposit (note 9)	<u>16,668</u>	<u>16,668</u>
Total Other Assets	<u>16,668</u>	<u>16,668</u>
TOTAL ASSETS	<u>\$ 4,085,582</u>	<u>\$ 3,262,455</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 101,411	\$ 70,680
Payroll liabilities	25,422	18,127
Federal and state income taxes (note 2)	2,694	-
Deferred rent (note 10)	13,045	2,865
Total Current Liabilities	<u>142,572</u>	<u>91,672</u>
TOTAL LIABILITIES	<u>142,572</u>	<u>91,672</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	698,843	918,283
Designated by Board (note 13 and 14)	990,000	990,000
Total without donor restrictions	<u>1,688,843</u>	<u>1,908,283</u>
With donor restrictions (note 11)		
Purpose restrictions	1,125,000	1,262,500
Time-restricted for future periods	1,129,167	-
Total with donor restrictions	<u>2,254,167</u>	<u>1,262,500</u>
Total Net Assets	<u>3,943,010</u>	<u>3,170,783</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,085,582</u>	<u>\$ 3,262,455</u>

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	Without Donor Restrictions	With donor Restrictions	2018	2017
REVENUE				
Foundation grants	\$ 583,333	\$ 2,340,000	\$ 2,923,333	838,833
Individual contributions	1,054,020	-	1,054,020	2,517,553
Interest income	19,388	-	19,388	6,014
Other income	14,149	-	14,149	18,800
In-kind donations (note 15)	261,761	-	261,761	87,844
Net assets released from restrictions:				
Time purpose-restrictions	1,348,333	(1,348,333)	-	-
TOTAL REVENUE	3,280,984	991,667	4,272,651	3,469,044
EXPENSES				
Program Expenses:				
State and Regional Programs	878,610	-	878,610	662,008
Public Education and Community Engagement	1,602,591	-	1,602,591	805,723
Federal Advocacy	678,270	-	678,270	555,242
Total Program Expenses	3,159,471	-	3,159,471	2,022,973
Supporting Services Expenses:				
Fundraising	213,840	-	213,840	221,825
General and Administration	126,197	-	126,197	157,166
Total Supporting Services Expenses	340,037	-	340,037	378,991
TOTAL EXPENSES	3,499,508	-	3,499,508	2,401,964
CHANGE IN NET ASSETS	(218,524)	991,667	773,143	1,067,080
Net assets, beginning of year	1,908,283	1,262,500	3,170,783	2,104,835
Unrealized loss on investments	(916)	-	(916)	(1,132)
NET ASSETS, END OF YEAR	\$ 1,688,843	\$ 2,254,167	\$ 3,943,010	\$ 3,170,783

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	State and Regional Programs	Public Education and Community Engagement	Federal Advocacy	Fundraising	General Administration	2018	2017
Salaries	\$ 411,576	\$ 759,269	\$ 213,746	\$ 104,549	\$ 93,877	\$ 1,583,017	\$ 1,159,557
Payroll taxes	33,745	62,211	16,588	8,747	5,756	127,047	92,256
Fringe benefits	39,677	73,193	20,522	10,094	7,165	150,651	138,431
Accounting and auditing	-	-	-	-	15,532	15,532	13,981
Advertising	100	25,487	373	-	-	25,960	18,850
Bank, interest & credit card fees	-	95	-	3,392	153	3,640	4,195
Conferences & meetings	6,740	3,053	1,474	5,286	5,149	21,702	11,911
Consultants & temporary help	218,470	396,976	96,220	7,425	-	719,091	410,584
Depreciation	-	-	-	-	21,384	21,384	12,693
Dues, subscriptions, & licensing	26,003	45,359	12,708	26,835	3,903	114,808	89,559
Equipment rental & maintenance	-	-	-	-	-	-	8,614
Insurance	-	-	-	-	4,091	4,091	3,480
Internet services	-	-	-	-	12,165	12,165	9,494
loss on sale of securities	-	-	-	-	1,071	1,071	-
Occupancy	-	-	-	-	189,708	189,708	130,043
Office supplies & expense	2,298	18,096	1,682	18	49,653	71,747	104,268
Postage & delivery	324	581	32	1,755	1,193	3,885	3,269
Printing & publications	7,642	12,835	1,674	12,481	2,736	37,368	17,669
Recruiting & staff training	360	2,361	-	-	270	2,991	9,677
Stipends to prisoners/families	1,000	2,255	1,350	-	-	4,605	7,200
Telephone	3,116	1,468	523	1,342	11,348	17,797	13,806
Taxes - federal	-	-	-	-	2,694	2,694	-
Travel	43,397	44,099	8,578	10,504	215	106,793	54,583
Allocated general operating expenses (note 12)	84,162	155,253	43,531	21,412	(304,358)	-	-
Expenses before In-Kind	878,610	1,602,591	419,001	213,840	123,705	3,237,747	2,314,120
In-Kind expenses (note 15)	-	-	259,269	-	2,492	261,761	87,844
Totals	\$ 878,610	\$ 1,602,591	\$ 678,270	\$ 213,840	\$ 126,197	\$ 3,499,508	\$ 2,401,964

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Cash received from foundations	\$ 1,402,500	\$ 625,000
Cash received from individual donors	2,310,454	2,159,387
Cash received from investments	12,688	6,014
Miscellaneous receipts	79,664	18,800
Cash paid for salaries and related benefits	(1,804,648)	(1,360,172)
Cash paid for legal and accounting fees	(108,795)	(108,133)
Cash paid for rent	(179,553)	(142,988)
Cash paid for subscription dues	(90,455)	(83,266)
Cash paid for consultants and professional fees	(625,768)	(389,798)
Cash paid for suppliers and vendors	(445,305)	(384,261)
Net cash provided by operating activities	<u>550,782</u>	<u>340,583</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(789,000)	(1,001,000)
Proceeds from sale of investments	774,000	695,116
Purchase of equipment	(23,820)	(36,021)
Net cash flows from investing activities	<u>(38,820)</u>	<u>(341,905)</u>
NET INCREASE (DECREASE) IN CASH	511,962	(1,322)
Cash and cash equivalents at beginning of year	<u>972,204</u>	<u>973,526</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,484,166</u>	<u>\$ 972,204</u>

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. ORGANIZATION

Families Against Mandatory Minimums Foundation (FAMM), a nonprofit organization, was incorporated in 1991 in the District of Columbia. FAMM's mission is to create a more fair and effective justice system that respects our American values of individual accountability and dignity while keeping our communities safe. FAMM is the national voice for fair and proportionate sentencing laws and prison reform. We shine a light on the human face of these issues, advocate for state and federal reform, and mobilize thousands of individuals whose lives are adversely affected by the current system.

FAMM's greatest asset has always been the stories of our members. By sharing the impact of unjust sentencing and prison policies on incarcerated individuals, their families, and their communities, FAMM has helped create urgency around the issue and made the problem feel real to the policymakers who have to be moved to make meaningful change. This two-pronged approach — public education and targeted advocacy — is core to FAMM's success to date and will remain critical to our work as we expand our organizing efforts nationally.

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. We also work in prison policy reform, supporting policies that provide incarcerated individuals with access to meaningful work and educational opportunities, as well as substance abuse and mental health treatment. We believe that all corrections facilities should be safe and that individuals who are incarcerated should remain close to their homes in order to maintain and strengthen important family bonds. Central to both our sentencing and prison policy reform work is educating policymakers on these issues. We carry out this mission by creating new briefing and educational materials; hosting Capitol Hill rallies, panels, and briefings; testifying before legislatures and the U.S. 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, the states in which we work are: Arizona, Pennsylvania, North Carolina, Florida, Missouri, and Texas.

Public Education Program: FAMM's media, public, and member outreach improves awareness of existing sentencing and prison policy 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, case studies, and analysis on sentencing laws and reforms for our 37,000+ membership via our website, e-alerts, and social media.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. ORGANIZATION (Continued)

FAMM Advocates Program: FAMM is growing its network of families in every state to fight for deep and lasting reform across the country. Our goal is to build a large group of former prisoners or family members who are prepared to advocate. These advocates will make change by testifying before legislatures, meeting with lawmakers and other officials, and speaking with the media on a variety of criminal justice reforms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of FAMM and changes therein are classified and reported as:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

With Donor Restrictions – Those resources subject to donor-imposed restrictions that will be satisfied by action of FAMM or by passage of time.

FAMM has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class.

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.

In 2018, FAMM incurred unrelated business income tax for disallowed fringe benefits.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, 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.

Change in Accounting Principles

FAMM implemented FASB ASU 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily and permanently restricted net assets have been combined into a single net asset class called net assets *with donor restrictions*
- The unrestricted net assets class has been renamed net assets *without donor restrictions*.
- The format of the statement of cash flows has changed to the direct method of reporting cash flows from operations, which I believe to be more understandable for the users of our financial statements.
- The financial statements include a disclosure about liquidity and availability of resources (note 15)

Contributions

All contributions are considered to be without donor restrictions unless specifically communicated by the donor. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. When restrictions are fulfilled in the same time period as the contribution is received, FAMM presents such contributions in the net assets without donor restrictions

Functional Allocation of Expenses

The Statement of Activities reports expenses by both natural and functional classification. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related or supporting service category when identifiable and possible.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recent Accounting Pronouncement

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2014-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 31, 2018. FAMM is currently evaluating the impact the adoption of this guidance will have on its financial statements.

3. 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.

4. 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, 2018, 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.

5. GRANTS/PLEDGES RECEIVABLE

The grant/pledges receivable balance of \$1,417,500 at December 31, 2018 broken down as follows:

Due within one year	\$ 855,000
Due in 2020	<u>562,500</u>
TOTAL	<u>\$1,417,500</u>

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

5. GRANTS/PLEDGES RECEIVABLE (Continued)

FAMM does not record an allowance for uncollectible accounts receivable as accounts are written off when they are determined uncollectible.

6. 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.

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 as of December 31, 2018. 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 measured at fair value on a recurring basis consist of the following amounts as of December 31, 2018:

	Quoted Prices in active markets for identical assets (level 1)	Investments Significant other observable inputs (level 2)	Fair Value Significant other unobservable inputs (level 3)	Balance as of December 31, 2018
Asset Category:		<u>\$ 1,021,784</u>		<u>\$1,021,784</u>
Certificates of Deposits				
Total investment at fair value:		<u>\$ 1,021,784</u>		<u>\$1,021,784</u>

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

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

7. RELATED PARTY TRANSACTIONS

A related party relationship exists between FAMM and FAMM Action, an incorporated 501(c)(4) organization. The organizations share leadership and personnel. Fundraising efforts, banking and financial reporting have been separated. As of December 31, 2018, a due from FAMM Action of \$60,000 is recorded for consultant expenses incurred and paid for by FAMM.

For the year ended December 31, 2018, FAMM received related party contributions totaling \$650,000 from Board members and entities related to Board members.

8. LEASE COMMITMENTS

FAMM leases office space under a five-year agreement effective August 1, 2012. Base rent is \$16,668 per month increasing by a factor of 3.5% per year. During the audit year, FAMM expanded its office space and subsequently signed two lease modifications to reflect additional square footage to its original base rent.

On March 31, 2017, FAMM renewed its existing lease under “Modification 1” to reflect the office expansion. The renewal of the existing office space commences on November 1, 2017 and shall terminate on October 31, 2022. Total lease commitment for the entire period is \$631,824.

In addition to the base rent, FAMM committed its first expansion (modification 1) commencing on May 1, 2017 and ending on lease termination date October 31, 2022. FAMM committed to a fixed, guaranteed base rent for the expansion area in the amount of \$177,138. The modification includes “*rent holiday*” for the 1st seven full months following expansion area of commencement date.

On August 24, 2017, FAMM committed to its second expansion referred to “Modification 2”. The additional office space commences on October 1, 2017 and ending on October 31, 2022. FAMM committed to a fixed, guaranteed base rent for the expansion area in the amount of \$267,080. The modification includes “*rent holiday*” for the 1st three full months following expansion area of commencement date.

The following is a schedule of the future minimum lease payments

For Year Ended December 31,

2019	206,454
2020	212,130
2021	217,954
2022	185,770
Total	<u>\$822,308</u>

In accordance with the lease, FAMM paid a security deposit of \$16,668 recognized in the Statement of Financial Position. The security deposit balance is \$16,668 as of December 31, 2018.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

8. LEASE COMMITMENTS (Continued)

Rent expense for the years ended December 31, 2018 and 2017 totaled \$189,708 and \$130,043 respectively.

9. ADVERTISING

FAMM incurred in 2018 advertising expense in the amount of \$25,960. The purpose of the advertising was for the promotion and supporting fair sentencing laws in accordance with the Organization's core mission.

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, 2018 was \$13,045.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018, are restricted for the following purposes:

Subject to expenditure for specified purpose:

General support – subject to passage of time	\$1,129,167
Subject to matching requirement	<u>1,125,000</u>
TOTAL	<u>\$2,254,167</u>

12. METHODS USED FOR ALLOCATION OF EXPENSES FROM MANAGEMENT AND GENERAL

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses are grouped under general operating expenses and are allocated on a reasonable basis that is consistently applied. These expenses under general operating expenses include bank fees, occupancy, insurance, depreciation, internet, telephone, accounting and auditing fees and office expenses which are allocated on salaries basis, which are allocated on the basis of estimates of time and effort.

Total general operating expenses allocated among programs totaled \$304,358.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

13. LIQUIDITY, AVAILABILITY AND RESERVES MANAGEMENT

FAMM nonprofit's process of liquidity management calls for the organization to maintain sufficient liquid financial assets in order to readily meet general expenditures and obligations as they become due. Management of the nonprofit periodically reviews the organization's liquid asset needs and adjusts the cash and cash equivalent balances as necessary.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, FAMM considers all expenditures related to its ongoing mission-related activities, as well as the conduct of service undertaken to support those activities, to be general expenditures.

FAMM has \$2,430,950 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$1,484,166, contributions receivable of \$855,000, investments in certificates of deposits of \$31,784 net of board reserve, and \$60,000 due from related party. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Board designated a portion of its operating surplus to its liquidity reserve which was as of December 31, 2018, \$990,000. The purpose of the fund established by the governing board is to be able to draw upon the fund in the event of financial distress or immediate liquidity need resulting from events outside the typical cycle of converting financial assets to cash.

FAMM has calculated its financial assets available within one year of the statement of financial position date for general expenditures to be as follows:

Cash and cash equivalents	\$1,484,166
Investments in certificates of deposits	1,015,084
Accrued interest receivable	6,700
Grants and pledges receivable	1,417,500
Due from related party	<u>60,000</u>
Financial assets, at year end	\$3,983,450
Less: those unavailable for general expenditures within one year due to:	
Contractual or donor imposed restrictions:	
Matching requirement	(562,500)
Board designations:	
Amounts set aside for liquidity reserve	<u>(990,000)</u>
Financial assets available to meet cash Needs for general expenditures within One year	<u>\$2,430,950</u>

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018. The Board approved to allocate the undesignated reserve to cover budgetary expenditures for 2018 and to allow six-months reserve of operating costs.

15. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2018, 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 2018 was \$261,761.

16. SUBSEQUENT EVENTS

In preparing these financial statements, FAMM has evaluated events and transactions for potential recognition or disclosure through July 31, 2019, 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.