



REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

**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, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited FAMM's 2018 financial statements, and my report dated July 31, 2019, 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, 2018, 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, 2019, FAMM adapted and retrospectively applied ASU 2014-09, Revenue from Contracts with Customers, as amended, (Topic 606) and Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Non-for-Profit Entities* (Topic 958); Clarifying the scope and Accounting Guidance for Contributions Received and Contributions Made, in 2019. My opinion is not modified with respect to this matter.

Washington, DC



October 25, 2020

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 2)	\$ 1,308,337	\$ 1,484,166
Investment in securities (note 3 and 4)	847,096	1,015,084
Accrued interest receivable	-	6,700
Grants receivable (note 10)	1,127,655	1,417,500
Other receivables	2,605	1,114
Due from related party	-	60,000
Prepaid expenses	209,534	34,354
Total Current Assets	<u>3,495,227</u>	<u>4,018,918</u>
PROPERTY AND EQUIPMENT-AT COST		
Furniture	18,517	3,495
Equipment	106,014	101,213
Software	-	20,067
Less: accumulated depreciation	<u>(43,243)</u>	<u>(74,779)</u>
Property and Equipment, Net	<u>81,288</u>	<u>49,996</u>
OTHER ASSETS		
Security deposit (note 6)	<u>21,326</u>	<u>16,668</u>
Total Other Assets	<u>21,326</u>	<u>16,668</u>
TOTAL ASSETS	<u>\$ 3,597,841</u>	<u>\$ 4,085,582</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 108,248	\$ 101,411
Payroll liabilities	34,798	25,422
Federal and state income taxes	-	2,694
Deferred rent (note 7)	26,607	13,045
Total Current Liabilities	<u>169,653</u>	<u>142,572</u>
TOTAL LIABILITIES	<u>169,653</u>	<u>142,572</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	688,188	698,843
Designated by Board (note 11 and 14)	990,000	990,000
Total without donor restrictions	<u>1,678,188</u>	<u>1,688,843</u>
With donor restrictions (note 8)		
Purpose restrictions - matching requirement	750,000	1,125,000
Time-restricted for future periods	1,000,000	1,129,167
Total with donor restrictions	<u>1,750,000</u>	<u>2,254,167</u>
Total Net Assets	<u>3,428,188</u>	<u>3,943,010</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,597,841</u>	<u>\$ 4,085,582</u>

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	Without Donor Restrictions	With donor Restrictions	2019	2018
REVENUE				
Foundation grants	\$ 130,000	\$ -	\$ 130,000	2,923,333
Individual contributions	1,806,525	1,000,000	2,806,525	1,054,020
Revenue from affiliate	540,000	-	540,000	-
Interest income	22,567	-	22,567	19,388
Other income	-	-	-	14,149
In-kind donations (note 13)	651,945	-	651,945	261,761
Net assets released from restrictions:				
Marching requirement	375,000	(375,000)	-	-
Time purpose-restrictions	1,129,167	(1,129,167)	-	-
TOTAL REVENUE	4,655,204	(504,167)	4,151,037	4,272,651
EXPENSES				
Program Expenses:				
State and Regional Programs	1,252,852	-	1,252,852	878,610
Public Education and Community Engagement	1,929,386	-	1,929,386	1,602,591
Federal Advocacy	1,204,158	-	1,204,158	678,270
Total Program Expenses	4,386,396	-	4,386,396	3,159,471
Supporting Services Expenses:				
Fundraising	113,800	-	113,800	213,840
General and Administration	165,663	-	165,663	126,197
Total Supporting Services Expenses	279,463	-	279,463	340,037
TOTAL EXPENSES	4,665,859	-	4,665,859	3,499,508
CHANGE IN NET ASSETS	(10,655)	(504,167)	(514,822)	773,143
Net assets, beginning of year	1,688,843	2,254,167	3,943,010	3,170,783
Unrealized loss on investments	-	-	-	(916)
NET ASSETS, END OF YEAR	\$ 1,678,188	\$ 1,750,000	\$ 3,428,188	\$ 3,943,010

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	State and Regional Programs	Public Education and Community Engagement	Federal Advocacy	Fundraising	General Administration	2019	2018
Salaries	\$ 513,207	\$ 920,895	\$ 288,277	\$ 54,294	\$ 74,554	\$ 1,851,227	\$ 1,583,017
Payroll taxes	40,166	72,790	22,377	4,195	5,806	145,334	127,047
Fringe benefits	52,632	95,410	28,741	5,594	13,805	196,182	150,651
Accounting and auditing	-	-	-	-	13,325	13,325	15,532
Advertising	11,250	31,479	-	-	-	42,729	25,960
Bank, interest & credit card fees	-	-	-	2,609	1,003	3,612	3,640
Conferences & meetings	13,000	147,327	1,638	93	5,912	167,970	21,702
Consultants & temporary help	250,970	79,070	14,000	4,330	21,573	369,943	719,091
Depreciation	-	-	-	-	35,586	35,586	21,384
Donations	2,100	104,750	-	-	-	106,850	-
Dues, subscriptions, & licensing	122,621	53,306	16,951	15,658	7,967	216,503	114,808
Equipment rental & maintenance	-	500	-	-	8,865	9,365	-
Insurance	-	-	2,301	-	3,673	5,974	4,091
Internet services	264	272	-	-	13,720	14,256	12,165
loss on sale of securities	-	-	-	-	1,101	1,101	1,071
Occupancy	-	-	-	-	288,393	288,393	189,708
Office supplies & expense	7,082	24,921	260	60	36,951	69,274	71,747
Postage & delivery	1,238	1,116	11	913	753	4,031	3,885
Printing & publications	2,054	13,799	435	9,597	9,112	34,997	37,368
Recruiting & staff training	-	775	-	-	880	1,655	2,991
Stipends to prisoners/families	12,350	49,462	33,500	-	-	95,312	4,605
Telephone	4,582	1,366	590	409	16,849	23,796	17,797
Taxes - federal	-	-	-	-	-	-	2,694
Travel	104,977	123,759	83,351	3,917	495	316,499	106,793
Allocated general operating expenses (note 9)	114,359	208,389	59,781	12,131	(394,660)	-	-
Expenses before In-Kind	1,252,852	1,929,386	552,213	113,800	165,663	4,013,914	3,237,747
In-Kind expenses (note 13)	-	-	651,945	-	-	651,945	87,844
Totals	\$ 1,252,852	\$ 1,929,386	\$ 1,204,158	\$ 113,800	\$ 165,663	\$ 4,665,859	\$ 3,325,591

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019	2018
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Cash received from foundations	\$ 230,000	\$ 1,402,500
Cash received from individual donors	2,996,370	2,310,454
Cash received from investments	22,567	12,688
Cash received from affiliate	600,000	-
Miscellaneous receipts	-	79,664
Cash paid for salaries and related benefits	(2,186,012)	(1,804,648)
Cash paid for legal and accounting fees	(13,325)	(108,795)
Cash paid for rent	(274,489)	(179,553)
Cash paid for subscription dues	(216,503)	(90,455)
Cash paid for consultants and professional fees	(363,423)	(625,768)
Cash paid for suppliers and vendors	(579,157)	(445,305)
Net cash provided by operating activities	216,028	550,782
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,076,000)	(789,000)
Proceeds from sale of investments	1,251,000	774,000
Purchase of equipment	(54,895)	(23,820)
Net cash flows from investing activities	120,105	(38,820)
NET INCREASE (DECREASE) IN CASH	336,133	511,962
Cash and cash equivalents at beginning of year	972,204	972,204
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,308,337	\$ 1,484,166

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019**

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 2019, 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, 2019

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, 2019, 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.

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.

Statement of Cash Flows

This statement reflects inflows and outflows of cash, summarized by operating, and investing activities. The statement of cash flows is prepared using the direct method. For purposes of this statement, cash and cash equivalents consist of checking and money market accounts.

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, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adopted Accounting Pronouncement

During fiscal 2019, FAMM adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance provided in this ASU will assist in evaluating whether transactions should be accounted for as contributions (Nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional.

As required by ASU 2018-08, FAMM applied requirements on a modified prospective basis to agreements that either are not completed as of January 1, 2019 or entered into after January 1, 2019.

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.

On January 1, 2019, FAMM adopted ASU 2014-09, using modified retrospective approach. FAMM applied the five step revenue model stipulated by ASDC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five step model requires FAMM to:

1. Identify contracts with customers,
2. Identify performance obligations related to those contracts,
3. Determine the transaction price,
4. Allocate that transaction price to each performance obligation, and
5. Recognize revenue when or as FAMM satisfies a performance obligation.

The adoption of this ASU 2014-09 did not materially impact the timing of revenue recognized by FAMM in the financial statements

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning 2021.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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. 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 (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, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificates of Deposits	<u>-</u>	<u>\$847,096</u>	<u>\$847,096</u>

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

5. RELATED PARTY TRANSACTIONS

A related party relationship exists between FAMM and FAMM Action, an incorporated 501(c)(4) organization. The organizations share office space, leadership and personnel. Fundraising efforts, banking and financial reporting have been separated. For the year ended December 31, 2019, FAMM Action paid FAMM the Foundation \$540,000 to cover expenses incurred on behalf of the Foundation.

For the year ended December 31, 2019, FAMM received related party contributions totaling \$650,000 from Board members and entities related to Board members.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

6. 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. FAMM expanded its office space and subsequently signed three 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 2009, the lease term was extended through October 31, 2024.

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. In 2009, the lease term was extended through October 31, 2024.

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. In 2009, the lease term was extended through October 31, 2024.

On April 17, 2019, FAMM Committed to its third expansion referred to “Modification 3”. FAMM leased suite 1020 on the 10th floor. Total obligation under modification 3 is \$276,652. The extension of lease for two more years added additional liability of \$446,412 for modification one and two.

The following is a schedule of the future minimum lease payments
For Year Ended December 31,

2020	\$ 258,966
2021	275,650
2022	283,232
2023	291,020
2024	248,050
Total	<u>\$1,356,918</u>

In accordance with the lease, FAMM paid a security deposit of \$16,668 recognized in the Statement of Financial Position. In 2019, additional security deposit of \$4,658 to cover the new expansion under modification 3 for suite 1020. The security deposit balance is \$21,326 as of December 31, 2019.

Rent expense for the years ended December 31, 2019 and 2018 totaled \$274,831 and \$189,708 respectively.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

7. 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, 2019 was \$26,627.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2019, are restricted for the following purposes:

Subject to expenditure for specified purpose:	
General support – subject to passage of time	\$1,000,000
Subject to matching requirement	<u>750,000</u>
TOTAL	<u>\$1,750,000</u>

9. 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 \$394,660.

10. GRANTS RECEIVABLE

Grants receivable consist of outstanding amounts due for grants which have been awarded to the Organization. The Organization recognizes grant income upon notification of the unconditional grant award.

The grants receivable balance of \$1,127,655 at December 31, 2019 broken down as follows:

Due within one year	\$ 565,155
Due in two years	<u>562,500</u>
TOTAL	<u>\$1,127,655</u>

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

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

11. 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 \$1,730,588 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$1,308,337, contribution receivables of \$422,000, 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, 2019, \$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	\$1,308,337
Investments in certificates of deposits	847,096
Grants and pledges receivable	<u>1,127,655</u>
Financial assets, at year end	\$3,283,088
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>\$1,730,588</u>

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

12. ADVERTISING

FAMM incurred in 2019 advertising expense in the amount of \$42,729. The purpose of the advertising was for the promotion and supporting fair sentencing laws in accordance with the Organization's core mission

13. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2019, FAMM was the beneficiary of donated services, which allow FAMM to provide greater resources towards various programs. These consisted of donated consultant hours and legal fees. The total donation for 2019 was \$651,945.

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, 2019. The Board approved to allocate the undesignated reserve to cover budgetary expenditures for 2019 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 October 25, 2020, the date the financial statements were issued.