



REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

**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

Opinion

I have audited the accompanying financial statements of Families Against Mandatory Minimums Foundation (FAMM) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Families Against Mandatory Minimums Foundation. as of December 31, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Families Against Mandatory Minimums Foundation ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Report on Summarized Comparative Information

I have previously audited Families Against Mandatory Minimums Foundation 2021 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated April 30, 2022. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Washington, DC

No. 1011 SIOG

May 19, 2023

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2022

WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------|----------------------------|----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents (note 2) | \$ 4,107,969 | \$ 5,021,728 |
| Marketable securities | - | 25,650 |
| Grants receivable (note 9) | 1,600,000 | 400,000 |
| Due from related party (note 5) | 407,138 | 252,895 |
| Right-of-use asset - operating lease (note 6) | 268,850 | 259,438 |
| Prepaid expenses | 23,218 | 31,486 |
| Total Current Assets | <u>6,407,175</u> | <u>5,991,197</u> |
| PROPERTY AND EQUIPMENT-AT COST | | |
| Furniture | 25,623 | 18,517 |
| Equipment | 124,362 | 114,761 |
| Less: accumulated depreciation | <u>(104,221)</u> | <u>(84,619)</u> |
| Property and Equipment, Net | <u>45,764</u> | <u>48,659</u> |
| OTHER ASSETS | | |
| Right-of-use asset - operating lease (non-current) | 230,767 | 499,617 |
| Certificates of deposit (note 2 & 3) | 980,000 | 244,780 |
| Security deposit (note 6) | 21,326 | 21,326 |
| Total Other Assets | <u>1,232,093</u> | <u>765,723</u> |
| TOTAL ASSETS | <u>\$ 7,685,032</u> | <u>\$ 6,805,579</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 191,790 | \$ 191,972 |
| Lease payable (note 6) | 268,850 | 259,438 |
| Total Current Liabilities | <u>460,640</u> | <u>451,410</u> |
| Long term Liabilities | | |
| Lease payable (non-current) | 230,767 | 499,617 |
| TOTAL LIABILITIES | <u>691,407</u> | <u>951,027</u> |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Undesignated | 3,253,625 | 4,414,552 |
| Designated by Board (note 12 and 14) | 990,000 | 990,000 |
| Total without donor restrictions | <u>4,243,625</u> | <u>5,404,552</u> |
| With donor restrictions (note 7) | | |
| Time-restricted for future periods | 2,750,000 | 450,000 |
| Total with donor restrictions | <u>2,750,000</u> | <u>450,000</u> |
| Total Net Assets | <u>6,993,625</u> | <u>5,854,552</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 7,685,032</u> | <u>\$ 6,805,579</u> |

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

| | Without Donor Restrictions | With donor Restrictions | 2022 | 2021 |
|-------------------------------------------|---------------------------------------|------------------------------------|---------------------|---------------------|
| REVENUE | | | | |
| Foundation grants | \$ 442,500 | \$ 3,000,000 | \$ 3,442,500 | \$ 985,000 |
| Individual contributions | 1,323,447 | - | 1,323,447 | 3,529,904 |
| Revenue from affiliate | 113,170 | - | 113,170 | 60,000 |
| Interest income | 17,641 | - | 17,641 | 2,181 |
| Relaized gain on sale of investment | 199 | - | 199 | - |
| In-kind donations (note 11) | 239,244 | - | 239,244 | 694,807 |
| Net assets released from restrictions: | - | | | |
| Time purpose-restrictions | 700,000 | (700,000) | - | - |
| TOTAL REVENUE | 2,836,201 | 2,300,000 | 5,136,201 | 5,271,892 |
| EXPENSES | | | | |
| Program Expenses: | | | | |
| State and Regional Programs | 1,217,811 | - | 1,217,811 | 1,104,527 |
| Public Education and Community Engagement | 1,544,348 | - | 1,544,348 | 1,591,472 |
| Federal & State Advocacy | 884,400 | - | 884,400 | 1,291,156 |
| Total Program Expenses | 3,646,559 | - | 3,646,559 | 3,987,155 |
| Supporting Services Expenses: | | | | |
| Fundraising | 43,836 | - | 43,836 | 42,163 |
| General and Administration | 306,733 | - | 306,733 | 656,023 |
| Total Supporting Services Expenses | 350,569 | - | 350,569 | 698,186 |
| TOTAL EXPENSES | 3,997,128 | - | 3,997,128 | 4,685,341 |
| Change in net assets from operations | (1,160,927) | 2,300,000 | 1,139,073 | 586,551 |
| NONOPERATING ACTIVITIES | | | | |
| Unrealized gain (loss) on investments | - | - | - | (1,868) |
| CHANGE IN NET ASSETS | (1,160,927) | 2,300,000 | 1,139,073 | 584,683 |
| Net assets, beginning of year | 5,404,552 | 450,000 | 5,854,552 | 5,269,869 |
| NET ASSETS, END OF YEAR | \$ 4,243,625 | \$ 2,750,000 | \$ 6,993,625 | \$ 5,854,552 |

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

| | State and Regional Programs | Public Education and Community Engagement | Federal & State Advocacy | Fundraising | General Administration | 2022 | 2021 |
|-----------------------------------------------|--------------------------------------------|----------------------------------------------------------|-----------------------------------------|--------------------|-----------------------------------|---------------------|---------------------|
| Salaries | \$ 508,151 | \$ 1,021,206 | \$ 370,991 | \$ 2,373 | \$ 94,529 | \$ 1,997,250 | \$ 2,226,156 |
| Payroll taxes | 38,958 | 79,516 | 29,364 | 157 | 11,994 | 159,989 | 194,256 |
| Fringe benefits | 55,791 | 108,982 | 40,286 | 251 | 12,610 | 217,920 | 243,356 |
| Accounting and auditing | - | - | - | - | 60,487 | 60,487 | 57,593 |
| Advertising | - | 1,930 | - | - | - | 1,930 | 48,050 |
| Bank, interest & credit card fees | - | - | - | 1,674 | 3,211 | 4,885 | 13,329 |
| Conferences & meetings | 183,808 | 1,562 | 20,889 | 613 | 6,372 | 213,244 | 30,541 |
| Consultants & temporary help | 144,417 | 79,700 | 27,285 | 13,500 | - | 264,902 | 155,238 |
| Depreciation | - | - | - | - | 19,602 | 19,602 | 17,018 |
| Donations | 86,000 | - | - | - | - | 86,000 | 161,119 |
| Dues, subscriptions, & licensing | 7,498 | 86,960 | 37,848 | 10,148 | 17,366 | 159,820 | 247,406 |
| Equipment rental & maintenance | - | - | - | - | - | - | 3,362 |
| Insurance | - | - | 621 | - | 4,698 | 5,319 | 14,652 |
| loss on sale of securities | - | - | - | - | - | - | 1,838 |
| Occupancy | - | - | - | - | 288,342 | 288,342 | 257,617 |
| Office supplies & expense | 1,036 | 5,202 | 600 | 212 | 32,299 | 39,349 | 97,457 |
| Postage & delivery | 356 | 192 | 70 | 6,118 | 2,470 | 9,206 | 7,106 |
| Printing & publications | 2,572 | 12,682 | 12,553 | 4,519 | 7,289 | 39,615 | 66,261 |
| Recruiting & staff training | - | 4,893 | 1,171 | - | 525 | 6,589 | 4,136 |
| Stipends to prisoners/families | 5,750 | 25,470 | 500 | - | - | 31,720 | 80,800 |
| Telephone and internet service | - | 72 | - | - | 24,626 | 24,698 | 27,907 |
| Travel | 78,427 | 5,786 | 40,213 | 582 | 2,009 | 127,017 | 35,335 |
| Allocated general operating expenses (note 8) | 105,047 | 110,195 | 62,765 | 3,689 | (281,696) | - | - |
| Expenses before In-Kind | 1,217,811 | 1,544,348 | 645,156 | 43,836 | 306,733 | 3,757,884 | 3,990,533 |
| In-kind: Consultant | - | - | 239,244 | - | - | 239,244 | 692,795 |
| In-kind: travel & printing | - | - | - | - | - | - | 2,013 |
| Totals | \$ 1,217,811 | \$ 1,544,348 | \$ 884,400 | \$ 43,836 | \$ 306,733 | \$ 3,997,128 | \$ 4,685,341 |

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------------------------|-----------------------------------|-----------------------------------|
| CASH FLOWS PROVIDED BY OPERATING ACTIVITIES | | |
| Cash received from foundations | \$ 2,242,500 | \$ 1,335,000 |
| Cash received from individual donors | 1,323,447 | 3,503,344 |
| Cash received from investments | 17,641 | 2,181 |
| Cash received from affiliate | - | 60,000 |
| Cash paid for salaries and related benefits | (2,375,159) | (2,663,768) |
| Cash paid for legal and accounting fees | (60,487) | (57,593) |
| Cash paid for rent | (288,342) | (257,617) |
| Cash paid for subscription dues | (159,820) | (247,406) |
| Cash paid for consultants and professional fees | (403,230) | (293,566) |
| Cash paid for suppliers and vendors | (458,602) | (870,474) |
| Net cash provided (used) by operating activities | <u>(162,052)</u> | <u>510,101</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (735,000) | - |
| Proceeds from sale of investments | - | 283,868 |
| Purchase of equipment | (16,707) | (1,738) |
| Net cash flows from investing activities | <u>(751,707)</u> | <u>282,130</u> |
| NET INCREASE IN CASH | <u>(913,759)</u> | <u>792,231</u> |
| Cash and cash equivalents at beginning of year | <u>5,021,728</u> | <u>4,229,497</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 4,107,969</u></u> | <u><u>\$ 5,021,728</u></u> |

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022

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.

At times, the Organization maintains amounts in a commercial bank that are in excess of the insured limits of the FDIC. The Organization has not experienced any losses on such deposits and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Property and Equipment

Property and equipment are 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.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. FAMM did not incur unrelated business income tax for taxable year 2022.

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, 2022, 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, revenue and expenses and disclosures of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certificates of Deposit

The Foundation's investments in certificates of deposit, with original maturities greater than ninety days, are valued at cost. These investments do not qualify as securities as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320, Investments—Debt and Equity Securities, thus fair value disclosures required by ASC 820, Fair Value Measurements and Disclosures, for the certificates of deposit are not provided.

Right of Use Assets and Liabilities

Operating lease right of use ("ROU") assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As leases generally do not provide an implicit rate, FAMM's incremental borrowing rate at commencement date is used to determine the present value of future payments. The operating lease ROU asset also includes any lease payments made and exclude lease incentives and any initial direct costs incurred. FAMM's operating lease ROU assets and operating liabilities are calculated including options to extend the lease when it is reasonably certain that FAMM will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Upon adoption of Topic 842, the recorded ROU assets and liabilities related to real estate rentals. Upon adoption of Topic 842, the balances at adoption date of accrued rent, lease incentives and unamortized assets and liabilities are now presented within operating lease ROU assets on FAMM's financial position.

3. CERTIFICATES OF DEPOSIT

During the year, FAMM acquired certificates of deposit at various financial institutions. Below is a schedule of certificates of deposit held at December 31, 2022:

| | <u>Trade Date</u> | <u>Maturity Date</u> | <u>Face Value</u> | <u>Est Income</u> |
|------------------|-------------------|----------------------|-------------------------|-------------------------|
| Beal Bank USA | 10/31/2022 | 5/10/2023 | \$245,000 | \$ 5,314 |
| Wells Fargo Bank | 10/31/2022 | 8/04/2023 | 245,000 | 8,063 |
| Morgan Stanley | 10/31/2022 | 11/03/2023 | 245,000 | 11,148 |
| PNC Bank | 12/22/2022 | 12/28/2023 | <u>245,000</u> | <u>11,025</u> |
| TOTAL | | | <u>\$980,000</u> | <u>\$ 35,550</u> |

4. ADVERTISING

FAMM incurred in 2022 advertising expense in the amount of \$1,930. 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, 2022

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, 2022, FAMM Action paid FAMM the Foundation \$700,000 to cover expenses incurred on behalf of the Foundation. Additional expenses incurred by the Foundation and a balance due from FAMM Action at December 31, 2022 is \$407,138.

6. LEASE ARRANGEMENTS

FAMM has operating lease primarily for office space. The lease liability is measured at the present value of the remaining lease payments, using a discount rate based on the rate implicit in the lease, if readily determinable. Otherwise, the lessee should use its incremental borrowing rate. However, FAMM elected an accounting policy to use a risk-free discount rate.

The following is a schedule displays the undiscounted cash flows due related to operating leases as of December 31, 2022, along with a reconciliation to the discounted amount recorded on the December 31, 2022 statement of financial position presented as follows:

| | |
|--------------------------------------------------------------------|--------------------------|
| 2023 | 283,838 |
| 2024 | <u>237,690</u> |
| Total undiscounted cash flows (weighted average term 7.5 years) | \$ 521,528 |
| Less: Impact of present value discount (discount rate at 3%) | <u>(21,911)</u> |
| Amount reported on statement of Financial position | <u>\$ 499,617</u> |

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022, are restricted for the following purposes:

| | |
|---------------------------------------------------|---------------------------|
| Subject to expenditure for specified purpose: | |
| General support – subject to passage of time 2023 | \$1,600,000 |
| General support - subject to passage of time 2024 | <u>1,150,000</u> |
| TOTAL | <u>\$2,750,000</u> |

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

8. 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 \$281,696.

9. 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 \$1,600,000 at December 31, 2022 broken down as follows:

| | |
|-------------------------|----------------------------|
| Due in one to two years | <u>\$ 1,600,000</u> |
| TOTAL | <u>\$ 1,600,000</u> |

FAMM does not record an allowance for uncollectible grants and pledges receivable as accounts are written off when they are determined uncollectible. Uncollectible pledges are recorded as an expense in the statement of functional expenses when they are determined by management as uncollectible.

10. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2022, 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 2022 was \$239,244.

11. 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, 2022. The Board approved to allocate the undesignated reserve to cover budgetary expenditures for 2022 and to allow six-months reserve of operating costs.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

12. 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.

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, 2022, \$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 | \$4,107,969 |
| Due from related party | 407,138 |
| Grants and pledges receivable | <u>1,600,000</u> |
| Financial assets, at year end | \$6,115,107 |
| Less: those unavailable for general expenditures within one year due to: | |
| Contractual or donor imposed restrictions: | |
| Time purpose | (1,150,000) |
| 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>\$3,975,107</u> |

13. SUBSEQUENT EVENTS

In preparing these financial statements, FAMM has evaluated events and transactions for potential recognition or disclosure through May 19, 2023, the date the financial statements were issued.