



REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

**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, 2023, 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, 2023, 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:

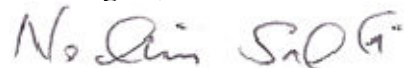
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 2022 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated May 19, 2023. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Washington, DC



March 20, 2024

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2023

WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 2)	\$ 4,013,427	\$ 4,107,969
Grant receivable and Bequest - current (note 8)	1,517,500	1,600,000
Certificates of deposit (note 2)	245,000	980,000
Due from related party (note 4)	293,423	407,138
Right-of-use asset - operating lease (note 5)	230,767	268,850
Prepaid expenses	6,522	23,218
Total Current Assets	<u>6,306,639</u>	<u>7,387,175</u>
PROPERTY AND EQUIPMENT-AT COST		
Furniture	38,242	25,623
Equipment	130,534	124,362
Less: accumulated depreciation	<u>(127,078)</u>	<u>(104,221)</u>
Property and Equipment, Net	<u>41,698</u>	<u>45,764</u>
OTHER ASSETS		
Right-of-use asset - operating lease (non-current)	-	230,767
Grant receivable and Bequest (non-current)	1,380,875	-
Security deposit	21,326	21,326
Total Other Assets	<u>1,402,201</u>	<u>252,093</u>
TOTAL ASSETS	<u>\$ 7,750,538</u>	<u>\$ 7,685,032</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 186,715	\$ 191,790
Due to related party (note 4)	500,000	-
Lease payable (note 5)	230,767	268,850
Total Current Liabilities	<u>917,482</u>	<u>460,640</u>
Long term Liabilities		
Lease payable (non-current)	-	230,767
TOTAL LIABILITIES	<u>917,482</u>	<u>691,407</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	2,794,681	3,253,625
Designated by Board (note 10 and 11)	990,000	990,000
Total without donor restrictions	<u>3,784,681</u>	<u>4,243,625</u>
With donor restrictions (note 7)		
Time-restricted for future periods (note 6)	3,048,375	2,750,000
Total with donor restrictions	<u>3,048,375</u>	<u>2,750,000</u>
Total Net Assets	<u>6,833,056</u>	<u>6,993,625</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,750,538</u>	<u>\$ 7,685,032</u>

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	Without Donor Restrictions	With donor Restrictions	2023	2022
REVENUE				
Foundation grants	\$ 509,252	\$ -	\$ 509,252	\$ 3,442,500
Bequests (note 8)	660,000	1,898,375	2,558,375	-
Individual contributions	889,161	-	889,161	1,323,447
Revenue from affiliate	153,810	-	153,810	113,170
Interest and dividends income	95,918	-	95,918	17,641
Relaized gain on sale of investment	-	-	-	199
In-kind donations (note 9)	780,919	-	780,919	239,244
Net assets released from restrictions:				
Time purpose-restrictions	1,600,000	(1,600,000)	-	-
TOTAL REVENUE	4,689,060	298,375	4,987,435	5,136,201
EXPENSES				
Program Expenses:				
State and Regional Programs	1,210,688	-	1,210,688	1,217,811
Federal & State Advocacy	1,603,699	-	1,603,699	884,400
Public Education	1,216,770	-	1,216,770	841,633
Family Storytelling	607,744	-	607,744	702,715
Total Program Expenses	4,638,901	-	4,638,901	3,646,559
Supporting Services Expenses:				
General and Administration	370,367	-	370,367	43,836
Fundraising	138,725	-	138,725	306,733
Total Supporting Services Expenses	509,092	-	509,092	350,569
TOTAL EXPENSES	5,147,993	-	5,147,993	3,997,128
Change in net assets before non-operating losses	(458,933)	298,375	(160,558)	1,139,073
Foreign currency translation adjustment	(11)	-	(11)	-
TOTAL CHANGE IN NET ASSETS	(458,944)	298,375	(160,569)	1,139,073
Net assets, beginning of year	4,243,625	2,750,000	6,993,625	5,854,552
NET ASSETS, END OF YEAR	\$ 3,784,681	\$ 3,048,375	\$ 6,833,056	\$ 6,993,625

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	State and Regional Programs	Federal & State Advocacy	Public Education	Family Storytelling	General Administration	Fundraising	2023	2022
Salaries	\$ 496,442	\$ 365,503	\$ 750,538	\$ 408,066	\$ 161,078	\$ 77,211	\$ 2,258,838	\$ 1,997,250
Payroll taxes	39,870	27,987	56,497	31,799	14,828	5,795	176,776	159,989
Fringe benefits	48,404	34,147	71,121	40,875	3,354	7,780	205,681	217,920
Accounting and auditing	-	-	-	-	59,045	-	59,045	60,487
Advertising	-	41,499	2,205	-	1,600	-	45,304	1,930
Bank, interest & credit card fees	-	-	-	-	552	274	826	4,885
Conferences & meetings	192,488	29,721	27,459	1,162	35,882	-	286,712	213,244
Consultants & temporary help	99,500	60,676	142,173	15,225	1,324	19,200	338,098	264,902
Depreciation	-	-	-	-	22,856	-	22,856	19,602
Donations	88,015	-	-	-	-	-	88,015	86,000
Dues, subscriptions, & licensing	8,667	49,894	37,515	48,991	22,916	10,030	178,013	159,820
Insurance	-	3,905	-	-	8,254	-	12,159	5,319
loss on sale of securities	-	-	-	-	-	3,189	3,189	-
Occupancy	-	-	-	-	283,232	-	283,232	288,342
Office supplies & expense	3,878	421	3,548	4	43,941	-	51,792	39,349
Payroll processing fees	460	374	691	351	-	50	1,926	-
Postage & delivery	1,447	-	39	214	467	-	2,167	9,206
Printing & publications	461	1,838	6,632	-	15,356	1,998	26,285	39,615
Recruiting & staff training	-	131	345	-	73,192	-	73,668	6,589
Stipends to prisoners/families	12,000	85,200	2,500	500	-	-	100,200	31,720
Telephone and internet service	10	-	-	-	12,209	-	12,219	24,698
Travel	83,075	37,412	12,196	1,739	5,492	159	140,073	127,017
Allocated general operating expenses (note 8)	135,971	84,072	103,311	58,818	(395,211)	13,039	-	-
Expenses before In-Kind	1,210,688	822,780	1,216,770	607,744	370,367	138,725	4,367,074	3,757,884
In-kind: Consultant	-	780,919	-	-	-	-	780,919	692,795
In-kind: travel & printing	-	-	-	-	-	-	-	2,013
Totals	\$ 1,210,688	\$ 1,603,699	\$ 1,216,770	\$ 607,744	\$ 370,367	\$ 138,725	\$ 5,147,993	\$ 4,452,692

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (160,569)	\$ 1,139,073
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	22,856	19,602
(Increase) decrease in:		
Grants receivable	(1,298,375)	(1,200,000)
Investments in securities	-	25,650
Due from related party	113,715	(154,243)
Prepaid expenses	16,696	8,268
Increase (decrease) in:		
Accounts payable and accrued expenses	(5,075)	(182)
Due to related party	500,000	-
Net cash (used) by operating activities	<u>(810,752)</u>	<u>(161,832)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(18,790)	(16,707)
Purchase of certificates of deposits	-	(735,220)
Proceeds from redemption of certificates of deposits	735,000	-
Net cash flows used in investing activities	<u>716,210</u>	<u>(751,927)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(94,542)	(913,759)
Cash, beginning of year	4,107,969	5,021,728
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,013,427</u>	<u>\$ 4,107,969</u>

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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.

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 57,000+ membership via our website, e-alerts, and Corrlinks.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

1. ORGANIZATION (Continued)

Family Outreach and Storytelling: FAMM maintains a large network of families and formerly incarcerated people across the country to aid us in our fight for reform. FAMM provides intensive training in storytelling and advocacy, and in turn highlights member stories and connects members to direct advocacy. Such opportunities include testifying before legislatures, meeting with lawmakers and other officials, and speaking with the media.

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, 2023

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 2023.

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, 2023, 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.

Grant (Pledges) Receivable and Bequest

Grant (pledges) receivable and bequest consist of outstanding amounts due for grants and promises which have been awarded to the Organization. The Organization recognizes grant and bequest income upon notification of the unconditional grant award.

FAMM Foundation has received unconditional promises to give consisting of pledges. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of the gift using risk-free interest rates applicable to the years in which the promises are received. The discount rate used in 2023 was 0.4%. Amortization of the discounts is included in contribution revenue. Contributions receivables are written off when deemed uncollectible.

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.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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. ADVERTISING

FAMM incurred in 2023 advertising expense in the amount of \$45,304. 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, 2023**

4. RELATED PARTY TRANSACTIONS

A related party relationship exists between FAIM Foundation and FAIM Action, an incorporated 501(c)(4) organization. The organizations share office space, fundraising, leadership and personnel. Banking and financial reporting have been separated. For the year ended December 31, 2023, FAIM Action paid FAIM Foundation \$1,234,458 to cover direct lobbying expenses incurred on its behalf and \$154,042 to cover overhead expenses. Balance due from FAIM Action at December 31, 2023 is \$293,423.

The Foundation deposited \$500,000 in error, a contribution due to FAIM Action, a related party. The funds were transferred subsequent to balance sheet date December 31, 2023.

5. LEASE ARRANGEMENTS

FAIM 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, FAIM 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, 2023, along with a reconciliation to the discounted amount recorded on the December 31, 2023 statement of financial position presented as follows:

2024	<u>237,690</u>
Total undiscounted cash flows (weighted average term 7.5 years)	\$ 237,690
Less: Impact of present value discount (discount rate at 3%)	<u>(6,923)</u>
Amount reported on statement of Financial position	<u>\$ 230,767</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023, are restricted for the following purposes:

Subject to expenditure for specified purpose:	
General support – subject to passage of time 2024	\$1,150,000
Bequest – 4-years 2024 - 2027	<u>1,898,375</u>

TOTAL **\$3,048,3575**

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

7. 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 \$395,211.

8. GRANT RECEIVABLE AND BEQUESTS

Grant receivable and bequest consist of outstanding amounts due for promises which have been awarded to the Organization. The Organization recognizes grant income upon notification of the unconditional grant award.

Grant receivable and bequest balance of \$2,898,375 at December 31, 2023 broken down as follows:

Grant expected to be collected in 2024	\$ 1,000,000
Bequest 2024 – 2027	<u>2,070,000</u>
Total	\$ 3,070,000
Less discount to net present value at 0.4%	<u>(171,625)</u>
Total Grant and Bequest Receivable	<u>\$ 2,898,375</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.

FAMM Foundation was named as a beneficiary in the “*Last will and Testament of Philip D. Harvey*”, a former member of FAMM Board of directors.

On November 7, 2023, a *PROMISSORY NOTE* was fully executed by PHE, Inc., a North Carolina corporation (the Company) hereby *unconditionally promises* to pay to the order of Estate of Philip D. Harvey or its assigns (the Noteholder) a principal amount of \$69,586,146 together with all accrued interest and any contingent sale payments all become part of Promissory Note pursuant to a “Settlement Agreement” between the Company and the Noteholder.

The Promissory Note matures on July 1, 2028, or the date on which all amounts under the note shall become due and payable pursuant to the Settlement Agreement.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

9. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2023, the Foundation was the beneficiary of donated services, which allowed the Foundation to provide greater resources towards its programs. These consisted of donated consultant hours. The total donation for 2023 was \$780,919.

The Foundation also receives donated services from unpaid volunteers who perform a variety of tasks that support the Foundation's activities. No amounts have been recognized for these services in the statement of activities since the criteria for recognition have not been satisfied.

10. 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, 2023. The Board approved to allocate the undesignated reserve to cover budgetary expenditures for 2024 and to allow six-months reserve of operating costs.

11. LIQUIDITY, AVAILABILITY AND RESERVES MANAGEMENT

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	\$4,013,427
Due from related party	293,423
Bequest	1,858,978
Grant receivable	<u>1,000,000</u>
Financial assets, at year end	\$7,165,828
Less: those unavailable for general expenditures within one year due to:	
Due to related party	(500,000)
Contractual or donor imposed restrictions:	
Bequest	(1,858,978)
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>\$4,047,617</u>

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

11. LIQUIDITY, AVAILABILITY AND RESERVES MANAGEMENT (continued)

The Board designated a portion of its operating surplus to its liquidity reserve, which was as of December 31, 2023, \$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.

12. SUBSEQUENT EVENTS

In preparing these financial statements, FAMM has evaluated events and transactions for potential recognition or disclosure through March 20, 2024, the date the financial statements were issued.