



REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

**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, 2017, 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, 2017, 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 2016 financial statements, and my report dated April 11, 2017, 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, 2016, is consistent, in all material respects, with audited financial statements from which it has been derived.

Washington, DC

No. 1000 S. Q. G.

June 29, 2018

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2017

WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 2 and 3)	\$ 972,204	\$ 973,526
Investment in securities (note 5 and 6)	997,666	694,732
Accrued interest receivable (note 7)	2,202	1,293
Grants and pledges receivable (note 4)	1,188,800	475,000
Other receivables	1,770	-
Prepaid expenses	35,413	2,422
Total Current Assets	<u>3,198,055</u>	<u>2,146,973</u>
PROPERTY AND EQUIPMENT-AT COST		
Furniture	3,495	3,495
Equipment	77,393	41,372
Software	20,067	20,067
Less: accumulated depreciation	(53,223)	(40,530)
Property and Equipment, Net	<u>47,732</u>	<u>24,404</u>
OTHER ASSETS		
Security deposit (note 8)	16,668	8,888
Total Other Assets	<u>16,668</u>	<u>8,888</u>
TOTAL ASSETS	<u>\$ 3,262,455</u>	<u>\$ 2,180,265</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 33,133	\$ 42,127
Accrued vacation payable	37,547	25,274
Payroll liabilities	18,127	-
Deferred rent (note 9)	2,865	8,029
Total Current Liabilities	<u>91,672</u>	<u>75,430</u>
TOTAL LIABILITIES	<u>91,672</u>	<u>75,430</u>
NET ASSETS		
Unrestricted net assets		
Undesignated	918,283	181,502
Designated by Board (note 13)	990,000	990,000
Total unrestricted net assets	<u>1,908,283</u>	<u>1,171,502</u>
Temporarily restricted net assets (note 11)	1,262,500	933,333
Total Net Assets	<u>3,170,783</u>	<u>2,104,835</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,262,455</u>	<u>\$ 2,180,265</u>

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
REVENUE				
Foundation grants	\$ 763,833	\$ 75,000	\$ 838,833	1,200,000
Individual contributions	917,553	1,600,000	2,517,553	1,177,019
Interest income	6,014	-	6,014	5,681
Unrealized loss on investment	(1,132)	-	(1,132)	-
Realized loss on investment	-	-	-	512
Other income	18,800	-	18,800	-
In-kind donations (note 12)	87,844	-	87,844	446,775
Temporarily restricted net assets released from restrictions (note 10)	1,345,833	(1,345,833)	-	-
TOTAL REVENUE	<u>3,138,745</u>	<u>329,167</u>	<u>3,467,912</u>	<u>2,829,987</u>
EXPENSES				
Program Expenses:				
State and Regional Programs	662,008	-	662,008	560,363
Public Education	805,723	-	805,723	717,751
Federal Advocacy	555,242	-	555,242	1,235,052
Total Program Expenses	<u>2,022,973</u>	<u>-</u>	<u>2,022,973</u>	<u>2,513,166</u>
Supporting Services Expenses:				
Fundraising	221,825	-	221,825	221,142
General and Administration	157,166	-	157,166	211,032
Total Supporting Services Expenses	<u>378,991</u>	<u>-</u>	<u>378,991</u>	<u>432,174</u>
TOTAL EXPENSES	<u>2,401,964</u>	<u>-</u>	<u>2,401,964</u>	<u>2,945,340</u>
CHANGE IN NET ASSETS	736,781	329,167	1,065,948	(115,353)
Net assets, beginning of year	<u>1,171,502</u>	<u>933,333</u>	<u>2,104,835</u>	<u>2,220,188</u>
NET ASSETS, END OF YEAR	<u>\$ 1,908,283</u>	<u>\$ 1,262,500</u>	<u>\$ 3,170,783</u>	<u>\$ 2,104,835</u>

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	State and Regional Programs	Public Education	Federal Advocacy	Fundraising	General Administration	2017	2016
Salaries	\$ 218,539	\$ 479,367	\$ 245,152	\$ 119,495	\$ 97,004	\$ 1,159,557	\$ 1,124,559
Payroll taxes	17,231	38,772	18,709	9,759	7,785	92,256	85,765
Fringe benefits	23,761	52,218	26,592	13,065	22,795	138,431	109,608
Accounting and auditing	-	-	-	-	13,981	13,981	10,619
Advertising	14,500	4,350	-	-	-	18,850	43,236
Bank, interest & credit card fees	-	-	-	3,837	358	4,195	5,973
Conferences & meetings	1,183	964	1,231	4,511	4,022	11,911	60,920
Consultants & temporary help	179,108	39,111	179,144	1,041	12,180	410,584	600,741
Depreciation	-	-	-	-	12,693	12,693	9,431
Donations	-	-	-	55	-	55	40,000
Dues, subscriptions, & licensing	22,500	38,625	12,047	16,187	200	89,559	50,128
Equipment rental & maintenance	-	126	-	-	8,488	8,614	7,270
Insurance	-	-	-	-	3,480	3,480	3,524
Internet services	-	219	-	-	9,275	9,494	9,916
Occupancy	-	-	-	-	130,043	130,043	138,196
Office supplies & expense	314	13,552	11	413	89,923	104,213	46,581
Postage & delivery	454	421	-	1,693	701	3,269	5,099
Printing & publications	2,536	3,225	384	8,086	3,438	17,669	13,547
Recruiting & staff training	-	5,134	630	2,689	1,224	9,677	2,820
Stipends to prisoners/families	1,000	1,000	5,200	-	-	7,200	23,618
Telephone	1,973	1,718	1,321	992	7,802	13,806	16,049
Taxes - federal	-	-	-	-	-	-	-
Travel	37,023	5,080	2,774	9,608	98	54,583	90,965
Allocated direct expenses	55,442	121,841	62,047	30,394	(269,724)	-	-
Expenses before In-Kind	575,564	805,723	555,242	221,825	155,766	2,314,120	2,498,565
In-Kind expenses (note 12)	86,444	-	-	-	1,400	87,844	446,775
Totals	\$ 662,008	\$ 805,723	\$ 555,242	\$ 221,825	\$ 157,166	\$ 2,401,964	\$ 2,945,340

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017	2016
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Cash received from operations	\$ 2,706,466	\$ 2,669,862
Interest income received	6,014	5,681
Cash paid for operating activities	(2,371,897)	(2,962,079)
Net cash provided (used) by operating activities	340,583	(286,536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(1,001,000)	-
Proceeds from sale of equities	695,116	293,777
Purchase of equipment	(36,021)	(26,221)
Net cash flows from investing activities	(341,905)	267,556
NET (DECREASE) IN CASH	(1,322)	(18,980)
Cash and cash equivalents at beginning of year	973,526	992,506
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 972,204	\$ 973,526
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,065,948	\$ (115,353)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	12,693	9,431
Unrealized loss (gain) on investment	1,132	-
(Increase) decrease in assets:		
Grant/Pledges receivable	(713,800)	(173,640)
Accrued interest receivable	909	(814)
Prepaid expenses	(32,991)	20,010
Security deposits	(7,780)	-
Employee advances	(1,770)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(8,994)	(16,600)
Accrued vacation payable	12,273	5,509
Deferred rent	(5,164)	(5,539)
Federal income tax liability	-	(7,508)
Accrued payroll expense	18,127	(2,032)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 340,583	\$ (286,536)

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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, and Florida.

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 40,000+ membership via our website, e-alerts, and social media.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

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

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

Cash and Cash Equivalents

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

Property and Equipment

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

Income Taxes

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

Uncertain Tax Position

The Financial Accounting Standards Board (FASB) released FASB ASC740-10, Income Taxes, that provide guidance for reporting uncertainty in income taxes. For the year ended December 31, 2017, FAMM has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax provisions qualify for either recognition or disclosure in the financial statements.

Description of Net Assets

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

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

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Net Assets (continued)

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

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

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

Revenue Recognition

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

Functional Allocation of Expenses

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

Use of Estimates

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

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

3. INVESTMENTS

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

4. UNINSURED CASH BALANCES

FAMM maintains its cash balances at two high quality financial institutions, which, at times, may exceed federal insured limits. As of December 31, 2017, the operating bank account has exceeded the limits of FDIC. However, FAMM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

5. GRANTS/PLEDGES RECEIVABLE

The grant/pledges receivable balance of \$1,188,800 at December 31, 2017 is all due in less than one year. FAMM does not record an allowance for uncollectible accounts receivable as accounts are written off when they are determined uncollectible.

6. FAIR VALUE MEASUREMENT

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

Basis of Fair Value Measurement

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

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

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

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

6. FAIR VALUE MEASUREMENT (Continued)

The following tables set forth by level within the fair value hierarchy FAMM's investment assets are liabilities at fair value as of December 31, 2017. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Financial assets and liabilities measured at fair value on a recurring basis consist of the following amounts as of December 31, 2017:

	Quoted Prices in active markets for identical assets (level 1)	Investments Significant other observable inputs (level 2)	Fair Value Significant other unobservable inputs (level 3)	Balance as of December 31, 2017
Asset Category:				
Certificates of Deposit:				
	\$ -	\$ 244,980	\$ -	\$ 244,980
City National Bank, Miami, Florida				
Pinnacle National Bank, Nashville, TN matures on 7/28/2018	-	283,844	-	283,844
	-	244,596	-	244,956
State Bank of India, Chicago, IL matures on 11/23/2018				
	-	<u>226,448</u>	-	<u>226,448</u>
Bank Hope Los Anglos, CA matures On 3/22/2019				
Total investment at fair value:	<u>\$ -</u>	<u>\$ 999,868</u>	<u>\$ -</u>	<u>\$ 999,868</u>

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

7. ADVERTISING

FAMM incurred in 2017 advertising expense in the amount of \$18,850. 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, 2017**

8. INVESTMENTS

FAMM investments are comprised of equity securities which are classified as trading securities and are carried at their fair value based on the quoted market prices of the securities at December 31, 2017. Net unrealized gain on trading securities are included in the changes in net assets.

Investments, at fair value consist of the following:

	2017	2016
Cash and cash equivalents held in	\$ 3,575	\$ 302,536
Investment portfolio		
Certificates of Deposit	997,666	694,732
Accrued interest	<u>2,202</u>	<u>1,293</u>
Total Investments	<u>\$ 1,003,443</u>	<u>\$ 998,561</u>

Unrestricted investment return consists of the following:

Interest and dividends	\$6,041	\$ 5,681
Realized gain on investment	-	512
Unrealized (loss) gain on investment	<u>(1,132)</u>	<u>-</u>
Unrestricted investment return, net	<u>\$ 4,909</u>	<u>\$ 6,193</u>

9. LEASE COMMITMENTS

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

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

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

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

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

9. LEASE COMMITMENTS (continued)

The following is a schedule of the future minimum lease payments

For Year Ended December 31,	
2018	\$ 200,932
2019	206,454
2020	212,130
2021	217,954
2022	<u>185,770</u>
Total	<u>\$1,023,240</u>

In accordance with the lease, FAMM paid a security deposit of \$16,668 recognized in the Statement of Financial Position. The lease provides for a reduction of the security deposit in the amount of \$17,776 which was applied against two-months rent in 2016. The security deposit balance is \$8,888 as of December 31, 2017.

Rent expense for the years ended December 31, 2017 and 2016 totaled \$130,043 and \$138,196 respectively.

10. DEFERRED RENT

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

The deferred rent liability for the year ended December 31, 2017 was \$2,865

11. TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted balance of \$1,262,500 as of December 31, 2017 is time restricted for general program use in fiscal year 2018.

12. TEMPORARILY RESTRICTED NET ASSETS RELEASED

Temporarily restricted net assets in the amount of \$1,345,833 were released in fiscal year 2017 for General Program Support purposes.

13. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2017, FAMM was the beneficiary of donated goods and services, which allow FAMM to provide greater resources towards various programs. These consisted of donated consultant hours and legal fees. The total donation for 2017 was \$87,844.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017. The Board approved to allocate the undesignated reserve to cover budgetary expenditures for 2017 and to allow six-months reserve of operating costs.

15. SUBSEQUENT EVENTS

In preparing these financial statements, FAMM has evaluated events and transactions for potential recognition or disclosure through June 29, 2018, the date the financial statements were issued. Management has determined that there are no subsequent events that require recognition or disclosure in these financial statements.