



REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

**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, 2021, 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, 2021, 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 2020 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated April 12, 2021. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Washington, DC

No. 1011 SIOG

April 30, 2022

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2021

WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (note 2)	\$ 5,021,728	\$ 4,229,497
Certificates of deposits (note 2)	244,780	528,648
Marketable securities (note 3 and 4)	25,650	-
Grants receivable (note 9)	400,000	562,500
Due from related party (note 5)	252,895	-
Right-of-use asset - operating lease (note 6)	259,438	245,513
Prepaid expenses	31,486	27,257
Total Current Assets	<u>6,235,977</u>	<u>5,593,415</u>
PROPERTY AND EQUIPMENT-AT COST		
Furniture	18,517	18,517
Equipment	114,761	113,023
Less: accumulated depreciation	<u>(84,619)</u>	<u>(67,601)</u>
Property and Equipment, Net	<u>48,659</u>	<u>63,939</u>
OTHER ASSETS		
Right-of-use asset - operating lease (non-current)	499,617	759,055.00
Security deposit (note 6)	21,326	21,326
Total Other Assets	<u>520,943</u>	<u>780,381</u>
TOTAL ASSETS	<u>\$ 6,805,579</u>	<u>\$ 6,437,735</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 191,972	\$ 163,298
Lease payable (note 6)	259,438	245,513
Total Current Liabilities	451,410	408,811
Long term Liabilities		
Lease payable (non-current)	499,617	759,055
TOTAL LIABILITIES	<u>951,027</u>	<u>1,167,866</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	4,414,552	3,404,869
Designated by Board (note 12 and 14)	990,000	990,000
Total without donor restrictions	<u>5,404,552</u>	<u>4,394,869</u>
With donor restrictions (note 7)		
Purpose restrictions - matching requirement	-	375,000
Time-restricted for future periods	450,000	500,000
Total with donor restrictions	<u>450,000</u>	<u>875,000</u>
Total Net Assets	<u>5,854,552</u>	<u>5,269,869</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,805,579</u>	<u>\$ 6,437,735</u>

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	Without Donor Restrictions	With donor Restrictions	2021	2020
REVENUE				
Foundation grants	\$ 485,000	\$ 500,000	\$ 985,000	\$ 1,121,000
Individual contributions	3,529,904	-	3,529,904	4,220,698
Revenue from affiliate	60,000	-	60,000	80,000
Interest income	2,181	-	2,181	29,637
In-kind donations (note 11)	694,807	-	694,807	630,614
Net assets released from restrictions:				
Marching requirement	375,000	(375,000)	-	-
Time purpose-restrictions	550,000	(550,000)	-	-
TOTAL REVENUE	5,696,892	(425,000)	5,271,892	6,081,949
EXPENSES				
Program Expenses:				
State and Regional Programs	1,104,527	-	1,104,527	1,025,610
Public Education and Community Engagement	1,591,472	-	1,591,472	1,555,004
Federal Advocacy	1,291,156	-	1,291,156	1,288,179
Total Program Expenses	3,987,155	-	3,987,155	3,868,793
Supporting Services Expenses:				
Fundraising	42,163	-	42,163	101,467
General and Administration	656,023	-	656,023	265,971
Total Supporting Services Expenses	698,186	-	698,186	367,438
TOTAL EXPENSES	4,685,341	-	4,685,341	4,236,231
Change in net assets from operations	1,011,551	(425,000)	586,551	1,845,718
NONOPERATING ACTIVITIES				
Unrealized loss on investments	(1,868)	-	(1,868)	(4,037)
CHANGE IN NET ASSETS	1,009,683	(425,000)	584,683	1,841,681
Net assets, beginning of year	4,394,869	875,000	5,269,869	3,428,188
NET ASSETS, END OF YEAR	\$ 5,404,552	\$ 450,000	\$ 5,854,552	\$ 5,269,869

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	State and Regional Programs	Public Education and Community Engagement	Federal Advocacy	Fundraising	General Administration	2021	2020
Salaries	\$ 448,604	\$ 1,018,855	\$ 357,692	\$ 16,983	\$ 384,022	\$ 2,226,156	\$ 2,035,677
Payroll taxes	16,588	39,461	12,441	1,087	124,679	194,256	178,006
Fringe benefits	17,849	44,478	13,113	1,076	166,840	243,356	243,424
Accounting and auditing	-	-	-	-	57,593	57,593	32,695
Advertising	5,250	7,307	-	-	35,493	48,050	12,575
Bank, interest & credit card fees	2	618	62	741	11,906	13,329	6,058
Conferences & meetings	3,724	19,526	592	-	6,699	30,541	5,760
Consultants & temporary help	121,005	27,149	-	-	7,084	155,238	225,132
Depreciation	-	-	-	-	17,018	17,018	24,357
Donations	163,077	599	-	(2,557)	-	161,119	142,220
Dues, subscriptions, & licensing	104,976	84,458	27,574	10,073	20,325	247,406	245,117
Equipment rental & maintenance	71	-	-	-	3,291	3,362	11,444
Insurance	-	-	4,623	-	10,029	14,652	8,584
loss on sale of securities	-	-	-	-	1,838	1,838	-
Occupancy	-	-	-	-	257,617	257,617	212,280
Office supplies & expense	4,317	24,247	2,575	12	66,306	97,457	42,920
Postage & delivery	210	627	4,181	1,646	442	7,106	2,237
Printing & publications	18,507	36,006	362	6,766	4,620	66,261	51,703
Recruiting & staff training	315	2,062	105	105	1,549	4,136	3,409
Stipends to prisoners/families	3,000	33,000	44,800	-	-	80,800	69,000
Telephone and internet service	-	-	-	-	27,907	27,907	38,648
Travel	10,584	3,721	6,384	329	14,317	35,335	14,371
Allocated general operating expenses (note 8)	186,448	249,358	124,521	5,902	(566,229)	-	-
Expenses before In-Kind	1,104,527	1,591,472	599,025	42,163	653,346	3,990,533	3,605,617
In-kind: Consultant	-	-	690,118	-	2,677	692,795	630,614
In-kind: Printing	-	-	1,988	-	-	1,988	-
In-kind: travel	-	-	25	-	-	25	-
Totals	\$ 1,104,527	\$ 1,591,472	\$ 1,291,156	\$ 42,163	\$ 656,023	\$ 4,685,341	\$ 4,236,231

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION (FAMM)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Cash received from foundations	\$ 1,147,500	\$ 1,608,500
Cash received from individual donors	3,503,344	4,298,353
Cash received from investments	2,181	28,573
Cash received from affiliate	60,000	80,000
Cash paid for salaries and related benefits	(2,663,768)	(2,436,855)
Cash paid for legal and accounting fees	(57,593)	(24,995)
Cash paid for rent	(257,617)	(238,887)
Cash paid for subscription dues	(247,406)	(245,117)
Cash paid for consultants and professional fees	(293,566)	(225,132)
Cash paid for suppliers and vendors	(870,474)	(234,719)
Net cash provided (used) by operating activities	<u>322,601</u>	<u>2,609,721</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	-
Proceeds from sale of investments	283,868	318,448
Purchase of equipment	(1,738)	(7,009)
Net cash flows from investing activities	<u>282,130</u>	<u>311,439</u>
NET INCREASE IN CASH	604,731	2,921,160
Cash and cash equivalents at beginning of year	<u>4,229,497</u>	<u>1,308,337</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 4,834,228</u></u>	<u><u>\$ 4,229,497</u></u>

See accompanying notes to financial statements

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021

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 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.

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 2021.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021, 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, 2021

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.

Accounting Pronouncements Issued and Adopted

The Financial Accounting Standards Board issued Accounting Standards Update ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU is applicable for the Organization's fiscal year 2022, but the organization has elected to early adopt. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques.

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.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities	<u>\$ 25,650</u>	<u>\$ -</u>	<u>\$ 25,650</u>

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, 2021, FAMM Action paid FAMM the Foundation \$60,000 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, 2021 is \$252,895.

For the year ended December 31, 2021, FAMM received related party contributions totaling \$1,000,000 from Board members and entities related to Board members. Contributions from Board members and related entities comprised 18% of total revenue.

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.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

6. LEASE ARRANGEMENTS (continued)

The following is a schedule displays the undiscounted cash flows due related to operating leases as of December 31, 2021, along with a reconciliation to the discounted amount recorded on the December 31, 2021 statement of financial position presented as follows:

2022	\$ 282,210
2023	283,838
2024	<u>237,690</u>
Total undiscounted cash flows (weighted average term 7.5 years)	\$ 803,738
Less: Impact of present value discount (discount rate at 3%)	<u>(44,683)</u>
Amount reported on statement of Financial position	<u>\$ 759,055</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021, are restricted for the following purposes:

Subject to expenditure for specified purpose:

General support – subject to passage of time	\$ <u>450,000</u>
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TOTAL	<u>\$ 450,000</u>
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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 \$566,229.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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 \$400,000 at December 31, 2021 broken down as follows:

Due in one to two years	<u>\$ 400,000</u>
TOTAL	<u>\$ 400,000</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. ADVERTISING

FAMM incurred in 2021 advertising expense in the amount of \$48,050. The purpose of the advertising was for the promotion and supporting fair sentencing laws in accordance with the Organization's core mission.

11. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2021, 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 2021 was \$694,807.

12. 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, 2021. The Board approved to allocate the undesignated reserve to cover budgetary expenditures for 2021 and to allow six-months reserve of operating costs.

13. SUBSEQUENT EVENTS

In preparing these financial statements, FAMM has evaluated events and transactions for potential recognition or disclosure through April 30, 2022, the date the financial statements were issued.

FAMILIES AGAINST MANDATORY MINIMUMS FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

14. 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 \$4,576,508 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure primarily consisting of cash of \$4,276,508 and \$300,000 in pledges receivables. 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, 2021, \$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	\$5,021,728
Investments in certificates of deposits	244,780
Grants and pledges receivable	<u>400,000</u>
Financial assets, at year end	\$5,666,508
Less: those unavailable for general expenditures within one year due to:	
Contractual or donor imposed restrictions:	
Time purpose	(100,000)
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>\$4,576,508</u>