

AMARA LEGAL CENTER, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2019 AND 2018

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities, Year Ended December 31, 2019	4
Statement of Activities, Year Ended December 31, 2018	5
Statement of Functional Expenses, Year Ended December 31, 2019	6
Statement of Functional Expenses, Year Ended December 31, 2018	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 14



Independent Auditor's Report

To the Board of Directors
Amara Legal Center, Inc.
Washington, DC

We have audited the accompanying financial statements of Amara Legal Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report
Amara Legal Center, Inc.
Page Two

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amara Legal Center, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2019, Amara Legal Center, Inc. adopted new accounting guidance, Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Jane Maruca & McQuade PA

Washington, DC
October 7, 2020

AMARA LEGAL CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 122,887	\$ 111,725
Accounts receivable	52,172	46,460
Contributions receivable	10,000	-
Prepaid expenses	1,204	225
Total Current Assets	186,263	158,410
OTHER ASSETS		
Security deposit	1,645	1,645
TOTAL ASSETS	\$ 187,908	\$ 160,055
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 31,793	\$ 13,198
Accrued expenses	11,533	9,922
Total Current Liabilities	43,326	23,120
NET ASSETS		
Without donor restrictions	136,769	115,563
With donor restrictions	7,813	21,372
Total Net Assets	144,582	136,935
TOTAL LIABILITIES AND NET ASSETS	\$ 187,908	\$ 160,055

The accompanying notes are an integral part of these financial statements.

AMARA LEGAL CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 549,057	\$ 65,000	\$ 614,057
In-kind contributions	32,463	-	32,463
Interest and other income	1,078	-	1,078
Net assets released from restriction	78,559	(78,559)	-
Total Revenue and Support	661,157	(13,559)	647,598
EXPENSES			
Program Services:			
Legal services, advocacy and outreach	501,999	-	501,999
Support Services:			
Management and general	98,949	-	98,949
Fundraising	39,003	-	39,003
Total Support Services	137,952	-	137,952
Total Expenses	639,951	-	639,951
CHANGE IN NET ASSETS	21,206	(13,559)	7,647
NET ASSETS, beginning of year	115,563	21,372	136,935
NET ASSETS, end of year	\$ 136,769	\$ 7,813	\$ 144,582

The accompanying notes are an integral part of these financial statements.

AMARA LEGAL CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 556,277	\$ 116,000	\$ 672,277
In-kind contributions	34,165	-	34,165
Interest and other income	685	-	685
Net assets released from restriction	113,999	(113,999)	-
Total Revenue and Support	705,126	2,001	707,127
EXPENSES			
Program Services:			
Legal services, advocacy and outreach	477,040	-	477,040
Support Services:			
Management and general	122,188	-	122,188
Fundraising	33,205	-	33,205
Total Support Services	155,393	-	155,393
Total Expenses	632,433	-	632,433
CHANGE IN NET ASSETS	72,693	2,001	74,694
NET ASSETS, beginning of year	42,870	19,371	62,241
NET ASSETS, end of year	\$ 115,563	\$ 21,372	\$ 136,935

The accompanying notes are an integral part of these financial statements.

AMARA LEGAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services		Support Services			Total Expenses
	Legal services, Advocacy and Outreach	Management and General	Fundraising	Total Support Services		
Personnel costs:						
Salaries	\$ 258,221	\$ 47,054	\$ 28,776	\$ 75,830	\$ 334,051	
Payroll taxes	19,661	6,799	2,192	8,991	28,652	
Employee benefits	13,196	3,834	916	4,750	17,946	
Retirement plan	7,141	1,509	820	2,329	9,470	
Subtotal Personnel Costs	298,219	59,196	32,704	91,900	390,119	
Accounting	-	29,561	-	29,561	29,561	
Bank fees	-	398	-	398	398	
Dues and subscriptions	878	165	2,736	2,901	3,779	
Facilities, food and beverage	854	188	1,548	1,736	2,590	
Insurance expenses	3,458	1,603	-	1,603	5,061	
Licenses and fees	900	-	-	-	900	
Occupancy	49,037	5,251	1,980	7,231	56,268	
Office Expenses	3,025	734	5	739	3,764	
Postage and delivery	172	-	7	7	179	
Printing and copying	5	-	-	-	5	
Professional development	4,697	-	-	-	4,697	
Professional fees	134,985	915	-	915	135,900	
Promotion and advertising	1,318	718	-	718	2,036	
Telephone	1,076	220	23	243	1,319	
Travel	3,375	-	-	-	3,375	
Total Expenses	\$ 501,999	\$ 98,949	\$ 39,003	\$ 137,952	\$ 639,951	

The accompanying notes are an integral part of these financial statements.

AMARA LEGAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services		Support Services			Total Expenses
	Legal services, Advocacy and Outreach	Management and General	Fundraising	Total Support Services		
Personnel costs:						
Salaries	\$ 242,348	\$ 50,455	\$ 23,833	\$ 74,288	\$ 316,636	
Payroll taxes	19,194	5,105	1,996	7,101	26,295	
Employee benefits	12,605	3,776	1,605	5,381	17,986	
Retirement plan	3,391	921	376	1,297	4,688	
Subtotal Personnel Costs	<u>277,538</u>	<u>60,257</u>	<u>27,810</u>	<u>88,067</u>	<u>365,605</u>	
Accounting	-	46,005	-	46,005	46,005	
Bank fees	-	382	-	382	382	
Dues and subscriptions	1,254	131	2,617	2,748	4,002	
Facilities, food and beverage	852	20	1,308	1,328	2,180	
Insurance expenses	17	4,816	2	4,818	4,835	
Licenses and fees	1,886	80	-	80	1,966	
Occupancy	46,332	4,236	1,220	5,456	51,788	
Office Expenses	4,537	2,028	112	2,140	6,677	
Postage and delivery	401	13	16	29	430	
Printing and copying	41	-	-	-	41	
Professional development	4,198	-	-	-	4,198	
Professional fees	135,647	1,915	-	1,915	137,562	
Promotion and advertising	1,067	1,470	22	1,492	2,559	
Telephone	1,613	423	98	521	2,134	
Travel	1,657	412	-	412	2,069	
Total Expenses	<u>\$ 477,040</u>	<u>\$ 122,188</u>	<u>\$ 33,205</u>	<u>\$ 155,393</u>	<u>\$ 632,433</u>	

The accompanying notes are an integral part of these financial statements.

AMARA LEGAL CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,647	\$ 74,694
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease (increase) in assets:		
Accounts receivable	(5,712)	(29,036)
Contributions receivable	(10,000)	-
Prepaid expenses	(979)	(225)
Security deposit	-	(1,645)
Increase (decrease) in liabilities:		
Accounts payable	18,595	(7,280)
Accrued expenses	1,611	383
Net Cash Provided by Operating Activities	11,162	36,891
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,162	36,891
CASH AND CASH EQUIVALENTS, beginning of year	111,725	74,834
CASH AND CASH EQUIVALENTS, end of year	\$ 122,887	\$ 111,725

The accompanying notes are an integral part of these financial statements.

AMARA LEGAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A - NATURE OF THE ORGANIZATION

Amara Legal Center, Inc. was incorporated as a non-profit organization in Washington, DC in September 2013, and received its 501(c)(3) tax-exempt status in 2014. Amara Legal Center, Inc. provides free legal services to individuals whose rights have been violated while involved in commercial sex, whether that involvement was by choice, coercion, or circumstance.

Amara Legal Center, Inc. runs one program that focuses on three areas: legal representation, policy advocacy, and advocacy and outreach. Amara provides brief legal advice, partial representation, and full representation for civil legal issues such as civil protection orders, divorce, child custody and support, name changes, living wills, and power of attorney cases. In addition to civil legal services, Amara Legal Center, Inc. also provides victim-witness advocacy services, criminal defense, and representation in criminal record sealing, expungement, and vacatur cases.

Since 2013, Amara Legal Center, Inc. has served over 390 clients. Although many believe that sex trafficking only occurs overseas or among foreign nationals, the vast majority of Amara Legal Center, Inc.'s clients are U.S. citizens who were born and raised in the DC metropolitan area. Amara Legal Center, Inc. serves both juveniles and adults.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Amara Legal Center, Inc. are prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Adoption of New Accounting Pronouncement

The Financial Accounting Standards Board ("FASB") ASU 2014-09, *Accounting Standards Codification Topic 606, Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. Amara Legal Center, Inc. has implemented Topic 606.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Amara Legal Center, Inc. has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions

AMARA LEGAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Adoption of New Accounting Pronouncement (continued)

made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Financial Statement Presentation

Financial statement presentation follows FASB Accounting Standards Codification (“ASC”) Topic *Not-for-Profit Entities*. In accordance with topic ASU NO. 2016-14, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Amara Legal Center, Inc. and changes therein, are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met by either actions of Amara Legal Center, Inc. and/or the passage of time, or that must be maintained permanently by Amara Legal Center, Inc. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Amara Legal Center, Inc. considers all demand deposits and money market accounts to be cash equivalents. Amara Legal Center, Inc. maintains its cash and cash equivalents balances in bank deposit accounts, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times, the accounts may exceed these limits. Amara Legal Center, Inc. believes it is not exposed to any significant credit risk on cash or cash equivalents.

Contributions and Accounts Receivable

Contributions and accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection, and existing economic conditions. Receivables deemed uncollectible are charged off based on specific circumstances of the parties involved. Amara Legal Center, Inc. believes all receivables are collectible. Therefore, no allowance for doubtful accounts was established as of December 31, 2019 and 2018.

AMARA LEGAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition

Amara Legal Center, Inc. recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

Amara Legal Center, Inc.'s federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

In-Kind Contributions

In-kind contributions are recorded at fair value of the services or items received. Amara Legal Center, Inc. recognizes in-kind contributions that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Methods Used for Allocation of Expenses for Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of Amara Legal Center, Inc.. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those expenses include depreciation, office expenses and occupancy, and are allocated on the basis of salaries and related costs, which are allocated on the basis of estimates of time and effort expended.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AMARA LEGAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(continued)

NOTE C - INCOME TAXES

Amara Legal Center, Inc. is a 501(c)(3) organization that is exempt from federal income tax under Section 501(a) of the Internal Revenue Code except on business income unrelated to Amara Legal Center, Inc.'s exempt purpose. Amara Legal Center, Inc. has been classified as other than a private foundation.

Amara Legal Center, Inc. recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Amara Legal Center, Inc. believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Amara Legal Center, Inc.'s information returns are subject to examination by the Internal Revenue Service ("IRS") after a period of three years from the date they were filed, except under certain circumstances. Amara Legal Center, Inc.'s information returns for the years 2016 through 2018 are open for examination by the IRS, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

Amara Legal Center, Inc.'s management regularly monitors liquidity requirements to ensure that ongoing operating needs and other contractual commitments are met. Timing of revenue receipts also ensures the availability of necessary operational funds. Sources of liquidity available to Amara Legal Center, Inc. include financial assets consisting of cash and cash equivalents and accounts receivable. In addition, Amara Legal Center, Inc. anticipates receiving additional grants and contributions that will sufficiently cover its operating expenses over a 12-month period. Although Amara Legal Center, Inc. had assets with donor restrictions totaling \$7,813 as of December 31, 2019, these funds are expected to be available for general operating expenditures over the next 12 months.

In determining the adequacy of liquidity sources to cover general operating expenditures over a 12-month period, Amara Legal Center, Inc. considers all expenditures related to its legal representation, policy advocacy, advocacy and outreach, and other program services, as well as services undertaken to support its programs, such as fundraising activities, to be general operating expenditures.

As of December 31, 2019 and 2018, total financial assets held by Amara Legal Center, Inc. and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures were as follows:

AMARA LEGAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY - continued

	2019	2018
Cash and cash equivalents	\$ 122,887	\$ 111,725
Accounts receivable	52,172	46,460
Contributions receivable	10,000	-
Total Financial Assets	185,059	158,185
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 185,059	\$ 158,185

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

For the years ended of December 31, 2019 and 2018, net assets with donor restrictions designated for legal representation totaled \$7,813 and \$21,372 respectively.

NOTE F – IN-KIND LEGAL SERVICES AND RENT

Amara Legal Center, Inc. received in-kind legal services from one law firm that directly benefited Amara Legal Center, Inc. and not the individuals who were served by the Organization. For the years ended December 31, 2019 and 2018, the value of in-kind legal services totaled \$2,223 and \$2,197, respectively.

The same law firm also provided free office space to Amara Legal Center, Inc. until April 2019. For the years ended December 31, 2019 and 2018, the value of in-kind office rent totaled \$30,240 and \$31,968, respectively.

NOTE G – LEASE COMMITMENT

Effective April 2019, Amara Legal Center, Inc. entered into a non-cancellable two-year office lease agreement, which expires on April 30, 2020.

For the years ended December 31, 2019 and 2018, rent and utilities expense totaled \$56,268 and \$51,788, respectively.

NOTE H – CONTINGENT LIABILITY

On June 18, 2018, Amara Legal Center, Inc. received noticed that it was the subject of an audit initiated by the U.S. Department of Justice Office of the Inspector General, Washington Regional Audit Office (“DOJ”) in connection with the Office of Justice Programs, Office for Victims of Crime Grant that was awarded to Amara Legal Center, Inc. in 2016. The objectives of the audit were to determine whether costs claimed under the grant were allowable and progress towards

AMARA LEGAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(continued)

NOTE H – CONTINGENT LIABILITY - continued

achieving program goals was sufficient. The DOJ's audit report was issued in February 2019, and included findings resulting in a possible repayment of \$64,074 in unallowable costs charged against the grant. The vast majority of the disallowed charges were incurred by another non-profit organization who had a sub-grant agreement with Amara Legal Center, Inc. to perform certain services specified in the DOJ grant. Amara Legal Center, Inc. has since discontinued any financial arrangement with the sub-grantee, and is working closely with the DOJ to resolve this matter.

NOTE I – SUBSEQUENT EVENTS

In preparing these financial statements, Amara Legal Center, Inc. has evaluated events and transactions for potential recognition or disclosure through October 7, 2020, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.