

AMARA LEGAL CENTER, INC.

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

DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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 audit 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.
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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, 2020 and 2019, 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.

James Maurice & McQuade PA

Washington, DC
September 17, 2021

AMARA LEGAL CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 117,594	\$ 122,887
Accounts receivable	29,036	52,172
Contributions receivable	30,000	10,000
Prepaid expenses	4,735	1,204
Total Current Assets	181,365	186,263
OTHER ASSETS		
Security deposit	-	1,645
TOTAL ASSETS	\$ 181,365	\$ 187,908
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 2,868	\$ 31,793
Accrued expenses	27,500	11,533
Total Current Liabilities	30,368	43,326
NET ASSETS		
Without donor restrictions	147,061	136,769
With donor restrictions	3,936	7,813
Total Net Assets	150,997	144,582
TOTAL LIABILITIES AND NET ASSETS	\$ 181,365	\$ 187,908

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

AMARA LEGAL CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 141,616	\$ 90,000	\$ 231,616
Government grants	363,549	-	363,549
In-kind contributions	97,160	-	97,160
Interest and other income	1,612	-	1,612
Net assets released from restrictions	93,877	(93,877)	-
Total Revenue and Support	697,814	(3,877)	693,937
EXPENSES			
Program Services:			
Legal services, advocacy and outreach	538,288	-	538,288
Support Services:			
Management and general	110,064	-	110,064
Fundraising	39,170	-	39,170
Total Support Services	149,234	-	149,234
Total Expenses	687,522	-	687,522
CHANGE IN NET ASSETS	10,292	(3,877)	6,415
NET ASSETS, beginning of year	136,769	7,813	144,582
NET ASSETS, end of year	\$ 147,061	\$ 3,936	\$ 150,997

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	\$ 198,121	\$ 65,000	\$ 263,121
Government grants	350,936	-	350,936
In-kind contributions	32,463	-	32,463
Interest and other income	1,078	-	1,078
Net assets released from restrictions	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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services		Support Services			Total Expenses
	Legal Services, Advocacy and Outreach	Management and General	Fundraising	Total Support Services		
Personnel costs:						
Salaries	\$ 347,363	\$ 55,645	\$ 15,113	\$ 70,758	\$ 418,121	
Payroll taxes	25,371	6,435	884	7,319	32,690	
Employee benefits	25,018	2,204	485	2,689	27,707	
Retirement plan	9,408	1,072	349	1,421	10,829	
Subtotal Personnel Costs	407,160	65,356	16,831	82,187	489,347	
Accounting	-	25,114	-	25,114	25,114	
Bank fees	-	1	-	1	1	
Dues and subscriptions	794	588	2,334	2,922	3,716	
Facilities, food, and beverage	65	-	200	200	265	
Insurance expenses	1,069	2,492	-	2,492	3,561	
Licenses and fees	375	632	-	632	1,007	
Occupancy	36,434	1,584	330	1,914	38,348	
Office expenses	512	401	1,763	2,164	2,676	
Postage and delivery	142	103	62	165	307	
Printing and copying	456	64	-	64	520	
Professional development	8,420	-	-	-	8,420	
Professional fees	77,262	12,956	17,600	30,556	107,818	
Promotion and advertising	4,025	250	50	300	4,325	
Repairs and maintenance	-	400	-	400	400	
Telephone	329	106	-	106	435	
Travel	1,245	17	-	17	1,262	
Total Expenses	\$ 538,288	\$ 110,064	\$ 39,170	\$ 149,234	\$ 687,522	

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	<u>\$ 501,999</u>	<u>\$ 98,949</u>	<u>\$ 39,003</u>	<u>\$ 137,952</u>	<u>\$ 639,951</u>

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

AMARA LEGAL CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,415	\$ 7,647
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Decrease (increase) in assets:		
Accounts receivable	23,136	(5,712)
Contributions receivable	(20,000)	(10,000)
Prepaid expenses	(3,531)	(979)
Security deposit	1,645	-
Increase (decrease) in liabilities:		
Accounts payable	(28,925)	18,595
Accrued expenses	15,967	1,611
Net Cash (Used for) Provided by Operating Activities	(5,293)	11,162
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,293)	11,162
CASH AND CASH EQUIVALENTS, beginning of year	122,887	111,725
CASH AND CASH EQUIVALENTS, end of year	\$ 117,594	\$ 122,887

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

AMARA LEGAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE A - NATURE OF THE ORGANIZATION

Amara Legal Center, Inc. (“Amara Legal Center”) was incorporated as a non-profit organization in Washington, D.C. in September 2013, and received its 501(c)(3) tax-exempt status in 2014. Amara Legal Center 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 runs one program that focuses on three areas: legal representation, policy advocacy, and advocacy and outreach. Amara Legal Center 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 also provides victim-witness advocacy services, criminal defense, and representation in criminal record sealing, expungement, and vacatur cases.

Since 2013, Amara Legal Center 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’s clients are U.S. citizens who were born and raised in the D.C. metropolitan area. Amara Legal Center serves both juveniles and adults.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Amara Legal Center 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.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958 *Not-for-Profit Entities*. In accordance with ACS Topic 958, 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 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 and/or the passage of time, or that must be maintained in perpetuity by Amara Legal Center. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

AMARA LEGAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents

For purposes of the statements of cash flows, Amara Legal Center considers all demand deposits and money market accounts to be cash equivalents. Amara Legal Center 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 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. As of December 31, 2020 and 2019, management has determined that all significant receivables are collectible and due within one year, therefore, an allowance for doubtful accounts has not been established.

Revenue Recognition

Grants and Contributions

Amara Legal Center 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.

Government Grants

Amara Legal Center received grants from the U.S. Department of Justice and the Government of the District of Columbia - Office of Victim Services and Justice Grants. These revenues are considered conditional grants that contain a right of return and other barriers, and are not recognized until the conditions have been substantially met. These grants are also subject to audit by the grantor agency, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the applicable grantor.

AMARA LEGAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

In-Kind Contributions

In-kind contributions are recorded at the fair value of the services or items received. Amara Legal Center 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 more than one program or support function of Amara Legal Center. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those expenses include insurance, office, and occupancy, which are allocated based on 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.

Reclassification

For the year ended December 31, 2019, government grants that were previously included in grants and contributions have been reclassified as a separate line item on the statement of activities to conform to the current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

NOTE C - INCOME TAXES

Amara Legal Center 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's exempt purpose. Amara Legal Center has been classified as other than a private foundation.

Amara Legal Center recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Amara Legal Center 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.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(continued)

NOTE C - INCOME TAXES – continued

Amara Legal Center'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’s information returns for the years 2017 through 2019 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’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 include financial assets consisting of cash and cash equivalents and accounts and contributions receivable. In addition, Amara Legal Center anticipates receiving additional grants and contributions that will sufficiently cover its operating expenses over a 12-month period.

Although Amara Legal Center had assets with donor restrictions totaling \$3,936 and \$7,813 as of December 31, 2020 and 2019, respectively, 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 considers all expenditures related to its legal services, advocacy and outreach, as well as services undertaken to support its programs, such as fundraising activities, to be general operating expenditures.

As of December 31, 2020 and 2019, total financial assets held by Amara Legal Center and the amounts of those financial assets that could readily be made available within one year of the statements of financial position dates to meet general expenditures were as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 117,594	\$ 122,887
Accounts receivable	29,036	52,172
Contributions receivable	<u>30,000</u>	<u>10,000</u>
Total Financial Assets	<u>176,630</u>	<u>185,059</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 176,630</u>	<u>\$ 185,059</u>

AMARA LEGAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(continued)

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

For the years ended of December 31, 2020 and 2019, net assets with donor restrictions designated for legal representation totaled \$3,936 and \$7,813, respectively.

NOTE F – IN-KIND LEGAL SERVICES AND RENT

Amara Legal Center received in-kind legal services from one law firm that directly benefited Amara Legal Center and not the individuals who were served by the Organization. For the years ended December 31, 2020 and 2019, the value of in-kind legal services totaled \$66,920 and \$2,223, respectively.

The same law firm also provided free office space to Amara Legal Center. For each of the years ended December 31, 2020 and 2019, the value of in-kind office rent totaled \$30,240.

NOTE G – LEASE COMMITMENT

Effective April 2019, Amara Legal Center entered into a non-cancellable two-year office lease agreement, which expired on April 30, 2020. Effective January 22, 2020, Amara Legal Center entered into a shared office space agreement located at 1629 K Street #300, NW, Washington, D.C. 20036. This shared office space agreement is a month-to-month lease. As of the audit report date, Amara Legal Center has no plans to terminate this agreement.

For the years ended December 31, 2020 and 2019, occupancy expense totaled \$38,348 and \$56,268, respectively.

NOTE H – SUBSEQUENT EVENTS

In preparing these financial statements, Amara Legal Center has evaluated events and transactions for potential recognition or disclosure through September 17, 2021, 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.