FREE TO THRIVE

FINANCIAL STATEMENTS

December 31, 2021 and 2020

YSR CPA GROUP, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

AUDIT + TAX + ADVISORY

FREE TO THRIVE
FINANCIAL STATEMENTS
December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Risk Management Committee and Board of Directors
of Free to Thrive

Opinion

We have audited the accompanying financial statements of Free to Thrive (a California nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Free to Thrive as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Free to Thrive and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Free to Thrive's 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

Our objectives are 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 our 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, we:

- 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 Free to Thrive's 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Free to Thrive's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

YSR CPA Group, P.C.

Encinitas, California
July 13, 2022

FREE TO THRIVE

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

		12/31/21		12/31/20
ASSETS				
CURRENT ASSETS				
Cash	$	548,787	$	608,889
Restricted cash (Note 1)		63,568		67,906
Investments (Note 4)		1,827		110
Accounts receivable		90,296		-
Pledge receivable		-		10,000
Grants receivables		224,500		222,500
Prepaid expenses		20,628		8,241
TOTAL ASSETS	$	949,606	$	917,646
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$	5,147	$	5,979
Accrued expenses		40,086		19,494
Client trust liability		63,568		67,906
TOTAL LIABILITIES	$	108,801	$	93,379
NET ASSETS (Note 6)				
Without donor restrictions				
Undesignated		228,876		294,957
Restricted client trust		63,568		67,906
Board-designated reserves		350,640		400,407
With donor restrictions		197,721		60,997
TOTAL NET ASSETS		840,805		824,267
TOTAL LIABILITIES AND NET ASSETS	$	949,606	$	917,646

FREE TO THRIVE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 474,669	$ 47,000	$ 521,669
Contract Revenue	90,296	-	90,296
Government grants and assistance	106,585	175,000	281,585
Special event revenue			
net direct expenses of $89,388	171,713	-	171,713
In-kind facility use	5,300	-	5,300
In-kind services	13,207	-	13,207
In-kind office	3,264	-	3,264
Interest income	246	-	246
Loss on sale of investment	(53)	-	(53)
Net assets released from restrictions	85,276	(85,276)	-
TOTAL REVENUE AND SUPPORT	950,503	136,724	1,087,227
EXPENSES			
Program Expenses:	747,115	-	747,115
Supporting Services:			
General and administrative	176,481	-	176,481
Fundraising	147,092	-	147,092
TOTAL EXPENSES	1,070,689	-	1,070,689
INCREASE (DECREASE) IN NET ASSETS	(120,186)	136,724	16,538
NET ASSETS AT BEGINNING OF YEAR	763,270	60,997	824,267
NET ASSETS AT END OF YEAR	$ 643,084	$ 197,721	$ 840,805

FREE TO THRIVE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT			
Contributions	$ 423,503	$ 117,500	$ 541,003
Government grants and assistance	389,700	10,000	399,700
Special event revenue			
net direct expenses of $14,622	76,043	-	76,043
In-kind facility use	5,300	-	5,300
In-kind services	6,600	-	6,600
Interest income	305	-	305
Loss on sale of investment	(202)	-	(202)
Net assets released from restrictions	221,160	(221,160)	-
TOTAL REVENUE AND SUPPORT	1,122,409	(93,660)	1,028,749
EXPENSES			
Program Expenses:	524,533	-	524,533
Supporting Services:			
General and administrative	125,373	-	125,373
Fundraising	124,165	-	124,165
TOTAL EXPENSES	774,071	-	774,071
INCREASE (DECREASE) IN NET ASSETS	348,338	(93,660)	254,678
NET ASSETS AT BEGINNING OF YEAR (as previously stated)	362,357	154,657	517,014
RESTATEMENT (Note 9)	52,575	-	52,575
NET ASSETS BEGINNING AS RESTATED	414,932	154,657	569,589
NET ASSETS AT END OF YEAR	$ 763,270	$ 60,997	$ 824,267

FREE TO THRIVE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

		SUPPORTING SERVICES		TOTAL
	Program Expense	General and Administrative	Fundraising	Total Expenses
OTHER EXPENSES				
Salaries and wages	$ 542,059	$ 122,308	$ 113,972	$ 778,339
Payroll taxes	44,900	10,131	9,440	64,471
Employee benefits	42,309	10,938	5,314	58,561
Direct program expenses	8,694	390	-	9,084
Professional fees	11,407	12,700	-	24,107
Outside services	35,880	4,390	5,880	46,150
Office expenses	27,073	7,903	5,361	40,338
Occupancy	3,691	833	776	5,300
Travel	6,709	1,514	1,411	9,633
Conferences and meetings	1,088	245	229	1,562
Insurance	14,243	3,214	2,995	20,451
Other expenses	9,063	1,915	1,715	12,693
TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	$ 747,115	$ 176,481	$ 147,092	$ 1,070,689

FREE TO THRIVE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

		SUPPORTING SERVICES		TOTAL
	Program Expense	General and Administrative	Fundraising	Total Expenses
OTHER EXPENSES				
Salaries and wages	$ 427,116	$ 86,624	$ 104,748	$ 618,488
Payroll taxes	26,929	5,464	6,635	39,028
Employee benefits	9,188	1,864	2,264	13,316
Direct program expenses	19,422	-	-	19,422
Professional fees	-	12,600	-	12,600
Outside services	-	9,519	-	9,519
Office expenses	12,990	2,748	9,243	24,981
Occupancy	4,240	530	530	5,300
Travel	6,706	-	745	7,451
Conferences and meetings	1,230	-	-	1,230
Insurance	10,341	1,410	-	11,751
Other expenses	6,371	4,614	-	10,985
TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	$ 524,533	$ 125,373	$ 124,165	$ 774,071

FREE TO THRIVE
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	12/31/21	12/31/20
CASH FLOWS FROM OPERATING ACTIVITES		
Change in net assets	$ 16,538	$ 254,678
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributed securities	(1,770)	(6,780)
Proceeds from sale of contributed securities	-	6,468
Unrealized loss on contributed securities	53	-
Loss on sale of contributed securities	-	202
Forgiveness of EIDL advance	-	(8,000)
(Increase) decrease in:		
Accounts receivable	(90,296)	-
Pledge receivable	10,000	(10,000)
Grants receivable	(2,000)	(162,500)
Prepaid expenses	(12,387)	(3,016)
Increase (decrease) in:		
Accounts payable	(832)	(3,563)
Accrued expenses	20,592	(4,666)
Client trust liability	(4,338)	67,906
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	(64,440)	130,729
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Purchase of investments	-	(110)
NET CASH USED BY INVESTING ACTIVITIES	-	(110)
CASH FLOWS PROVIDED BY FINANCIING ACTIVITIES		
Proceeds from EIDL advance	-	8,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	8,000
INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(64,440)	138,729
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	676,795	538,066
CASH AND RESTRICTED CASH AT END OF YEAR	$ 612,355	$ 676,795

See accompanying independent auditors' report and notes to the financial statements

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Free to Thrive (the “Organization”) was formed in June 2016 to provide mobile, holistic and trauma-informed legal services to victims and survivors of human trafficking by providing free legal services and connections to other supportive services. The Organization also works to raise awareness about human trafficking via trainings for community members, legal professionals, law enforcement and social service providers. The Organization maintains its principal office in San Diego, California.

The following is a brief description of the Organization’s programs:

- ❖ The Criminal Justice Program advocates for its clients in a variety of criminal matters.
- ❖ The Family Justice Program provides survivors with trauma-informed legal representation in domestic violence restraining orders, divorce, child custody disputes, and legal advocacy dependency cases.
- ❖ The Open Doors Criminal Vacatur Program works with survivors to clear outstanding warrants and vacate convictions related to their exploitation.
- ❖ Specialized Legal Services helps clients find skilled pro bono attorneys to assist with specialized legal needs.
- ❖ The Survivors of Trafficking Empowerment Program (S.T.E.P.) provides pro bono attorneys to clients in specialized areas of the law including worker's rights, civil rights, landlord-tenant, bankruptcy, and more. This program also connects clients to a variety of non-legal services that cultivate physical and mental health, financial independence and entrepreneurship, including mentorship, education, employment, financial skill building, and leadership training.
- ❖ The Financial Empowerment Academy supports clients with the skills and tools for them to gain their financial independence.
- ❖ LGBTQ Trafficking Victim’s Access to Justice Initiative identifies and serves LGBTQ victims and survivors of human trafficking.

During the year ended December 31, 2021, the Organization had 155 clients with a total of 602 legal matters. 97% of its clients identify as female, 1.3% identify as male, the remaining identify as transgender and nonbinary. Approximately 73% of the Organizations clients experienced exclusively sex-trafficking, 5.9% were exclusively labor trafficked, and 12.2% experienced both sex and labor trafficking.

The Organization’s community engagement and education reached 2,524 individuals through community awareness training, legal education, community partner training and community outreach.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective January 1, 2018.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

  Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest earned. Nonoperating activities are limited to resources and other activities considered to be of a more unusual or nonrecurring nature.

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 amounts 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.

Fair Value Measurements

In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability developed based on market date obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset of liability developed based on the best information available.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The standard describes three-tier hierarchy of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Due to the short-term nature of cash, receivables, other assets, accounts payable and accrued expenses, fair value approximates carrying value.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which amends the existing guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and by disclosing key information about leasing arrangements. ASU 2016-02 will, among other things, require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, the ASU contains some targeted improvements that are intended to align, where necessary, lessor accounting with the lessee accounting model and with the updated revenue recognition guidance issued in 2014.

Additionally, in July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases and ASU No. 2018-11, Leases, Targeted Improvements. The amendments in these updates provide additional clarification and implementation guidance on certain aspects of ASU 2016-02 and have the same effective and transition requirements as ASU 2016-02. Specifically, ASU 2018-11 creates an additional transition method option allowing entities to record a cumulative effect adjustment to opening net assets in the year of adoption.

In December 2018, the FASB further issued ASU 2018-20, Leases (Topic 842) Narrow-Scope Improvements for Lessors. The amendments in this update permits lessors to make an accounting policy election to not evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs and instead account for the costs as if they were lessee costs. Additionally, the amendment requires lessors to exclude from variable payments, and therefore revenue, lessor costs paid by lessees directly to third parties. The amendments also require lessors to account for costs excluded from the consideration of a contract that are paid by the lessor and reimbursed by the lessee as variable payments.

In March 2019, the FASB also issued ASU 2019-01, Leases (Topic 842) Codification Improvements, to further clarify certain identified issues regarding implementation of ASU 2016-02. Specifically, the amendments in ASU 2019-01 clarify the determination of fair value of underlying assets by lessors that are not manufacturers or dealers, the cash flow presentation of sales-type or direct financing leases, and transition disclosures for interim periods. Issued in November 2019, ASU 2019-10, "Financial Instruments-Credit Losses, Derivatives and Hedging, and Leases" alters the effective date of ASU 2016-02 for private companies.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements Not Yet Adopted (continued)

On June 3, 2020, the FASB issued ASU 2020-05, which deferred the effective dates of the Board's standards on ASU 2016-02 to give immediate relief to certain entities as a result of the widespread adverse economic effects and business disruptions caused by the coronavirus disease 2019 (COVID-19) pandemic.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is meant to improve generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. An NFP will be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets.

The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. An NFP will be required to disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets and additional information for each category of contributed nonfinancial assets. The amendments in this ASU are affective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022, and should be applied on a retrospective basis. Early adoption is permitted.

In October 2021, the FASB Issued ASU 2021-10 Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance, which aims to provide increased transparency by requiring business entities to disclose information about certain types of government assistance they receive in the notes to the financial statements. The disclosure requirements in ASC 832 only apply to transactions with a government that are accounted for by analogizing to either a grant model (for example, in International Accounting Standard (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance), or a contribution model (for example, in ASC 958-605, Not-for-Profit Entities – Revenue Recognition). ASC 832 requires the following disclosures about government assistance transactions in the notes to the annual financial statements:

- Information about the nature of the transactions, including a general description and the form (cash or other assets, for example) in which the assistance has been received.
- The accounting policies used to account for the transactions.
- Line items on the balance sheet and income statement affected by the transactions and the amounts applicable to each financial statement line item in the current reporting period.

Entities are required to provide the new disclosures prospectively for all transactions with a government entity that are accounted for under either a grant or a contribution accounting model and are reflected in the financial statements at the date of initially applying the new amendments, and to new transactions entered into after that date. Retrospective application of the guidance is permitted. The guidance in ASU 2021-10 is effective for financial statements of all entities, including private companies, for annual periods beginning after December 15, 2021, with early application permitted.

Cash and Cash Equivalents

Cash and cash equivalents consist of short term, highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Cash

Restricted cash represents funds held in a separate bank account for the benefit of a client.

The following table summarizes cash and restricted cash reported on the statement of cash flows:

	12/31/21	12/31/20
Cash	$ 548,787	$ 608,889
Restricted cash	63,568	67,906
Total cash and restricted cash	$ 612,355	$ 676,795

Accounts Receivables

Accounts receivables consist primarily of contract fees and are stated at the amount the Organization expects to collect. Based on the judgment of management, no allowance for doubtful accounts has been recorded as of December 31, 2021.

Pledge Receivables

Pledge receivables represent unconditional promises to give. Pledges extending beyond one year are reported at fair value by discounting the expected future pledge payments at the balance sheet date to recognize the present value of the future cash flows. In subsequent years, this discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. In addition, pledges are recorded net of an allowance.

For the year ended December 31, 2021, there were no pledge receivables and no allowance for uncollectible pledges. For the year ended December 31, 2020, there was a pledge receivable in the amount of $10,000 and no allowance for uncollectible pledges was considered necessary. Changes in the fair value of pledges receivable are reported in the statement of activities as contribution revenue except for changes in the allowance which are reported as program expenses at each subsequent reporting date.

Grants Receivables

Grants receivables represent pledges from foundations, corporations and governmental agencies. The Organizations considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Investments

Investments are carried at fair value in the statement of financial position. Investment return (including realized and unrealized gains and losses on investments, interest and dividends, and investment expense) is included in the change in net assets without donor restrictions unless restricted by donor or law. Investment return on restricted assets is reported as an increase in net assets with donor restrictions if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment return is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Revenue from Contracts with Customers

The Organization adopted Financial Accounting Standards Board's (FASB) accounting standards update (ASU) ASU 2014-09, Revenue from Contracts with Customers (Topic 606) effective January 1, 2019. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization generally measures revenue based on the amount of consideration the Organization expects to be entitled for the transfer of goods to a customer, then recognizes this revenue when the Organization satisfies its performance obligations. The Organization evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied.

For the year ended December 31, 2021, revenue from contracts with customers consisted of contract fees for legal services. The transaction price is the fee outlined in the contract. Revenue related to contract fees is recognized over time as the services are rendered toward satisfaction of performance obligations. Billing for contract fees occurs monthly in accordance with the contract terms. For the year ended December 31, 2020, the Organization did not have any revenue from contracts with customers under Topic 606.

Contributions and Support

Contributed revenue may include gifts of cash or promises to give. Contributions and grants are recognized as revenues in the period received and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Organization adopted ASU 2018-08, Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made effective January 1, 2019. In accordance with Topic 958, Revenue Recognition, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement.

In accordance with Topic 958, Revenue Recognition, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Special Events

Special event revenues received are not recognized until the revenue is earned, which is at the time of the event or when the services are provided, and the Organization does not believe it is required to provide additional goods or services to fulfill its related performance obligation. The recognition of revenue is conditional on the event taking place, as this is the point in time when the performance obligation of hosting the event occurs.

The Organization records special event revenue equal to contribution revenue less the cost of direct benefits to donors which is included in special event revenue on the statement of activities and changes in net assets.

Government Grants and Assistance

The Organization received direct government grants and assistance including the Paycheck Protect Program (PPP) loan and Employee Retention Credits (ERC) (see Note 5). In accordance with ASC 958, the proceeds from PPP loans are recognized initially as a refundable advance and recognized as revenue upon forgiveness. The Employee Retention Credit (ERC), a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). As the government is not receiving a benefit as a result of these transactions, revenue is considered to be a contribution to the Organization.

Contributed Goods, Services and Facilities

Contributed goods are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to expense as appropriate. For the year ended December 31, 2021, the Organization recognized contributed goods of $3,264 for office items, which is reported as revenue in the statement of activities and as an expense in the statement of functional expenses, and $27,899 for fundraising opportunity drawings which is recognized in the statement of activities.

The Organization received pro bono accounting services of $1,800 and $6,600, respectively, and benefited from in-kind donation of rent for office space of $5,300 for the years ended December 31, 2021 and 2020, which is reported as revenue in the statement of activities and as an expense in the statement of functional expenses. The Organization also received pro bono legal services of $11,407 for the year ended December 31, 2021, which is reported as revenue in the statement of activities and as an expense in the statement of functional expenses.

The Organization utilizes the services of volunteers throughout the year that perform a variety of tasks that assist the Organization with various programs. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The services do not meet the criteria for recognition as a contribution and are not reflected in the financial statements.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management. The expenses that are allocated include salaries and wages, benefits and payroll taxes which are allocated on the basis of estimates of time and effort.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. The Organization did not have any unrelated business income for the years ended December 31, 2021 and 2020 and, therefore, no provision for income taxes has been made.

The Organization follows the provision of uncertain tax positions as addressed in FASB Accounting Standards Codification. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. The Organization believes that it has taken no significant uncertain tax positions for the years ended December 31, 2021 and 2020. Management believes the Organization is no longer subject to income tax examinations by applicable taxing jurisdictions for the years prior to December 31, 2017.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

NOTE 2. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

Financial assets at year-end:	12/31/21	12/31/20
Cash	$ 612,355	676,795
Investments	1,827	110
Pledges receivable	-	10,000
Grants receivable	224,500	222,500
Total financial assets	838,682	909,405
Less amounts not available to be used within one year:		
Restricted cash – client trust	63,568	67,906
Board-designated cash	350,639	400,407
Restricted by donor with purpose restrictions	197,721	60,997
Financial assets available to meet general expenditures over the next twelve months	$ 226,754	380,095

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain a minimum of 90 days operating expenses. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity monthly.

NOTE 2. AVAILABILITY AND LIQUIDITY (continued)

The Organization is also supported by restricted grants and contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its grantors and donors. Thus, financial assets may not be available for general expenditure within one year. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was $350,639 and $400,407 for the years ended December 31, 2021 and 2020, respectively. In the event of an unanticipated liquidity need, the Organization could draw upon its board-designated cash.

NOTE 3. CONCENTRATION OF CREDIT RISK

Cash

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash. The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor. At December 31, 2021 and 2020, the Organization exceeded federally insured limits by $212,339 and $327,081, respectively.

NOTE 4. FAIR VALUE MEASUREMENTS

The Organization's investments consist of money market mutual funds and are stated at fair value based on quoted prices in active markets (all Level 1 measurements).

The following table represents the financial instruments carried at fair value as of December 31:

	12/31/21			12/31/20
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Fair Value
Money market funds	$ 1,827	$ 1,827	$ -	$ 110

NOTE 5. CARES ACT LOANS

Paycheck Protection Program Loan

In April 2020, the Organization was granted a $94,700 loan under the Paycheck Protection Program (the "PPP Loan") administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. In accordance with ASC Subtopic 958-605 in situations in which the PPP's eligibility and loan forgiveness criteria are expected to be met, the proceeds from the PPP Loan had been initially recognized as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements.

On March 16, 2021, the PPP Loan was fully forgiven. The Organization recognized $94,700 as government grants and assistance revenue for the year ended December 31, 2021 in accordance with guidance for conditional contributions as a refundable advance; that is, once the measurable performance or other barrier and right of return of the PPP Loan no longer existed.

NOTE 5. CARES ACT LOANS (continued)

Economic Injury Disaster Loan Advance

In May 2020, the Organization received an advance of $8,000 from the SBA. While the SBA refers to this program as an advance, it was written into law as a grant and the amount given through this program does not need to be repaid Under the original rules of the CARES Act, EIDL advances were deducted from the PPP forgiveness amount. On December 27, 2020, the Consolidated Appropriations Act of 2021 (CAA) was signed into law. In addition to funding new Paycheck Protection Program (PPP) loans, the CAA relaxed certain rules governing the program and made many retroactive changes applicable to PPP loans issued in 2020. As part of the CAA, EIDL advances were retroactively not deducted from the PPP forgiveness amount regardless of when the loan was forgiven, thus the EIDL advance has been recognized as government grants and assistance in the statement of activities.

Employee Retention Credit (ERC)

The Employee Retention Credit (ERC) Act as fully refundable credits against the employer portion of Social Security taxes based on the amount of qualified wages that an eligible employer has incurred. The maximum credit is based on a qualified-wages ceiling for each employee. Filing the paperwork with the IRS is an administrative burden that does not impact the timing of when the receivable should be recognized. Therefore, management has recognized $81,585 for the ERC amount that was taken as a credit on payroll tax as revenue in government grants and assistance on the statement of activities for the year ended December 31, 2021.

NOTE 6. NET ASSETS

The Organization's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts. Net assets without donor restrictions consist of the following at December 31:

	12/31/21	12/31/20
Board-designated	$ 350,639	$ 400,407
Restricted client trust	63,568	67,906
Undesignated	228,876	294,957
Total net assets without donor restrictions	$ 643,084	$ 763,270

Board-designated net assets consist of assets restricted by the Board of Directors for operational reserves that are available to meet the Organization's future expenditures and restricted client trust funds held for the benefit of a client.

NOTE 6. NET ASSETS (continued)

Net assets with donor restrictions consists of the following at December 31:

	12/31/21	12/31/20
San Diego Women's Foundation	$ -	$ 12,500
San Diego County Community Enhancement Grant	75,000	10,000
Lawyer's Club of San Diego	-	5,000
JEM Project	-	33,497
American Bar Endowment	13,125	-
Equal Justice Works	8,596	-
LA County Board of Supervisors	50,000	-
SD County Neighborhood Reinvestment	50,000	-
Soroptimist International of Coronado	1,000	-
	$ 197,721	$ 60,997

Net assets released from net assets with donor restrictions are as follows:

	12/31/21	12/31/20
Satisfaction of program restrictions	$ 85,276	221,160

NOTE 7. RETIREMENT PLAN

The Organization maintains a tax-deferred retirement plan qualified under Section 401(k) of the Internal Revenue Code and covers substantially all employees. Employees are eligible after they have completed one year of service and have attained the age of 21. Employees may elect to defer up to 100% of their salaries. The Organization matching contribution for each payroll period is 100% of the participant's eligible elective deferrals that do not exceed 4% of the participant's eligible compensation. The Organization had matching contributions of $10,930 and $7,425 for the years ended December 31, 2021 and 2020, respectively.

NOTE 8. IMPACT OF COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Organization is located, have declared a state of emergency.

The Organization experienced restrictions and quarantines on its employees' ability to work and the ability to operate its programs. Actions to mitigate the spread of COVID-19 have had an adverse impact. As of the date of these financial statements, many of the restrictions and quarantines have been lifted. Management continues to monitor the outbreaks, however, as of the date of these financial statements, the potential impact cannot be quantified.

NOTE 9. PRIOR PERIOD ADJUSTMENT

During 2021, management discovered that a receivable was not properly recorded. The corrective entry was made to record the receivable and increased current assets by $60,000. As a result of this adjustment and its effect on net income, net assets without donor restrictions increased by $60,000 as of December 31, 2020.

In addition, it was discovered that the employer matching contribution was not recorded. The corrective entry was made and increased accrued expenses by $7,425. As a result of this adjustment and its effect on net income, net assets without donor restrictions decreased by $7,425 as of December 31, 2020.

NOTE 10. RECLASSIFICATIONS

Certain items in the 2020 financial statements have been reclassified to conform to current year classifications. With the exception of the prior period adjustment discussed in Note 9, such reclassifications had no effect on previously reported changes in net assets.

NOTE 11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 13, 2022, the date which the financial statements were available to be issued.