

PROJECT AVARY, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Project Avary, Inc.
San Rafael, California

We have audited the accompanying financial statements of Project Avary, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.



Goranson and Associates, Inc.

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Avary, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Project Avary, Inc.'s financial statements for the year ended December 31, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

September 8, 2021

Santa Rosa, CA

PROJECT AVARY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(With summarized comparative totals for December 31, 2019)

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,756,488	\$ 1,167,388
Short term investments	-	100,680
Grants and pledges receivable, current	336,874	140,044
Prepaid expenses	27,404	367
Total current assets	2,120,766	1,408,479
Non-current assets:		
Deposits	500	3,675
Total non-current assets	500	3,675
Total assets	\$ 2,121,266	\$ 1,412,154
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 8,594	\$ 30,412
Accrued payable liabilities and other accrued expenses	38,513	32,017
Accrued vacation pay	29,236	25,806
Government contract advances	9,014	39,558
Total liabilities	85,357	127,793
Net assets:		
Without donor restriction	1,760,849	1,046,446
With donor restriction	275,060	237,915
Total net assets	2,035,909	1,284,361
Total liabilities and net assets	\$ 2,121,266	\$ 1,412,154

The accompanying notes are integral part of these financial statements

PROJECT AVARY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized comparative totals for the year ended December 31, 2019)

	Without donor restriction	With donor restriction	2020 Total	2019 Total
SUPPORT AND REVENUE:				
Grants and donations	\$ 589,053	\$ 396,500	\$ 985,553	\$ 705,763
Government contracts	525,574	-	525,574	605,499
PPP loan forgiveness	161,190		161,190	-
Special events, net \$31,918 expenses	132,256	-	132,256	175,464
Other income	3,575	-	3,575	10,500
Net assets released from restriction	359,355	(359,355)	-	-
Total support and revenue	<u>1,771,003</u>	<u>37,145</u>	<u>1,808,148</u>	<u>1,497,226</u>
EXPENSES:				
Program services:	854,003		854,003	948,452
Administration	62,513		62,513	57,285
Development	140,084		140,084	142,560
Total expenses	<u>1,056,600</u>		<u>1,056,600</u>	<u>1,148,297</u>
CHANGE IN NET ASSETS	714,403	37,145	751,548	348,929
NET ASSETS, BEGINNING	<u>1,046,446</u>	<u>237,915</u>	<u>1,284,361</u>	<u>935,432</u>
NET ASSETS, ENDING	<u>\$ 1,760,849</u>	<u>\$ 275,060</u>	<u>\$ 2,035,909</u>	<u>\$ 1,284,361</u>

The accompanying notes are integral part of these financial statements

PROJECT AVARY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized comparative totals for the year ended December 31, 2019)

	Program services	Management & general	Development	2020 Total	2019 Total
Personnel	\$ 716,626	\$ 46,932	\$ 114,233	\$ 877,791	\$ 801,316
Program direct expenses	35,934	-	-	35,934	118,277
Program direct service fees	22,284	-	-	22,284	91,000
Professional Services	7,397	10,198	463	18,058	24,652
Occupancy	40,640	1,242	3,836	45,718	49,577
Insurance	10,494	1,478	4,432	16,404	18,859
Information Technology	13,027	1,254	3,561	17,842	17,149
Office Expenses	2,831	864	7,787	11,482	12,112
Memberships Licenses Fees	1,302	-	-	1,302	2,642
Travel, meetings, meals	335	207	258	800	2,575
Other Expenses	3,133	338	5,514	8,985	5,138
Total expenses	<u>\$ 854,003</u>	<u>\$ 62,513</u>	<u>\$ 140,084</u>	<u>\$ 1,056,600</u>	<u>\$ 1,148,297</u>

The accompanying notes are integral part of these financial statements

PROJECT AVARY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized comparative totals for the year ended December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 751,548	\$ 348,929
Adjustments to reconcile change in net assets to cash from operations:		
(Increase) decrease in:		
Grants and pledges receivable	(196,830)	28,265
Prepays and deposits	(23,862)	581
Increase (decrease) in:		
Accounts payable	(21,818)	5,626
Accrued expenses	9,926	12,533
Government contract advances	(30,544)	(21,624)
Net cash provided by operating activities	488,420	374,310
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	100,680	(100,680)
NET INCREASE IN CASH	589,100	273,630
CASH, beginning of year	1,167,388	893,758
CASH, end of year	\$ 1,756,488	\$ 1,167,388

The accompanying notes are integral part of these financial statements

PROJECT AVARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 ORGANIZATION

Project Avary, Inc. (Organization) services children with incarcerated parents. The Organization's mission is to provide emotionally and physically safe environments where children build trusting relationship, gain a sense of community and belonging, and develop essential life and leadership skills that will help them overcome the challenges of parental incarceration. To achieve this objective, the Organization conducts sleep-away summer camp, year-round sleep-away retreats, adventure day outings, youth mentoring, family support activities, and online support groups.

The Organization is a nonprofit organization, exempt from income taxes under Internal Revenue Code Section 501(c)(3) and section 27301(d) of the California Revenue and Taxation Code. The Organization is governed by a Board of Directors.

The Organization receives funding in the form of foundation grants, individual donation and government contracts. In addition, a substantial amount of revenue is generated from special events.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – The Organization reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction

Net assets without donor restriction – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restriction – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or that become net assets without donor restriction at the date specified by the donor. There are currently \$275,060 in net assets with donor restriction.

Net assets released from donor restriction – Net assets with donor restriction are “released” to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

PROJECT AVARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Other Basis of Presentation Policies – Revenues or support are reported as increases in net assets without donor restriction unless subject to donor-imposed restrictions. If donor restrictions are fulfilled in the same time period the revenue or support is received, the Organization reports the revenue or support as net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by explicit donor stipulation or by law.

Revenue Recognition – The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization report gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Risk – The Organization maintains cash balances in financial institutions. Funds are insured in both an investment account that is US backed Treasury bills and notes and Federal Deposit Insurance Corporations up to \$250,000 per depositor for each account ownership category. The Organization's accounting policy on risk management follows best practice on cash balances, as any funds that exceed FDIC limits are transferred within 30 days. The Organization was diligent in properly following this policy. As evidence of this, the Organization exceeded the FDIC limit by \$94,569 at December 31, 2020, and the organization transferred funds out within 30 days of exceeding the limit, per their policy.

Investments – Investments are made up of bond funds and are reported at their fair values in the statement of financial position. The fair value of the bond funds are based upon quoted prices in active markets (Level 1 measurements). Realized and unrealized gains and losses are included in the change in net assets and are included in the statement of activities as net realized and unrealized gains on investments.

PROJECT AVARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measures – The Organization reports its fair value measures by using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the hierarchy gives the highest ranking fair values determined by quoted prices for similar assets or liabilities in an active market (Level 2) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

The three level of the fair value hierarchy under GAAP are:

Level 1 – Unadjusted quoted prices in active markets accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

Grants and Pledges Receivable – Grants and pledges receivable include amounts committed by donors which have not yet been received by the Organization. Amount due within one year are stated at face value, while amounts due beyond one year are discounted to present value only in cases where such discounts would be material to the financial statements. Currently, there are not discounts reflected in the financial statements. Based on management's judgement, no allowance for doubtful accounts has been recorded.

Fixed Assets – Fixed assets are recorded at cost if purchased and at fair market value on the date of donation if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets for periods of 3 to 30 years. The Organization capitalizes individual assets with cost of \$5,000 or greater.

Income Taxes – The Organization is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined The Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

PROJECT AVARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes, continued – Management of the Organization considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax. The Organization's tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Allocation Methodology – Costs that benefit more than one program are allocated on the basis of usage based on space or personnel.

Donated Services and Items – Many people have contributed significant amounts of time to the activities of the Organization without compensation. The financial statements do not reflect the value of those contributed services and items because, although clearly substantial, no reliable basis exists for determining an appropriate valuation.

Reclassification – Certain reclassifications have been made to the December 31, 2019 financial statement presentation to correspond to the current year's format.

Summarized Comparative Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

PROJECT AVARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2020 that are available for operations. Donor restricted funds include funds restricted based on time and purpose.

Financial assets at yearend	
Cash and cash equivalents	\$ 1,756,488
Grants and pledges receivable, current	<u>336,874</u>
	2,093,362
Less financial assets with donor restrictions	<u>(275,060)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,818,302</u>

NOTE 4 GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable consisted of the following at December 31, 2020:

San Francisco Unified School District	\$ 55,206
City of Oakland	7,238
TenAcre	105,000
May & Stanley Smith Charitable Trust	50,000
Youth Outside	38,000
Other grants and pledges	<u>81,430</u>
Total grants and pledges receivable	<u>\$ 336,874</u>

NOTE 5 ACCRUED VACATION AND SICK LEAVE

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The balance of accrued vacation at December 31, 2020 is \$29,236.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated sick leave benefits are not recognized as liabilities since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenses in the period taken.

PROJECT AVARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are as follows at December 31, 2020:

General support for future periods	\$ 132,060
Program support	<u>143,000</u>
Total net assets with donor restriction	<u>\$ 275,060</u>

NOTE 7 LEASE COMMITMENTS

The Organization leases office space on a month to month basis for \$1,500 per month during the year ended December 31, 2020.

The Organization also leases two storage units on a month to month basis for \$309 and \$339 per month, respectively.

The Organization started a lease for a new program office June 2020. Monthly rent is \$1,700.

Total rent and storage expenses for the year ended December 31, 2020 is \$44,091.

NOTE 8 CONTINGENCY

The Organization receives contributions and grants that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to returned to the donor. It is management's opinion that all donor requirements have been met for grants and contributions that have been released from net assets with donor restrictions or recorded directly to net assets without donor restrictions.

NOTE 9 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 8, 2021, the date the financial statements were available to be issued. In January 2020, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions. This could have a material effect on the Organization's operations, financial position, and cash flows.