

PROJECT AVARY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021



INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

Opinion

We have audited the accompanying financial statements of Project Avary, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 the Organization 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 the Organization'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 GAAS 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 the Organization'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 the Organization'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.



MILLER KAPLAN ARASE LLP

San Francisco, California

August 26, 2022

PROJECT AVARY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 2,198,868
Grants and Pledges Receivable	674,795
Prepaid Expenses	792
Other Receivable	1,500
Employee Retention Credits Receivable	<u>123,589</u>
TOTAL CURRENT ASSETS	2,999,544
Non-Current Assets	
Deposits	<u>2,700</u>
TOTAL ASSETS	<u><u>\$ 3,002,244</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 32,438
Salary and Payroll Taxes	17,733
Accrued Vacation Payable	31,506
Government Contract Advances	<u>5,018</u>
TOTAL CURRENT LIABILITIES	<u>86,695</u>
Net Assets	
Without Donor Restrictions	2,445,998
With Donor Restrictions	<u>469,551</u>
TOTAL NET ASSETS	<u>2,915,549</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,002,244</u></u>

PROJECT AVARY, INC.
STATEMENT OF ACTIVITIES
JANUARY 1, 2021 TO DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and Donations	\$ 559,436	\$ 660,068	\$ 1,219,504
Government Contracts	516,173	-	516,173
Special Events, Net	150,668	-	150,668
Employee Retention Credits	298,171	-	298,171
Other Income	1,500	-	1,500
Interest and Dividends	666	-	666
Net Assets Released from Restrictions	465,577	(465,577)	-
TOTAL SUPPORT AND REVENUE	1,992,191	194,491	2,186,682
EXPENSES			
Program Services	1,091,476	-	1,091,476
Management and General	73,242	-	73,242
Development and Events	142,324	-	142,324
TOTAL EXPENSES	1,307,042	-	1,307,042
Change in Net Assets	685,149	194,491	879,640
Net Assets, Beginning	1,760,849	275,060	2,035,909
Net Assets, Ending	\$ 2,445,998	\$ 469,551	\$ 2,915,549

PROJECT AVARY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
JANUARY 1, 2021 TO DECEMBER 31, 2021

	Program Services	Management and General	Development and Events	Total
Salary and Wages	\$ 726,842	\$ 43,867	\$ 88,065	\$ 858,774
Employee Benefits	95,114	6,458	19,368	120,940
Payroll Taxes and Fees	65,549	3,761	7,499	76,809
Outdoor Program Direct Expenses	81,678	-	-	81,678
Consultants/Direct Program Service Fees	20,993	-	-	20,993
Accounting Services	7,944	10,167	420	18,531
Information Technology	20,301	1,150	5,735	27,186
Insurance	15,653	2,543	7,827	26,023
Memberships, Licenses and Fees	810	234	207	1,251
Occupancy	45,433	1,238	3,491	50,162
Office Expenses	3,189	701	6,537	10,427
Other Expenses	7,970	3,123	3,175	14,268
TOTAL EXPENSES	<u>\$ 1,091,476</u>	<u>\$ 73,242</u>	<u>\$ 142,324</u>	<u>\$ 1,307,042</u>

PROJECT AVARY, INC.
STATEMENT OF CASH FLOWS
JANUARY 1, 2021 TO DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 879,640
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operations:	
(Increase) Decrease in:	
Grants and Pledges Receivable	(337,921)
Prepays	26,612
Other Receivable	(1,500)
Employee Retention Credits Receivable	(123,589)
Deposits	(2,200)
Increase (Decrease) in:	
Accounts Payable	23,844
Salary and Payroll Taxes	(20,780)
Accrued Vacation Payable	2,270
Government Contract Advances	<u>(3,996)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>442,380</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	442,380
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>1,756,488</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>\$ 2,198,868</u></u>

PROJECT AVARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - NATURE OF THE ORGANIZATION

Project Avary, Inc. (the "Organization") services children with incarcerated parents. The Organization's mission is to provide emotionally and physically safe environments where children build trusting relationships, 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 camps, year-round sleep-away retreats, adventure day outings, youth mentoring, family support activities, and online support groups.

The Organization receives funding in the form of foundation grants, individual donations, government contracts, and an annual gala. The Organization is governed by a Board of Directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

B. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during the period. Accordingly, actual results may differ from these estimates.

C. Net Assets

The Organization reports information regarding its financial position and activities on an accrual basis according to two classes of net assets, as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions, that may include net assets designated for specific purposes by action of the Board of Directors. There are no board designated net assets as of December 31, 2021.

Net assets with donor restrictions – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or that are restricted for use in a future period. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue and support are reported as increases in net assets without donor restrictions unless subject to donor-imposed 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.

PROJECT AVARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Net Assets (Continued)

The Organization reports 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.

D. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization's cash and cash equivalents consist of checking and money market accounts.

E. Concentrations of Risk

The Organization maintains cash balances in financial institutions, which may at times exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 per bank. 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 and balances were not in excess of the FDIC limit as of December 31, 2021.

F. Grants and Pledges Receivable

Grants and pledges receivable include amounts committed by donors which have not yet been received by the Organization. Amounts 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. Based on management's judgement, no allowance for doubtful accounts has been recorded. As of December 31, 2021, \$589,795 is expected to be received within one year and the remaining \$85,000 is expected within two years.

G. Fixed Assets

Fixed assets are recorded at cost if purchased and, if donated, at fair market value on the date of donation. 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. The Organization had \$23,474 of capitalized fixed assets which were fully depreciated as of December 31, 2021.

H. Income Taxes

The Organization has received tax-exempt status from the federal government under Internal Revenue Code ("IRC") Section 501(c)(3) and the State of California under Revenue and Taxation Code Section 23701d. Management believes the Organization is currently designed and operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been made in the accompanying financial statements. The Organization is not classified as a private foundation.

PROJECT AVARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Income Taxes (Continued)

Accounting principles require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken a tax position that more likely than not would not be sustained upon examination by a tax authority. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

I. Government Contracts

The Organization receives funding through state and local government contracts. These contracts are conditioned upon proper use of funding in accordance with the terms and conditions of each contract. Revenue is recognized each month based upon the Organization's use of grant funds. Most of the Organization's government contracts are on a cost-reimbursement basis and some contracts provide for receipt of funds in advance. The Organization's government contract advances totaled \$5,018 at December 31, 2021.

J. Functional Allocation of Expenses

The Organization's costs of providing its programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services, management and general, and development and events. Expenses are primarily charged directly to functional categories based on specific identification. Certain indirect expenses are allocated based on estimated personnel time while other expenses are allocated based on square footage.

K. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 *Leases*, requiring organizations to recognize lease assets and lease liabilities on the statement of financial position and requiring disclosure of key information about leasing arrangements. The guidance is effective for periods beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires nonprofits to present and disclose contributed nonfinancial assets, or gifts-in-kind. The guidance is effective for periods beginning after June 15, 2021. The Organization is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

NOTE 3 - LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2021 that are available for operations. Donor restricted funds include funds restricted based on time and purpose.

PROJECT AVARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - LIQUIDITY (Continued)

Financial Assets at December 31, 2021:

Cash and Cash Equivalents	\$ 2,198,868
Grants and Pledges Receivable	674,795
Other Receivable	<u>125,089</u>
Total Financial Assets at December 31, 2021	2,998,752
Less those Unavailable for General Expenditures Within One Year, Due to Donor Imposed Restrictions	<u>(469,551)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 2,529,201</u></u>

NOTE 4 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are as follows at December 31, 2021:

General Support for Future Periods	\$ 157,982
Program Support	<u>311,569</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 469,551</u></u>

Net assets released from donor restrictions are as follows for the year ended December 31, 2021:

General Support for Future Periods	\$ 133,644
Program Support	<u>331,933</u>
Total Net Assets Released from Donor Restrictions	<u><u>\$ 465,577</u></u>

NOTE 5 - LEASE COMMITMENTS

The Organization leases office and program space under various month-to-month leases totaling \$3,610 per month. The Organization also leases a storage unit on a month to month basis for \$369 per month. A second storage unit was leased at this rate through May 2021.

Rent and storage expenses under these leases totaled \$48,112 for the year ended December 31, 2021.

NOTE 6 - RETIREMENT PLAN

Effective February 1, 2021, the Organization sponsored a 401(k) retirement plan (the Plan) for its employees. Employees are eligible to participate in the Plan upon 12 months of employment and a minimum of 1,000 hours worked. The Organization contributes 3% of each participant's compensation and the Plan allows for additional discretionary employer matching. Employer contributions totaling \$19,328 were made to the Plan during the year ended December 31, 2021.

PROJECT AVARY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 - EMPLOYEE RETENTION CREDITS

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") provides an employee retention credit ("ERC") that is a refundable tax credit against certain employer taxes. The Organization was eligible for ERCs totaling \$298,171 during the year ended December 31, 2021. \$174,582 in ERCs were received during the year and \$123,589 are included in Employee Retention Credits Receivable in the statement of financial position as of December 31, 2021.

NOTE 8 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 26, 2022, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.