

# PROJECT AVARY

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2019

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Project AVARY  
San Rafael, California

We have audited the accompanying financial statements of Project AVARY (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, 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 as of December 31, 2019, 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's financial statements for the year ended December 31, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Goranson and Associates, Inc.*

September 25, 2020  
Santa Rosa, CA

PROJECT AVARY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019  
(With summarized comparative totals for December 31, 2018)

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,167,388	\$ 893,758
Short term investments	100,680	-
Grants and pledges receivable, current	140,044	168,309
Prepaid expenses	367	623
Total current assets	1,408,479	1,062,690
Non-current assets:		
Deposits	3,675	4,000
Total non-current assets	3,675	4,000
Total assets	\$ 1,412,154	\$ 1,066,690
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 30,412	\$ 24,786
Accrued payable liabilities and other accrued expenses	32,017	28,509
Accrued vacation pay	25,806	16,781
Government contract advances	39,558	61,182
Total liabilities	127,793	131,258
Net assets:		
Without donor restriction	1,046,446	683,114
With donor restriction	237,915	252,318
Total net assets	1,284,361	935,432
Total liabilities and net assets	\$ 1,412,154	\$ 1,066,690

The accompanying notes are integral part of these financial statements

PROJECT AVARY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(With summarized comparative totals for the year ended December 31, 2018)

	Without donor restriction	With donor restriction	2019 Total	2018 Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
SUPPORT AND REVENUE:				
Grants and donations	\$ 294,263	\$ 411,500	\$ 705,763	\$ 772,558
Government contracts	605,499	-	605,499	210,080
Special events, net \$51,735 expenses	175,464	-	175,464	163,710
Other income	10,500	-	10,500	1,231
Net assets released from restriction	425,903	(425,903)	-	-
Total support and revenue	<u>1,511,629</u>	<u>(14,403)</u>	<u>1,497,226</u>	<u>1,147,579</u>
 EXPENSES:				
Program services:	948,452		948,452	734,984
Administration	57,285		57,285	43,803
Development	142,560		142,560	117,696
Total expenses	<u>1,148,297</u>		<u>1,148,297</u>	<u>896,483</u>
 CHANGE IN NET ASSETS	363,332	(14,403)	348,929	251,096
 NET ASSETS, BEGINNING	<u>683,114</u>	<u>252,318</u>	<u>935,432</u>	<u>684,336</u>
 NET ASSETS, ENDING	<u>\$ 1,046,446</u>	<u>\$ 237,915</u>	<u>\$ 1,284,361</u>	<u>\$ 935,432</u>

The accompanying notes are integral part of these financial statements

PROJECT AVARY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(With summarized comparative totals for the year ended December 31, 2018)

	Program services	Management & general	Development	2019 Total	2018 Total
Personnel	\$ 647,135	\$ 39,372	\$ 114,809	\$ 801,316	\$ 644,669
Program direct expenses	118,277	-	-	118,277	114,651
Program direct service fees	91,000	-	-	91,000	41,269
Scholarships	5,000	-	-	5,000	-
Professional Services	6,105	12,496	6,051	24,652	22,103
Occupancy	44,929	1,138	3,510	49,577	32,606
Insurance	13,590	1,452	3,817	18,859	10,992
Information Technology	12,169	1,074	3,906	17,149	11,215
Office Expenses	4,710	742	6,660	12,112	8,374
Memberships Licenses Fees	1,622	-	1,020	2,642	5,285
Travel, meetings, meals	1,542	417	616	2,575	1,684
Other Expenses	2,373	594	2,171	5,138	3,635
Total expenses	<u>\$ 948,452</u>	<u>\$ 57,285</u>	<u>\$ 142,560</u>	<u>\$ 1,148,297</u>	<u>\$ 896,483</u>

The accompanying notes are integral part of these financial statements

PROJECT AVARY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(With summarized comparative totals for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 348,929	\$ 251,096
Adjustments to reconcile change in net assets to cash from operations:		
(Increase) decrease in:		
Grants and pledges receivable	28,265	(28,944)
Prepays and deposits	581	1,297
Increase (decrease) in:		
Accounts payable	5,626	12,894
Accrued expenses	12,533	16,528
Government contract advances	(21,624)	46,734
Net cash provided by operating activities	<u>374,310</u>	<u>299,605</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	<u>(100,680)</u>	<u>-</u>
NET INCREASE IN CASH	273,630	299,605
CASH, beginning of year	<u>893,758</u>	<u>594,153</u>
CASH, end of year	<u><u>\$ 1,167,388</u></u>	<u><u>\$ 893,758</u></u>

The accompanying notes are integral part of these financial statements



PROJECT AVARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 ORGANIZATION

Project AVARY (Organization) serves Northern California 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 generational cycles of incarceration. To achieve this objective, the Organization conducts a sleep-away summer camp, year-round Adventure Day outings, mentoring, a teen leadership program, family support activities, and a school program serving K-12 youth.

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 no 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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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 exceeded the FDIC limit by \$20,409 at December 31, 2019. 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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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, 2018, from which the summarized information was derived.

PROJECT AVARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 3 LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2019 that are available for operations. Donor restricted funds include funds restricted based on time and purpose.

Financial assets at yearend	
Cash and cash equivalents	\$ 1,167,388
Short term investments	100,680
Grants and pledges receivable, current	<u>140,044</u>
	1,408,112
Less financial assets with donor restrictions	<u>(237,915)</u>
Total financial assets available to meet cash	
needs for general expenditures within one year	<u><u>\$ 1,170,197</u></u>

NOTE 4 INVESTMENTS

The following table presents the assets and liabilities recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at December 31, 2019:

	<u>Level 1</u>
Bond funds	<u><u>\$ 100,680</u></u>

Investment earnings are as follows for the year ended December 31, 2019:

Unrealized gain	\$ 73
Realized gain	7,823
Interest and dividend income	<u>7,323</u>
Total investment income	<u><u>\$ 15,219</u></u>

PROJECT AVARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 5        GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable consisted of the following at December 31, 2019:

City and County of San Francisco	\$ 37,434
City of Oakland	4,316
San Francisco Unified School District	25,000
Fairview Foundation	40,000
Leshner Foundation	10,000
Other grants and pledges	23,294
Total grants and pledges receivable	<u>\$ 140,044</u>

NOTE 6        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, 2019 is \$25,806.

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.

NOTE 7        NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are as follows at December 31, 2019:

General support for future periods	\$ 163,693
Program support	74,222
Total net assets with donor restriction	<u>\$ 237,915</u>

PROJECT AVARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 8      LEASE COMMITMENTS

The Organization leases office space on a month to month basis for \$1,500 per month during the year ended December 31, 2018.

The Organization also leases office space with a lease that commenced June 2018 and expires May 2019. Monthly rent is \$380.

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 2019. Monthly rent is \$1,700.

Total rent and storage expenses for the year ended December 31, 2019 is \$47,929.

NOTE 9      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 10      CHANGE IN ACCOUNTING PRINCIPLE

The financial statements have been changed to adopt ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition. This change has been applied to both the current year and the prior year summarized information.

PROJECT AVARY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 11      SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 25, 2020, 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.