

**LEVITT & QUINN
FAMILY LAW CENTER, INC.**

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

December 31, 2015



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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PRINCIPALS

- Jerome D. Vermeulen, CPA

DIRECTORS

- Stacey S. Summers, CPA

FOUNDERS

- Donald L. Gursey, (1936-2007)
- Stanley B. Schneider, CPA



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Independent Auditor’s Report

To the Board of Directors
Levitt & Quinn Family Law Center, Inc.
Los Angeles, California

We have audited the accompanying financial statements of the Levitt & Quinn Family Law Center, Inc., (a California nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2015, 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.

^{*}Accredited in Business Valuation
[†]Certified in Financial Forensics

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Levitt & Quinn Family Law Center, Inc. as of December 31, 2015, 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.

Gursey | Schneider LLP

March 2, 2016
Los Angeles, California

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2015

ASSETS

ASSETS

Cash and cash equivalents	\$ 123,241
Grants receivable	89,964
Prepaid expenses and other assets	16,530
Property and equipment, net	<u>602,404</u>

TOTAL ASSETS \$ 832,139

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 16,354
Accrued expenses	63,673
Loan payable, related party	<u>109,336</u>

TOTAL LIABILITIES 189,363

NET ASSETS

Unrestricted	622,937
Temporarily restricted	<u>19,839</u>

TOTAL NET ASSETS 642,776

TOTAL LIABILITIES AND NET ASSETS \$ 832,139

See Independent Auditor's Report and Accompanying Notes to Financial Statements

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Contributions and grants	\$ 211,747	\$ 36,667	\$ 248,414
Program service revenues	458,393	-	458,393
Donated services	317,900	-	317,900
Fundraising events:			
Gross revenue	315,629	-	315,629
Less: direct costs	<u>(98,444)</u>	<u>-</u>	<u>(98,444)</u>
Fundraising events, net	217,185	-	217,185
Redemption of partnership interest	64,986	-	64,986
Interest and other income	2,216	-	2,216
Restrictions released	<u>104,842</u>	<u>(104,842)</u>	<u>-</u>
TOTAL REVENUES	<u>1,377,269</u>	<u>(68,175)</u>	<u>1,309,094</u>
EXPENSES			
Program services	1,187,987	-	1,187,987
Supporting services	113,007	-	113,007
Fundraising	<u>76,521</u>	<u>-</u>	<u>76,521</u>
TOTAL EXPENSES	1,377,515	-	1,377,515
CHANGE IN NET ASSETS	<u>(246)</u>	<u>(68,175)</u>	<u>(68,421)</u>
NET ASSETS, Beginning of year	<u>623,183</u>	<u>88,014</u>	<u>711,197</u>
NET ASSETS, End of year	<u>\$ 622,937</u>	<u>\$ 19,839</u>	<u>\$ 642,776</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Expenses	Support Services	Fundraising Expenses	Total Expenses
Salaries and Related Expenses				
Salaries	\$ 611,668	\$ 60,174	\$ 53,820	\$ 725,662
Health insurance	54,611	5,379	4,840	64,830
Payroll taxes	55,883	5,489	4,944	66,316
<i>Subtotal</i>	<u>722,162</u>	<u>71,042</u>	<u>63,604</u>	<u>856,808</u>
Other Expenses				
Bank charges	-	8,330	-	8,330
Client costs advanced	6,047			6,047
Computer and internet	21,914	2,116	2,461	26,491
Depreciation	21,513	2,719	2,212	26,444
Dues and subscriptions	10,460	1,150	910	12,520
Insurance	18,078	13,636	1,579	33,293
Licenses	-	384	-	384
Meetings	563	65	56	684
Miscellaneous	1,268	122	104	1,494
Parking and mileage	5,628	-	-	5,628
Postage	3,547	1,537	347	5,431
Professional fees - donated	317,900	-	-	317,900
Professional fees - other	24,754	2,398	2,243	29,395
Repairs and maintenance	9,398	4,115	850	14,363
Supplies	7,899	814	683	9,396
Telephone	4,324	428	383	5,135
Training	-	2,913	-	2,913
Utilities	12,532	1,238	1,089	14,859
<i>Subtotal</i>	<u>465,825</u>	<u>41,965</u>	<u>12,917</u>	<u>520,707</u>
TOTAL EXPENSES	<u><u>\$ 1,187,987</u></u>	<u><u>\$ 113,007</u></u>	<u><u>\$ 76,521</u></u>	<u><u>\$ 1,377,515</u></u>
<i>Percent of total expenses</i>	<u><u>86.24%</u></u>	<u><u>8.20%</u></u>	<u><u>5.56%</u></u>	<u><u>100.00%</u></u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

LEVITT & QUINN FAMILY LAW CENTER. INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (68,421)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	26,444
(Increase) decrease in assets:	
Accounts receivable	78,870
Grants receivable	(6,179)
Prepaid expenses and other current assets	2,631
Increase (decrease) in liabilities:	
Accounts payable	(18,737)
Accrued vacation	(13,290)
	<u>1,318</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,318</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,318
CASH AND CASH EQUIVALENTS, Beginning of year	<u>121,923</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 123,241</u></u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 1 — NATURE OF ORGANIZATION

The Levitt & Quinn Family Law Center, Inc. (L&Q), a California nonprofit public benefit corporation, was incorporated in 1985. L&Q's mission is to provide affordable legal representation in family law matters to low-income families of Los Angeles County to ensure stability for children and their families in the face of legal difficulties. L&Q provides family law legal services for poor and low-income families who are unable to obtain representation from other legal services providers or to afford private attorney representation. L&Q attorneys provide legal representation at court hearings and trials and they provide legal advice and counsel in cases impacting the safety and well-being of children.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation — The accompanying financial statements have been prepared on the accrual basis of accounting; consequently revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents — Cash and cash equivalents include cash held in money market and checking accounts which are insured up to the federal limit by the Federal Deposit Insurance Corporation. Cash and cash equivalents have maturities at date of purchase of three months or less. At times, the cash balance maintained at a single financial institution may exceed federally insured limits.

Net Asset Accounting — To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of L&Q are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted Net Assets.** Net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the board of directors, or may otherwise be limited by contractual agreements with outside parties.
- **Temporarily Restricted Net Assets.** L&Q reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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. At December 31, 2015, L&Q had temporarily restricted net assets of \$19,839.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

- **Permanently Restricted Net Assets.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit L&Q to expend all of the income (or other economic benefits) derived from the donated assets. At December 31, 2015, there were no permanently restricted net assets.

Recognition of Restricted Contributions — L&Q recognizes contributions, including unconditional promises to give, as revenue in the period received, at fair value. L&Q reports amounts in the accompanying financial statements for each of two classes of net assets, unrestricted net assets and temporarily restricted assets.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires or purpose fulfilled in the reporting period in which the support is recognized.

All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. Temporarily restricted net assets become available once the restriction has been satisfied. Once satisfied, these are reclassified to unrestricted net asset and reported in the accompanying financial statements as net assets released from restrictions.

Revenue Recognition — L&Q recognizes program service revenues as legal services are provided. Generally amounts are received at the time service is rendered.

Contributions Receivable — Contributions receivables are recorded when accrued and are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. At December 31, 2015, no valuation allowance was deemed necessary. All contributions receivable at December 31, 2015 are expected to be collected in 2016.

Contributed Services — Contributed services are recognized if the services received (a) increase or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. L&Q receives a significant amount of contributed time from attorneys or legal firms. In 2015, \$317,900 of donated legal services was recognized.

Functional Expenses — The costs of providing the various programs and 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 benefited.

Property and Equipment — Acquisition of property and equipment in excess of \$1,000 is capitalized at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of the assets as follows: Building and Improvements (30 years); Computers and equipment (five to seven years).

Concentrations of Risk — At December 31, 2015, all of the grants receivable is due from two donors. For the year ended December 31, 2015, approximately 19% of the total contributions and grants revenues were received from two donors and approximately 40% of the total program services revenue was received from one agency. Each of these parties has a long-standing association with L&Q.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Income Taxes — L&Q is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. L&Q is classified by the Internal Revenue Service as other than a private foundation.

L&Q recognizes the impact of tax positions in the financial statements if the positions are more likely than not to be sustained on audit, based on the technical merits of the position. L&Q has no recognized / derecognized tax benefits, tax penalties or interest. Federal income tax and informational returns for tax years ending December 31, 2012 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California remain subject to examination by the California Franchise Tax Board for years 2011 and subsequent.

Fair Value Measurements — The carrying amount of L&Q's cash and cash equivalents, grants receivable, accounts payable and accrued vacation approximates fair market value due to the short-term maturities of these instruments.

Subsequent Events — Subsequent events have been evaluated through March 2, 2016, the date the financial statements were available to be issued.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment held for use by L&Q is comprised of the following at December 31, 2015:

Land	\$ 176,221
Building	176,221
Building Improvements	565,744
Furnitures and Equipment	<u>23,142</u>
	941,328
Less: accumulated depreciation	<u>(338,924)</u>
Property and equipment, net	<u><u>\$ 602,404</u></u>

Depreciation expense for the year ended December 31, 2015 was \$26,444.

NOTE 4 — TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2015, all of the temporarily restricted net assets were restricted as to purpose. These restrictions are expected to be fulfilled in the following year.

During the year ended December 31, 2015, amounts released from restriction due to the passage of time totaled \$104,842.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
For the Year Ended December 31, 2015

NOTE 5 — RELATED PARTY TRANSACTIONS

L&Q borrowed \$109,336 from a board member. The loan bears no interest and is due in 2025. No payments of principal or interest were made in 2015.

NOTE 6 — EMPLOYEE BENEFIT PLAN

L&Q sponsors a 403(b) plan for the benefit of its employees covering all employees. Employees are eligible to contribute to the plan commencing on their first day of employment. Participating employees are permitted to make qualifying elective contributions, subject to statutory limitations by IRS. L&Q elected not to make discretionary contributions to the plan. No amounts were contributed for the year ended December 31, 2015.