LEVITTQUINN

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

December 31, 2018

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

C O N T E N T S

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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 Levitt & Quinn Family Law Center, Inc. (a California nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2018, 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.

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Opinion

In our opinion, the financial statements referred on the previous page present fairly, in all material respects, the financial position of Levitt & Quinn Family Law Center, Inc. as of December 31, 2018, 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 22, 2019
Los Angeles, California

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2018

ASSETS

ASSETS		
Cash and cash equivalents	$	265,585
Grants and contributions receivable		53,086
Prepaid expenses and other assets		25,297
Investments, at fair value		427,068
Property and equipment, net		558,448
TOTAL ASSETS	$	1,329,484

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$	407
Accrued expenses		42,408
Loan payable		470,988
Loan payable, related party		54,336
TOTAL LIABILITIES		568,139
NET ASSETS		
Without donor restrictions		732,628
With donor restrictions		28,717
TOTAL NET ASSETS		761,345
TOTAL LIABILITIES AND NET ASSETS	$	1,329,484

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Contributions and grants	$ 234,081	$ 30,000	$ 264,081
Program service revenues	411,567	-	411,567
Donated services	699,202	-	699,202
Fundraising events:			
Gross revenue	421,952	-	421,952
Less: direct costs	(95,929)	-	(95,929)
Fundraising events, net	326,023	-	326,023
Interest and other income	21,157	-	21,157
Realized and unrealized loss, net	(26,217)	-	(26,217)
Restrictions released	44,982	(44,982)	-
TOTAL REVENUES	1,710,795	(14,982)	1,695,813
EXPENSES			
Program services	1,342,736	-	1,342,736
Supporting services	188,120	-	188,120
Fundraising expenses	112,121	-	112,121
TOTAL EXPENSES	1,642,977	-	1,642,977
CHANGE IN NET ASSETS	67,818	(14,982)	52,836
NET ASSETS, Beginning of year	664,810	43,699	708,509
NET ASSETS, End of year	$ 732,628	$ 28,717	$ 761,345

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services	Supporting Services	Fundraising Expenses	Total Expenses
Salaries and Related Expenses				
Salaries	$ 454,678	$ 81,873	$ 72,133	$ 608,684
Health insurance	41,818	7,717	6,562	56,096
Payroll taxes	35,012	6,502	5,560	47,074
Subtotal	531,508	96,091	84,255	711,854
Other Expenses				
Bank charges	-	12,256	-	12,256
Client costs advanced	2,310	490	-	2,800
Computer and office systems	21,471	3,961	3,394	28,826
Depreciation	24,268	4,454	3,967	32,689
Dues and subscriptions	12,152	2,219	1,915	16,286
Insurance	18,268	3,390	2,902	24,560
Interest	-	23,078	-	23,078
Meals	2,981	561	483	4,025
Parking and mileage	4,598	177	158	4,933
Postage	2,018	378	324	2,720
Professional fees - donated	685,727	6,738	6,738	699,202
Professional fees - other	11,783	17,400	3,933	33,116
Repairs and maintenance	4,317	787	677	5,781
Supplies	5,046	1,037	813	6,896
Telephone	1,653	275	247	2,175
Training	-	12,120	-	12,120
Utilities	14,636	2,708	2,316	19,660
Subtotal	811,228	92,029	27,867	931,123
TOTAL EXPENSES	$ 1,342,736	$ 188,120	$ 112,121	$ 1,642,977
Percent of total expenses	*81.73%*	*11.45%*	*6.82%*	*100.00%*

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	52,836
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		32,689
Amortization of loan fees included in interest expense		1,053
Non-cash contribution - loan foregiveness		(45,000)
Net realized and unrealized investment losses		26,217
(Increase) decrease in assets:		
Grants and contributions receivable		30,316
Prepaid expenses and other assets		(3,826)
Increase (decrease) in liabilities:		
Accounts payable		(1,231)
Accrued expenses		(9,088)
NET CASH PROVIDED BY OPERATING ACTIVITIES		83,966
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash received for sale of investments		225,276
Cash paid for purchases of fixed assets		(194,619)
CASH PROVIDED BY INVESTING ACTIVITIES		30,657
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt		(11,444)
NET INCREASE IN CASH AND CASH EQUIVALENTS		103,179
CASH AND CASH EQUIVALENTS, Beginning of year		162,406
CASH AND CASH EQUIVALENTS, End of year	$	265,585
CASH PAID DURING THE YEAR FOR:		
Interest	$	22,025

NOTE 1 — NATURE OF ORGANIZATION

Levitt & Quinn Family Law Center, Inc. ("LQ"), a California nonprofit public benefit corporation, was incorporated in 1985. LQ is a nonprofit family law center whose mission is to protect children and to stand with family members in crisis. LQ provides a full range of family law legal services for poor and low income families who are unable to qualify for help from other legal service providers or to afford private attorney representation. LQ attorneys and volunteers provide legal assistance in cases impacting the safety and well-being of children and the security and economic well-being of families.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Presentation — The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the Unites States of America ("GAAP").

Use of Estimates — The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures 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 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 LQ are maintained in accordance with the principles of net assets accounting. Net assets, revenues and releases from restriction are classified based on the existence or absence of donor- or board-imposed restrictions. Accordingly, the net assets of LQ and the changes therein are classified and reported in two categories of net assets.

- **Without donor restrictions** — Net assets that are not subject to donor-imposed restrictions, including the net investment in fixed assets, gifts with no donor restriction and current funds without donor restriction.

- **With donor restrictions** — Net assets that are subject to donor-imposed restrictions that limit the use of their contributions. Donor restrictions may result in temporarily restricted net assets, where the use of contributions is limited by donor-imposed stipulations that either expire by the passage of time or when used for specified purposes. Donor restrictions may also result in permanently restricted net assets, where the donor stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by LQ's actions. LQ had no permanently restricted net assets at December 31, 2018.

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

Recognition of Restricted Contributions — LQ recognizes contributions, including unconditional promises to give, as revenue in the period received, at fair value. LQ reports amounts in the accompanying financial statements for each of two classes of net assets, without donor restriction and with donor restriction.

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

All other donor-restricted support is reported as an increase in restricted net assets. 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 — LQ recognizes program service revenues as legal services are provided. Generally, amounts are received at the time service is rendered.

Grants and Contributions Receivable — Grants and 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, 2018, no valuation allowance was deemed necessary. All grants and contributions receivable at December 31, 2018 are expected to be collected in 2019.

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. LQ receives a significant amount of contributed time from attorneys or legal firms. In 2018, LQ received $685,727 of donated legal services and $13,475 of other professional services.

Functional Expenses — The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. LQ incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. LQ also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as estimates of time and effort incurred by personnel.

Loan Costs — Debt issuance costs are presented on the statement of financial position as a direct deduction from the carrying amount of the related debt liability, which is similar to the presentation of debt discounts or premiums. The loan costs are amortized to interest expense using the effective interest method.

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	7 to 30 years
Computers and Equipment	5 to 7 years

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

Investments — LQ accounts for its investments at fair value, determined by quoted market prices. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets, unless their use is restricted by donors to a specified purpose or future period.

Concentrations of Risk — At December 31, 2018, all of the grants receivable are due from two donors. For the year ended December 31, 2018, approximately 60% of the total contributions and grants revenues were received from two donors and approximately 70% of the total program services revenue was received from two agencies. Substantially all grants receivable are due from these two agencies. Each of these parties has a long-standing association with LQ. Additionally, a significant portion of contributions received are from current and former board members.

Income Taxes — LQ 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. LQ is classified by the Internal Revenue Service as other than a private foundation.

LQ 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. LQ has no recognized / derecognized tax benefits, tax penalties or interest. Federal income tax and informational returns for tax years ending December 31, 2015 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 2014 and subsequent.

Fair Value Measurements — The carrying amount of LQ'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.

Effect of Recently Issued Accounting Standards — In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "*Revenue from Contracts with Customers,"* which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of this standard, with a revised effective date for fiscal years beginning after December 15, 2018. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. Management is currently evaluating the impact this change in accounting standards will have on LQ's financial statements and related disclosures and has not yet selected a transition method.

In February 2016, the FASB issued ASU 2016-02, *"Leases"* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on LQ's financial statements and related disclosures.

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

Finally, on June 21, 2018, the FASB completed its project on revenue recognition of grants and contracts by not-for-profit entities by issuing ASU 2018-08, "Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The amendments provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments provide:

(1) Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution

(2) Help an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation

(3) Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets / net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

ASU 2018-08 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods beginning after December 15, 2019. Early adoption of the amendments in the update is permitted. Management is currently evaluating the impact these changes in accounting standards will have on the LQ's financial statements and related disclosures.

Subsequent Events — Subsequent events have been evaluated through March 22, 2019, the date the financial statements were available to be issued. As disclosed in Note 8, LQ received an in-kind contribution from a related party of $54,336 for debt forgiveness.

NOTE 3 — LIQUIDITY AND AVAILABLITY

Financial assets consist of the LQ's cash and cash equivalents, investments, and net contributions receivable. The following represents LQ's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year of December 31, 2018 because of contractual or donor imposed restrictions, as well as the board-designated strategic operating reserve fund and investments held in the trust:

Financial assets as of December 31, 2018	$ 745,739
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with purpose restrictions	(28,717)
Financial assets available to meet cash needs for general expenditures within one year	$ 717,022

LQ's financial assets available to meet cash needs for general expenditures within one year represent funding for ongoing operational requirements and planned increase in program expenditure in 2019.

NOTE 3 — LIQUIDITY AND AVAILABLITY – (CONTINUED)

LQ has an investment policy authorized by the board of directors that provides guidance and oversight for the management of cash and cash equivalents, and investments. The policy provides that LQ maintain an adequate level of cash to meet on-going operational and liquidity requirements.

NOTE 4 — INVESTMENTS

LQ's investments are reported at fair value in the accompanying statement of financial position. Fair value is defined as the price that would be received upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. A three-tiered hierarchy is employed to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect assumptions market participants would use in pricing the asset developed based on market data 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 developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset of liability, either directly or indirectly.

Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Investments consist of the following:

	Fair value	Cost or Amortized Cost
U.S. Treasury Security	$ 35,954	$ 35,933
Mutual Fund Categories		
Fixed Maturity Mutual Funds	267,842	273,844
Equity Securities Mutual Funds	107,430	119,935
Real Estate Investment Trusts	15,842	15,996
Total Investments	$ 427,068	$ 445,709

NOTE 4 — INVESTMENTS — (CONTINUED)

LQ's investments were classified by level within the valuation hierarchy as follows:

		Fair Value Hierarchy Designation		
	Total	Level 1	Level 2	Level 3
U.S. Treasury Security	$ 35,954	$ 35,954	$ -	$ -
Fixed Maturity Mutual Funds	267,842	267,842	-	-
Equity Securities Mutual Funds	107,430	107,430	-	-
Real Estate Investment Trusts	15,842	15,842	-	-
Total Investments	$ 427,068	$ 427,068	$ -	$ -

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment held for use by LQ is comprised of the following at December 31, 2018:

Land	$ 176,221
Building	176,221
Building Improvements	586,731
Furnitures and Equipment	47,482
	986,655
Less: Accumulated Depreciation	(428,207)
Property and Equipment, Net	$ 558,448

Depreciation expense for the year ended December 31, 2018 was $32,689.

NOTE 6 — NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018, LQ had net assets with donor restrictions as follows:

Mobile Legal Clinic	$ 3,804
Technology	24,913
Total Net Assets with Donor Restrictions	$ 28,717

During the year ended December 31, 2018, amounts released from restriction from satisfying purpose restrictions as follows:

Adoption	$ 30,000
Technology	9,846
Time Restricted	5,136
Total Net Assets Released from Restrictions	$ 44,982

NOTE 7 — LONG-TERM DEBT

On January 11, 2017, LQ obtained a $500,000 term loan from a bank. The loan matures on February 1, 2027 and initially bears interest at a fixed rate of 4.535% for a five-year period. At the beginning of the sixth year, the fixed interest rate changes to a variable rate calculated as the 6-month LIBOR rate plus 2.80%. The variable rate adjusts every six months. The loan principal amortizes over a 25-year period with the unpaid principal balance due on the maturity date. LQ can pay off the loan balance at the end of five years without incurring a penalty. LQ granted a first deed of trust on the land and building to the bank as collateral for the loan. As part of the underwriting process, the lender engaged a real estate appraiser to value the land and building. The appraiser provided a report to the bank indicating the real estate collateral was valued at $1.9 million (unaudited).

The proceeds from the loan were invested in order to provide working capital.

The long-term debt balance is summarized as follows:

Principal Balance	$	479,407
Unamortized Loan Costs		(8,419)
Long-Term Debt, Net	$	470,988

The following table summarized the future minimum principal due under this term loan.

Years Ending December 31,		
2019	$	12,014
2020		12,510
2021		13,149
2022		13,758
2023		14,395
Thereafter		413,581
	$	479,407

NOTE 8 — RELATED PARTY TRANSACTIONS

LQ borrowed $99,336 from a board member. The loan bears no interest and is due in 2025. During 2018, the board member forgave $45,000 of this loan. Subsequent to year end, on March 8, 2019, the board member forgave the remaining $54,336 loan amount.

NOTE 9 — EMPLOYEE BENEFIT PLAN

LQ 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. LQ elected not to make discretionary contributions to the plan. No amounts were contributed for the year ended December 31, 2018.

NOTE 10 — LEASE COMMITMENT

LQ leases office equipment under a non-cancelable operating lease that expires in 2021. The future minimum lease payments are as follows:

Years Ending December 31,		
2019	$	4,794
2020		4,794
2021		800
	$	10,388