

LEVITTQUINN

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

FINANCIAL STATEMENTS

December 31, 2019



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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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 Levitt & Quinn Family Law Center, Inc. (a California nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, 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.

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, 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.

Subsequent Event and Uncertainties

As discussed in Note 10 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Gursey | Schneider LLP

April 29, 2020
Los Angeles, California

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2019

ASSETS

ASSETS

Cash and cash equivalents	\$	367,715
Grants and contributions receivable		75,200
Prepaid expenses and other assets		14,123
Investments, at fair value		461,747
Property and equipment, net		526,240
		526,240
TOTAL ASSETS	\$	1,445,025
		1,445,025

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	8,212
Accrued expenses		86,088
Loan payable		460,049
		460,049
TOTAL LIABILITIES		554,349
		554,349

NET ASSETS

Without donor restrictions		881,872
With donor restrictions		8,804
		8,804
TOTAL NET ASSETS		890,676
		890,676
TOTAL LIABILITIES AND NET ASSETS	\$	1,445,025
		1,445,025

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 and Changes in Net Assets
For the Year Ended December 31, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
REVENUES			
Contributions and grants	\$ 235,819	\$ 10,000	\$ 245,819
Program service revenues	485,188	-	485,188
Donated services	279,937	-	279,937
Fundraising events:			
Gross revenue	434,148	-	434,148
Less: direct costs	<u>(102,739)</u>	<u>-</u>	<u>(102,739)</u>
Fundraising events, net	331,409	-	331,409
Interest and other income, net of investment fees	17,983	-	17,983
Realized and unrealized loss, net	36,865	-	36,865
Restrictions released	<u>29,913</u>	<u>(29,913)</u>	<u>-</u>
TOTAL REVENUES	<u>1,417,114</u>	<u>(19,913)</u>	<u>1,397,201</u>
EXPENSES			
Program services	977,155	-	977,155
Supporting services	173,477	-	173,477
Fundraising expenses	<u>117,238</u>	<u>-</u>	<u>117,238</u>
TOTAL EXPENSES	<u>1,267,870</u>	<u>-</u>	<u>1,267,870</u>
CHANGE IN NET ASSETS	<u>149,244</u>	<u>(19,913)</u>	<u>129,331</u>
NET ASSETS, Beginning of year	<u>732,628</u>	<u>28,717</u>	<u>761,345</u>
NET ASSETS, End of year	<u>\$ 881,872</u>	<u>\$ 8,804</u>	<u>\$ 890,676</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, 2019

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>
<u>Salaries and Related Expenses</u>				
Salaries	\$ 482,199	\$ 88,217	\$ 81,545	\$ 651,961
Health insurance	39,539	7,221	6,691	53,451
Payroll taxes	36,123	6,624	6,106	48,853
<i>Subtotal</i>	<u>557,861</u>	<u>102,062</u>	<u>94,342</u>	<u>754,265</u>
<u>Other Expenses</u>				
Bank charges	-	13,588	-	13,588
Client costs advanced	942	589	-	1,531
Computer and office systems	25,708	4,884	4,230	34,822
Depreciation	24,011	3,979	4,219	32,209
Dues and subscriptions	9,446	1,652	1,610	12,708
Insurance	14,699	2,669	2,489	19,857
Interest	-	22,530	-	22,530
Meals	2,447	428	422	3,297
Parking and mileage	5,107	242	299	5,648
Postage	1,717	336	364	2,417
Professional fees - donated	296,396	5,372	2,694	304,462
Professional fees - other	9,131	1,744	1,531	12,406
Repairs and maintenance	3,209	575	543	4,327
Supplies	5,203	952	877	7,032
Telephone	1,385	230	245	1,860
Training	-	8,069	-	8,069
Utilities	19,893	3,576	3,373	26,842
<i>Subtotal</i>	<u>419,294</u>	<u>71,415</u>	<u>22,896</u>	<u>513,605</u>
TOTAL EXPENSES	<u><u>\$ 977,155</u></u>	<u><u>\$ 173,477</u></u>	<u><u>\$ 117,238</u></u>	<u><u>\$ 1,267,870</u></u>
<i>Percent of total expenses</i>	<i>77.07%</i>	<i>13.68%</i>	<i>9.25%</i>	<i>100.00%</i>

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 129,331
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	32,209
Amortization of loan fees included in interest expense	1,035
Non-cash contribution - loan forgiveness	(54,336)
Net realized and unrealized investment gains	(36,865)
(Increase) decrease in assets:	
Grants and contributions receivable	(22,114)
Prepaid expenses and other assets	11,174
Increase (decrease) in liabilities:	
Accounts payable	7,805
Accrued expenses	43,680
	111,919
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS USED IN INVESTING ACTIVITIES	
Cash paid for investments	(397,829)
Cash proceeds from investments	400,014
	2,185
CASH PROVIDED BY INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of long-term debt	(11,974)
	102,130
NET INCREASE IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS, Beginning of year	265,585
CASH AND CASH EQUIVALENTS, End of year	\$ 367,715
<u>CASH PAID DURING THE YEAR FOR:</u>	
Interest (excluding amortization of loan fees)	\$ 21,495

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
December 31, 2019

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 United 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, 2019.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2019

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 net assets without donor restriction 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 net assets with donor restrictions. Net assets with donor restrictions become available once the restriction has been satisfied. Once satisfied, these are reclassified to net assets without donor restriction and reported in the accompanying financial statements as net assets released from restrictions.

Recently Adopted Accounting Standards – Effective January 1, 2019, LQ adopted Financial Accounting Standards Board (“FASB”) ASU 2014-09, “*Revenue from Contracts with Customers*.” ASU 2014-09 was codified into the accounting standards as Accounting Standards Codification (“ASC”) No. 606 (“ASC 606”). ASC 606 replaced most existing revenue recognition guidance in GAAP. The standard permitted the use of either the retrospective or modified retrospective (cumulative effect) transition method. LQ evaluated the adoption under the modified retrospective method.

ASC 606 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. ASC 606 creates a five-step model that requires entities to exercise judgment when considering the terms of contracts, which includes (1) identifying the contracts or agreements with a customer, (2) identifying performance obligations in the contract or agreement, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations, and (5) recognizing revenue as each performance obligation is satisfied. Management concluded their previous revenue recognition guidance conformed to the new standards under ASC 606 and therefore, the new revenue recognition requirement had no material impact on the financial statements of the LQ for the year ended December 31, 2019.

Revenue Recognition — LQ recognizes program service revenues as legal services are provided. The provision of hours or sessions services satisfies the performance obligation for recognizing revenues. Generally, amounts are received at the time service is rendered or amounts are billed to various agencies on behalf of specific clients served. Revenues from providing legal services are based on time and expense records for providing legal representation at a negotiated fee schedule. Legal services provided under agency billed programs are billed within the month services are provided and recognized as revenue when billed. Agency billed programs also follow a negotiated hourly or session fee schedule.

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, 2019, no valuation allowance was deemed necessary. All receivable balances at December 31, 2019 are expected to be collected in 2020.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2019

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

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 2019, LQ received \$279,937 of donated legal services. This amount is based on the fair value of hourly rates for experienced attorneys valued based on the number of services hours provided.

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. Salaries and general overhead costs are allocated based on such allocation.

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

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, 2019, all of the grants receivable are due from two donors. For the year ended December 31, 2019, approximately 53% of the total contributions and grants revenues were received from two donors and approximately 66% 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.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2019

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

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 not recognized / derecognized tax benefits, tax penalties or interest. Federal income tax and informational returns for tax years ending December 31, 2016 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 2015 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 February 2016, the FASB issued Accounting Standards Update ("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, 2020 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 the Company's financial statements and related disclosures.

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, 2019, and interim periods within those annual periods beginning after December 15, 2020. Management is currently evaluating the impact these changes in accounting standards will have on the LQ's financial statements and related disclosures.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2019

NOTE 3 — LIQUIDITY AND AVAILABILITY

Financial assets consist of the LQ's cash and cash equivalents, investments, and net receivables. The following represents LQ's financial assets as of December 31, 2019, reduced by amounts not available for general use within one year of December 31, 2019 because of contractual or donor imposed restrictions and other restrictions:

Financial assets as of December 31, 2019	\$ 904,662
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with purpose restrictions	(8,804)
Financial assets available to meet cash needs for general expenditures within one year	\$ 895,858

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 2020.

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 or 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.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2019

NOTE 4 — INVESTMENTS – (CONTINUED)

Investments consist of the following:

	<u>Fair value</u>	<u>Cost or Amortized Cost</u>
U.S. Treasury Security	\$ 30,994	\$ 30,944
Exchange Traded Funds	13,159	12,808
<u>Mutual Fund Categories</u>		
Fixed Maturity Mutual Funds	266,876	265,276
Equity Securities Mutual Funds	138,572	125,678
Real Estate Investment Trusts	<u>12,146</u>	<u>10,555</u>
Total Investments	<u>\$ 461,747</u>	<u>\$ 445,261</u>

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

	<u>Total</u>	<u>Fair Value Hierarchy Designation</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Security	\$ 30,994	\$ 30,994	\$ -	\$ -
Exchange Traded Funds	13,159	13,159	-	-
Fixed Maturity Mutual Funds	266,876	266,876	-	-
Equity Securities Mutual Funds	138,572	138,572	-	-
Real Estate Investment Trusts	<u>12,146</u>	<u>11,827</u>	<u>-</u>	<u>319</u>
Total Investments	<u>\$ 461,747</u>	<u>\$ 461,428</u>	<u>\$ -</u>	<u>\$ 319</u>

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment held for use by LQ is comprised of the following at December 31, 2019:

Land	\$ 176,221
Building	176,221
Building Improvements	586,731
Furnitures and Equipment	<u>47,482</u>
	986,655
Less: Accumulated Depreciation	<u>(460,415)</u>
Property and Equipment, Net	<u>\$ 526,240</u>

Depreciation expense for the year ended December 31, 2019 was \$32,209.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2019

NOTE 6 — NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, LQ had net assets with donor restrictions as follows:

Mobile Legal Clinic	\$ 3,804
Kid's Fund, Time Restricted	<u>5,000</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 8,804</u></u>

During the year ended December 31, 2019, amounts released from restriction from satisfying purpose restrictions as follows:

Technology	\$ 24,913
Kid's Fund	<u>5,000</u>
Total Net Assets Released from Restrictions	<u><u>\$ 29,913</u></u>

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	\$ 467,433
Unamortized Loan Costs	<u>(7,384)</u>
Long-Term Debt, Net	<u><u>\$ 460,049</u></u>

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2019

NOTE 7 — LONG-TERM DEBT – (CONTINUED)

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

<u>Years Ending December 31,</u>	
2020	\$ 12,510
2021	13,149
2022	13,758
2023	14,395
2024	15,009
Thereafter	<u>398,612</u>
	<u><u>\$ 467,433</u></u>

NOTE 8 — 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, 2019.

NOTE 9 — LEASE COMMITMENT

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

<u>Years Ending December 31,</u>	
2020	\$ 4,794
2021	<u>800</u>
	<u><u>\$ 5,594</u></u>

NOTE 10 — SUBSEQUENT EVENTS

Subsequent Events — Subsequent events have been evaluated through April 29, 2020, the date the financial statements were available to be issued.

The 2019-20 Coronavirus pandemic is an ongoing global pandemic of Coronavirus disease (COVID-19). On March 11, 2020, the World Health Organization declared the outbreak of pandemic and over 3.2 million cases have been confirmed in more than 185 countries and territories, with major outbreaks in the United States, China, Spain, Italy, France, Germany, and the United Kingdom. As a result, public health responses around the world have included travel restrictions, quarantines, school closures, and trial delays.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2019

NOTE 10 — SUBSEQUENT EVENTS – (CONTINUED)

Although considered an “essential service,” LQ is exposed to risk due to state and local “safer at home” and social distancing orders, court closures and trial delays, and general anxiety and confusion within the community resulting from COVID-19. Additionally, LQ’s investment securities are exposed to risks due to overall market volatility resulting from COVID-19 and have experienced market declines consistent with the overall market conditions.

LQ’s operations are dependent upon service fee revenues resulting from direct legal services provided to clients as well as contributions and grants from donors. COVID-19 will impact revenue, but given the rapidly changing and nuanced circumstances, management is unable to predict the extent that the COVID-19 pandemic coupled with the closure of the courts, court delays, quarantine, and travel restrictions will have on the firm’s financial results in year 2020 and beyond. Management did shift to a remote office setting quickly, allowing the firm to continue providing full services to clients as necessary and appropriate. Management reduced expenditures where possible, applied for a Payroll Protection Program loan, and, is actively exploring program services revenue and fundraising opportunities that are appropriate in light of COVID-19.