

LEVITTQUINN

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

FINANCIAL STATEMENTS

December 31, 2020



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 14

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, 2020, 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, 2020, 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

March 30, 2021
Los Angeles, California

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2020

ASSETS

ASSETS

Cash and cash equivalents	\$	488,897
Grants and contributions receivable		66,738
Prepaid expenses and other assets		12,467
Investments, at fair value		450,655
Property and equipment, net		<u>508,676</u>

TOTAL ASSETS	\$	<u><u>1,527,433</u></u>
---------------------	-----------	--------------------------------

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	3,381
Accrued expenses		50,319
Mortgage loan		448,557
Paycheck Protection Program loan		<u>162,328</u>

TOTAL LIABILITIES		<u>664,585</u>
--------------------------	--	-----------------------

NET ASSETS

Without donor restrictions		857,848
With donor restrictions		<u>5,000</u>

TOTAL NET ASSETS		<u>862,848</u>
-------------------------	--	-----------------------

TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>1,527,433</u></u>
---	-----------	--------------------------------

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, 2020

	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Contributions and grants	\$ 149,332	\$ 8,000	\$ 157,332
Program service revenues	461,007	-	461,007
Donated services	271,809	-	271,809
Fundraising event	279,124	-	279,124
Interest and other income, net	14,075	-	14,075
Realized and unrealized gains, net	21,729	-	21,729
Net assets released from restrictions	11,804	(11,804)	-
TOTAL REVENUES	<u>1,208,880</u>	<u>(3,804)</u>	<u>1,205,076</u>
EXPENSES			
Program services	941,246	-	941,246
Supporting services	160,461	-	160,461
Fundraising expenses	131,197	-	131,197
TOTAL EXPENSES	<u>1,232,904</u>	<u>-</u>	<u>1,232,904</u>
CHANGE IN NET ASSETS	<u>(24,024)</u>	<u>(3,804)</u>	<u>(27,828)</u>
NET ASSETS, Beginning of year	<u>881,872</u>	<u>8,804</u>	<u>890,676</u>
NET ASSETS, End of year	<u><u>\$ 857,848</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 862,848</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 Functional Expenses
For the Year Ended December 31, 2020

	Program Services	General & Admin.	Fundraising Expenses	Total Expenses
<u>Salaries and Related Expenses</u>				
Salaries	\$ 478,495	\$ 64,603	\$ 80,904	\$ 624,002
Health insurance	39,851	5,381	6,762	51,994
Payroll taxes	37,139	5,138	6,272	48,549
	<i>Subtotal</i>	75,122	93,938	724,545
<u>Other Expenses</u>				
Bank charges	-	12,782	-	12,782
Computer and office systems	27,243	3,682	4,621	35,546
Depreciation	24,166	3,229	4,268	31,663
Dues and subscriptions	5,581	1,480	939	8,000
Event expenses	-	-	14,259	14,259
Insurance	17,345	2,363	2,939	22,647
Interest	-	21,977	-	21,977
Meals	326	44	57	427
Parking and mileage	2,046	63	139	2,248
Postage	1,606	217	405	2,228
Professional fees - donated	271,809	-	-	271,809
Professional fees - other	4,130	31,417	679	36,226
Repairs and maintenance	4,863	654	801	6,318
Supplies	1,891	474	310	2,675
Telephone	5,122	702	882	6,706
Development software	-	3,612	3,612	7,224
Utilities	19,633	2,643	3,348	25,624
	<i>Subtotal</i>	85,339	37,259	508,359
TOTAL EXPENSES	\$ 941,246	\$ 160,461	\$ 131,197	\$ 1,232,904
<i>Percent of total expenses</i>	76.3%	13.0%	10.7%	100.0%

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (27,828)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	31,663
Amortization of loan fees included in interest expense	1,035
Net realized and unrealized investment gains	(21,729)
(Increase) decrease in assets:	
Grants and contributions receivable	8,462
Prepaid expenses and other assets	1,656
Increase (decrease) in liabilities:	
Accounts payable	(4,831)
Accrued expenses	(35,769)
	<u>(47,341)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>(47,341)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES	
Cash paid for investments	(113,691)
Cash proceeds from investments	146,512
Cash paid for purchases of fixed assets	(14,099)
	<u>18,722</u>
CASH PROVIDED BY INVESTING ACTIVITIES	<u>18,722</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Paycheck Protection Program loan	162,328
Repayment of long-term debt	(12,527)
	<u>149,801</u>
CASH PROVIDED BY FINANCING ACTIVITIES	<u>149,801</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	121,182
CASH AND CASH EQUIVALENTS, Beginning of year	<u>367,715</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 488,897</u>
CASH PAID DURING THE YEAR FOR:	
Interest (excluding amortization of loan fees)	<u>\$ 20,942</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
December 31, 2020

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, 2020.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020

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 records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. 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.

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 with two separate contract awards are billed after the month services are provided and recognized as revenue in the month services are provided. Agency billed programs also follow a negotiated hourly or session fee schedule. Included in grants and contributions receivable are \$54,276 of amounts billed under agency agreements for services provided as of December 31, 2020.

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, 2020, no valuation allowance was deemed necessary. All receivable balances at December 31, 2020 are expected to be collected in 2021.

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 2020, LQ received \$271,809 of donated legal services. This amount is based on the fair value of hourly rates for experienced attorneys and valued based on the number of service 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.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020

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

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, 2020, 91% all of the grants receivables are due from two service agency grants. For the year ended December 31, 2020, approximately 41% of the total contributions and grants revenues were received from three donors and approximately 76% of the total program services revenue was received from two service agencies. Substantially all grants receivable are due from these two agencies. Each of these parties has a long-standing association with LQ.

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 not recognized / derecognized tax benefits, tax penalties or interest. Federal income tax and informational returns for tax years ending December 31, 2017 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 2016 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.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020

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

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, 2020, 91% all of the grants receivables are due from two service agency grants. For the year ended December 31, 2020, approximately 41% of the total contributions and grants revenues were received from three donors and approximately 76% of the total program services revenue was received from two service agencies. Substantially all grants receivable are due from these two agencies. Each of these parties has a long-standing association with LQ.

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 not recognized / derecognized tax benefits, tax penalties or interest. Federal income tax and informational returns for tax years ending December 31, 2017 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 2016 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.

Impact of Recently Issued Accounting Pronouncements — Effective January 1, 2020, LQ adopted ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed restriction. There was no material effect on LQ's financial statements as the adoption of ASU No. 2018-08 did not result in a change to how it accounts for revenue from contributions.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020

NOTE 3 — LIQUIDITY AND AVAILABILITY

Financial assets consist of the LQ's cash and cash equivalents, investments, and receivables. The following represents LQ's financial assets as of December 31, 2020, reduced by amounts not available for general use within one year of December 31, 2020 because of contractual or donor-imposed restrictions and other restrictions:

Financial assets as of December 31, 2020	\$ 1,006,290
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with purpose restrictions	<u>(5,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,001,290</u>

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 2021.

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, 2020

NOTE 4 — INVESTMENTS – (CONTINUED)

Investments consist of the following:

	<u>Fair value</u>	<u>Cost or Amortized Cost</u>
Equities	\$ 9,674	\$ 9,974
Exchange Traded Funds	15,109	12,808
<u>Mutual Fund Categories</u>		
Fixed Maturity Funds	277,153	267,634
Equity Securities Funds	148,719	118,582
Total Investments	<u>\$ 450,655</u>	<u>\$ 408,998</u>

At December 31, 2020, 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>
Equities	\$ 9,674	\$ 9,674	\$ -	\$ -
Exchange Traded Funds	15,109	15,109	-	-
Fixed Maturity Funds	277,153	277,153	-	-
Equity Securities Funds	148,719	148,719	-	-
Total Investments	<u>\$ 450,655</u>	<u>\$ 450,655</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment held for use by LQ is comprised of the following at December 31, 2020:

Land	\$ 176,221
Building	176,221
Building Improvements	586,731
Furniture and Equipment	<u>61,581</u>
	1,000,754
Less: Accumulated Depreciation	<u>(492,078)</u>
Property and Equipment, Net	<u>\$ 508,676</u>

Depreciation expense for the year ended December 31, 2020 was \$31,663.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020

NOTE 6 — NET ASSETS WITH DONOR RESTRICTIONS

On December 31, 2020, LQ had net assets with donor restrictions as follows:

Kid's Fund, Time Restricted	<u>\$ 5,000</u>
-----------------------------	-----------------

During the year ended December 31, 2020, amounts released from restriction by satisfying purpose restrictions are summarized as follows:

Beulah Fund	\$ 3,000
Mobile Legal Clinic	3,804
Kid's Fund, Time Restricted	<u>5,000</u>
 Total Net Assets Released from Restrictions	 <u>\$ 11,804</u>

NOTE 7 — MORTGAGE LOAN

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. At December 31, 2020, the long-term debt balance is summarized as follows:

Principal Balance	\$ 454,906
Unamortized Loan Costs	<u>(6,349)</u>
 Long-Term Debt, Net	 <u>\$ 448,557</u>

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020

NOTE 7 — LONG-TERM DEBT – (CONTINUED)

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

<u>Years Ending December 31,</u>	
2021	\$ 13,149
2022	13,758
2023	14,395
2024	15,009
2025	15,757
Thereafter	<u>382,838</u>
	<u><u>\$ 454,906</u></u>

NOTE 8 — PAYCHECK PROTECTION PROGRAM LOAN

On April 30, 2020, LQ was able to secure a \$162,328 loan under the Paycheck Protection Program (“PPP”). The interest rate on the loan is 1.0% per annum. The loan matures on April 30, 2022 (“Maturity Date”).

According to the loan agreement, the first six months of interest were to be deferred to and payable on the Maturity Date and monthly interest payments were to commence seven months after the date of the loan. However, on June 5, 2020, the President signed into law the Paycheck Protection Program Flexibility Act of 2020 (“Flexibility Act”) which statutorily extended the covered period of the loan from 8 weeks to 24 weeks from the date of loan origination. The Flexibility Act also extended the deferral period of principal and interest for up to ten months after this 24-week covered period, or the date that the Small Business Administration (SBA) forgives the loan. All principal and accrued interest payments are otherwise due on the Maturity Date.

Subsequent to year-end, management satisfied all PPP loan forgiveness requirements and has begun to apply for loan forgiveness for the entire loan and accrued interest 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, 2020.

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020

NOTE 10 — LEASE COMMITMENT

LQ leases office equipment under a non-cancelable operating lease that expires in 2026. The future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	
2021	\$ 4,794
2022	4,794
2023	4,794
2024	4,794
2025	4,794
Thereafter	<u>799</u>
	<u>\$ 24,769</u>

NOTE 11 — SUBSEQUENT EVENTS

Subsequent Events — Subsequent events have been evaluated through March 30, 2021, 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. As a result, public health responses around the world have included travel restrictions, quarantines, school closures, and trial delays. LQ continues to follow federal, state, and local health and safety guidelines.

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.

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. Management shifted to a remote office setting, allowing the firm to continue providing full services to clients as necessary and appropriate. Management reduced expenditures where possible, obtained a Payroll Protection Program loan, and is actively exploring program services revenue and fundraising opportunities that are appropriate in light of COVID-19. Management is unable to predict the extent that the COVID-19 pandemic coupled court delays, quarantine, and travel restrictions will have on the LQ’s financial results in year 2021 and beyond.