LEVITTQUINN

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

FINANCIAL STATEMENTS

December 31, 2021

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

C O N T E N T S

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CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Levitt & Quinn Family Law Center, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Levitt & Quinn Family Law Center, Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Levitt & Quinn Family Law Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Levitt & Quinn Family Law Center, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Levitt & Quinn Family Law Center, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Levitt & Quinn Family Law Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Gursey | Schneider LLP

April 4, 2022
Los Angeles, California

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2021

ASSETS

ASSETS		
Cash and cash equivalents	$	573,875
Grants and contributions receivable		95,010
Prepaid expenses and other assets		10,697
Investments, at fair value		447,352
Property and equipment, net		488,188
TOTAL ASSETS	$	1,615,122

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$	2,343
Accrued expenses		44,435
Mortgage loan		436,483
TOTAL LIABILITIES		483,261
NET ASSETS		
Without donor restrictions		1,131,861
With donor restrictions		-
TOTAL NET ASSETS		1,131,861
TOTAL LIABILITIES AND NET ASSETS	$	1,615,122

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, 2021

	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Contributions and grants	$ 232,083	$ -	$ 232,083
Program service revenues	512,875	-	512,875
Donated professional services	523,621	-	523,621
Fundraising event, net	284,598	-	284,598
Interest and other income, net	24,850	-	24,850
Realized and unrealized gains, net	12,345	-	12,345
Loan forgiveness - PPP loan	162,328		162,328
Net assets released from restrictions	5,000	(5,000)	-
TOTAL REVENUES	1,757,700	(5,000)	1,752,700
EXPENSES			
Program services	1,207,129	-	1,207,129
Supporting services	159,204	-	159,204
Fundraising expenses	117,354	-	117,354
TOTAL EXPENSES	1,483,687	-	1,483,687
CHANGE IN NET ASSETS	274,013	(5,000)	269,013
NET ASSETS, Beginning of year	857,848	5,000	862,848
NET ASSETS, End of year	$ 1,131,861	$ -	$ 1,131,861

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Supporting Services	Fundraising Expenses	Total Expenses
Salaries and Related Expenses				
Salaries	$ 487,550	$ 64,792	$ 84,319	$ 636,661
Health insurance	44,430	5,896	7,679	58,005
Payroll taxes	37,648	5,000	6,506	49,154
Subtotal	569,628	75,688	98,504	743,820
Other Expenses				
Bank charges	-	8,691	-	8,691
Computer and office systems	32,371	4,304	5,585	42,260
Depreciation	26,801	3,502	4,223	34,526
Dues and subscriptions	5,342	699	903	6,944
Insurance	16,727	2,217	2,891	21,835
Interest	-	21,396	-	21,396
Meetings and workshops	2,102	538	343	2,983
Parking and mileage	1,082	200	52	1,334
Postage	2,199	381	400	2,980
Professional fees - donated	523,621	-	-	523,621
Professional fees - other	2,782	33,167	475	36,424
Repairs and maintenance	1,490	221	258	1,969
Supplies	2,842	703	387	3,932
Telephone	5,233	694	903	6,830
Development software	-	5,149	-	5,149
Utilities	14,909	1,654	2,430	18,993
Subtotal	637,501	83,516	18,850	739,867
TOTAL EXPENSES	$ 1,207,129	$ 159,204	$ 117,354	$ 1,483,687
Percent of total expenses	*81.4%*	*10.7%*	*7.9%*	*100.0%*

LEVITT & QUINN FAMILY LAW CENTER, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	269,013
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		34,526
Amortization of loan fees included in interest expense		1,035
Forgiveness of Paycheck Protection Program loan		(162,328)
Net realized and unrealized investment gains		(12,345)
(Increase) decrease in assets:		
Grants and contributions receivable		(28,272)
Prepaid expenses and other assets		1,770
Increase (decrease) in liabilities:		
Accounts payable		(1,038)
Accrued expenses		(5,884)
NET CASH PROVIDED BY OPERATING ACTIVITIES		96,477
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for investments		(28,876)
Cash proceeds from sale of investments		44,524
Cash paid for purchases of fixed assets		(14,038)
NET CASH PROVIDED BY INVESTING ACTIVITIES		1,610
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt		(13,109)
NET CASH USED FOR FINANCING ACTIVITIES		(13,109)
NET INCREASE IN CASH AND CASH EQUIVALENTS		84,978
CASH AND CASH EQUIVALENTS, Beginning of year		488,897
CASH AND CASH EQUIVALENTS, End of year	$	573,875
CASH PAID DURING THE YEAR FOR:		
Interest (excluding amortization of loan fees)	$	20,361

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 temporarily restricted or permanently restricted net assets at December 31, 2021.

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 of service billed, or sessions of service provided 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 $85,221 of amounts billed under agency agreements for services provided to two different agencies as of December 31, 2021.

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, 2021, no valuation allowance was deemed necessary. All receivable balances at December 31, 2021 are expected to be collected in 2022.

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 2021, LQ received $523,621 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.

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, 2021, 90% all of the grants receivables are due from two service agency grants. For the year ended December 31, 2021, approximately 10% of the total contributions and grants revenues were received from one donor and approximately 73% 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 no recognized / derecognized tax benefits, tax penalties or interest. Federal income tax and informational returns for tax years ending December 31, 2018 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 2017 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.

Subsequent Events — Subsequent events have been evaluated through April 4, 2022, the date the financial statements were available to be issued.

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, 2021, reduced by amounts not available for general use within one year of December 31, 2021 because of contractual or donor-imposed restrictions and other restrictions:

Financial assets available to meet cash needs for general expenditures within one year	$ 1,116,237

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 2022.

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.

NOTE 4 — INVESTMENTS – (CONTINUED)

Investments consist of the following:

	Fair value	Cost or Amortized Cost
Equity Securities	$ 112	$ 163
Exchange Traded Funds	14,956	12,808
<u>Mutual Fund Categories</u>		
Fixed Maturity Funds	261,700	257,840
Equity Securities Funds	170,584	126,906
Total Investments	$ 447,352	$ 397,717

At December 31, 2021, LQ's investments were classified by level within the valuation hierarchy as follows:

		Fair Value Hierarchy Designation		
	Total	Level 1	Level 2	Level 3
Equity Securities	$ 112	$ 112	$ -	$ -
Exchange Traded Funds	14,956	14,956	-	-
Fixed Maturity Funds	261,700	261,700	-	-
Equity Securities Funds	170,584	170,584	-	-
Total Investments	$ 447,352	$ 447,352	$ -	$ -

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment held for use by LQ is comprised of the following at December 31, 2021:

Land	$ 176,221
Building	176,221
Building Improvements	586,731
Furniture and Equipment	75,620
	1,014,793
Less: Accumulated Depreciation	(526,605)
Property and Equipment, Net	$ 488,188

Depreciation expense for the year ended December 31, 2021 was $34,526.

NOTE 6 — NET ASSETS WITH DONOR RESTRICTIONS

On December 31, 2021, LQ did not have net assets with donor restrictions.

During the year ended December 31, 2021, amounts released from restriction by satisfying purpose restrictions are summarized as follows:

Kid's Fund, Time Restricted	$	5,000

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, 2021, the long-term debt balance is summarized as follows:

Principal Balance	$	441,797
Unamortized Loan Costs		(5,314)
Long-Term Debt, Net	$	436,483

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

Years Ending December 31,		
2022	$	13,758
2023		14,395
2024		15,009
2025		15,757
2026		16,486
2027		366,392
	$	441,797

NOTE 8 — PAYCHECK PROTECTION PROGRAM LOAN

On April 30, 2020, LQ borrowed $162,328 through the Paycheck Protection Program (“PPP”) offered by the United States Small Business Administration. On August 9, 2021, the lender fully forgave this loan and related accrued interest. The accompanying statement of activities reflect this loan forgiveness as other income for the year ended December 31, 2021.

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, 2021.

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:

Years Ending December 31,	
2022	$ 4,794
2023	4,794
2024	4,794
2025	4,794
Thereafter	799
	$ 19,975

NOTE 11 — RISKS AND UNCERTAINTIES

The COVID-19 global pandemic has caused economic disruptions throughout the world. Although considered an "essential service," LQ is exposed to risk due to state and local mandates, 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. LQ management seeks to balance staff safety with client access. In July 2021, management shifted to a hybrid work model, wherein all staff are in the office each Monday and Wednesday, and exempt staff may elect to work in office or remotely on Tuesday, Thursday, and Friday, as necessary and appropriate. LQ launched a new website in September 2021 that among other things allows applicants to apply for services directly from the website in English and Spanish and is mobile-friendly. LQ also implemented communication via SMS message for clients who prefer that mode of communication. As the economy continues to open up with the lifting of restrictions, a recovery should ensue. However, Management is unable to predict the lasting effects of the COVID-19 pandemic on the LQ's financial results in year 2022 and beyond.