

Family Legal Care, Inc.

Audited Financial Statements

September 30, 2023

Family Legal Care, Inc.

Audited Financial Statements

September 30, 2023

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Independent Auditor's Report

Board of Directors
Family Legal Care, Inc.

Opinion

We have audited the accompanying financial statements of Family Legal Care, Inc. ("FLC"), which comprise the statement of financial position as of September 30, 2023, 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 FLC as of September 30, 2023, 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 FLC 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 these 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 FLC's ability to continue as a going concern within 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 judgement 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 FLC'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 FLC'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.

Report on Summarized Comparative Information

The financial statements of FLC as of and for the year ended September 30, 2022 were audited by other auditors whose report dated January 17, 2023 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sax CPAs LLP

New York, NY
February 12, 2024

Family Legal Care, Inc.

Statement of Financial Position

At September 30, 2023
(with comparative totals at September 30, 2022)

| | <u>September 30,</u> | |
|---|----------------------------|----------------------------|
| | <u>2023</u> | <u>2022</u> |
| ASSETS | | |
| ASSETS | | |
| Cash and cash equivalents | \$ 942,523 | \$ 1,784,452 |
| Government grants receivable | 1,052,918 | 517,410 |
| Pledges receivable | 203,500 | 464,390 |
| Prepaid expenses and other assets | 112,008 | 101,634 |
| Security deposits | 37,738 | 32,329 |
| Fixed assets, net | - | 11,384 |
| Operating lease right-of-use asset | 318,538 | - |
| | <u>318,538</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 2,667,225</u> | <u>\$ 2,911,599</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 133,740 | \$ 118,965 |
| Refundable advances | 78,352 | 113,827 |
| Deferred rent | - | 7,272 |
| Operating lease liability | 372,218 | - |
| Total liabilities | <u>584,310</u> | <u>240,064</u> |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Reserve fund | 350,000 | 350,000 |
| Operations | 1,321,732 | 1,685,658 |
| Total net assets without donor restrictions | <u>1,671,732</u> | <u>2,035,658</u> |
| With donor restrictions | 411,183 | 635,877 |
| Total net assets | <u>2,082,915</u> | <u>2,671,535</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,667,225</u> | <u>\$ 2,911,599</u> |

The attached notes and auditor's report are an integral part of these financial statements.

Family Legal Care, Inc.

Statement of Activities

For the Year Ended September 30, 2023
(With comparative totals for the year ended September 30, 2022)

| | <u>Operations</u> | <u>Reserve Fund</u> | <u>Total Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total 9/30/23</u> | <u>Total 9/30/22</u> |
|--|----------------------------|--------------------------|---|------------------------------------|----------------------------|----------------------------|
| REVENUE AND SUPPORT | | | | | | |
| Government grants | \$ 1,804,995 | \$ - | \$ 1,804,995 | \$ - | \$ 1,804,995 | \$ 1,839,675 |
| Contributions and fundraising | 351,671 | - | 351,671 | 334,000 | 685,671 | 1,345,253 |
| Paycheck Protection Program grants | - | - | - | - | - | 285,837 |
| In-kind contributions | 112,007 | - | 112,007 | - | 112,007 | 201,351 |
| Special events, net of direct expenses | 668,709 | - | 668,709 | - | 668,709 | 725,570 |
| Other revenue | 11,157 | - | 11,157 | - | 11,157 | 622 |
| Net assets released from restrictions | 558,694 | - | 558,694 | (558,694) | - | - |
| Total revenue and support | <u>3,507,233</u> | <u>-</u> | <u>3,507,233</u> | <u>(224,694)</u> | <u>3,282,539</u> | <u>4,398,308</u> |
| EXPENSES | | | | | | |
| Program services | 3,032,361 | - | 3,032,361 | - | 3,032,361 | 2,843,695 |
| Supporting services | | | | | | |
| Management and general | 463,397 | - | 463,397 | - | 463,397 | 473,975 |
| Fundraising | 375,401 | - | 375,401 | - | 375,401 | 362,245 |
| Total supporting services | <u>838,798</u> | <u>-</u> | <u>838,798</u> | <u>-</u> | <u>838,798</u> | <u>836,220</u> |
| Total expenses | <u>3,871,159</u> | <u>-</u> | <u>3,871,159</u> | <u>-</u> | <u>3,871,159</u> | <u>3,679,915</u> |
| Change in net assets | (363,926) | - | (363,926) | (224,694) | (588,620) | 718,393 |
| NET ASSETS, beginning of year | <u>1,685,658</u> | <u>350,000</u> | <u>2,035,658</u> | <u>635,877</u> | <u>2,671,535</u> | <u>1,953,142</u> |
| NET ASSETS, end of year | <u>\$ 1,321,732</u> | <u>\$ 350,000</u> | <u>\$ 1,671,732</u> | <u>\$ 411,183</u> | <u>\$ 2,082,915</u> | <u>\$ 2,671,535</u> |

The attached notes and auditor's report are an integral part of these financial statements.

Family Legal Care, Inc.

Statement of Functional Expenses

For the Year Ended September 30, 2023
(With comparative totals for the year ended September 30, 2022)

| | Program Services | | | | | | | | | Supporting Services | | | Total Expenses 9/30/23 | Total Expenses 9/30/22 | |
|--|-------------------|-------------------|-------------------|-----------------------|-------------------|------------------|------------------|----------------------------|-------------------------|------------------------|------------------------|-------------------|---------------------------|---------------------------|---------------------------|
| | Helplines | Court Program | Outreach | Legal Resource Guides | Pro Bono Services | Advocacy | Legal Research | Digital Justice Initiative | PPE/ COVID-19/ Tech Hub | Total Program Services | Management and General | Fundraising | | | Total Supporting Services |
| Salaries | \$ 380,788 | \$ 510,505 | \$ 126,894 | \$ 128,657 | \$ 313,150 | \$ 42,872 | \$ 20,593 | \$ 123,057 | \$ 231,001 | \$ 1,877,517 | \$ 115,803 | \$ 213,569 | \$ 329,372 | \$ 2,206,889 | \$ 1,979,205 |
| Payroll taxes and benefits | 90,264 | 121,013 | 30,080 | 30,497 | 74,231 | 10,163 | 4,882 | 29,170 | 54,758 | 445,058 | 27,451 | 50,626 | 78,077 | 523,135 | 431,674 |
| Total personnel expenses | 471,052 | 631,518 | 156,974 | 159,154 | 387,381 | 53,035 | 25,475 | 152,227 | 285,759 | 2,322,575 | 143,254 | 264,195 | 407,449 | 2,730,024 | 2,410,879 |
| Rent expense | 36,082 | 48,817 | 12,735 | 12,735 | 29,715 | 4,245 | 2,122 | 12,735 | 25,470 | 184,656 | 10,612 | 16,980 | 27,592 | 212,248 | 199,779 |
| Professional fees | - | - | - | - | - | - | - | - | - | - | 101,800 | - | 101,800 | 101,800 | 92,375 |
| Consultant fees | 24,874 | 20,664 | 50,286 | 11,789 | 34,576 | 25,066 | 834 | 4,981 | 99,351 | 272,421 | 138,737 | 8,645 | 147,382 | 419,803 | 508,287 |
| In-kind legal expense | - | 16,801 | - | - | 28,002 | - | 16,801 | - | - | 61,604 | 50,403 | - | 50,403 | 112,007 | 201,351 |
| Telephone and communications | 7,691 | 10,311 | 2,563 | 2,599 | 6,325 | 866 | 416 | 2,486 | 4,666 | 37,923 | 2,339 | 4,314 | 6,653 | 44,576 | 39,418 |
| Office expenses | 4,407 | 5,908 | 1,469 | 27,954 | 3,624 | 496 | 238 | 1,424 | 2,673 | 48,193 | 1,340 | 2,472 | 3,812 | 52,005 | 39,725 |
| Travel and meeting expenses | 1,192 | 1,598 | 397 | 403 | 980 | 134 | 64 | 385 | 723 | 5,876 | 362 | 668 | 1,030 | 6,906 | 12,170 |
| Dues and subscriptions | 10,276 | 13,777 | 3,424 | 3,472 | 8,451 | 1,157 | 556 | 3,321 | 6,234 | 50,668 | 3,125 | 5,763 | 8,888 | 59,556 | 46,977 |
| Insurance | 5,452 | 7,309 | 1,817 | 1,842 | 4,484 | 614 | 295 | 1,762 | 3,307 | 26,882 | 1,658 | 3,058 | 4,716 | 31,598 | 27,869 |
| Training and conferences | 1,459 | 1,956 | 486 | 493 | 1,200 | 164 | 79 | 472 | 885 | 7,194 | 444 | 818 | 1,262 | 8,456 | 7,842 |
| Equipment rental | 948 | 1,274 | 317 | 321 | 782 | 107 | 51 | 307 | 577 | 4,684 | 289 | 533 | 822 | 5,506 | 5,508 |
| Other expenses | - | - | - | - | - | - | - | - | - | - | 8,437 | - | 8,437 | 8,437 | 7,341 |
| Depreciation | 1,966 | 2,633 | 655 | 664 | 1,615 | 221 | 106 | 635 | 1,190 | 9,685 | 597 | 1,102 | 1,699 | 11,384 | 17,062 |
| Event expenses | - | - | - | - | - | - | - | - | - | - | - | 156,762 | 156,762 | 156,762 | 134,263 |
| Total expenses | 565,399 | 762,566 | 231,123 | 221,426 | 507,135 | 86,105 | 47,037 | 180,735 | 430,835 | 3,032,361 | 463,397 | 465,310 | 928,707 | 3,961,068 | 3,750,846 |
| Less direct special event expenses netted with revenue | - | - | - | - | - | - | - | - | - | - | - | (89,909) | (89,909) | (89,909) | (70,931) |
| Total expenses for statement of activities | \$ 565,399 | \$ 762,566 | \$ 231,123 | \$ 221,426 | \$ 507,135 | \$ 86,105 | \$ 47,037 | \$ 180,735 | \$ 430,835 | \$ 3,032,361 | \$ 463,397 | \$ 375,401 | \$ 838,798 | \$ 3,871,159 | \$ 3,679,915 |

The attached notes and auditor's report are an integral part of these financial statements.

Family Legal Care, Inc.

Statement of Cash Flows

For the Year Ended September 30, 2023
(With comparative totals for the year ended September 30, 2022)

| | <u>September 30,</u> | |
|---|------------------------------|--------------------------------|
| | <u>2023</u> | <u>2022</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (588,620) | \$ 718,393 |
| Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities: | | |
| Depreciation | 11,384 | 17,062 |
| Change in operating lease right-of-use asset and liability | 53,680 | - |
| Paycheck Protection Program loan forgiveness | - | (285,837) |
| Changes in assets and liabilities: | | |
| Government grants receivable | (535,508) | 334,674 |
| Pledges receivable | 260,892 | (396,390) |
| Prepaid expenses and other assets | (10,374) | (474) |
| Security deposits | (5,409) | (1,136) |
| Accounts payable and accrued expenses | 14,773 | 35,440 |
| Refundable advances | (35,475) | 37,814 |
| Deferred rent | (7,272) | (7,164) |
| Total adjustments | <u>(253,309)</u> | <u>(266,011)</u> |
| Net cash flows (used for)/provided by operating activities/ Net (decrease)/increase in cash and cash equivalents | (841,929) | 452,382 |
| CASH AND CASH EQUIVALENTS, <i>beginning of year</i> | <u>1,784,452</u> | <u>1,332,070</u> |
| CASH AND CASH EQUIVALENTS, <i>end of year</i> | <u>\$ 942,523</u> | <u>\$ 1,784,452</u> |

SUPPLEMENTAL INFORMATION

No interest or taxes were paid.

The attached notes and auditor's report are an integral part of these financial statements.

Family Legal Care, Inc.

Notes to Financial Statements

September 30, 2023

Note 1 - Organization and Nature of Activities

Family Legal Care, Inc. ("FLC")'s mission is to increase access to justice in New York State Family Court. FLC combines legal guidance, easy-to-access technology, and compassionate support to help unrepresented parents and caregivers self-advocate on critical family law issues while working on reform that improves the system for everyone.

The FLC was formerly known as Legal Information for Families Today. On June 8, 2022, the organization changed its name to Family Legal Care, Inc.

FLC's innovative services and programs - all available in Spanish – include the following:

- Family Law Information Helpline - Provide legal information over the phone and via chat and email to anyone with a New York State family law related question.
- Court Programs - Provide legal information on child support, custody, visitation, and other family law topics through brief question and answer engagements. Provide legal advice through limited scope consultations with clients on more in-depth issues.
- Legal Education and Community Outreach - Through community outreach, FLC provides legal education clinics and workshops on child support, custody, visitation, and other family law topics, in partnership with community-based organizations.
- Legal Resource Guides (LRGs) - FLC produces easy to understand legal resources guides and other user-friendly materials explaining family law topics.
- Pro Bono Program - FLC partners with attorneys in the private bar, from law firms and corporate legal departments, to provide advice and counsel to litigants with family law issues through their virtual program, Family Legal Connection, as well as through clinics in the court and the community.
- PPE/COVID-19 Program/Tech Hub Program - FLC developed and ran a program to help provide PPE and other legal information and resources to litigants coming to Family Court during the pandemic. FLC also set up a technology hub in its office for litigants who do not have the appropriate technology to participate in virtual hearings or access to download court documents. The Tech HUB is open for several hours each workday and is staffed by temporary employees.
- Legal Consultations - Unrepresented litigants meet with a FLC staff attorney to receive vital support in preparing a case.
- Advocacy - Seeks to enhance access to justice for children and families by promoting system-wide reform. FLC actively serves on numerous committees at the City and State levels, provides testimony, and engages stakeholders to represents pro se litigants' interests.

Family Legal Care, Inc.

Notes to Financial Statements

September 30, 2023

Note 1 - Organization and Nature of Activities - Continued

- Legal Research - Streamlines the legal sources available to staff and provided to litigants. Through this work, FLC stays current with any and all changes in the law and research nuances topics that impact FLC's work.
- Digital Justice Initiative - Utilizes technology to create innovative and accessible digital tools to address the gaps in the Family Court's online resources. Digital Justice tools include the Family Law Navigator (providing a tailored family information report), Guided Court Forms (DIY forms for filing in court) and Tech Hubs in Brooklyn and Queens (private tech ready space for court prep and virtual appearances).

Note 2 - Summary of Significant Accounting Policies

a. Recently Adopted Accounting Pronouncement

Effective October 1, 2022, FLC adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. FLC elected transition relief that allows entities, in the period of adoption, to present the current period under the FASB's Accounting Standards Codification ("ASC") 842 and the comparative period under FASB ASC 840. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing FASB ASU No. 2016-02, FLC recognized right-of-use ("ROU") assets of \$488,999 and lease liabilities totaling \$496,271 in its statement of financial position as of May 1, 2023, the lease commencement date. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended September 30, 2023.

b. Basis of Accounting and Financial Statement Presentation

The financial statements of FLC have been prepared using the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

FLC reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* - represents all activity without donor-imposed restrictions. The Board of Directors has established a board designated reserve fund which is intended to fund future operations.
- *Net Assets With Donor Restrictions* - relates to contributions of cash and other assets with donor stipulations that make clear the assets' restriction, either due to a program nature or by the passage of time.

Family Legal Care, Inc.

Notes to Financial Statements

September 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

c. Cash and Cash Equivalents

FLC considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

d. Revenue Recognition

FLC follows the requirements of the FASB ASC 958-605 for recording contributions, which are recorded at the time they become unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they are received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met. At September 30, 2022, FLC had one conditional pledge totaling \$87,000. This grant was recognized as income during the year ended September 30, 2023 as the matching requirements were met and the conditions have been satisfied.

Government grants received by FLC are conditional, non-exchange transactions and fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

All receivables are due within one year. Management assesses the collectability of all outstanding receivables based upon historical trends and experience with donors. Based on that review, management has concluded that all receivables are collectible. As such, no allowance for uncollectible accounts was deemed necessary.

e. Concentration of Credit Risk

Financial instruments that potentially subject FLC to a concentration of credit risk consist of cash accounts with financial institutions. At year end and at various times during the year, FLC had material balances that were not insured; however, no losses have been experienced due to the failure of any of these institutions. Management deems such financial institutions to be creditworthy and monitors this risk on a regular basis.

f. Fixed Assets

Property and equipment that exceed predetermined thresholds and have a useful life greater than one year are capitalized at cost or at fair value if donated. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of three to ten years.

Family Legal Care, Inc.

Notes to Financial Statements

September 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

g. Leases

Under FASB ASC 842, adopted as of October 1, 2022, FLC determines if an arrangement is or contains a lease at inception. Leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. The change in operating lease right-of-use asset and liability on the statement of cash flows includes the amortization of the ROU asset and cash payments for leases offset by the accretion of the discounted lease liability. Operating lease expense is recognized on a straight-line basis over the lease term. FLC does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that FLC will exercise that option.

h. In-Kind Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided in-kind.

FLC received in-kind legal services totaling \$112,008 and \$201,351 during the years ended September 30, 2023 and 2022, respectfully. Donated legal services were provided to participants of FLC's various programs in the amount of \$61,604. These expenses were charged to program services and the remaining \$50,404 allocated to management and general on the statement of functional expenses. Legal services are valued at the standard hourly rates charged for those services.

i. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

j. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Family Legal Care, Inc.

Notes to Financial Statements

September 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

j. Functional Allocation of Expenses - Continued

The following costs were allocated based on time and effort:

- Salaries
- Payroll taxes and benefits
- Rent expense
- Consultant fees
- Telephone and communications
- Office expenses
- Travel and meeting expenses
- Dues and subscriptions
- Insurance
- Training and conferences
- Equipment rental
- Other expenses
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

k. Income Tax Status

FLC has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation.

l. Accounting for Uncertainty of Income Taxes

FLC does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending September 30, 2020 and later are subject to examination by applicable taxing authorities.

m. Prior Year Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with FLC's financial statements for the year ended September 30, 2022, from which the summarized information was derived.

Family Legal Care, Inc.

Notes to Financial Statements

September 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

n. New Accounting Pronouncement

FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which becomes effective for the fiscal year ending September 30, 2024. This ASU requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts.

FLC is in the process of evaluating the impact this standard will have on future financial statements.

Note 3 - Fixed Assets

Fixed assets consist of the following:

| | September 30, | |
|--|----------------|------------------|
| | 2023 | 2022 |
| Equipment (3 years) | \$ 182,054 | \$ 182,054 |
| Furniture and fixtures (5 years) | 34,926 | 34,926 |
| Leasehold improvements (life of lease) | 19,910 | 19,910 |
| Software (3 years) | 6,010 | 6,010 |
| | <u>242,900</u> | <u>242,900</u> |
| Less: accumulated depreciation | (242,900) | (231,516) |
| Total fixed assets, net | <u>\$ -</u> | <u>\$ 11,384</u> |

Note 4 - Paycheck Protection Program Loan

During the year ended September 30, 2021, FLC obtained a loan from the PPP loan in the amount of \$285,837. As all conditions of the loan had been satisfied as of September 30, 2022, the loan was recognized as revenue on the statement of activities during that year. The loan has been formally forgiven by the SBA.

Note 5 - Operating Lease Right-of-Use Asset and Operating Lease Liability

FLC evaluated current contracts to determine which met the criteria of a lease. FLC leases building space in New York City, under a non-cancelable lease, which expires April 30, 2026. The lease does not include an option to renew.

The ROU assets represent FLC's right to use the underlying asset for the lease term, and the lease liabilities represent FLC's obligation to make lease payments arising from this lease. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. As of September 30, 2023, the weighted-average remaining lease term for FLC's operating lease was 2.58 years. FLC has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of September 30, 2023 was 2.9%.

Family Legal Care, Inc.

Notes to Financial Statements

September 30, 2023

Note 5 - Operating Lease Right-of-Use Asset and Operating Lease Liability - Continued

For the year ended September 30, 2023, total operating lease cost was \$174,925 and there was no cash paid for the operating lease because the first 6 months were rent free. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note 2a.

Future maturities of lease liabilities are presented in the following table:

| | |
|---|------------|
| Total lease payments due for the year ending: | |
| September 30, 2024 | \$ 139,629 |
| September 30, 2025 | 155,252 |
| September 30, 2026 | 91,612 |
| Total future maturities of lease liabilities | 386,493 |
| Less present value discount | (14,275) |
| Total lease obligation | \$ 372,218 |

Note 6 - Net Assets with Donor Restrictions

Donor restricted net assets consist of the following:

| | September 30, 2023 | | | |
|-----------------------------------|----------------------|---------------|------------------|-------------------|
| | Beginning Balance | Contributions | Released from | Ending Balance |
| | 10/1/22 | | Restrictions | 9/30/23 |
| Program restrictions | | | | |
| Digital Tool | \$ 182,238 | \$ - | \$ (85,557) | \$ 96,681 |
| Family Court Project | 135,000 | - | (135,000) | - |
| Pro Bono Program | 10,000 | - | (10,000) | - |
| Tech Hub | 158,639 | 174,000 | (127,145) | 205,494 |
| Professional Development | - | 50,000 | (2,400) | 47,600 |
| Free Legal Services - Westchester | - | 45,000 | (13,592) | 31,408 |
| Total program | 485,877 | 269,000 | (373,694) | 381,183 |
| Time restrictions | 150,000 | 65,000 | (185,000) | 30,000 |
| Total | \$ 635,877 | \$ 334,000 | \$ (558,694) | \$ 411,183 |

| | September 30, 2022 | | | |
|----------------------|----------------------|---------------|------------------|-------------------|
| | Beginning Balance | Contributions | Released from | Ending Balance |
| | 10/1/21 | | Restrictions | 9/30/22 |
| Program restrictions | | | | |
| Digital Tool | \$ - | \$ 200,000 | \$ (17,762) | \$ 182,238 |
| Family Court Project | - | 135,000 | - | 135,000 |
| Pro Bono Program | - | 10,000 | - | 10,000 |
| PPE/COVID-19 | 6,048 | - | (6,048) | - |
| Tech Hub | 67,442 | 413,000 | (321,803) | 158,639 |
| Equipment | 2,480 | - | (2,480) | - |
| Total program | 75,970 | 758,000 | (348,093) | 485,877 |
| Time restrictions | 45,000 | 150,000 | (45,000) | 150,000 |
| Total | \$ 120,970 | \$ 908,000 | \$ (393,093) | \$ 635,877 |

Family Legal Care, Inc.

Notes to Financial Statements

September 30, 2023

Note 7 - Retirement Plan

FLC maintains a Safe Harbor 403(b) Thrift Plan where eligible employees can contribute pre-tax or post-tax dollars up to statutory limits. All employees are eligible to participate on the entry date immediately following their date of hire. The employer matches the lesser of 100% of each participating employee's salary reduction amount contributed during the plan year or 5% of each participating employee's annual salary. Total contributions were \$63,910 and \$56,289 for the years ended September 30, 2023 and 2022, respectively.

Note 8 - Contingencies

Government Grants

Government grants are subject to audit by the grantor and other oversight agencies. Management is of the opinion that any potential disallowances that may result from an audit will not be material and has not set aside a reserve for this. Any future disallowances will be recorded when they become known, and the amount is probable that it will be paid.

Note 9 - Availability and Liquidity

Financial assets available within one year of the statement of financial position date for general expenditures are as follows:

| | | |
|--|------------|---------------------|
| Cash and cash equivalents | \$ 942,523 | |
| Government grants receivable | 1,052,918 | |
| Pledges receivable | 203,500 | |
| Total financial assets | | \$ 2,198,941 |
| Less amounts not available for general expenditures: | | |
| Board designated reserve fund | (350,000) | |
| Net assets with donor restrictions | (381,183) | |
| Total unavailable for general expenditures | | <u>(731,183)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | | <u>\$ 1,467,758</u> |

As part of its liquidity management plan, FLC operates its programs within a board approved budget and relies on government grants, contributions, and special events to fund its operations and program activities. Additionally, FLC maintains a board designated operating reserve fund intended to fund future operations and to enable the organization to sustain operations through delays in payments of committed funding, manage cash flow and maintain financial flexibility. FLC intends to fund an additional \$50,000 each year, when funds are available, until the total reaches \$750,000. Spending from the reserve will be based on approval by first the executive committee and then the full board of directors. These funds are included in cash and cash equivalents in the statement of financial position.

Note 10 - Subsequent Events

Subsequent events have been evaluated through February 12, 2024, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.