

**AMARA LEGAL CENTER, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2021 AND 2020**

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CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

To the Board of Directors  
Amara Legal Center, Inc.  
Washington, DC

### **Opinion**

We have audited the accompanying financial statements of Amara Legal Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amara Legal Center, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Amara Legal Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Amara Legal Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

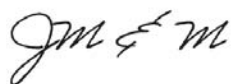
### **Auditor's Responsibilities for the Audit of the Financial Statements**

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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Amara Legal 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 Amara Legal 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.



Washington, DC  
January 17, 2023

**AMARA LEGAL CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 140,319	\$ 117,594
Accounts receivable	28,167	29,036
Grants and contributions receivable	22,500	30,000
Prepaid expenses	3,094	4,735
Total Current Assets	<u>194,080</u>	<u>181,365</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 194,080</u></b>	<b><u>\$ 181,365</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,262	\$ 2,868
Accrued expenses	29,992	27,500
Deferred revenue	5,057	-
Total Current Liabilities	<u>36,311</u>	<u>30,368</u>
<b>NET ASSETS</b>		
Without donor restrictions	140,269	147,061
With donor restrictions	17,500	3,936
Total Net Assets	<u>157,769</u>	<u>150,997</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 194,080</u></b>	<b><u>\$ 181,365</u></b>

The accompanying notes are an integral part of these financial statements.

**AMARA LEGAL CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 111,943	\$ 112,443	\$ 224,386
Government grants	375,530	-	375,530
In-kind contributions	115,084	-	115,084
Interest and other income	729	-	729
Net assets released from restrictions	98,879	(98,879)	-
Total Revenue and Support	<u>702,165</u>	<u>13,564</u>	<u>715,729</u>
<b>EXPENSES</b>			
Program Services:			
Legal services, advocacy and outreach	577,401	-	577,401
Support Services:			
Management and general	93,006	-	93,006
Fundraising	38,550	-	38,550
Total Support Services	<u>131,556</u>	<u>-</u>	<u>131,556</u>
Total Expenses	<u>708,957</u>	<u>-</u>	<u>708,957</u>
<b>CHANGE IN NET ASSETS</b>	(6,792)	13,564	6,772
<b>NET ASSETS, beginning of year</b>	<u>147,061</u>	<u>3,936</u>	<u>150,997</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 140,269</u></u>	<u><u>\$ 17,500</u></u>	<u><u>\$ 157,769</u></u>

The accompanying notes are an integral part of these financial statements.

**AMARA LEGAL CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 141,616	\$ 90,000	\$ 231,616
Government grants	363,549	-	363,549
In-kind contributions	97,160	-	97,160
Interest and other income	1,612	-	1,612
Net assets released from restrictions	93,877	(93,877)	-
Total Revenue and Support	697,814	(3,877)	693,937
<b>EXPENSES</b>			
Program Services:			
Legal services, advocacy and outreach	538,288	-	538,288
Support Services:			
Management and general	110,064	-	110,064
Fundraising	39,170	-	39,170
Total Support Services	149,234	-	149,234
Total Expenses	687,522	-	687,522
<b>CHANGE IN NET ASSETS</b>	10,292	(3,877)	6,415
<b>NET ASSETS, beginning of year</b>	136,769	7,813	144,582
<b>NET ASSETS, end of year</b>	\$ 147,061	\$ 3,936	\$ 150,997

The accompanying notes are an integral part of these financial statements.

**AMARA LEGAL CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	Program Services	Support Services			Total
	Legal Services, Advocacy and Outreach	Management and General	Fundraising	Support Services	Expenses
Personnel Costs:					
Salaries	\$ 369,354	\$ 53,769	\$ 21,697	\$ 75,466	\$ 444,820
Payroll taxes	27,805	3,452	1,231	4,683	32,488
Employee benefits	26,638	2,686	983	3,669	30,307
Retirement plan	7,970	100	64	164	8,134
Subtotal Personnel Costs	431,767	60,007	23,975	83,982	515,749
Accounting	-	20,105	-	20,105	20,105
Dues and subscriptions	1,293	12	4,845	4,857	6,150
Insurance expenses	4,261	637	-	637	4,898
Licenses and fees	918	558	-	558	1,476
Occupancy	28,387	2,937	1,305	4,242	32,629
Office expenses	7,890	661	-	661	8,551
Postage and delivery	200	35	-	35	235
Professional development	1,817	-	-	-	1,817
Professional fees	99,342	7,477	8,400	15,877	115,219
Promotion and advertising	798	505	-	505	1,303
Telephone	541	56	25	81	622
Travel	186	17	-	17	203
Total Expenses	\$ 577,401	\$ 93,006	\$ 38,550	\$ 131,556	\$ 708,957

The accompanying notes are an integral part of these financial statements.



**AMARA LEGAL CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	Program Services	Support Services			Total
	Legal Services, Advocacy and Outreach	Management and General	Fundraising	Support Services	Expenses
Personnel Costs:					
Salaries	\$ 347,363	\$ 55,645	\$ 15,113	\$ 70,758	\$ 418,121
Payroll taxes	25,371	6,435	884	7,319	32,690
Employee benefits	25,018	2,204	485	2,689	27,707
Retirement plan	9,408	1,072	349	1,421	10,829
Subtotal Personnel Costs	407,160	65,356	16,831	82,187	489,347
Accounting	-	25,114	-	25,114	25,114
Bank fees	-	1	-	1	1
Dues and subscriptions	794	588	2,334	2,922	3,716
Facilities, food, and beverage	65	-	200	200	265
Insurance expenses	1,069	2,492	-	2,492	3,561
Licenses and fees	375	632	-	632	1,007
Occupancy	36,434	1,584	330	1,914	38,348
Office expenses	512	401	1,763	2,164	2,676
Postage and delivery	142	103	62	165	307
Printing and copying	456	64	-	64	520
Professional development	8,420	-	-	-	8,420
Professional fees	77,262	12,956	17,600	30,556	107,818
Promotion and advertising	4,025	250	50	300	4,325
Repairs and maintenance	-	400	-	400	400
Telephone	329	106	-	106	435
Travel	1,245	17	-	17	1,262
Total Expenses	\$ 538,288	\$ 110,064	\$ 39,170	\$ 149,234	\$ 687,522

The accompanying notes are an integral part of these financial statements.

**AMARA LEGAL CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 6,772	\$ 6,415
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Decrease (increase) in assets:		
Accounts receivable	869	23,136
Grants and contributions receivable	7,500	(20,000)
Prepaid expenses	1,641	(3,531)
Security deposit	-	1,645
Increase (decrease) in liabilities:		
Accounts payable	(1,606)	(28,925)
Accrued expenses	2,492	15,967
Deferred revenue	5,057	-
Net Cash Provided by (Used for) Operating Activities	<u>22,725</u>	<u>(5,293)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	22,725	(5,293)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>117,594</u>	<u>122,887</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 140,319</u></u>	<u><u>\$ 117,594</u></u>

The accompanying notes are an integral part of these financial statements.

**AMARA LEGAL CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE A - NATURE OF THE ORGANIZATION**

Amara Legal Center, Inc. (“Amara Legal Center”) was incorporated as a non-profit organization in Washington, D.C. in September 2013, and received its 501(c)(3) tax-exempt status in 2014. Amara Legal Center provides free legal services to individuals whose rights have been violated while involved in commercial sex, whether that involvement was by choice, coercion, or circumstance. Amara Legal Center runs one program that focuses on three areas: legal representation, policy advocacy, and advocacy and outreach. Amara Legal Center provides brief legal advice, partial representation, and full representation for civil legal issues such as civil protection orders, divorce, child custody and support, name changes, living wills, and power of attorney cases. In addition to civil legal services, Amara Legal Center also provides victim-witness advocacy services, criminal defense, and representation in criminal record sealing, expungement, and vacatur cases.

Since 2013, Amara Legal Center has served over 390 clients. Although many believe that sex trafficking only occurs overseas or among foreign nationals, the vast majority of Amara Legal Center’s clients are U.S. citizens who were born and raised in the Washington, D.C. metropolitan area. Amara Legal Center serves both juveniles and adults.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of Amara Legal Center are prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958 *Not-for-Profit Entities*. In accordance with ASC Topic 958, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Amara Legal Center and changes therein, are classified and reported as follows:

*Net Assets without Donor Restrictions* - Net assets not subject to donor-imposed stipulations.

*Net Assets with Donor Restrictions* - Net assets subject to donor-imposed restrictions that will be met by either actions of Amara Legal Center and/or the passage of time, or that must be maintained in perpetuity by Amara Legal Center. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

**AMARA LEGAL CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Cash and Cash Equivalents

For purposes of the statements of cash flows, Amara Legal Center considers all demand deposits and money market accounts to be cash equivalents. Amara Legal Center maintains its cash and cash equivalents balances in bank deposit accounts, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times, the accounts may exceed these limits. Amara Legal Center believes it is not exposed to any significant credit risk on cash and cash equivalents.

Contributions and Accounts Receivable

Contributions and accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection, and existing economic conditions. Receivables deemed uncollectible are charged off based on specific circumstances of the parties involved. As of December 31, 2021 and 2020, management has determined that all significant receivables are collectible and due within one year, therefore, an allowance for doubtful accounts has not been established.

Revenue Recognition

*Grants and Contributions*

Amara Legal Center recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

*Government Grants*

Amara Legal Center received grants from the U.S. Department of Justice and the Government of the District of Columbia - Office of Victim Services and Justice Grants. These revenues are considered conditional grants that contain a right of return and other barriers, and are not recognized until the conditions have been substantially met. These grants are also subject to audit by the grantor agency, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the applicable grantor.

**AMARA LEGAL CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

In-Kind Contributions

In-kind contributions are recorded at the fair value of the services or items received. Amara Legal Center recognizes in-kind contributions that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Methods Used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or support function of Amara Legal Center. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those expenses include occupancy, office expenses, and any other applicable expenditures, which are allocated based on salaries and related costs, determined by an estimate of time and effort expended.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure 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 those estimates.

**NOTE C - INCOME TAXES**

Amara Legal Center is a 501(c)(3) organization that is exempt from federal income tax under Section 501(a) of the Internal Revenue Code except on business income unrelated to Amara Legal Center's exempt purpose. Amara Legal Center has been classified as other than a private foundation.

Amara Legal Center recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Amara Legal Center believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Amara Legal Center's information returns are subject to examination by the Internal Revenue Service ("IRS") after a period of three years from the date they were filed, except under certain circumstances. Amara Legal Center's information returns for the years 2018 through 2020 are open for examination by the IRS, although no request has been made as of the date of these financial statements.

**AMARA LEGAL CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY**

Amara Legal Center’s management regularly monitors liquidity requirements to ensure that ongoing operating needs and other contractual commitments are met. Timing of revenue receipts also ensures the availability of necessary operational funds. Sources of liquidity available to Amara Legal Center include financial assets consisting of cash and cash equivalents, and contributions and accounts receivable. In addition, Amara Legal Center anticipates receiving additional grants and contributions that will sufficiently cover its operating expenses over a 12-month period.

In determining the adequacy of liquidity sources to cover general operating expenditures over a 12-month period, Amara Legal Center considers all expenditures related to its legal services, advocacy and outreach, as well as services undertaken to support its programs, such as fundraising activities, to be general operating expenditures.

As of December 31, 2021 and 2020, total financial assets held by Amara Legal Center and the amounts of those financial assets that could readily be made available within one year of the statements of financial position dates to meet general expenditures were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 140,319	\$ 117,594
Accounts receivable	28,167	29,036
Grants and contributions receivable	<u>22,500</u>	<u>30,000</u>
Total Financial Assets	190,986	176,630
Less: net assets with donor restrictions	<u>(17,500)</u>	<u>(3,936)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 173,486</u>	<u>\$ 172,694</u>

**NOTE E – NET ASSETS WITH DONOR RESTRICTIONS**

As of the year ended December 31, 2021, net assets with donor restrictions restricted for the passage of time totaled \$17,500. As of the year ended December 31, 2020, net assets with donor restrictions designated for legal representation totaled \$3,936.

**NOTE F – IN-KIND LEGAL SERVICES AND RENT**

Amara Legal Center received in-kind legal services from one law firm that directly benefited Amara Legal Center and not the individuals who were served by the Organization. For the years ended December 31, 2021 and 2020, the value of in-kind legal services totaled \$84,844 and \$66,920, respectively.

**AMARA LEGAL CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**  
(continued)

**NOTE F – IN-KIND LEGAL SERVICES AND RENT - continued**

The same law firm also provided free office space to Amara Legal Center. For each of the years ended December 31, 2021 and 2020, the value of in-kind office rent totaled \$30,240.

**NOTE G – LEASE COMMITMENT**

Effective April 2019, Amara Legal Center entered into a non-cancellable two-year office lease agreement, which expired on April 30, 2020. Effective January 22, 2020, Amara Legal Center entered into a shared office space agreement located at 1629 K Street #300, NW, Washington, D.C. 20036. This shared office space agreement is a month-to-month lease. As of the audit report date, Amara Legal Center has no plans to terminate this agreement.

For the years ended December 31, 2021 and 2020, occupancy expense totaled \$32,629 and \$38,348, respectively.

**NOTE H – RETIREMENT PLAN**

Amara Legal Center sponsors a SIMPLE IRA Plan for all eligible employees, whereby employees may contribute up to the annual amount determined by the Internal Revenue Service. Under the Plan, an employee is eligible if he or she has received at least \$5,000 in annual compensation in the prior year and is expected to be paid at least \$5,000 in the current year. The Plan matches 100 percent of the employee's contributions, not to exceed three percent of total compensation. For the years ended December 31, 2021 and 2020, Amara Legal Center's contribution to the Plan totaled \$8,134 and \$10,829, respectively.

**NOTE I – SUBSEQUENT EVENTS**

In preparing these financial statements, Amara Legal Center has evaluated events and transactions for potential recognition or disclosure through January 17, 2023, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.