

AMARA LEGAL CENTER, INC.

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

DECEMBER 31, 2023 AND 2022

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR’S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities, Year Ended December 31, 2023	4
Statement of Activities, Year Ended December 31, 2022	5
Statement of Functional Expenses, Year Ended December 31, 2023	6
Statement of Functional Expenses, Year Ended December 31, 2022	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 13



CERTIFIED PUBLIC ACCOUNTANTS

1730 Rhode Island Avenue, NW
Suite 800
Washington, DC 20036
(202) 296-3306
Fax: (202) 296-0059

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, 2023 and 2022, 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, 2023 and 2022, 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
September 25, 2024

AMARA LEGAL CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 262,503	\$ 72,389
Government grants receivable	24,805	80,763
Grants and contributions receivable	45,250	30,000
Accounts receivable	1,369	1,119
Prepaid expenses	1,910	2,162
Total Current Assets	<u>335,837</u>	<u>186,433</u>
OTHER ASSETS		
Security deposit	<u>2,081</u>	<u>2,081</u>
TOTAL ASSETS	<u><u>\$ 337,918</u></u>	<u><u>\$ 188,514</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 2,307	\$ 9,132
Accrued expenses	21,445	18,687
Deferred revenue	749	-
Total Current Liabilities	<u>24,501</u>	<u>27,819</u>
NET ASSETS		
Without donor restrictions	264,196	160,695
With donor restrictions	49,221	-
Total Net Assets	<u>313,417</u>	<u>160,695</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 337,918</u></u>	<u><u>\$ 188,514</u></u>

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

AMARA LEGAL CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 427,718	\$ 55,000	\$ 482,718
Government grants	251,714	-	251,714
In-kind contributions	30,000	-	30,000
Event sponsorships	694	-	694
Interest and other income	314	-	314
Net assets released from restrictions	5,779	(5,779)	-
Total Revenue and Support	<u>716,219</u>	<u>49,221</u>	<u>765,440</u>
EXPENSES			
Program Services:			
Legal services, advocacy and outreach	386,209	-	386,209
Support Services:			
Management and general	187,809	-	187,809
Fundraising	38,700	-	38,700
Total Support Services	<u>226,509</u>	<u>-</u>	<u>226,509</u>
Total Expenses	<u>612,718</u>	<u>-</u>	<u>612,718</u>
CHANGE IN NET ASSETS	103,501	49,221	152,722
NET ASSETS, beginning of year	<u>160,695</u>	<u>-</u>	<u>160,695</u>
NET ASSETS, end of year	<u><u>\$ 264,196</u></u>	<u><u>\$ 49,221</u></u>	<u><u>\$ 313,417</u></u>

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

AMARA LEGAL CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 358,973	\$ -	\$ 358,973
Government grants	379,073	-	379,073
In-kind contributions	30,240	-	30,240
Event sponsorships	1,460	-	1,460
Interest and other income	14	-	14
Net assets released from restrictions	17,500	(17,500)	-
Total Revenue and Support	<u>787,260</u>	<u>(17,500)</u>	<u>769,760</u>
EXPENSES			
Program Services:			
Legal services, advocacy and outreach	561,595	-	561,595
Support Services:			
Management and general	154,897	-	154,897
Fundraising	50,342	-	50,342
Total Support Services	<u>205,239</u>	<u>-</u>	<u>205,239</u>
Total Expenses	<u>766,834</u>	<u>-</u>	<u>766,834</u>
CHANGE IN NET ASSETS	20,426	(17,500)	2,926
NET ASSETS, beginning of year	<u>140,269</u>	<u>17,500</u>	<u>157,769</u>
NET ASSETS, end of year	<u><u>\$ 160,695</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 160,695</u></u>

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

AMARA LEGAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Support Services			
	Legal Services, Advocacy and Outreach	Management and General	Fundraising	Total Support Services	Total Expenses
Personnel Costs:					
Salaries	\$ 289,663	\$ 84,745	\$ 29,871	\$ 114,616	\$ 404,279
Payroll taxes	24,579	5,072	2,471	7,543	32,122
Employee benefits	18,010	6,076	2,124	8,200	26,210
Retirement plan	3,377	2,013	877	2,890	6,267
Subtotal Personnel Costs	335,629	97,906	35,343	133,249	468,878
Accounting	-	43,467	-	43,467	43,467
Bank fees	-	1,412	-	1,412	1,412
Dues and subscriptions	1,206	5,077	-	5,077	6,283
Facilities, food, and beverages	-	1,433	300	1,733	1,733
In-kind office space	21,495	6,288	2,217	8,505	30,000
Insurance expenses	3,712	543	272	815	4,527
Licenses and fees	550	702	300	1,002	1,552
Occupancy	1,064	155	78	233	1,297
Office expenses	10,863	8,146	-	8,146	19,009
Postage and delivery	67	521	-	521	588
Printing and copying	348	666	-	666	1,014
Professional development	1,571	1,544	-	1,544	3,115
Professional fees	7,341	18,555	-	18,555	25,896
Promotion and advertising	420	778	-	778	1,198
Telephone	1,846	541	190	731	2,577
Travel	97	75	-	75	172
Total Expenses	<u>\$ 386,209</u>	<u>\$ 187,809</u>	<u>\$ 38,700</u>	<u>\$ 226,509</u>	<u>\$ 612,718</u>

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

AMARA LEGAL CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Support Services			
	Legal Services, Advocacy and Outreach	Management and General	Fundraising	Total Support Services	Total Expenses
Personnel Costs:					
Salaries	\$ 408,747	\$ 57,640	\$ 29,609	\$ 87,249	\$ 495,996
Payroll taxes	32,515	5,145	2,302	7,447	39,962
Employee benefits	19,654	8,338	1,948	10,286	29,940
Retirement plan	6,135	185	517	702	6,837
Subtotal Personnel Costs	467,051	71,308	34,376	105,684	572,735
Accounting	-	41,512	-	41,512	41,512
Award	1,000	-	-	-	1,000
Bank fees	-	107	24	131	131
Dues and subscriptions	2,233	5,463	200	5,663	7,896
Facilities, food, and beverages	-	-	1,350	1,350	1,350
In-kind office space	24,921	3,514	1,805	5,319	30,240
Insurance expenses	4,351	614	315	929	5,280
Licenses and fees	-	300	-	300	300
Occupancy	997	141	72	213	1,210
Office expenses	9,691	6,977	-	6,977	16,668
Postage and delivery	297	104	-	104	401
Printing and copying	25	6	-	6	31
Professional development	2,932	600	-	600	3,532
Professional fees	45,255	15,291	12,200	27,491	72,746
Promotion and advertising	-	8,663	-	8,663	8,663
Telephone	1,310	285	-	285	1,595
Travel	1,532	12	-	12	1,544
Total Expenses	<u>\$ 561,595</u>	<u>\$ 154,897</u>	<u>\$ 50,342</u>	<u>\$ 205,239</u>	<u>\$ 766,834</u>

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

AMARA LEGAL CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 152,722	\$ 2,926
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Decrease (increase) in assets:		
Government grants receivable	55,958	(53,715)
Grants and contributions receivable	(15,250)	(7,500)
Accounts receivable	(250)	-
Prepaid expenses	252	932
Security deposit	-	(2,081)
Increase (decrease) in liabilities:		
Accounts payable	(6,825)	7,870
Accrued expenses	2,758	(11,305)
Deferred revenue	749	(5,057)
Net Cash Provided by (Used for) Operating Activities	<u>190,114</u>	<u>(67,930)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	190,114	(67,930)
CASH AND CASH EQUIVALENTS, beginning of year	<u>72,389</u>	<u>140,319</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 262,503</u></u>	<u><u>\$ 72,389</u></u>

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

AMARA LEGAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 AND 2022
(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 this limit. However, Amara Legal Center believes it is not exposed to any significant credit risk on cash and cash equivalents.

Grants, Contributions and Accounts Receivable

Grants, 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 credit losses 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, 2023 and 2022, management had determined that all significant receivables are collectible and due within one year; therefore, an allowance for credit losses 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.

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, 2023 AND 2022
(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.

Reclassification

For comparative purposes, accounts receivable on the statement of financial positions for the year ended December 31, 2022, have been reclassified to government grants receivable to conform to the current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

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, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE C - INCOME TAXES – continued

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 2020 through 2022, are open for examination by the IRS, although no request has been made as of the date of these financial statements.

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 grants, 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 program services and fundraising activities, to be general operating expenditures.

As of December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 262,503	\$ 72,389
Government grants receivable	24,805	80,763
Grants and contributions receivable	45,250	30,000
Accounts receivable	1,369	1,119
Total Financial Assets	<u>333,927</u>	<u>184,271</u>
Less: net assets with donor restrictions	<u>(49,221)</u>	<u>-</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 284,706</u></u>	<u><u>\$ 184,271</u></u>

AMARA LEGAL CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(continued)

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2023, net assets with donor restrictions totaled \$49,221, and were restricted for the legal services, advocacy and outreach program. There were no net assets with donor restrictions as of December 31, 2022.

NOTE F – IN-KIND OFFICE SPACE

For the years ended December 31, 2023 and 2022, Amara Legal Center received free office space from a separate non-profit entity in the amount of \$30,000 and \$30,240, respectively. The fair market value of in-kind rent is based on the amount of monthly rent that the landlord would typically charge to a third-party. The donated office space was used for and allocated between program and support services on the statements of functional expenses. There were no donor-imposed restrictions on the donated office space.

NOTE G – LEASE COMMITMENT

Effective January 22, 2020, Amara Legal Center entered into a shared office space agreement located at 1629 K Street #300, NW, Washington, D.C. This shared office space agreement is on a month-to-month basis.

For the years ended December 31, 2023 and 2022, occupancy expense totaled \$1,297 and \$1,210, respectively.

NOTE H – RETIREMENT PLAN

Amara Legal Center sponsors a SIMPLE IRA Plan (the “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, 2023 and 2022, Amara Legal Center’s contribution to the Plan totaled \$6,267 and \$6,837, respectively.

NOTE I – SUBSEQUENT EVENTS

In preparing these financial statements, Amara Legal Center has evaluated events and transactions for potential recognition or disclosure through September 25, 2024, 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.