

FOR THE PEOPLE

**Financial Statements for the Year Ended
December 31, 2021
and Independent Auditors' Report**

FOR THE PEOPLE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
For The People
Oakland, California

Opinion

We have audited the accompanying financial statements of For The People (a nonprofit organization) (the "Organization"), 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 the Organization'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 the Organization'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.

Harrison & Lane, a.c.

Pleasanton, California
January 4, 2023

FOR THE PEOPLE

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 3,197,254
Contributions and grants receivable	500,000
Prepaid expenses	<u>4,877</u>

Total current assets 3,702,131

Contributions and grants receivable	500,000
Deposits	1,714
Property and equipment	<u>4,992</u>

Total assets \$ 4,208,837

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 23,184
Other accrued expenses	<u>50,710</u>

Total current liabilities 73,894

NET ASSETS:

Without donor restrictions:	1,386,346
With donor restrictions	<u>2,748,597</u>

Total net assets 4,134,943

Total liabilities and net assets \$ 4,208,837

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

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STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions and grants:	\$ 1,202,225	\$ 4,410,400	\$ 5,612,625
Other income	212	-	212
	<u>1,202,437</u>	<u>4,410,400</u>	<u>5,612,837</u>
Total revenue and support			
Net assets released from restrictions	<u>1,661,803</u>	<u>(1,661,803)</u>	<u>-</u>
	<u>2,864,240</u>	<u>2,748,597</u>	<u>5,612,837</u>
Total revenue, support, and net assets released from restrictions			
EXPENSES:			
Program services	1,624,584	-	1,624,584
Support services:			
General and administrative	305,053	-	305,053
Fundraising	85,460	-	85,460
	<u>2,015,097</u>	<u>-</u>	<u>2,015,097</u>
Total expenses			
CHANGE IN NET ASSETS	<u>849,143</u>	<u>2,748,597</u>	<u>3,597,740</u>
NET ASSETS, BEGINNING OF YEAR,	<u>537,203</u>	<u>-</u>	<u>537,203</u>
NET ASSETS, END OF YEAR	<u>\$ 1,386,346</u>	<u>\$ 2,748,597</u>	<u>\$ 4,134,943</u>

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

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STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	Support Services			Total
	Program Services	General and Administrative	Fundraising	
Personnel	\$ 677,874	\$ 203,103	\$ 77,843	\$ 958,820
Professional fees	477,430	10,858	389	488,677
Grants and stipends	301,650	-	-	301,650
Contractors	95,914	36,605	-	132,519
Insurance	31,702	14,669	3,641	50,012
Occupancy	13,229	4,849	1,519	19,597
Office expenses	83	14,562	-	14,645
Dues and subscriptions	7,128	5,490	1,090	13,708
Outreach	13,404	-	-	13,404
Travel and meals	1,411	7,882	-	9,293
Staff development	1,955	2,893	224	5,072
Postage	1,077	781	463	2,321
Communications	800	1,178	-	1,978
Taxes and licenses	-	1,661	-	1,661
Depreciation	927	278	106	1,311
Other expenses	-	244	185	429
Total	<u>\$ 1,624,584</u>	<u>\$ 305,053</u>	<u>\$ 85,460</u>	<u>\$ 2,015,097</u>

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

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 3,597,740
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Depreciation and amortization	1,311
Changes in assets and liabilities that provided (used) cash:	
Contributions and grants receivable	(1,000,000)
Prepaid expenses	(4,877)
Accounts payable	23,184
Other accrued expenses	<u>50,710</u>
Net cash provided by operating activities	<u>2,668,068</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Payment of long term lease deposit	<u>(1,714)</u>
Net cash used in investing activities	<u>(1,714)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS 2,666,354

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 530,900

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 3,197,254

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

FOR THE PEOPLE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

1. ORGANIZATION

For The People (the “Organization”) is a national non-profit organization leading the implementation of California’s Prosecutor-Initiated Resentencing (“PIR”) movement - the nation’s first law allowing prosecutors to revisit past sentences and facilitate prison releases for people serving excessive sentences. We define excessive sentences as sentences that are not in the interest of justice because they were too harsh, stem from outdated policies, and/or the person has turned their life around in prison. Based in Oakland, the Organization partners with district attorneys and other decision makers to develop policies to remedy unjust sentences through sentence review, recall, and resentencing. The Organization partners with system stakeholders, community leaders, and incarcerated people to give voice to redemption stories with the goals of expanding justice, reuniting families, and restoring communities decimated by mass incarceration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Organization are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America specific to nonprofit organizations.

Classification of Net Assets - The Organization reports information regarding its financial position and activities according to two classes of net assets, as applicable: net asset without donor restrictions and net assets with donor restrictions.

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents are all highly liquid investments with an original maturity of three months or less.

Contributions and Grants Receivable - Unconditional contributions and grants receivable are reported at fair value and are recognized in the period promised. Delinquent contributions and grants receivable do not accrue interest. The Organization continually monitors the credit worthiness of each account and recognizes allowances for estimated bad debts on accounts that are no longer estimated to be collectible. The Organization regularly adjusts any allowance for subsequent collections and final determination that a receivable is no longer collectible. Bad debt recoveries are included in income as realized. The Organization had no allowance for bad debts at December 31, 2021.

Property and Equipment - The Organization capitalizes property and equipment over \$5,000. Purchased property and equipment is capitalized at cost. Property and equipment consisted of office equipment and is depreciated using the straight-line method over estimated useful lives of five years.

Revenue Recognition - Contributions and grants are recognized as revenue in the period unconditionally promised or received. The Organization reports contributions in the net assets with donor restrictions class if they are received with donor stipulations as to their use, or if the contribution contains an implied time restriction. They are initially reported in the net assets with donor restrictions class, even if it is anticipated such restrictions will be met in the current reporting period. If contributions are received without donor stipulations or an implied time restriction, they are considered unrestricted funds and are included as part of the Organization's net assets without donor restrictions. Contributions that require the satisfaction of conditions are recognized upon satisfaction of the conditions. Conditional contributions pledged for program activities but unrecognized by the Organization totaled \$1,375,000 at December 31, 2021.

Grants and assistance - The Organization awards subgrants and pass-through awards to others as part of the Organization's program activities. Grants are expensed after the unconditional promise to give is approved, and the grantee has been notified of the award. Conditional grants are recognized as grant expense in the period in which the recipient meets the terms of the condition.

Income Taxes - Under provision of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, the Organization is exempt from income taxes, except for net income from unrelated business income. There were no unrelated business activities in 2021.

The Organization has evaluated its tax positions for all open tax years. In management's judgment there are no uncertain tax positions as of December 31, 2021.

Functional Expense Classification - The Organization charges and allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with the program or support service are assigned directly. Payroll is allocated based on estimates of employee time spent on each function. Expenses common to several functions are allocated based on the related employee time ratio.

Credit Risk - Financial instruments which potentially subject the Organization to credit risk consist principally of cash and cash equivalents and contributions and grants receivable. The Organization places its cash and cash equivalent balances with high credit quality financial institutions. Cash balances at December 31, 2021 exceeded federal depository insurance limits by \$2,947,254. The Organization does not require collateral for its receivables, and has not experienced any losses in such amounts during the year ended December 31, 2021. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash and receivable balances.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional promises to give are estimated to be collected as follows at December 31, 2021:

Less than one year	\$ 500,000
One to five years	<u>500,000</u>
Total	<u><u>\$ 1,000,000</u></u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2021:

Office equipment	\$ 6,558
Less: Accumulated depreciation	<u>(1,566)</u>
Net property and equipment	<u><u>\$ 4,992</u></u>

Depreciation expense was \$1,311 for the year ended December 31, 2021.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2021:

Education and leadership program	\$ 1,468,827
Education and PIR policies	1,164,427
Silicon Valley De-bug	<u>115,343</u>
Total net assets with donor restrictions	<u><u>\$ 2,748,597</u></u>

6. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year at December 31, 2021 consisted of the following:

Cash and cash equivalents	\$ 3,197,254
Contributions and grants receivable	<u>500,000</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,697,254</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

7. OPERATING LEASES

The Organization leased office space under a non-cancelable lease agreement in Oakland, California. The lease converted to month to month in August of 2022. Rent expense totaled \$18,712 for the year ended December 31, 2021.

8. CONCENTRATIONS

One donor comprised 100% of contributions and grants receivable, and three donors comprised 80% of contributions and grant revenue for the year ended December 31, 2021.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 4, 2023, which is the date the financial statements were available to be issued.