

FOR THE PEOPLE

**Financial Statements for the Years Ended
December 31, 2022 and 2021
and Independent Auditors' Report**

FOR THE PEOPLE

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-13

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 statements of financial position as of December 31, 2022 and 2021, 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 the Organization as of December 31, 2022 and 2021, 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 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
October 2, 2023

FOR THE PEOPLE

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,203,746	\$ 3,197,254
Contributions and grants receivable	1,375,000	500,000
Prepaid expenses	4,201	4,877
Total current assets	5,582,947	3,702,131
Contributions and grants receivable, net	384,143	500,000
Deposits	7,934	1,714
Operating lease right of use asset	340,933	-
Property and equipment	3,681	4,992
Total assets	\$ 6,319,638	\$ 4,208,837
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 69,522	\$ 23,184
Other accrued expenses	80,211	50,710
Operating lease liability - current	71,774	-
Total current liabilities	221,507	73,894
Operating lease liability	272,559	-
Total liabilities	494,066	73,894
NET ASSETS:		
Without donor restrictions:	3,576,213	1,386,346
With donor restrictions	2,249,359	2,748,597
Total net assets	5,825,572	4,134,943
Total liabilities and net assets	\$ 6,319,638	\$ 4,208,837

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

FOR THE PEOPLE

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions and grants	\$ 1,806,654	\$ 3,144,142	\$ 4,950,796
Other income	2,747	-	2,747
Total revenue and support	<u>1,809,401</u>	<u>3,144,142</u>	<u>4,953,543</u>
Net assets released from restrictions	<u>3,643,380</u>	<u>(3,643,380)</u>	<u>-</u>
Total revenue, support, and net assets released from restrictions	<u>5,452,781</u>	<u>(499,238)</u>	<u>4,953,543</u>
EXPENSES:			
Program services	2,750,139	-	2,750,139
Support services:			
General and administrative	413,827	-	413,827
Fundraising	98,948	-	98,948
Total expenses	<u>3,262,914</u>	<u>-</u>	<u>3,262,914</u>
CHANGE IN NET ASSETS	<u>2,189,867</u>	<u>(499,238)</u>	<u>1,690,629</u>
NET ASSETS, BEGINNING OF YEAR,	<u>1,386,346</u>	<u>2,748,597</u>	<u>4,134,943</u>
NET ASSETS, END OF YEAR	<u>\$ 3,576,213</u>	<u>\$ 2,249,359</u>	<u>\$ 5,825,572</u>

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FOR THE PEOPLE

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>

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STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022

	Support Services			Total
	Program Services	General and Administrative	Fundraising	
Professional fees	\$ 1,285,632	\$ 85,073	\$ 226	\$ 1,370,931
Personnel	943,653	262,974	88,042	1,294,669
Grants and stipends	290,525	-	-	290,525
Insurance	60,693	16,948	4,772	82,413
Occupancy	50,082	13,135	4,392	67,609
Office expenses	22,309	16,922	563	39,794
Contractors	29,981	6,325	-	36,306
Travel and meals	28,480	4,014	737	33,231
Dues and subscriptions	12,351	2,745	15	15,111
Outreach	14,677	-	-	14,677
Other expenses	2,609	2,891	103	5,603
Communications	4,676	710	-	5,386
Postage	3,107	547	11	3,665
Depreciation	963	261	87	1,311
Taxes and licenses	-	1,000	-	1,000
Staff development	401	282	-	683
Total	<u>\$ 2,750,139</u>	<u>\$ 413,827</u>	<u>\$ 98,948</u>	<u>\$ 3,262,914</u>

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FOR THE PEOPLE

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>

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STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,690,629	\$ 3,597,740
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	1,311	1,311
Amortization of operating lease asset and liability, net	3,400	-
Changes in assets and liabilities that provided (used) cash:		
Contributions and grants receivable	(759,143)	(1,000,000)
Prepaid expenses	676	(4,877)
Accounts payable	46,338	23,184
Other accrued expenses	29,501	50,710
	<u>1,012,712</u>	<u>2,668,068</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Return of long term lease deposit	1,164	-
Payment of long term lease deposit	(7,384)	(1,714)
	<u>(6,220)</u>	<u>(1,714)</u>
Net cash used in investing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,006,492	2,666,354
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,197,254</u>	<u>530,900</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,203,746</u>	<u>\$ 3,197,254</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
OPERATING LEASE ASSET OBTAINED IN EXCHANGE FOR NEW OPERATING LEASE LIABILITY - UPON ADOPTION	<u>\$ 392,506</u>	<u>\$ -</u>

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

FOR THE PEOPLE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 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 assets 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, 2022.

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 \$950,000 at December 31, 2022.

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 2022.

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, 2022.

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, 2022 exceeded federal depository insurance limits by \$3,963,389. The Organization does not require collateral for its receivables, and has not experienced any losses in such amounts during the years ended December 31, 2022 and 2021, respectively. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash and receivable balances.

New Accounting Pronouncements - As of January 1, 2022, the Organization adopted Accounting Standards Update (“ASU”) number 2016-02, *Leases* on an effective date basis, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization 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 ASU 2016-02, the Organization recognized right-of-use assets and liabilities of \$392,506 at January 1, 2022 in its statement of financial position. The adoption did not result in any effects on amounts reported in the statement of activities for the years ended December 31, 2022 and 2021, respectively.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional promises to give are estimated to be collected as follows at December 31, 2022:

Within one year	\$ 1,375,000
In one to five years	<u>400,000</u>
	1,775,000
Less: discount to net present value at 4.13%	<u>(15,857)</u>
Total	<u>\$ 1,759,143</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Office equipment	\$ 6,558	\$ 6,558
Less: Accumulated depreciation	<u>(2,877)</u>	<u>(1,566)</u>
Net property and equipment	<u>\$ 3,681</u>	<u>\$ 4,992</u>

Depreciation expense was \$1,311 and \$1,311 for each of the years ended December 31, 2022 and 2021, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2022:

	<u>2022</u>	<u>2021</u>
Education and PIR policies	\$ 799,038	\$ 1,164,427
Silicon Valley De-bug	93,878	115,343
Lobbying	65,357	-
Stipends	16,903	-
Fellowships	15,040	-
Education and leadership program	-	1,468,827
Time restriction	<u>1,259,143</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 2,249,359</u>	<u>\$ 2,748,597</u>

6. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year at December 31, 2022 consisted of the following:

Cash and cash equivalents	\$ 4,203,746
Contributions and grants receivable - current	<u>1,375,000</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,578,746</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 leases office space under a non-cancelable lease that expires in April 2027. The Organization evaluated current contracts to determine which met the criteria of a lease. The right of use asset represents the Organization's right to use underlying assets for the lease term, and the lease obligation represents the Organization's obligation to make lease payments arising from these leases. The right of use asset and lease obligation, all of which arise from an operating lease, were calculated based on the present value of future lease payments over the lease term. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

For the years ended December 31, 2022 and 2021, total operating lease cost including period and overhead charges was \$64,352 and \$18,712, respectively. As of December 31, 2022, the weighted-average remaining lease term for the Organization’s operating leases was fifty-two months. The weighted-average discount rate applied to calculate lease liabilities as of December 31, 2022, was 2.79%. Cash paid for operating leases for the years ended December 31, 2022 and 2021, was \$60,823 and \$21,785, respectively.

Future minimum operating lease payments are as follows:

<u>Year end December 31,</u>		
2023	\$	80,290
2024		82,740
2025		85,260
2026		87,780
2027		29,540
Subtotal		<u>365,610</u>
Less present value discount		<u>(21,277)</u>
Total operating lease liability	\$	<u><u>344,333</u></u>

8. CONCENTRATIONS

Three donors comprised 90% of contributions and grants receivable, and five donors comprised 80% of contributions and grant revenue for the year ended December 31, 2022.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 2, 2023, which is the date the financial statements were available to be issued.