

**FIRST AMENDMENT
COALITION**

**FINANCIAL STATEMENTS WITH
INDEPENDENT ACCOUNTANT'S
COMPILATION REPORT**

**YEAR ENDED
DECEMBER 31, 2022**

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Board of Directors
First Amendment Coalition San Rafael, California

Management is responsible for the accompanying financial statements of First Amendment Coalition (a California nonprofit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2022, and the related statements of revenues, expenses, and other changes in net assets - modified cash basis and functional expenses – modified cash basis for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

We are not independent with respect to First Amendment Coalition.



GILBERT CPAs
Sacramento, California

September 18, 2023

FIRST AMENDMENT COALITION

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS DECEMBER 31, 2022

ASSETS

CURRENT ASSETS:

Cash and equivalents \$ 595,252

INVESTMENTS

821,097

PROPERTY AND EQUIPMENT, Net

1,697

TOTAL ASSETS

\$ 1,418,046

NET ASSETS WITHOUT DONOR RESTRICTIONS

1,418,046

TOTAL NET ASSETS AND LIABILITIES

\$ 1,418,046

FIRST AMENDMENT COALITION

STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUES:

Contributions	\$ 575,710
Foundation grants	452,000
Membership dues	6,250
Other income	<u>21,049</u>
Total revenues	<u>1,055,009</u>

OPERATING EXPENSES:

Program services	758,736
Management and general	104,309
Fundraising and development	<u>137,476</u>
Total expenses	<u>1,000,521</u>

INCREASE FROM OPERATIONS 54,488

OTHER REVENUE AND EXPENSES:

Investment income	<u>6,141</u>
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INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTION 60,629

NET ASSETS, Beginning of year 1,357,417

NET ASSETS, End of year \$ 1,418,046

FIRST AMENDMENT COALITION

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS YEAR ENDED DECEMBER 31, 2022

	<u>Program services</u>	<u>General & administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 497,482	\$ 59,698	\$ 106,130	\$ 663,310
Accounting	-	18,748	-	18,748
Consulting	67,188	8,063	14,333	89,584
Office expense	5,904	7,567	1,259	14,730
Conferences	1,740	209	371	2,320
Contract labor	35,610	4,273	7,597	47,480
Depreciation	-	381	-	381
Equipment and software	378	45	81	504
Insurance	5,102	611	1,089	6,802
Legal hotline	70,500	-	-	70,500
Other legal services	14,858	-	-	14,858
Meals and entertainment	-	993	-	993
On-line services	11,307	-	-	11,307
Program marketing and materials	17,656	-	-	17,656
Printing and reproduction	8,631	1,036	1,841	11,508
Travel	2,665	319	569	3,553
Rent	19,715	2,366	4,206	26,287
	<u>\$ 758,736</u>	<u>\$ 104,309</u>	<u>\$ 137,476</u>	<u>\$ 1,000,521</u>

FIRST AMENDMENT COALITION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The First Amendment Coalition (FAC) is a nonprofit public interest organization dedicated to advancing free speech and open-government rights. FAC's activities include providing free legal information and consultations; educational programs and conferences; public advocacy through published articles, books and public speaking; and litigation in selected cases against government agencies.

Basis of accounting – The financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States (GAAP). Consequently, certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Significant modifications to the cash basis of accounting are described below:

Investments are carried at cost and fair market value and the change in fair market value is recognized on the statements of revenues, expenses, and other changes in net assets – modified cash basis.

Property and equipment are capitalized as assets and presented at cost net of accumulated depreciation; depreciation expense is recognized on the statements of revenues, expenses, and other changes in net assets – modified cash basis.

Cash and equivalents – For financial statement purposes, FAC considers all investments with maturity at purchase of three months or less to be cash equivalents.

Investments are stated at fair value.

Property and equipment – Property and equipment are stated at cost. FAC follows the practice of capitalizing all expenditures for property and equipment over \$500. Depreciation is determined using the straight-line method over estimated useful lives of 3 to 7 years.

Income taxes – FAC is exempt from income taxes under Internal Revenue Code Section 501(c)(3), and as such, there is no provision for income taxes. FAC has implemented the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, FAC is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2019.

Functional allocation of expenses – The costs of providing the program services and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in net assets – modified cash basis. The state of functional expense presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include rent and occupancy, depreciation, salaries and wages, employee benefits, contract labor, travel and other office expenses which are allocated based on estimates of time and effort.

Use of estimates – The preparation of financial statements in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America, requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

FIRST AMENDMENT COALITION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

Subsequent events have been evaluated through the report date September 18, 2023. Management concluded that no material subsequent events have occurred since December 31, 2022 that require recognition or disclosure in the financial statements.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

FAC structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash and equivalents of \$595,252 are available for use over the next 12 months.

3. INVESTMENTS

Investments reflect the estimated fair value of assets held and invested by Charles Schwab, for which FAC is the owner and beneficiary. At December 31, 2022 some investments were held in cash accounts with Charles Schwab to be held for long term purposes.

FIRST AMENDMENT COALITION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

Investments at December 31, 2022 consist of the following, of which all is considered Level 1 within the fair value hierarchy:

Cash held for long-term purposes	\$ 91,922
Fixed income securities	650,832
Exchange traded funds	<u>78,343</u>
Net investments at fair value	<u>\$ 821,097</u>

Investment income consists of the following:

Interest and dividends	\$ 6,335
Realized and unrealized gain	<u>(194)</u>
Net investment gain	<u>\$ 6,141</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and fixtures	\$ 1,173
Computers and other equipment	<u>3,015</u>
Total	4,118
Less accumulated depreciation	<u>(2,491)</u>
Property and equipment, net	<u>\$ 1,697</u>

5. NET ASSETS

FAC's net assets without donor restrictions are categorized as follows:

Board designated endowment fund	\$ 1,301
Undesignated	<u>1,416,745</u>
Total	<u>\$ 1,418,046</u>

FAC's endowments include funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Board designated endowments of \$1,301 as of December 31, 2022 were established to allow for funding of general operations. Endowment investments are held in cash accounts within FAC's investment portfolio. FAC's Board of Directors may elect to distribute 5% of the average fund balance annually.

FIRST AMENDMENT COALITION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

Changes in endowment net assets are as follows:

Endowment net assets, beginning of year	\$ 282,009
Investment return:	
Investment income and dividends	1,701
Distribution to undesignated	<u>(282,409)</u>
Endowment net assets, end of year	<u>\$ 1,301</u>

6. CONCENTRATION OF CREDIT RISK

FAC maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. FAC's deposits held with financial institutions in excess of federal depository insurance limits were \$152,613 at December 31, 2022. FAC has not experienced any losses in such accounts. Management believes FAC is not exposed to any significant credit risk related to cash.

7. RETIREMENT PLAN

FAC sponsors a 401(k) Plan for eligible employees. The plan has no vesting schedule and provides a discretionary contribution to eligible participants. FAC contributed 4% of eligible compensation, totaling \$21,922, for the year ended December 31, 2022.