EisnerAmper

JustLeadershipUSA, Inc.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018

JustLeadershipUSA, Inc.

Contents

EisnerAmper LLP
733 Third Avenue
New York, NY 10017
T 212.949.8700
F 212.891.4100
www.eisneramper.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
JustLeadershipUSA, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of JustLeadershipUSA, Inc. ("JLUSA"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

JLUSA's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JustLeadershipUSA, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
June 22, 2021

JustLeadershipUSA, Inc.

Statements of Financial Position

	December 31, 2019	December 31, 2018
ASSETS		
Cash	$ 739,376	$ 368,567
Contributions receivable, net	1,030,303	5,007,098
Other receivables	153,000	3,000
Investments	6,763,240	6,007,079
Prepaid expenses and other assets	74,380	65,804
Property and equipment, net	110,452	70,972
	$ 8,870,751	$ 11,522,520
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities	$ 97,705	$ 175,189
Grants payable	68,750	115,848
Deferred rent obligation	19,194	-
Total liabilities	185,649	291,037
Commitments and other uncertainty (see Note G)		
Net assets:		
Without donor restrictions	2,117,265	2,101,204
With donor restrictions:		
Purpose restrictions	5,095,467	9,130,279
Time restrictions	1,472,370	-
Total net assets with donor restrictions	6,567,837	9,130,279
Total net assets	8,685,102	11,231,483
	$ 8,870,751	$ 11,522,520

JustLeadershipUSA, Inc.

Statement of Activities
Year Ended December 31, 2019
(with summarized information for the year ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Public support and revenue:				
Contributions	$ 605,633	$ 2,372,528	$ 2,978,161	$ 1,549,606
Special events, net of direct benefits to donors of $32,756 and $42,297 in 2019 and 2018, respectively	19,662	-	19,662	69,783
Net investment income	127,159	-	127,159	53,261
In-kind donated goods and services	245,885	-	245,885	123,061
Other income (see Note J)	225,000	-	225,000	3,000
Total public support and revenue before net assets released from restrictions	1,223,339	2,372,528	3,595,867	1,798,711
Net assets released from restrictions	4,934,970	(4,934,970)	-	-
Total public support and revenue	6,158,309	(2,562,442)	3,595,867	1,798,711
Expenses:				
Program services:				
Grants and related services	4,683,104	-	4,683,104	4,829,221
Supporting services:				
Management and general	1,161,319	-	1,161,319	1,141,268
Fund-raising	297,825	-	297,825	200,871
Total supporting services	1,459,144	-	1,459,144	1,342,139
Total expenses	6,142,248	-	6,142,248	6,171,360
Change in net assets	16,061	(2,562,442)	(2,546,381)	(4,372,649)
Net assets, beginning of year	2,101,204	9,130,279	11,231,483	15,604,132
Net assets, end of year	$ 2,117,265	$ 6,567,837	$ 8,685,102	$ 11,231,483

See notes to financial statements:

JustLeadershipUSA, Inc.

Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	$ 742,543	$ 807,063	$ 1,549,606
Special events, net of direct benefits to donors of $42,297	69,783	-	69,783
Net investment income	53,261	-	53,261
In-kind donated services	123,061	-	123,061
Other income	3,000	-	3,000
Total public support and revenue before net assets released from restrictions	991,648	807,063	1,798,711
Net assets released from restrictions	4,609,204	(4,609,204)	-
Total public support and revenue	5,600,852	(3,802,141)	1,798,711
Expenses:			
Program services:			
Grants and related services	4,829,221	-	4,829,221
Supporting services:			
Management and general	1,141,268	-	1,141,268
Fund-raising	200,871	-	200,871
Total supporting services	1,342,139	-	1,342,139
Total expenses	6,171,360	-	6,171,360
Change in net assets	(570,508)	(3,802,141)	(4,372,649)
Net assets, beginning of year	2,671,712	12,932,420	15,604,132
Net assets, end of year	$ 2,101,204	$ 9,130,279	$ 11,231,483

JustLeadershipUSA, Inc.

Statement of Functional Expenses
Year Ended December 31, 2019
(with summarized information for the year ended December 31, 2018)

	Program Services	Supporting Services			Total Expenses	
	Grants and Other Related Services	Management and General	Fund-Raising	Total Supporting Services	2019	2018
Salaries	$ 2,017,592	$ 302,245	$ 226,701	$ 528,946	$ 2,546,538	$ 2,691,828
Payroll taxes, and employee benefits	350,438	51,709	40,224	91,933	442,371	395,169
Total salaries, payroll taxes and employee benefits	2,368,030	353,954	266,925	620,879	2,988,909	3,086,997
Grants	656,012	-	-	-	656,012	924,678
Professional and consulting fees	764,381	417,654	3,688	421,342	1,185,723	1,135,908
Office supplies and expenses	70,328	63,358	7,739	71,097	141,425	131,121
Occupancy and utilities	123,353	174,045	-	174,045	297,398	216,563
Travel	186,489	17,094	6,540	23,634	210,123	221,076
Conferences, conventions and meetings	423,268	16,650	9,158	25,808	449,076	404,110
Insurance	13,811	2,037	1,564	3,601	17,412	9,439
Advertising	30,181	9,508	-	9,508	39,689	20,962
Catering	-	-	32,756	32,756	32,756	42,297
Other miscellaneous expense	47,251	84,395	2,211	86,606	133,857	11,181
Bad debts	-	-	-	-	-	15
Depreciation and amortization	-	22,624	-	22,624	22,624	9,310
Total expenses	4,683,104	1,161,319	330,581	1,491,900	6,175,004	6,213,657
Less: direct benefits to donors	-	-	(32,756)	(32,756)	(32,756)	(42,297)
Total expenses per statement of activities	$ 4,683,104	$ 1,161,319	$ 297,825	$ 1,459,144	$ 6,142,248	$ 6,171,360

See notes to financial statements:

JustLeadershipUSA, Inc.

Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Supporting Services			
	Grants and Other Related Services	Management and General	Fund-Raising	Total Supporting Services	Total
Salaries:	$ 2,369,067	$ 166,630	$ 156,131	$ 322,761	$ 2,691,828
Payroll taxes and employee benefits	347,788	24,461	22,920	47,381	395,169
Total salaries, payroll taxes and employee benefits	2,716,855	191,091	179,051	370,142	3,086,997
Grants	924,678	-	-	-	924,678
Professional and consulting fees	275,884	858,639	1,385	860,024	1,135,908
Office supplies and expenses	99,275	28,923	2,923	31,846	131,121
Occupancy and utilities	190,596	16,241	9,726	25,967	216,563
Travel	210,558	7,962	2,556	10,518	221,076
Conferences, conventions and meetings	384,885	14,553	4,672	19,225	404,110
Insurance	8,307	708	424	1,132	9,439
Advertising	18,183	2,645	134	2,779	20,962
Catering	-	-	42,297	42,297	42,297
Administrative expenses	-	11,181	-	11,181	11,181
Bad debts	-	15	-	15	15
Depreciation and amortization	-	9,310	-	9,310	9,310
Total expenses	4,829,221	1,141,268	243,168	1,384,436	6,213,657
Less: direct benefits to donors	-	-	(42,297)	(42,297)	(42,297)
Total expenses per statement of activities	$ 4,829,221	$ 1,141,268	$ 200,871	$ 1,342,139	$ 6,171,360

See notes to financial statements:

JustLeadershipUSA, Inc.

Statements of Cash Flows

	Year Ended December 31, 2019	2018
Cash flows from operating activities:		
Change in net assets	**$ (2,546,381)**	$ (4,372,649)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**22,624**	9,310
Realized gains on investments	**(5,033)**	(445)
Unrealized (gains) losses on investments	**(14,120)**	6,024
Bad debts expenses	**-**	15
Changes in:		
Contributions receivable, net	**3,976,795**	530,401
Other receivables	**(150,000)**	(3,000)
Prepaid expenses and other assets	**(8,576)**	(28,641)
Accounts payable and other liabilities	**(77,484)**	65,471
Grants payable	**(47,098)**	115,848
Deferred rent obligation	**19,194**	-
Net cash provided by (used in) operating activities	**1,169,921**	(3,677,666)
Cash flows from investing activities:		
Proceeds from sales of investments	**3,371,000**	945,000
Purchases from investments	**(4,108,008)**	(6,957,658)
Purchases of property and equipment	**(62,104)**	(52,306)
Net cash used in investing activities	**(799,112)**	(6,064,964)
Change in cash	**370,809**	(9,742,630)
Cash, beginning of year	**368,567**	10,111,197
Cash, end of year	**$ 739,376**	$ 368,567
Supplemental disclosure of cash flow information:		
Unrelated business income taxes paid	**$ 3,000**	$ -
In-kind donation of goods and services	**$ 245,885**	$ 123,061

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] JLUSA:

JustLeadershipUSA, Inc. ("JLUSA") was incorporated in the State of Delaware on September 17, 2013 as a not-for-profit organization and began full-time operations on October 1, 2015. JLUSA is dedicated to reducing crime and cutting the U.S. prison population in half by 2030. JLUSA empowers people most affected by incarceration to drive policy reform. JLUSA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). It is also exempt from state and local taxes under comparable laws. JLUSA is supported primarily by contributions.

At December 31, 2019 and 2018, JLUSA had a decrease in net assets of approximately $2,562,000 and $4,373,000, respectively, which mainly resulted from programmatic expenses incurred related to the use of prior years' multi-year contribution receivables. Accordingly, JLUSA's Board of Directors and management have been continuously considering various long-term strategies to ensure the continued operations of JLUSA. As a result, the management team implemented a number of restructuring initiatives, designed to improve cash flows and to strengthen the statements of financial positions.

[2] Basis of accounting:

The financial statements of JLUSA have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S.GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, pubic support and revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Investments:

JLUSA's investments in fixed income mutual funds have been reported at their fair values as of year-end. Cash equivalents that are held within the investment portfolio are also included in JLUSA's investments.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold and unrealized appreciation and depreciation on investments held are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost at the time of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned. Investment expenses are embedded within mutual fund transactions.

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Property and equipment:

Property and equipment are reported at their original costs at dates of acquisition, or, if contributed, at their fair values at the dates of donation, net of accumulated depreciation and amortization. JLUSA capitalizes assets with a cost of $1,000 or more, whereas minor costs for repairs and maintenance are expensed as incurred. Depreciation of equipment and furniture and fixtures is provided using the straight-line method over the estimated useful lives of the assets of five years. Amortization of leasehold improvements is provided using the straight-line method over the remaining lease term, or the useful lives of the improvements, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2019 and 2018, and in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[6] Accrued vacation:

Employees accrue vacation each year based on tenure. JLUSA's employees are entitled to be paid for unused vacation up to eighty hours if they leave the Organization. Accrued vacation is a liability that represents JLUSA’s obligation for the cost of unused employee vacation time payable in the event of the employee’s departure. At December 31, 2019, accrued vacation obligation was approximately $38,000 and was reported as part of accounts payable and accrued expenses in the statement of financial position.

[7] Deferred rent obligation:

For financial reporting purposes, the aggregate minimum rent expenses is recognized using the straight-line method over the term of the lease. The accumulative difference between rent expenses incurred by JLUSA and the rental amounts actually paid, which is attributable to scheduled rent increases, is reported as deferred rent obligation in the accompanying statements of financial position. Deferred rent for 2019 was approximately $14,000.

[8] Net assets:

(i) Net assets without donor restrictions:

Net assets without donor restrictions represent those resources that are not subject to donor restrictions and are available for current operations.

(ii) Net assets with donor restrictions:

Net assets with donor restrictions represent those resources that have been restricted by donors for specific purposes and/or a specific period of time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction.

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Revenue recognition:

(i) Contributions and pledges:

Contributions are recognized as revenue upon the receipt of cash, other assets or of unconditional pledges and are considered without donor restrictions, unless specifically restricted for purpose or time by the donor. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. Conditional contributions are recorded when the conditions have been met. Management annually assesses the collectability of the receivables and provides for an allowance, when necessary, using management's estimate of potential defaults.

(ii) In-kind donations:

For recognition of donated services in JLUSA's financial statements, such services must: (i) create or enhance non-financial assets; and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must: (i) require a specialized skill, and (ii) be provided by individuals possessing these skills. JLUSA also received goods which are recognized as without donor restrictions, unless otherwise stipulated by donors. Donated goods are either utilized by JLUSA for its programs or monetized, depending on the nature of the asset. Donated goods and services are recorded as support at their estimated fair values at the dates of donation. Donated goods and services are reported as both contributions and offsetting expenses in the statements of activities.

(iii) Special events:

Gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue, as well as the payment of the direct costs of the benefits received by the attendee at the event. Special-event income is reported net of the direct benefits to donors. Special-event revenues, other than contributions, applicable to a future year, are recognized as revenue in the year a special event takes place. Such special-event revenue is deferred and recognized when the event takes place.

[10] Functional allocation of expenses:

The costs of providing JLUSA's program and supporting services are reported on a natural and functional basis in the statements of functional expenses. Accordingly, costs that are directly attributable to a specific functional area of JLUSA are reported as an expense to the appropriate program or supporting service. Natural expenses attributable to more than one functional expense category have been allocated among the program and supporting services based on the full-time employee equivalent method, percent of time spent by employees, or square footage, as applicable. Accordingly, salaries and benefits have been allocated based on time and effort, whereas occupancy, office supplies and expenses, insurance, depreciation and amortization were allocated based on square footage.

[11] Grants and awards:

Unconditional grants and awards are recognized as expenses in the financial statements at the time of approval. Unconditional grants and awards approved, but not yet paid are recognized as grants payable at each year-end. All amounts reported as grants payable at each year-end are payable within twelve months. JLUSA does not make multi-year grants. At December 31, 2019 and 2018, grants payable amounted to approximately $69,000 and $116,000, respectively.

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Income taxes:

JLUSA is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of JLUSA's general tax-exempt status, management believes ASC Topic 740 has not had, and is not expected to have, a material impact on JLUSA's financial statements. Subsequent to December 31, 2019, the provision in the tax code requiring JLUSA to remit a tax attributable to transportation fringe benefits was repealed retroactively to December 31, 2017, thereby eliminating the JLUSA's obligation for this tax. JLUSA will file for a claim of refund for any taxes paid subsequent to December 31, 2017 relating to transportation fringe benefits.

[13] Adoption of accounting principles:

(i) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made:

In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides a framework for evaluating whether grants should be accounted for as exchange transactions or as non-exchange transactions. For non-exchange transactions, the new guidance clarifies whether arrangements are conditional or unconditional. The standard is required to be adopted on a modified prospective basis. The standard is effective for years beginning after December 15, 2018 for entities receiving resources, and accordingly, JLUSA adopted this for the year ended December 31, 2019. Analysis of various provisions of this standard resulted in no significant changes in the way JLUSA recognized revenue. The standard for entities providing resources is effective for years beginning after December 15, 2019, and management is in the process of assessing the impact of this portion of the ASU on the financial statements.

(ii) Disclosure Requirements for Fair Value Measurements:

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement,* which modified the disclosure requirements for fair value measurements and is effective for years beginning after December 15, 2019, with early adoption permitted. The effect of adopting this accounting guidance will result in the removal or modification of certain fair value measurement disclosures presented in JLUSA's financial statements. JLUSA will early-adopt this ASU for the year ended December 31, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty are applied prospectively for only the most recent annual period presented in the year of adoption. All other amendments are applied retrospectively to each period for which the financial statements are presented.

[14] Upcoming accounting pronouncements:

(i) Leases:

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which will require entities to recognize lease assets and lease liabilities (related to leases previously classified as operating under previous U.S. GAAP) on the statements of financial position. This ASU is required to be adopted on a modified retrospective basis. As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for private not-for-profit organizations for fiscal years beginning after December 15, 2021. JLUSA is currently evaluating the effect that this guidance will have on the financial statements and related disclosures.

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[14] Upcoming accounting pronouncements: (continued)

(ii) Contributed nonfinancial assets:

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement,* at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Management is in the process of assessing the impact of this ASU on the financial statements.

[15] Reclassification:

Certain amounts in the prior-year's financial statements have been reclassified to conform to the current-year's presentation.

[16] Subsequent events:

JLUSA evaluated subsequent events through June 22, 2021, the date on which the financial statements were available to be issued.

NOTE B - CONTRIBUTIONS RECEIVABLE

At each year-end, contributions receivable consisted of the following:

	December 31, 2019	December 31, 2018
Less than one year	**$ 505,025**	$ 5,007,098
One to five years	**545,000**	-
	1,050,025	5,007,098
Reduction of pledges due in excess of one year to present value, at discount rate of 1.86%	**(19,722)**	-
	$ 1,030,303	$ 5,007,098

Based on prior experience, management expects the receivables to be fully collectible, and accordingly, no allowance for doubtful amounts has been established.

NOTE B - CONTRIBUTIONS RECEIVABLE (CONTINUED)

During 2019 and 2018, JLUSA received contributions from two major donors that represented approximately 45% and 62% of total contributions, respectively.

NOTE C - INVESTMENTS

At each year-end, investments, consisted of the following:

	December 31,			
	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Money market fund	$ -	$ -	$ 966	$ 966
Fixed income mutual funds	6,763,240	6,755,144	6,006,113	6,012,137
	$ 6,763,240	$ 6,755,144	$ 6,007,079	$ 6,013,103

During each year-end, net investment earnings consisted of the following:

	Year Ended December 31,	
	2019	2018
Interest and dividends	$ 108,006	$ 58,840
Realized gains	5,033	445
Unrealized gains (losses)	14,120	(6,024)
	$ 127,159	$ 53,261

ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.

Level 2: Valuations are based on: (i) quoted prices for similar investments in active markets; or (ii) quoted prices for identical or similar investments in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where: (i) there is little, if any, market activity for the investments; or (ii) the investments cannot be independently valued.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

During 2019 and 2018, JLUSA's investments were all considered to be Level 1 within the fair-value hierarchy.

NOTE D - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	December 31, 2019	December 31, 2018
Furniture and fixtures	**$ 110,408**	$ 32,292
Leasehold improvements	**37,814**	53,826
	148,222	86,118
Less: accumulated depreciation and amortization	**(37,770)**	(15,146)
	$ 110,452	$ 70,972

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

At each year-end, net assets with donor restrictions consisted of the following restrictions:

	December 31, 2019	December 31, 2018
Program:		
Jail closure campaigns	**$ 4,394,651**	$ 8,144,874
Leadership development	**700,816**	985,405
Total program	**5,095,467**	9,130,279
Time	**1,472,370**	-
	$ 6,567,837	$ 9,130,279

At each year-end, net assets were released from restrictions as follows:

	December 31, 2019	December 31, 2018
Program:		
Jail closure campaigns	**$ 3,945,132**	$ 3,624,334
Leadership development	**989,838**	984,870
	$ 4,934,970	$ 4,609,204

NOTE F - RETIREMENT PLANS

JLUSA has a defined-contribution retirement plan, formed under Section 401(k) of the Code that covers all employees immediately upon employment. JLUSA makes matching contributions equal to the employee's salary deduction contribution, up to a 3% limit of the employee's compensation for the year. JLUSA's contributions to the plan for 2019 and 2018 were approximately $33,000 and $10,000, respectively. Subsequent to December 31, 2019, JLUSA increased its contribution rate to 4%.

NOTE G - COMMITMENTS AND OTHER UNCERTAINTY

[1] Leases:

During May 2016, JLUSA entered into an agreement to lease office space in Manhattan. The lease commenced August 2016 and expires July 2026. The lease initially requires monthly payments of $7,120 with annual increases of 3% under the terms of the lease. On May 17, 2018, JLUSA extended the lease agreement and expanded the amount of office space, such that the lease now required monthly payments of $4,619 with annual increases of 3% and expires in December 2027.

During December 2017, JLUSA entered into a lease for office space in Albany, NY. The lease expired on November 30, 2018 and required monthly payments of $200.

During 2018, JLUSA entered into various leases for office space in Milwaukee, WI, Washington, D.C. and Philadelphia. The leases expire from December 31, 2019 through August 31, 2020 and require monthly payments ranging from $450 to $3,150 with annual increases of 3%.

At December 31, 2019, the future minimum annual lease payments are as follows:

Year	Amount
2020	$ 180,178
2021	155,699
2022	160,369
2023	165,183
2024	170,133
Thereafter	397,234
	$ 1,228,796

Rent expense related to the office spaces for 2019 and 2018 was approximately $277,000 and $188,000, respectively.

[2] Contracts:

In the normal course of business, JLUSA enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

NOTE G - COMMITMENTS AND OTHER UNCERTAINTY (CONTINUED)

[3] Other uncertainty:

The extent of the impact of the coronavirus ("COVID-19") outbreak on the operational and financial performance of JLUSA will depend on continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions. The impact of COVID-19 on overall availability of contributions towards JLUSA's programs and the impact on the financial markets and the overall economy are highly uncertain and cannot be predicted. If contributions towards JLUSA's programs are impacted for an extended period, results of operations may be materially adversely affected.

NOTE H - IN-KIND DONATIONS

During 2019, JLUSA received donated legal services related to the negotiation of an employment contracts, audit investigation, lease review and other miscellaneous items, as well as photography services. JLUSA also received donated banners and posters in support of the annual gala in 2019. During 2018, JLUSA received donated legal services related to the negotiation of an employment contract and other miscellaneous items.

During 2019 and 2018, JLUSA received donated goods and services as follows:

	Year Ended December 31,	
	2019	**2018**
Donated goods – banners and posters	**$ 461**	$ -
Donated services – legal and photography	**245,424**	123,061
	$ 245,885	$ 123,061

NOTE I - CONCENTRATION OF CREDIT RISK

JLUSA maintains its cash in a high-credit-quality financial institution, in amounts which, at times, may exceed federally insured limits. JLUSA has not experienced any losses in such accounts and management believes that JLUSA is not exposed to any significant risk of loss related to failure of this financial institution.

NOTE J - RECOVERY OF FUNDS

Shortly after the new President/CEO was installed in July 2018, an examination of internal financial controls and other organizational policies and procedures was initiated at her request, including those that were outsourced to third-party vendors. Through this process, it became clear that a lack of organizational infrastructure had resulted in inconsistencies, and a lack of accountability and transparency. This was most apparent in practices managed by the outsourced fiscal and human resource agents. These procedures identified certain transactions occurring in 2016 and 2017 for unexplained charges of approximately $450,000.

JLUSA has since: i) established policies and procedures and internal controls using standard best practices; ii) informed all major donor stakeholders of the discoveries made and actions taken; iii) removed remaining threats by revamping IT systems and off-boarding third-party vendors and any JLUSA staff that had refused to cooperate with the changes; and iv) subsequent to the 2018 year-end, JLUSA was able to execute an agreement to recover $225,000 of the unexplained 2016 and 2017 charges. During 2019, $75,000 of the balance was collected, leaving an outstanding amount of $150,000 as of December 31, 2019, reflected as other receivables in the accompanying statements of financial position. Subsequent to December 31, 2019, an additional $75,000 was collected.

NOTE K - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following information reflects JLUSA's financial assets as of the statements of financial position date, reduced by amounts not available for general use (including schedule grant payments) within one year due to donor-imposed restrictions:

	December 31, 2019	December 31, 2018
Cash	**$ 739,376**	$ 368,567
Contributions receivables, net	**1,030,303**	5,007,098
Other receivables (excluding amounts not expected to be collected within upcoming year)	**78,000**	3,000
Investments	**6,763,240**	6,007,079
Total financial assets available within one year	**8,610,919**	11,385,744
Less: amounts unavailable for general expenditure within one year due to:		
Restrictions by donors for purpose	**(5,095,467)**	(9,130,279)
Restrictions by donors for time	**(1,472,370)**	-
Total amounts unavailable for general expenditure within one year	**(6,567,837)**	(9,130,279)
Total financial assets available to meet cash needs for general expenditures within one year	**$ 2,043,082**	$ 2,255,465

Liquidity policy:

JLUSA's policy is to maintain a sufficient level of operating cash to be available as its general expenditures, liabilities, and other obligations that come due.

NOTE L - SUBSEQUENT EVENT

Subsequent to December 31, 2019, in May 2020, JLUSA applied for and received a Paycheck Protection Program Loan of approximately $924,000. In March 2021, JLUSA applied for and received an additional Paycheck Protection Program Loan of approximately $536,000.