

**EISNERAMPER**

**JustLeadershipUSA, Inc.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 and 2019**



# JustLeadershipUSA, Inc.

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## 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, 2020 and 2019, 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, 2020 and 2019, 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  
New York, New York  
November 23, 2021



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**JustLeadershipUSA, Inc.****Statements of Financial Position**

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,942,505	\$ 739,376
Contributions receivable, net	1,149,221	1,030,303
Other receivables	93,542	153,000
Investments	-	6,763,240
Prepaid expenses and other assets	66,697	74,380
Property and equipment, net	<u>83,417</u>	<u>110,452</u>
	<b><u>\$ 7,335,382</u></b>	<b><u>\$ 8,870,751</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and other liabilities	\$ 201,132	\$ 97,705
Grants payable	50,000	68,750
Deferred rent obligation	9,363	19,194
Funds received in advance	411,725	-
Payroll Protection Program loan payable	<u>923,862</u>	<u>-</u>
Total liabilities	<b><u>1,596,082</u></b>	<b><u>185,649</u></b>
Commitments, contingencies, and other uncertainty (see Note I)		
Net assets:		
Without donor restrictions	<b><u>3,820,953</u></b>	<b><u>2,117,265</u></b>
With donor restrictions:		
Purpose restrictions	1,067,165	5,095,467
Time restrictions	<u>851,182</u>	<u>1,472,370</u>
Total net assets with donor restrictions	<b><u>1,918,347</u></b>	<b><u>6,567,837</u></b>
Total net assets	<b><u>5,739,300</u></b>	<b><u>8,685,102</u></b>
	<b><u>\$ 7,335,382</u></b>	<b><u>\$ 8,870,751</u></b>

*See notes to financial statements.*

**JustLeadershipUSA, Inc.**

**Statement of Activities**

**Year Ended December 31, 2020**

(with summarized information for the year ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>Public support and revenue:</b>				
Contributions	\$ 583,644	\$ 1,345,720	\$ 1,929,364	\$ 2,978,161
Federal grant	338,275	-	338,275	-
Special events, net of direct benefits to donors of \$32,756 in 2019	56,181	-	56,181	19,662
Net investment (losses) gains	(91,073)	-	(91,073)	127,159
In-kind donated goods and services	22,050	-	22,050	245,885
Other income	25	-	25	225,000
	<u>909,102</u>	<u>1,345,720</u>	<u>2,254,822</u>	<u>3,595,867</u>
Total public support and revenue before net assets released from restrictions	909,102	1,345,720	2,254,822	3,595,867
Net assets released from restrictions	2,185,011	(2,185,011)	-	-
Re-designation of donor intent	3,810,199	(3,810,199)	-	-
	<u>6,904,312</u>	<u>(4,649,490)</u>	<u>2,254,822</u>	<u>3,595,867</u>
Total public support and revenue	<u>6,904,312</u>	<u>(4,649,490)</u>	<u>2,254,822</u>	<u>3,595,867</u>
<b>Expenses:</b>				
Program services:				
Grants and other related services	<u>4,045,517</u>	<u>-</u>	<u>4,045,517</u>	<u>4,683,104</u>
Supporting services:				
Management and general	779,503	-	779,503	1,161,319
Fund-raising	<u>375,604</u>	<u>-</u>	<u>375,604</u>	<u>297,825</u>
	<u>1,155,107</u>	<u>-</u>	<u>1,155,107</u>	<u>1,459,144</u>
Total supporting services	<u>1,155,107</u>	<u>-</u>	<u>1,155,107</u>	<u>1,459,144</u>
Total expenses	<u>5,200,624</u>	<u>-</u>	<u>5,200,624</u>	<u>6,142,248</u>
<b>Change in net assets</b>	<u>1,703,688</u>	<u>(4,649,490)</u>	<u>(2,945,802)</u>	<u>(2,546,381)</u>
Net assets, beginning of year	<u>2,117,265</u>	<u>6,567,837</u>	<u>8,685,102</u>	<u>11,231,483</u>
<b>Net assets, end of year</b>	<u>\$ 3,820,953</u>	<u>\$ 1,918,347</u>	<u>\$ 5,739,300</u>	<u>\$ 8,685,102</u>

See notes to financial statements.

**JustLeadershipUSA, Inc.****Statement of Activities  
Year Ended December 31, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public support and revenue:</b>			
Contributions	\$ 605,633	\$ 2,372,528	\$ 2,978,161
Special events, net of direct benefits to donors of \$32,756	19,662	-	19,662
Net investment income	127,159	-	127,159
In-kind donated goods and services	245,885	-	245,885
Other income (see Note L)	<u>225,000</u>	<u>-</u>	<u>225,000</u>
Total public support and revenue before net assets released from restrictions	1,223,339	2,372,528	3,595,867
Net assets released from restrictions	<u>4,934,970</u>	<u>(4,934,970)</u>	<u>-</u>
Total public support and revenue	<u>6,158,309</u>	<u>(2,562,442)</u>	<u>3,595,867</u>
<b>Expenses:</b>			
Program services:			
Grants and related services	<u>4,683,104</u>	<u>-</u>	<u>4,683,104</u>
Supporting services:			
Management and general	1,161,319	-	1,161,319
Fund-raising	<u>297,825</u>	<u>-</u>	<u>297,825</u>
Total supporting services	<u>1,459,144</u>	<u>-</u>	<u>1,459,144</u>
Total expenses	6,142,248	-	6,142,248
<b>Change in net assets</b>	16,061	(2,562,442)	(2,546,381)
Net assets, beginning of year	<u>2,101,204</u>	<u>9,130,279</u>	<u>11,231,483</u>
<b>Net assets, end of year</b>	<u>\$ 2,117,265</u>	<u>\$ 6,567,837</u>	<u>\$ 8,685,102</u>

*See notes to financial statements.*

**JustLeadershipUSA, Inc.**

**Statement of Functional Expenses**

**Year Ended December 31, 2020**

(with summarized information for the year ended December 31, 2019)

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Expenses</u>	
	<u>Grants and Other Related Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Total Supporting Services</u>	<u>2020</u>	<u>2019</u>
Salaries	\$ 1,563,403	\$ 160,811	\$ 244,561	\$ 405,372	\$ 1,968,775	\$ 2,546,538
Payroll taxes, and employee benefits	<u>306,998</u>	<u>31,578</u>	<u>48,023</u>	<u>79,601</u>	<u>386,599</u>	<u>442,371</u>
Total salaries, payroll taxes and employee benefits	<b>1,870,401</b>	<b>192,389</b>	<b>292,584</b>	<b>484,973</b>	<b>2,355,374</b>	2,988,909
Grants	454,981	-	-	-	454,981	656,012
Professional and consulting fees	1,300,488	252,653	69,650	322,303	1,622,791	1,185,723
Office supplies and expenses	82,746	54,607	7,036	61,643	144,389	141,425
Occupancy and utilities	47,138	177,298	-	177,298	224,436	297,398
Travel	60,013	4,289	616	4,905	64,918	210,123
Conferences, conventions and meetings	189,214	3,564	225	3,789	193,003	449,076
Insurance	17,050	1,754	2,667	4,421	21,471	17,412
Advertising	12,894	-	-	-	12,894	39,689
Catering	-	-	-	-	-	32,756
Other miscellaneous expense	10,592	68,916	2,826	71,742	82,334	133,857
Depreciation and amortization	-	<u>24,033</u>	-	<u>24,033</u>	<u>24,033</u>	<u>22,624</u>
Total expenses	<u>4,045,517</u>	<u>779,503</u>	<u>375,604</u>	<u>1,155,107</u>	<u>5,200,624</u>	6,175,004
Less: direct benefits to donors	-	-	-	-	-	(32,756)
Total expenses per statement of activities	<u>\$ 4,045,517</u>	<u>\$ 779,503</u>	<u>\$ 375,604</u>	<u>\$ 1,155,107</u>	<u>\$ 5,200,624</u>	<u>\$ 6,142,248</u>

See notes to financial statements.

**JustLeadershipUSA, Inc.**

**Statement of Functional Expenses  
Year Ended December 31, 2019**

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

See notes to financial statements.

**JustLeadershipUSA, Inc.****Statements of Cash Flows**

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (2,945,802)	\$ (2,546,381)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	24,033	22,624
Gain on disposal of property and equipment	(25)	-
Realized losses (gains) on investments	123,711	(5,033)
Unrealized losses (gains) on investments	8,096	(14,120)
Changes in:		
Contributions receivable, net	(118,918)	3,976,795
Other receivables	59,458	(150,000)
Prepaid expenses and other assets	7,683	(8,576)
Accounts payable and other liabilities	103,427	(77,484)
Grants payable	(18,750)	(47,098)
Deferred rent obligation	(9,831)	19,194
Funds received in advance	411,725	-
Net cash (used in) provided by operating activities	<u>(2,355,193)</u>	<u>1,169,921</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	6,663,428	3,371,000
Purchases of investments	(31,995)	(4,108,008)
Proceeds from sale of property and equipment	3,027	-
Purchases of property and equipment	-	(62,104)
Net cash provided by (used in) investing activities	<u>6,634,460</u>	<u>(799,112)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from Payroll Protection Program loan payable	<u>923,862</u>	-
Net cash provided by financing activities	<u>923,862</u>	-
<b>Change in cash and cash equivalents</b>	<b>5,203,129</b>	<b>370,809</b>
Cash and cash equivalents, beginning of year	<u>739,376</u>	<u>368,567</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,942,505</b>	<b>\$ 739,376</b>
<b>Supplemental disclosure of cash flow information:</b>		
Unrelated business income taxes paid	\$ -	\$ 3,000
In-kind donation of goods and services	<u>\$ 22,050</u>	<u>\$ 245,885</u>

See notes to financial statements.

## **JustLeadershipUSA, Inc.**

### **Notes to Financial Statements December 31, 2020 and 2019**

#### **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, 2020 and 2019, JLUSA had a decrease in net assets of approximately \$2,946,000 and \$2,546,000, respectively, which mainly resulted from programmatic expenses incurred related to the use of prior years' multi-year contribution receivables. In May 2021, JLUSA received notification that the SBA had forgiven Paycheck Protection Program ("PPP") Loan of \$915,152 which reduced the deficit noted above subsequent to December 31, 2020. 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, public support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

##### **[4] Cash and cash equivalents:**

JLUSA considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

##### **[5] Investments:**

JLUSA's investments in fixed income mutual funds have been reported at their fair values as of year-end. During 2020, JLUSA fully redeemed its fixed income mutual funds.

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.

## **JustLeadershipUSA, Inc.**

### **Notes to Financial Statements December 31, 2020 and 2019**

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

##### **[6] 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 \$5,000 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. There were no triggering events during 2020 or 2019 requiring management to test for impairment that would require any adjustments to property and equipment. However, 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.

##### **[7] 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. Due to COVID-19, during the year, the policy was revised to allow employees to carryover additional days. At December 31, 2020 and 2019, the accrued vacation obligation was approximately \$67,000 and \$38,000, respectively, and was reported as part of accounts payable and accrued expenses in the statements of financial position.

##### **[8] 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 2020 and 2019 was approximately \$9,000 and \$19,000, respectively.

##### **[9] Paycheck Protection Program loan payable:**

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak.

There are two acceptable methods for accounting for the PPP proceeds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution.

During 2020, JLUSA applied for and received a PPP loan. JLUSA elected to record the PPP funds received as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470 Debt. JLUSA is in the process of applying for loan forgiveness, which will be recognized when the application is formally approved by the bank and the SBA. (see Note H)

## JustLeadershipUSA, Inc.

### Notes to Financial Statements December 31, 2020 and 2019

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

##### [10] 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. Contributions with donor restrictions, the requirements of which are met in the year of donation, are reported as net assets without donor restrictions.

##### [11] Revenue recognition:

(i) *Contributions, grants, and pledges:*

Contributions and grants 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 and grants to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. Conditional contributions and grants, such as government contract reimbursement grants and other similar funding are recorded when the conditions have been met. Amounts received in advance of JLUSA having met a donor's condition or other necessary events taking place are recorded in the statements of financial position as funds received in advance. Management annually assesses the collectability of the pledges 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.

During 2019, JLUSA received donated goods, which were recognized as without donor restrictions, as there were no donor restrictions placed on the goods. Donated goods were 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 and were 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, referred to as "direct benefits to donors". 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.

## JustLeadershipUSA, Inc.

### Notes to Financial Statements December 31, 2020 and 2019

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

##### [12] 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.

##### [13] 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, 2020 and 2019, grants payable amounted to approximately \$50,000 and \$69,000, respectively.

##### [14] Income taxes:

JLUSA is subject to the provisions of the FASB's 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.

##### [15] Adoption of accounting principle:

In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). ASU 2018-08 clarified and improved guidance concerning: 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution; and 2) determining whether a contribution received is conditional. ASU 2018-08 should be applied on a modified prospective basis. The standard is effective for years beginning after December 15, 2018 for entities receiving resources, and accordingly, JLUSA adopted the resource recipient section of the standard for its year ended December 31, 2019. For entities providing resources, the standard is effective for years beginning after December 15, 2019, and accordingly, JLUSA adopted the resource provider section of the standard for its year ended December 31, 2020. Analysis of this standard resulted in no significant changes in JLUSA's financial statements.

##### [16] Upcoming accounting pronouncements:

###### (i) Leases:

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), as amended, which supersedes the current leasing guidance and upon adoption, will require lessees to recognize right-of-use assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard is effective for JLUSA for the annual period beginning after December 15, 2021. Upon the adoption of the guidance, operating leases are capitalized on the statements of financial position at the present value of lease payments. The statements of financial position amount recorded for existing leases at the date of adoption of ASU 2016-02 will be calculated using the applicable incremental borrowing rate at the date of adoption. The impact on JLUSA's financial statements is currently being evaluated.

## JustLeadershipUSA, Inc.

### Notes to Financial Statements December 31, 2020 and 2019

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

##### [16] 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.

##### [17] Subsequent events:

JLUSA evaluated subsequent events through November 23, 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:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Less than one year	\$ 956,723	\$ 505,025
One to five years	<u>200,000</u>	<u>545,000</u>
	<b>1,156,723</b>	1,050,025
Reduction of pledges due in excess of one year to present value, at discount rate ranging from of 1.86% - 1.93%	<u>(7,502)</u>	<u>(19,722)</u>
	<b><u>\$ 1,149,221</u></b>	<b><u>\$ 1,030,303</u></b>

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

## JustLeadershipUSA, Inc.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE C - CONDITIONAL FUNDING

During 2020, JLUSA received a commitment of funding of \$1 million for a period of eighteen months ending September 30, 2021 from American Institutes for Research (“AIR”) funded by the Bureau of Justice Assistance-U.S. Department of Justice (“BJA”) for the BJA reentry Training and Technical Assistance (“TTA”) Center program. The funding is conditional upon JLUSA’s submission and AIR’s approval of certain expenses in compliance with the rules and regulations of the Office of Management and Budget (“OMB”). At December 31, 2020, JLUSA recognized approximately \$338,000 of revenue under this agreement. The balance of the funding will be recorded as revenue as JLUSA meets the conditions of the agreement. Funds received in advance for which the conditions have not yet been satisfied totaled \$411,725 and are reported in the accompanying statements of financial position.

In 2019, JLUSA received a commitment of funding of \$470,000 from an unrelated organization to be paid over a two-year period. The grant is in support of the participation of individuals directly affected by the criminal justice system as reform partners in the Safety and Justice Challenge. Upon JLUSA’s Board resolution approving the agreement, approximately \$118,000 was received by JLUSA. The remainder of the funding is conditional upon JLUSA meeting certain milestone provisions prior to receiving the next payment. As of December 31, 2020, a balance of approximately \$352,000 remained conditional. The balance of the funding will be recorded as revenue as JLUSA meets the conditions of the grant.

#### NOTE D - INVESTMENTS

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

	December 31,			
	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Fixed income mutual funds	-	-	\$ 6,763,240	\$ 6,755,144
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,763,240</u>	<u>\$ 6,755,144</u>

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

	Year Ended December 31,	
	2020	2019
Interest and dividends	\$ 40,734	\$ 108,006
Realized (losses) gains	(123,711)	5,033
Unrealized (losses) gains	<u>(8,096)</u>	<u>14,120</u>
	<u>\$ (91,073)</u>	<u>\$ 127,159</u>

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.

## JustLeadershipUSA, Inc.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE D - INVESTMENTS (CONTINUED)

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

#### NOTE E - PROPERTY AND EQUIPMENT

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

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 105,250	\$ 110,408
Leasehold improvements	<u>37,814</u>	<u>37,814</u>
	143,064	148,222
Less: accumulated depreciation and amortization	<u>(59,647)</u>	<u>(37,770)</u>
	<u>\$ 83,417</u>	<u>\$ 110,452</u>

During 2020, JLUSA sold furniture and fixtures that were no longer in use to an unrelated party, in the amount of approximately \$3,000, which resulted in a gain on disposal of approximately \$25.

#### NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Program:		
Jail closure campaigns	\$ 185,358	\$ 4,394,651
COVID-19 response	304	-
Leadership development	<u>881,503</u>	<u>700,816</u>
Total program	<u>1,067,165</u>	<u>5,095,467</u>
Time	<u>851,182</u>	<u>1,472,370</u>
	<u>\$ 1,918,347</u>	<u>\$ 6,567,837</u>

## JustLeadershipUSA, Inc.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE F - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	December 31,	
	2020	2019
Program:		
Jail closure campaigns	\$ 774,818	\$ 3,945,132
COVID-19 response	103,196	-
Leadership development	<u>510,811</u>	<u>989,838</u>
Total program	<u>1,388,825</u>	<u>49,34,970</u>
Time	<u>796,186</u>	<u>-</u>
	<u>2,185,011</u>	<u>4,934,970</u>
Re-designation of donor intent*	<u>3,810,199</u>	<u>-</u>
	<u>\$ 5,995,210</u>	<u>\$ 4,934,970</u>

\* During 2020, a donor re-designated their prior contributions to JLUSA to net assets without donor restrictions. The net effect of the donations re-designated resulted in \$3,810,199 of previous net assets with donor restrictions to net assets without donor restrictions.

#### NOTE G - 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 for 2019 and in 2020 that was increased to 4%. JLUSA's contributions to the plan for 2020 and 2019 were approximately \$32,000 and \$33,000, respectively.

#### NOTE H - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On April 16, 2020, JLUSA received \$923,862 in funds from the PPP and the amount is reported as a PPP loan payable on the statements of financial position as of December 31, 2020. Neither principal nor interest is due for a deferral period, which ends when the SBA remits the loan forgiveness amount to the bank. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. Any outstanding principal of the loan that is not forgiven under the PPP loan program at the end of the deferral period will convert to a term loan with an interest rate of .98%, payable in equal installments of principal and interest over the remaining period until the loan maturity date. The loan matures on April 10, 2022.

## JustLeadershipUSA, Inc.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE H - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE (CONTINUED)

While JLUSA is in the process of applying for forgiveness for the PPP loan, until such time as forgiveness is granted, the scheduled repayment of these loans as of December 31, 2020 is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 718,559
2022	<u>205,303</u>
Total	<u>\$ 923,862</u>

Subsequent to December 31, 2020, in May 2021 JLUSA received notification that the SBA had partially forgiven the PPP loan in the amount of \$915,152.

#### NOTE I - COMMITMENTS, CONTINGENCIES, AND OTHER UNCERTAINTY

##### [1] Leases:

During May 2016, JLUSA entered into an agreement to lease office space in Manhattan. The lease commenced in August 2016 and expires July 2026. The lease initially required 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 2018, JLUSA entered into various leases for office space in Milwaukee, WI, Washington, D.C. and Philadelphia. These leases expired as of August 31, 2020 and required monthly payments ranging from \$450 to \$3,150. JLUSA did not renew any of these leases.

At December 31, 2020, the future minimum annual lease payments for the office space in Manhattan are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 155,699
2022	160,369
2023	165,183
2024	170,133
2025	175,233
Thereafter	<u>222,000</u>
	<u>\$ 1,048,617</u>

Rent expense related to the office spaces for 2020 and 2019 was approximately \$195,000 and \$277,000, 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.

## JustLeadershipUSA, Inc.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE I - COMMITMENTS, CONTINGENCIES, AND OTHER UNCERTAINTY (CONTINUED)

##### [3] Government funding:

Government-funded activities are subject to audit by the granting agency. For the year ended December 31, 2020, there were no material obligations outstanding as a result of such an audit, and management believes that no material obligations will result from any future audits of such activities.

##### [4] 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 continued 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 J - IN-KIND DONATIONS

During 2020 and 2019, JLUSA received donated legal services related to the negotiation of an employment contract, lease review and other miscellaneous items, as well as photography services. There were no donated goods in 2020. During 2019, JLUSA received donated banners and posters in support of the annual gala in 2019.

During 2020 and 2019, JLUSA received donated goods and services as follows:

	Year Ended December 31,	
	2020	2019
Donated goods – banners and posters	\$ -	\$ 461
Donated services – legal and photography	<u>22,050</u>	<u>245,424</u>
	<u>\$ 22,050</u>	<u>\$ 245,885</u>

#### NOTE K - CONCENTRATIONS

##### [1] Concentration of credit risk:

JLUSA maintains its cash and cash equivalents 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.

##### [2] Concentration in contributions and grants:

During 2020, JLUSA received contributions from three donors that represented approximately 50% of total contributions and grants. In addition, during 2020 JLUSA received a government grant that represented 14% of total contributions and grants. During 2019, JLUSA received contributions from two donors that represented 45% of total contributions and grants.

## JustLeadershipUSA, Inc.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE L - RECOVERY OF FUNDS

Shortly after the new President/CEO was installed in July 2019, 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 2020 and 2019, \$75,000 of the balance was collected in each year, leaving an outstanding amount of \$75,000 and \$150,000 as of December 31, 2020 and 2019, respectively, reflected as other receivables in the accompanying statements of financial position.

#### NOTE M - 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:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	<b>\$ 5,942,505</b>	\$ 739,376
Contributions receivables, net	<b>1,149,221</b>	1,030,303
Other receivables (excluding amounts not expected to be collected within upcoming year)	<b>93,542</b>	78,000
Investments	<u>-</u>	<u>6,763,240</u>
Total financial assets available within one year	<b><u>7,185,268</u></b>	<b><u>8,610,919</u></b>
Less: amounts unavailable for general expenditure within one year due to:		
Restrictions by donors for purpose	<b>(1,067,165)</b>	(5,095,467)
Restrictions by donors for time	<b><u>(851,182)</u></b>	<b><u>(1,472,370)</u></b>
Total amounts unavailable for general expenditure within one year	<b><u>(1,918,347)</u></b>	<b><u>(6,567,837)</u></b>
Total financial assets available to meet cash needs for general expenditures within one year	<b><u>\$ 5,266,921</u></b>	<b><u>\$ 2,043,082</u></b>

#### 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.

**JustLeadershipUSA, Inc.**

**Notes to Financial Statements  
December 31, 2020 and 2019**

**NOTE N - SUBSEQUENT EVENT**

In March 2021, JLUSA applied for and received a Paycheck Protection Program Second Draw Loan of approximately \$536,000.