

**EISNERAMPER**

**JUSTLEADERSHIP USA, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 and 2020**



# JUSTLEADERSHIP USA, INC.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors of  
JustLeadershipUSA, Inc.

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of JustLeadershipUSA, Inc. ("JLUSA"), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JLUSA as of December 31, 2021 and 2020, 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.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of JLUSA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about JLUSA's ability to continue as a going concern for one year after the date that the financial statements are issued.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JLUSA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about JLUSA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*EisnerAmper LLP*

EISNERAMPER LLP  
New York, New York  
April 21, 2022



**JUSTLEADERSHIP USA, INC.****Statements of Financial Position**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,200,629	\$ 5,942,505
Contributions receivable, net	1,450,559	1,149,221
Other receivables	3,000	93,542
Prepaid expenses and other assets	59,074	66,697
Property and equipment, net	<u>61,138</u>	<u>83,417</u>
	<b><u>\$ 8,774,400</u></b>	<b><u>\$ 7,335,382</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and other liabilities	\$ 303,480	\$ 201,132
Grants payable	-	50,000
Deferred rent obligation	4,823	9,363
Funds received in advance	-	411,725
Paycheck Protection Program loan payable	<u>-</u>	<u>923,862</u>
Total liabilities	<b><u>308,303</u></b>	<b><u>1,596,082</u></b>
Commitments, contingencies, and other uncertainty (see Note G)		
Net Assets:		
Without donor restrictions	<u>5,741,973</u>	<u>3,820,953</u>
With donor restrictions:		
Purpose restrictions	1,580,642	1,067,165
Time restrictions	<u>1,143,482</u>	<u>851,182</u>
Total net assets with donor restrictions	<b><u>2,724,124</u></b>	<b><u>1,918,347</u></b>
Total net assets	<b><u>8,466,097</u></b>	<b><u>5,739,300</u></b>
	<b><u>\$ 8,774,400</u></b>	<b><u>\$ 7,335,382</u></b>

See notes to financial statements.

## JUSTLEADERSHIP USA, INC.

### Statement of Activities

Year Ended December 31, 2021

(with summarized information for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
<b>Public support and revenue:</b>				
Contributions	\$ 1,607,191	\$ 2,518,483	\$ 4,125,674	\$ 1,929,364
Government grants	736,733	-	736,733	338,275
Special events	-	-	-	56,181
Net investment gains (losses)	37	-	37	(91,073)
Gain on Paycheck Protection Program loan forgiveness	1,450,784	-	1,450,784	-
In-kind donated services	21,456	-	21,456	22,050
Other income	84,979	-	84,979	25
	<u>3,901,180</u>	<u>2,518,483</u>	<u>6,419,663</u>	<u>2,254,822</u>
Total public support and revenue before net assets released from restrictions				
Net assets released from restrictions	<u>1,712,706</u>	<u>(1,712,706)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>5,613,886</u>	<u>805,777</u>	<u>6,419,663</u>	<u>2,254,822</u>
<b>Expenses:</b>				
Program services:				
Grants and other related services	<u>2,468,231</u>	<u>-</u>	<u>2,468,231</u>	<u>4,045,517</u>
Supporting services:				
Management and general	730,374	-	730,374	779,503
Fund-raising	<u>494,261</u>	<u>-</u>	<u>494,261</u>	<u>375,604</u>
Total supporting services	<u>1,224,635</u>	<u>-</u>	<u>1,224,635</u>	<u>1,155,107</u>
Total expenses	<u>3,692,866</u>	<u>-</u>	<u>3,692,866</u>	<u>5,200,624</u>
<b>Change in net assets</b>	<u>1,921,020</u>	<u>805,777</u>	<u>2,726,797</u>	<u>(2,945,802)</u>
Net assets, beginning of year	<u>3,820,953</u>	<u>1,918,347</u>	<u>5,739,300</u>	<u>8,685,102</u>
<b>Net assets, end of year</b>	<u>\$ 5,741,973</u>	<u>\$ 2,724,124</u>	<u>\$ 8,466,097</u>	<u>\$ 5,739,300</u>

See notes to financial statements.

**JUSTLEADERSHIP USA, INC.****Statement of Activities  
Year Ended December 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public support and revenue:</b>			
Contributions	\$ 583,644	\$ 1,345,720	\$ 1,929,364
Government grant	338,275	-	338,275
Special events	56,181	-	56,181
Net investment losses	(91,073)	-	(91,073)
In-kind donated services	22,050	-	22,050
Other income	<u>25</u>	<u>-</u>	<u>25</u>
Total public support and revenue before net assets released from restrictions	909,102	1,345,720	2,254,822
Net assets released from restrictions	2,185,011	(2,185,011)	-
Re-designation of donor intent	<u>3,810,199</u>	<u>(3,810,199)</u>	<u>-</u>
Total public support and revenue	<u>6,904,312</u>	<u>(4,649,490)</u>	<u>2,254,822</u>
<b>Expenses:</b>			
Program services:			
Grants and related services	<u>4,045,517</u>	<u>-</u>	<u>4,045,517</u>
Supporting services:			
Management and general	779,503	-	779,503
Fund-raising	<u>375,604</u>	<u>-</u>	<u>375,604</u>
Total supporting services	<u>1,155,107</u>	<u>-</u>	<u>1,155,107</u>
Total expenses	5,200,624	-	5,200,624
<b>Change in net assets</b>	1,703,688	(4,649,490)	(2,945,802)
Net assets, beginning of year	<u>2,117,265</u>	<u>6,567,837</u>	<u>8,685,102</u>
<b>Net assets, end of year</b>	<u>\$ 3,820,953</u>	<u>\$ 1,918,347</u>	<u>\$ 5,739,300</u>

**JUSTLEADERSHIP USA, INC.**

**Statement of Functional Expenses  
Year Ended December 31, 2021**

(with summarized information for the year ended December 31, 2020)

	Program Services	Supporting Services			Total Expenses	
	Grants and Other Related Services	Management and General	Fund-Raising	Total Supporting Services	2021	2020
Salaries	\$ 1,192,970	\$ 141,396	\$ 327,854	\$ 469,250	\$ 1,662,220	\$ 1,968,775
Payroll taxes, and employee benefits	<u>219,935</u>	<u>24,476</u>	<u>60,173</u>	<u>84,649</u>	<u>304,584</u>	<u>386,599</u>
Total salaries, payroll taxes and employee benefits	<u>1,412,905</u>	<u>165,872</u>	<u>388,027</u>	<u>553,899</u>	<u>1,966,804</u>	<u>2,355,374</u>
Grants	7,564	-	-	-	7,564	454,981
Consulting and other professional fees	824,266	345,887	33,590	379,477	1,203,743	1,622,791
Office supplies and expenses	74,235	44,392	10,525	54,917	129,152	144,389
Occupancy and utilities	76,967	60,329	56,154	116,483	193,450	224,436
Travel	8,509	1,787	284	2,071	10,580	64,918
Conferences, conventions and meetings	22,922	25,532	172	25,704	48,626	193,003
Insurance	16,430	1,948	4,515	6,463	22,893	21,471
Advertising	6,254	2,536	-	2,536	8,790	12,894
Catering	-	-	-	-	-	-
Other miscellaneous expense	18,179	59,812	994	60,806	78,985	82,334
Depreciation and amortization	<u>-</u>	<u>22,279</u>	<u>-</u>	<u>22,279</u>	<u>22,279</u>	<u>24,033</u>
Total expenses per statement of activities	<u>\$ 2,468,231</u>	<u>\$ 730,374</u>	<u>\$ 494,261</u>	<u>\$ 1,224,635</u>	<u>\$ 3,692,866</u>	<u>\$ 5,200,624</u>

See notes to financial statements.



**JUSTLEADERSHIP USA, INC.**

**Statement of Functional Expenses  
Year Ended December 31, 2020**

	<b>Program Services</b>	<b>Supporting Services</b>			<b>Total</b>
	<b>Grants and Other Related Services</b>	<b>Management and General</b>	<b>Fund- Raising</b>	<b>Total Supporting Services</b>	
Salaries:	\$ 1,563,403	\$ 160,811	\$ 244,561	\$ 405,372	\$ 1,968,775
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>
Total salaries, payroll taxes and employee benefits	<u>1,870,401</u>	<u>192,389</u>	<u>292,584</u>	<u>484,973</u>	<u>2,355,374</u>
Grants	454,981	-	-	-	454,981
Professional and consulting fees	1,300,488	252,653	69,650	322,303	1,622,791
Office supplies and expenses	82,746	54,607	7,036	61,643	144,389
Occupancy and utilities	47,138	177,298	-	177,298	224,436
Travel	60,013	4,289	616	4,905	64,918
Conferences, conventions and meetings	189,214	3,564	225	3,789	193,003
Insurance	17,050	1,754	2,667	4,421	21,471
Advertising	12,894	-	-	-	12,894
Other miscellaneous expense	10,592	68,916	2,826	71,742	82,334
Depreciation and amortization	<u>-</u>	<u>24,033</u>	<u>-</u>	<u>24,033</u>	<u>24,033</u>
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>

See notes to financial statements.

**JUSTLEADERSHIP USA, INC.****Statements of Cash Flows**

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,726,797	\$ (2,945,802)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	22,279	24,033
Gain on disposal of property and equipment	-	(25)
Realized losses on investments	-	123,711
Unrealized losses on investments	-	8,096
Gain on Paycheck Protection Program loan forgiveness	(1,450,784)	-
Changes in:		
Contributions receivable, net	(301,338)	(118,918)
Other receivables	90,542	59,458
Prepaid expenses and other assets	7,623	7,683
Accounts payable and other liabilities	102,348	103,427
Grants payable	(50,000)	(18,750)
Deferred rent obligation	(4,540)	(9,831)
Funds received in advance	(411,725)	411,725
Net cash provided by (used in) operating activities	<u>731,202</u>	<u>(2,355,193)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	-	6,663,428
Purchases of investments	-	(31,995)
Proceeds from sale of property and equipment	-	3,027
Net cash provided by investing activities	<u>-</u>	<u>6,634,460</u>
<b>Cash flows from financing activities:</b>		
Repayment for Paycheck Protection Program loan payable	(8,710)	-
Proceeds from Paycheck Protection Program loan payable	535,632	923,862
Net cash provided by financing activities	<u>526,922</u>	<u>923,862</u>
<b>Increase in cash and cash equivalents</b>	<b>1,258,124</b>	<b>5,203,129</b>
Cash and cash equivalents, beginning of year	<u>5,942,505</u>	<u>739,376</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 7,200,629</u></b>	<b><u>\$ 5,942,505</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
In-kind donation of services	<u>\$ 21,456</u>	<u>\$ 22,050</u>

*See notes to financial statements.*

# JUSTLEADERSHIP USA, INC.

## Notes to Financial Statements December 31, 2021 and 2020

### 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.

#### [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.

#### [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.

## JUSTLEADERSHIP USA, INC.

### Notes to Financial Statements December 31, 2021 and 2020

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

##### [6] Property and equipment: (continued)

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 occurring to property and equipment requiring management to test for, or adjust for impairment losses during 2021 or 2020 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 2020, the policy was to allow employees to carryover additional days. At December 31, 2021 and 2020, the accrued vacation obligation was approximately \$41,000 and \$67,000, 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 are 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 2021 and 2020 was approximately \$5,000 and \$9,000, 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"), provided 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 of \$923,862. JLUSA elected to record the PPP funds received in 2020 as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470, *Debt*. In addition, during 2021, JLUSA applied for and received a Second Draw PPP loan in the amount of \$535,632. JLUSA applied for forgiveness of both loans during 2021 and received partial forgiveness of its First Draw loan from the bank and the SBA in the amount of \$915,152 and full forgiveness of its Second Draw loan of \$535,632. Accordingly, the forgiven amounts are reflected as a gain on PPP loan forgiveness on the statements of activities as of December 31, 2021.

## JUSTLEADERSHIP USA, INC.

### Notes to Financial Statements December 31, 2021 and 2020

#### 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.

Donated services are recorded as support at their estimated fair values at the dates of donation and are reported as both contributions and 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. There were no special events income during 2021, and due to the pandemic, the special event in 2020 was held virtually, and accordingly, there were no direct benefits to donors.

## JUSTLEADERSHIP USA, INC.

### Notes to Financial Statements December 31, 2021 and 2020

#### 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. There were no grants payable as of December 31, 2021. Grants payable amounted to approximately \$50,000 as of December 31, 2020.

##### [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] 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. The amendments in this ASU will be applied on a modified retrospective basis. 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, or a risk free rate as an alternative to the incremental borrowing rate, the date of adoption. The impact on JLUSA's financial statements is currently being evaluated.

## JUSTLEADERSHIP USA, INC.

### Notes to Financial Statements December 31, 2021 and 2020

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

##### [15] 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.

##### [16] Subsequent events:

JLUSA evaluated subsequent events through April 21, 2022, 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:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Less than one year	<b>\$ 1,007,078</b>	\$ 956,723
One to five years	<b>450,000</b>	200,000
	<b>1,457,078</b>	1,156,723
Reduction of pledges due in excess of one year to present value, at discount rate ranging from of 1.47% - 1.93%	<b>(6,519)</b>	(7,502)
	<b><u>\$ 1,450,559</u></b>	<b><u>\$ 1,149,221</u></b>

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

## JUSTLEADERSHIP USA, INC.

### Notes to Financial Statements December 31, 2021 and 2020

#### 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”). In 2020, funds received in advance for which the conditions have not yet been satisfied totaled \$411,725 and were reported in the accompanying statements of financial position. As of December 31, 2020, JLUSA recognized as revenue approximately \$338,000 of the total committed funding. All of the conditions were met in 2021 and, accordingly, the remaining revenue of \$662,000 was recorded during the year.

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, JLUSA recognized as revenue approximately \$118,000 of the total committed funding. All of the conditions were met in 2021 and, accordingly, the remaining revenue of \$352,000 was recorded during the year.

#### NOTE D - PROPERTY AND EQUIPMENT

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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 105,250	\$ 105,250
Leasehold improvements	<u>37,814</u>	<u>37,814</u>
	<b>143,064</b>	143,064
Less: accumulated depreciation and amortization	<u>(81,926)</u>	<u>(59,647)</u>
	<u><b>\$ 61,138</b></u>	<u>\$ 83,417</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. There was no asset disposal during the year 2021.



## JUSTLEADERSHIP USA, INC.

### Notes to Financial Statements December 31, 2021 and 2020

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

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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Program:		
Jail closure campaigns	\$ 108,960	\$ 185,358
COVID-19 response	-	304
Leadership development	<u>1,471,682</u>	<u>881,503</u>
Total program	<u>1,580,642</u>	<u>1,067,165</u>
Time	<u>1,143,482</u>	<u>851,182</u>
	<u>\$ 2,724,124</u>	<u>\$ 1,918,347</u>

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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Program:		
Jail closure campaigns	\$ 76,398	\$ 774,818
COVID-19 response	304	103,196
Leadership development	<u>746,341</u>	<u>510,811</u>
Total program	<u>823,043</u>	<u>1,388,825</u>
Time	<u>889,663</u>	<u>796,186</u>
	<u>1,712,706</u>	<u>2,185,011</u>
Re-designation of donor intent*	<u>-</u>	<u>3,810,199</u>
	<u>\$ 1,712,706</u>	<u>\$ 5,995,210</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 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 4% limit of the employee's compensation for the years for 2021 and in 2020. JLUSA's contributions to the plan for 2021 and 2020 were approximately \$46,000 and \$32,000, respectively.

## JUSTLEADERSHIP USA, INC.

### Notes to Financial Statements December 31, 2021 and 2020

#### NOTE G - 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.

At December 31, 2021, the future minimum annual lease payments for the office space in Manhattan are as follows:

<u>Year Ending</u>	<u>Amount</u>
2022	\$ 160,369
2023	165,183
2024	170,133
2025	175,233
Thereafter	<u>222,000</u>
	<u>\$ 892,918</u>

Rent expense related to the office space for 2021 and 2020 was approximately \$185,000 and \$195,000, 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.

##### [3] Government funding:

Government-funded activities are subject to audit by the granting agency. For the years ended December 31, 2021 and 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 COVID-19 outbreak on the operational and financial performance of JLUSA will depend on continued future developments of the outbreak and external restrictions imposed. The potential economic impact brought by, and the duration of the COVID-19 pandemic is difficult to assess or predict and may have an adverse impact on JLUSA's operations.

## **JUSTLEADERSHIP USA, INC.**

### **Notes to Financial Statements December 31, 2021 and 2020**

#### **NOTE H - IN-KIND DONATIONS**

During 2021 and 2020, JLUSA received donated legal services related to the negotiation of an employment contract, lease review and other miscellaneous items, as well as photography services.

#### **NOTE I - 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 2021 and 2020, JLUSA received contributions from three donors that represented approximately 54% and 50% of total contributions and grants. In addition, during 2021 and 2020, JLUSA received government funding that represented 23% and 14% of total contributions and grants, respectively.

#### **NOTE J - 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. As of December 31, 2020, there was an outstanding amount of \$75,000, which was fully collected in 2021.

## JUSTLEADERSHIP USA, INC.

### Notes to Financial Statements December 31, 2021 and 2020

#### 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:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,200,629	\$ 5,942,505
Contributions receivables, net	1,450,559	1,149,221
Other receivables	<u>3,000</u>	<u>93,542</u>
Total financial assets available within one year	<u>8,654,188</u>	<u>7,185,268</u>
Less: amounts unavailable for general expenditure within one year due to:		
Restrictions by donors for purpose	(1,580,642)	(1,067,165)
Restrictions by donors for time	<u>(1,143,482)</u>	<u>(851,182)</u>
Total amounts unavailable for general expenditure within one year	<u>(2,724,124)</u>	<u>(1,918,347)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,930,064</u>	<u>\$ 5,266,921</u>

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 come due.