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JustLeadershipUSA, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE SIX-MONTH
PERIOD ENDED JUNE 30, 2022

JustLeadershipUSA, Inc.

Contents

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INDEPENDENT AUDITORS' REPORT

Board of Directors
JustLeadershipUSA, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JustLeadershipUSA, Inc. ("JLUSA"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statement of activities, functional expenses, and cash flows for the six-month period from January 1, 2022 through June 30, 2022, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JLUSA as of June 30, 2022, and the changes in its net assets and its cash flows for the period from January 1, 2022 to June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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; 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.

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 available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

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
December 2, 2022

JustLeadershipUSA, Inc.

Consolidated Statement of Financial Position
June 30, 2022

ASSETS	
Cash and cash equivalents	$ 5,945,196
Contributions and grants receivable, net	2,127,939
Prepaid expenses and other assets	112,185
Deposit held in escrow	155,000
Property and equipment, net	50,916
	$ 8,391,236
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and other liabilities	$ 162,823
Deferred rent obligation	52,677
Total liabilities	215,500
Commitments, contingencies, and other uncertainty (see Note G)	
Net assets:	
Without donor restrictions	5,393,724
With donor restrictions:	
Purpose restrictions	1,129,072
Time restrictions	1,652,940
Total net assets with donor restrictions	2,782,012
Total net assets	8,175,736
	$ 8,391,236

See notes to consolidated financial statements.

JustLeadershipUSA, Inc.

Consolidated Statement of Activities
Period from January 1, 2022 to June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	$ 452,760	$ 691,958	$ 1,144,718
Government grants	116,916	-	116,916
In-kind donated services	129,810	-	129,810
Interest income	3	-	3
Training income	39,103	-	39,103
Total public support and revenue before net assets released from restrictions	738,592	691,958	1,430,550
Net assets released from restrictions	634,070	(634,070)	-
Total public support and revenue	1,372,662	57,888	1,430,550
Expenses:			
Program services:			
Leadership and other related services	1,080,596	-	1,080,596
Supporting services:			
Management and general	518,944	-	518,944
Fund-raising	121,371	-	121,371
Total supporting services	640,315	-	640,315
Total expenses	1,720,911	-	1,720,911
Change in net assets	(348,249)	57,888	(290,361)
Net assets, beginning of year	5,741,973	2,724,124	8,466,097
Net assets, end of year	$ 5,393,724	$ 2,782,012	$ 8,175,736

See notes to consolidated financial statements.

JustLeadershipUSA, Inc.

Consolidated Statement of Functional Expenses
Period from January 1, 2022 to June 30, 2022

	Program Services	Supporting Services			
	Leadership and Other Related Services	Management and General	Fund-raising	Total Supporting Services	Total
Salaries	$ 544,222	$ 80,512	$ 76,389	$ 156,901	$ 701,123
Payroll taxes, and employee benefits	112,532	16,648	15,795	32,443	144,975
Total salaries, payroll taxes and employee benefits	656,754	97,160	92,184	189,344	846,098
Grants	5,000	-	-	-	5,000
Consulting and other professional fees	288,671	259,336	-	259,336	548,007
Office supplies and expenses	10,451	30,849	4,119	34,968	45,419
Occupancy and utilities	40,783	80,857	22,421	103,278	144,061
Travel	13,794	15,829	695	16,524	30,318
Conferences, conventions and meetings	39,993	5,259	47	5,306	45,299
Insurance	9,335	1,381	1,310	2,691	12,026
Advertising	105	860	105	965	1,070
Other miscellaneous expense	15,710	17,191	490	17,681	33,391
Depreciation and amortization	-	10,222	-	10,222	10,222
Total expenses per statement of activities	$ 1,080,596	$ 518,944	$ 121,371	$ 640,315	$ 1,720,911

JustLeadershipUSA, Inc.

Consolidated Statement of Cash Flows
Period from January 1, 2022 to June 30, 2022

Cash flows from operating activities:	
Change in net assets	$ (290,361)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	10,222
Changes in:	
Contributions and grants receivable, net	(677,380)
Prepaid expenses and other assets	(50,111)
Deposit held in escrow	(155,000)
Accounts payable and other liabilities	(140,657)
Deferred rent obligation	47,854
Net cash used in operating activities	(1,255,433)
Decrease in cash and cash equivalents	(1,255,433)
Cash and cash equivalents, beginning of year	7,200,629
Cash and cash equivalents, end of year	$ 5,945,196
Supplemental disclosure of cash flow information:	
In-kind donation of services	$ 129,810

See notes to consolidated financial statements.

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 supported primarily by contributions.

JLUSA is the sole member of JLUSA-BRADHURST9L, LLC (the "LLC"), a limited liability company incorporated in the State of New York on April 21, 2022, established to hold property as JLUSA deems necessary. The financial statements of the LLC have been included in the consolidated financial statements, with all inter-organizational transactions and balances eliminated in the consolidation process.

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. The LLC is considered to be a disregarded entity for tax purposes and, therefore, the activities of the LLC are reported in JLUSA's compliance return. As of January 1, 2022, JLUSA changed its fiscal-year end to June 30th.

[2] Basis of accounting:

The consolidated 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 consolidated financial statements in conformity with U.S. GAAP requires JLUSA's 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] 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 the period from January 1, 2022 to June 30, 2022 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.

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

[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 JLUSA. 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, starting in 2020, the policy was revised to allow employees to carryover additional days. At June 30, 2022, the accrued vacation obligation was approximately $53,000 and was reported as part of accounts payable and accrued expenses in the consolidated statement of financial position.

[7] 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 consolidated statement of financial position. Deferred rent at June 30, 2022 was approximately $53,000.

[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 consolidated statement of activities as net assets released from restrictions. Contributions with donor restrictions, the requirements of which are met in the year of donation, are reported as net assets without donor restrictions.

[9] 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 consolidated statement 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.

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

[9] Revenue recognition: (continued)

(ii) In-kind donations:

For recognition of donated services in JLUSA's consolidated 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 consolidated statement of activities.

[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 consolidated statement 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 and utilities, office supplies and expenses, and insurance were allocated based on square footage.

[11] Grants and awards:

Unconditional grants and awards are recognized as expenses in the consolidated 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 June 30, 2022.

[12] Income taxes:

JLUSA is subject to the provisions of the Financial Accounting Standard 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 consolidated financial statements.

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

[13] Adoption of accounting principle:

In September 2020, the FASB issued Accounting Standards Update ("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 consolidated statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, a 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 must be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, accordingly JLUSA adopted this ASU for the period ended June 30, 2022.

[14] Upcoming accounting pronouncement:

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 consolidated 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 consolidated statement of financial position at the present value of lease payments. The consolidated statement 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 consolidated financial statements is currently being evaluated. Information about JLUSA's leases is included in Note G[1].

[15] Subsequent events:

JLUSA evaluated subsequent events through December 2, 2022, the date on which the consolidated financial statements were available to be issued.

NOTE B - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	June 30, 2022
Less than one year	$ 1,432,500
One to five years	550,000
	1,982,500
Reduction of pledges due in excess of one year to present value, at discount rate ranging from of 1.47% – 3.14%	(22,060)
	$ 1,960,440

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

NOTE C - CONDITIONAL FUNDING

During 2022, JLUSA received grants from a government agency and nonprofit organizations with commitments of funding in total of approximately $572,000. Fundings remain conditional upon approval of certain expenses or meeting certain milestone provisions. At June 30, 2022, grants of approximately $421,000 remained conditional, and accordingly, have not been reflected within the accompanying consolidated statement of activities.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30, 2022
Furniture and fixtures	$ 105,250
Leasehold improvements	37,814
	143,064
Less: accumulated depreciation and amortization	(92,148)
	$ 50,916

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following restrictions:

	June 30, 2022
Program:	
Jail closure campaigns	$ 44,516
Leadership development	1,084,556
Total program	1,129,072
Time	1,652,940
	$ 2,782,012

Net assets were released from restrictions as follows:

	Period from January 1, 2022 to June 30, 2022
Program:	
Jail closure campaigns	$ 64,444
Leadership development	394,626
Total program	459,070
Time	175,000
	$ 634,070

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 2022. JLUSA's contributions to the plan during the period from January 1, 2022 to June 30, 2022 were approximately $17,000.

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 in 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 June 30, 2022, the future minimum annual lease payments for the office space in Manhattan are as follows:

Year Ending June 30,	Amount
2023	$ 162,765
2024	167,647
2025	172,671
2026	177,853
2027	97,064
Thereafter	35,106
	$ 813,106

Rent expense related to the office spaces for the period from January 1, 2022 to June 30, 2022 was approximately $132,000.

[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 period from January 1, 2022 to June 30, 2022, 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 worldwide pandemic and other global events on the operational and financial performance, is uncertain and will depend on the continued future developments and external restrictions imposed. The potential economic impact brought by, and the duration of, these conditions is difficult to assess or predict, and may have an adverse impact on JLUSA's operations.

NOTE H - DONATED SERVICES

Period from January 1, 2022 to June 30, 2022

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Legal services	$ 129,810	Utilized in operations for various administrative matters	N/A	Contributed services are considered to reflect fair market rates for services performed in the New York marketplace

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 the period from January 1, 2022 to June 30, 2022, JLUSA received contributions from two donors that represented approximately 87% of total contributions and grants.

NOTE J - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following information reflects JLUSA's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use within one year due to donor-imposed restrictions:

	June 30, 2022
Cash and cash equivalents	$ 5,945,196
Contributions and grants receivables, net	2,127,939
Total financial assets available within one year	8,073,135
Less: amounts unavailable for general expenditure within one year due to:	
Restrictions by donors for purpose	(1,129,072)
Restrictions by donors for time	(1,652,940)
Total amounts unavailable for general expenditure within one year	(2,782,012)
Total financial assets available to meet cash needs for general expenditures within one year	$ 5,291,123

NOTE J - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

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.

NOTE K - SUBSEQUENT EVENT

On July 19, 2022, the LLC purchased a condominium unit in New York City in the amount of $1,550,000. Prior to June 30, 2022, the LLC remitted a $155,000 deposit to be held in escrow related to this transaction, which is included in the accompanying statement of financial position.