

JUSTLEADERSHIPUSA, INC.

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
JustLeadershipUSA, Inc.
New York, New York

Opinion

We have audited the financial statements of JustLeadershipUSA, Inc., which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of JustLeadershipUSA, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of JustLeadershipUSA, Inc. 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.

Adoption of New Accounting Guidance

As discussed in note 1 to the financial statements, JustLeadershipUSA, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 JustLeadershipUSA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 JustLeadershipUSA, Inc.'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 JustLeadershipUSA, Inc.'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.

Wegner CPAs LLP

Wegner CPAs, LLP
New York, New York
January 26, 2024

JUSTLEADERSHIPUSA, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2023

ASSETS

Cash and cash equivalents	\$ 6,312,171
Unconditional promises to give, net	2,039,390
Accounts receivable	35,000
Security deposits	54,715
Prepaid expenses	6,411
Property and equipment, net	1,572,989
Operating lease right-of-use asset	<u>566,611</u>

Total assets

\$ 10,587,287

LIABILITIES

Accounts payable	\$ 178,381
Accrued expenses	151,807
Operating lease liability	<u>616,116</u>

Total liabilities

946,304

NET ASSETS

Without donor restrictions	6,314,704
With donor restrictions	<u>3,326,279</u>

Total net assets

9,640,983

Total liabilities and net assets

\$ 10,587,287

See accompanying notes.

JUSTLEADERSHIPUSA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
General contributions	\$ 1,863,289	\$ 3,408,903	\$ 5,272,192
Government grants	162,118	-	162,118
Special events	51,316	-	51,316
Less cost of direct benefits to donors	(68,800)	-	(68,800)
Donated services	162,839	-	162,839
Rental income	51,993	-	51,993
Training revenue	35,000	-	35,000
Other income	14,855	-	14,855
Total revenues	2,272,610	3,408,903	5,681,513
EXPENSES			
Program services			
Leadership in Action	1,378,818	-	1,378,818
Leadership	1,068,236	-	1,068,236
Sustainability Project	377,919	-	377,919
Total program services	2,824,973	-	2,824,973
Supporting activities			
Management and general	1,069,482	-	1,069,482
Fundraising	321,811	-	321,811
Total expenses	4,216,266	-	4,216,266
NET ASSETS RELEASED FROM RESTRICTIONS			
Expiration of time restrictions	1,225,000	(1,225,000)	-
Satisfaction of purpose restrictions	1,639,636	(1,639,636)	-
Change in net assets	920,980	544,267	1,465,247
Net assets at beginning of year	5,393,724	2,782,012	8,175,736
Net assets at end of year	\$ 6,314,704	\$ 3,326,279	\$ 9,640,983

See accompanying notes.

JUSTLEADERSHIPUSA, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Program Services			Supporting Activities		Cost of Direct Benefits to Donors	Total Expenses	
	Leadership in Action	Leadership	Sustainability Projects	Total Program Services	Management and General			Fundraising
Salaries	\$ 570,901	\$ 648,117	\$ 108,473	\$ 1,327,491	\$ 203,491	\$ 177,330	\$ -	\$ 1,708,312
Payroll taxes and employee benefits	124,536	141,380	23,662	289,578	44,389	38,683	-	372,650
Total personnel costs	695,437	789,497	132,135	1,617,069	247,880	216,013	-	2,080,962
Consultants	334,976	98,218	138,253	571,447	313,821	21,045	1,000	907,313
Conferences, conventions and meetings	165,891	67,431	28,773	262,095	25,358	11,410	62,394	361,257
Occupancy	23,480	27,902	-	51,382	136,703	23,050	-	211,135
Office supplies and expenses	12,154	43,095	8,391	63,640	73,681	33,314	4,704	175,339
Donated legal services	7,528	7,528	55,024	70,080	91,484	-	-	161,564
Travel	76,076	17,911	12,419	106,406	31,642	9,508	702	148,258
Depreciation and amortization	-	-	-	-	77,929	-	-	77,929
Miscellaneous	1,500	-	1,207	2,707	51,171	4,615	-	58,493
Grants to others	43,650	-	-	43,650	-	-	-	43,650
Insurance	9,035	10,257	1,717	21,009	3,221	2,806	-	27,036
Bad debt	-	-	-	-	16,250	-	-	16,250
Advertising	9,091	6,397	-	15,488	342	50	-	15,880
Total expenses	1,378,818	1,068,236	377,919	2,824,973	1,069,482	321,811	68,800	4,285,066
Less cost of direct benefits to donors included with revenue on the statement of activities	-	-	-	-	-	-	(68,800)	(68,800)
Total expenses included in the expenses section of the statement of activities	\$ 1,378,818	\$ 1,068,236	\$ 377,919	\$ 2,824,973	\$ 1,069,482	\$ 321,811	\$ -	\$ 4,216,266

See accompanying notes.

JUSTLEADERSHIPUSA, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,465,247
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation and amortization	77,929
Amortization of operating lease right-of-use asset	140,093
Amortization of discount on unconditional promises to give	19,904
Bad debt expense	16,250
(Increase) decrease in assets	
Unconditional promises to give, net	68,645
Accounts receivable	(51,250)
Prepaid expenses	51,059
Increase (decrease) in liabilities	
Accounts payable	68,629
Accrued expenses	98,736
Operating lease liability	<u>(143,265)</u>
Net cash flows from operating activities	1,811,977
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(1,600,002)</u>
Net change in cash and cash equivalents	211,975
Cash and cash equivalents at beginning of year	<u>6,100,196</u>
Cash and cash equivalents at end of year	<u>\$ 6,312,171</u>

See accompanying notes.

JUSTLEADERSHIPUSA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

JustLeadershipUSA, Inc. (JLUSA) is a non-profit organization whose mission is to amplify the power of people who have been directly impacted by the criminal legal system to self-organize and empower their communities to dismantle racist and oppressive systems in their communities to build a just U.S. JLUSA furthers this effort by investing in their alumni network, providing leadership training, and supporting projects focused on community sustainability. JLUSA is supported primarily through contributions and government grants, and also through donated services, rental income, and training income.

Cash Equivalents

For purposes of the consolidated statement of cash flows, JLUSA considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due dates.

Accounts Receivable

Accounts receivable represent amounts that have been billed under contracts for training provided by JLUSA. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of June 30, 2023, management has determined, based on historical experience and an assessment of the current status of individual accounts, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

JUSTLEADERSHIPUSA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Contributions

Contributions are reported as increases in net assets with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Government Grants

JLUSA receives grants from government agencies that are conditioned upon JLUSA incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis, that is, when qualifying expenses are incurred by JLUSA, both a receivable from the grantor agency and revenue are recorded. Grants are also generally restricted by the grantor for a specified purpose. Grants whose conditions and restrictions are met in the same reporting period that the revenue is recognized are reported as increases in net assets without donor restrictions. Government grants are subject to audit by the granting agencies. No determination has been made regarding the effect, if any, such audits could have on the financial statements.

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Training Revenue

Training revenue is generated by JLUSA providing training to other organizations as part of programmatic efforts, and are recognized at a point in time when the training is performed. Contracts are generally a fixed fee and paid subsequent to performance of the training. Payments received in advance are deferred to the applicable period in which the related services are performed.

Income Tax Status

JLUSA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

JUSTLEADERSHIPUSA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, which are allocated on the basis of estimates of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

Leadership in Action – An activation of and investment in JLUSA's 1,400+ alumni network across 45 states plus D.C. to drive policy reform and community reinvestment strategies nationwide through multichannel advocacy campaigns designed to reduce the impact of oppressive policies in the U.S. correctional population, ensure health and safety inside facilities, and upon return to communities, protect the voting rights of and engage new re-enfranchised voters.

Leadership – JLUSA provides two leadership programs for individuals that have traditionally been excluded from power and want opportunities to be active change agents in dismantling systemic oppression:

1. Emerging Leaders (EL) is an intensive community-focused two-day training program specifically designed for emerging leaders organizing in communities most impacted by marginalization and incarceration. EL builds community power and coalitions so that emerging leaders have the knowledge, skills, and resources to identify, organize and advocate for the change they seek in their community. JLUSA offers community partners the option of a 3- or 6-month post-training engagement after the EL program to receive capacity building support and technical assistance to strategically design and build their grassroots campaigns and/or coalitions.
2. Leading With Conviction (LWC) is a 12-month, cohort-based advanced leadership training, coaching, and mentoring program for directly impacted individuals who are already engaged in transformative change. Unlike traditional leadership development programs, LWC is specifically designed to embrace leaders' individualized leadership challenges and strengths, and sharpen their leadership behaviors.

Sustainability Projects – Projects focused on long-term community sustainability and development towards a de-carceral state.

Management and General – Includes the activities necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities of JLUSA, and perform other administrative functions.

Fundraising – Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and others.

JUSTLEADERSHIPUSA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Guidance

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, Leases, and creates FASB ASC 842, Leases. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

JLUSA adopted the requirements of Topic 842 as of July 1, 2022, using the optional transition method that allows the Organization to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption.

JLUSA elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed JLUSA to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

The adoption of Topic 842 resulted in the recognition of an operating lease right-of-use asset of \$759,381 and an operating lease liability of \$759,381 as of July 1, 2022. The adoption of Topic 842 did not have a material effect on JLUSA's change in net assets or cash flows.

Leases

JLUSA does not recognize short-term leases in the consolidated statement of financial position. For these leases, JLUSA recognizes the lease payments in the change of net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. JLUSA also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, JLUSA uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

Principles of Consolidation

The consolidated financial statements include the accounts of JLUSA and JLUSA-BRADHURST9L, LLC (the LLC), a limited liability company incorporated in the State of New York in 2022. The LLC was established to hold property as JLUSA deems necessary. JLUSA and the LLC are consolidated since JLUSA is the only member of the LLC. All material intra-entity transactions have been eliminated.

JUSTLEADERSHIPUSA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management’s Review

Management has evaluated subsequent events through January 26, 2024, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS

JLUSA maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2023 JLUSA’s uninsured cash balances total approximately \$6,018,000.

For the year ended June 30, 2023, all government grants came from one agency.

For the year ended June 30, 2023, contributions from one donor accounted for 38% of total contributions.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods:

Community programs sustainability	\$ 471,782
Emerging leaders Chicago	408,296
Just us coordinating council	324,301
C-suite training program planning	227,788
Safety & justice initiative	75,399
Leading with conviction program	70,424
Emerging leaders midwest	55,869
Emerging leaders Ohio	38,839
Town halls	36,071
Staff development	10,010
Amplifying voices through communications	7,500
Future periods	<u>1,600,000</u>
	<u><u>\$ 3,326,279</u></u>

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at the end of the year are as follows:

Receivable in less than one year	\$ 2,021,546
Receivable in one to five years	20,000
Discounts to net present value	<u>(2,156)</u>
Net unconditional promises to give	<u><u>\$ 2,039,390</u></u>

Unconditional promises to give receivable in more than one year are discounted at 5.87%.

JUSTLEADERSHIPUSA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Rental property	\$ 1,600,002
Furniture and fixtures	105,251
Leasehold improvements	37,813
Accumulated depreciation and amortization	<u>(170,077)</u>
Property and equipment, net	<u>\$ 1,572,989</u>

NOTE 6 – LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 6,312,171
Unconditional promises to give, net	2,039,390
Accounts receivable	<u>35,000</u>
Financial assets at year-end	8,386,561
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions	<u>(1,744,123)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,642,438</u>

As part of JLUSA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 7 – CONDITIONAL GRANTS

JLUSA has several grants that are conditioned upon JLUSA incurring qualifying expenses under the grant programs. At June 30, 2023, these conditional grants total approximately \$99,000. These conditional grants will be recognized as revenue when the respective conditions are met in future years.

NOTE 8 – RETIREMENT PLAN

JLUSA sponsors a defined contribution plan covering all employees. JLUSA matches participants' contributions to the plan up to 4% of the individual participant's compensation. Plan expenses for the year ended June 30, 2023 total approximately \$36,000.

JUSTLEADERSHIPUSA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 – OPERATING LEASE

JLUSA leases office space under an operating lease that expires December 31, 2027, as well as storage space under various short term leases.

The components of total lease cost are as follows:

Operating lease cost	\$ 175,340
Short-term lease cost	<u>21,336</u>
Total lease cost	<u>\$ 196,676</u>

Other information related to operating leases are as follows:

Cash payments classified as part of operating cash flows for amounts included in the measurement of lease liabilities	\$ 162,765
Weighted-average remaining lease term	3.82 years
Weighted-average discount rate	2.86%

The maturities of the operating lease liability for the years ended June 30 are as follows:

2024	\$ 167,647
2025	172,671
2026	177,853
2027	97,064
2028	<u>35,106</u>
Total minimum lease payments	650,341
Imputed interest	<u>(34,225)</u>
Total operating lease liability	<u>\$ 616,116</u>

NOTE 10 – PAYCHECK PROTECTION PROGRAM LOANS

JLUSA received loans totaling \$1,459,494 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). In 2021, the SBA preliminarily approved partial forgiveness of \$915,152 of JLUSA's first draw loan and full forgiveness of JLUSA's second draw loan of \$535,632. JLUSA must retain PPP documentation in its files for six years after the date the loans are forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review JLUSA's good-faith certification concerning the necessity of the loan requests, whether JLUSA calculated the loan amounts correctly, whether JLUSA used loan proceeds for the allowable uses specified in the CARES Act, and whether JLUSA is entitled to forgiveness in the amount claimed on its applications. If SBA determines JLUSA was ineligible for the loans or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balances.

JUSTLEADERSHIPUSA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 – DONATED SERVICES

Donated services recognized within the consolidated statement of activities include professional services from attorneys who advise JLUSA on a variety of programmatic and administrative legal matters. These services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services. No services received during the year were restricted for use.