



JUSTICE INNOVATION, INC.

**Financial Statements
(Together with Independent Auditors' Report)**

Year Ended June 30, 2022

JUSTICE INNOVATION, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Justice Innovation, Inc.

Opinion

We have audited the financial statements of Justice Innovation, Inc. ("the Center"), which comprise the statement of financial position as of June 30, 2022, and the related 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 the Center as of June 30, 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center 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

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 the Center'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.

Mayer Hoffman McCann CPAs

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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 the Center'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 the Center'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.

Mayer Roffman McCann CPAs

New York, NY
March 31, 2023

JUSTICE INNOVATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022

ASSETS:

Cash and cash equivalents (Notes 2C, 3 and 6)	\$ 4,330,982
Contributions and private grants receivable (Notes 2E, 2G and 3)	9,551,493
Government grants and contracts receivable (Notes 2D, 2E and 3)	18,102,545
Prepaid expenses and other assets	750,383
Property and equipment, net (Notes 2F and 4)	<u>168,858</u>
TOTAL ASSETS	<u>\$ 32,904,261</u>

LIABILITIES:

Accounts payable and accrued expenses	\$ 6,568,247
Accrued payroll and benefits	3,776,163
Refundable advances (Note 2D)	2,782,470
Deferred rent (Note 9A)	<u>21,293</u>
TOTAL LIABILITIES	<u>13,148,173</u>

COMMITMENTS AND CONTINGENCIES (Notes 7 and 9)

NET ASSETS (Note 2B):

Without donor restrictions	13,546,267
With donor restrictions (Notes 3 and 5)	<u>6,209,821</u>
TOTAL NET ASSETS	<u>19,756,088</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 32,904,261</u>

JUSTICE INNOVATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions and private grants (Note 2G)	\$ 12,726,688	\$ 7,372,082	\$ 20,098,770
Special events revenue (net of direct expenses of \$76,825) (Note 2K)	173,053	-	173,053
Government grants and contracts (Note 2D)	18,102,546	-	18,102,546
In-kind contributions (Note 2H)	32,004	-	32,004
Net assets released from restrictions (Notes 2B and 5)	<u>1,162,261</u>	<u>(1,162,261)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>32,196,552</u>	<u>6,209,821</u>	<u>38,406,373</u>
EXPENSES (Note 2I):			
Program services:			
Court Reform Programs	8,686,915	-	8,686,915
Community Development and Crime Prevention	5,600,837	-	5,600,837
National Initiative	2,039,218	-	2,039,218
Center Core	290,308	-	290,308
Total program services	<u>16,617,278</u>	<u>-</u>	<u>16,617,278</u>
Supporting services:			
Management and general	1,931,182	-	1,931,182
Fundraising	101,825	-	101,825
Total supporting services	<u>2,033,007</u>	<u>-</u>	<u>2,033,007</u>
TOTAL EXPENSES	<u>18,650,285</u>	<u>-</u>	<u>18,650,285</u>
CHANGE IN NET ASSETS	<u>13,546,267</u>	<u>6,209,821</u>	<u>19,756,088</u>
NET ASSETS - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 13,546,267</u>	<u>\$ 6,209,821</u>	<u>\$ 19,756,088</u>

JUSTICE INNOVATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>					<u>Supporting Services</u>		
	<u>Court Reform Programs</u>	<u>Community Development and Crime Prevention</u>	<u>National Initiative</u>	<u>Center Core</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>TOTAL</u>
Salaries	\$ 4,214,334	\$ 2,015,732	\$ 1,134,898	\$ 129,483	\$ 7,494,447	\$ 864,476	\$ 13,614	\$ 8,372,537
Payroll taxes and employee benefits (Note 8)	1,098,637	525,482	295,857	33,755	1,953,731	225,360	3,549	2,182,640
Total salaries and related costs	5,312,971	2,541,214	1,430,755	163,238	9,448,178	1,089,836	17,163	10,555,177
Participant Subsistence and Stipends	362,089	395,908	4,215	-	762,212	-	-	762,212
Staff Travel	24,768	2,079	48,038	-	74,885	4,913	-	79,798
Office Supplies, Postage and Small Equipment	97,708	109,916	1,835	1,940	211,399	13,112	562	225,073
Program Supplies	43,930	494,337	441	-	538,708	-	-	538,708
Events, Facilities Rental and Catering	-	-	-	-	-	-	131,939	131,939
Food	12,869	34,987	3,933	4,596	56,385	7,991	-	64,376
Professional fees	111,224	492,453	91,672	-	695,349	600,516	26,935	1,322,800
Subcontracts	2,165,774	1,174,642	308,707	97,828	3,746,951	-	-	3,746,951
Rent (Note 9A)	202,926	175,596	97,535	14,824	490,881	83,978	1,715	576,574
Office Occupancy Costs	142,219	76,514	15,299	3,731	237,763	4,938	336	243,037
Telecommunications and Software Licensing	78,214	33,673	4,822	829	117,538	22,193	-	139,731
Staff Training and Recruiting	20,487	11,370	119	-	31,976	40,198	-	72,174
Depreciation and Amortization (Note 4)	-	-	-	-	-	143	-	143
Insurance	108,113	51,711	29,181	3,322	192,327	22,176	-	214,503
Vehicle Maintenance	1,148	2,441	-	-	3,589	93	-	3,682
Bank and Interest Fees	-	-	-	-	-	1,788	-	1,788
Miscellaneous	2,475	3,996	2,666	-	9,137	39,307	-	48,444
	8,686,915	5,600,837	2,039,218	290,308	16,617,278	1,931,182	178,650	18,727,110
Less: Cost of direct benefits to donors	-	-	-	-	-	-	(76,825)	(76,825)
TOTAL EXPENSES	\$ 8,686,915	\$ 5,600,837	\$ 2,039,218	\$ 290,308	\$ 16,617,278	\$ 1,931,182	\$ 101,825	\$ 18,650,285

The accompanying notes are an integral part of these financial statements.

JUSTICE INNOVATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 19,756,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	143
Increase in assets:	
Prepaid expenses and other assets	(750,383)
Contributions and private grant receivable	(9,551,493)
Government grants and contracts receivable	(18,102,545)
Increase in liabilities:	
Accounts payable and accrued expenses	6,568,247
Accrued payroll and benefits	3,776,163
Deferred rent	21,293
Refundable advances	2,782,470
Net Cash Provided by Operating Activities	4,499,983

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property and equipment	(169,001)
Net Cash Used in Investing Activities	(169,001)

NET INCREASE IN CASH AND CASH EQUIVALENTS

4,330,982

Cash and cash equivalents - beginning of year

-

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 4,330,982

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year of interest

\$ 1,788

JUSTICE INNOVATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - DESCRIPTION OF ORGANIZATION

Justice Innovation, Inc. ("the Center") is a nonprofit organization dedicated to working with communities and justice systems to advance equity, increase safety, and help individuals and communities thrive. The Center was incorporated on July 29, 2020, D/B/A Center for Justice Innovation effective December 14, 2022.

The Center's work touches all stages of the justice system, from arrest through reintegration into the community. But the work goes further by seeking to reduce the need for justice system involvement in the first place. The Center's primary long-term goal is to identify and resolve, as early as possible, the challenges that bring people into the criminal and civil legal systems. The Center does this in a number of ways, including investing resources in underserved communities, problem-solving side-by-side with populations affected by crime, and building programs that respond to offending and increase safety without imposing lasting harms on individuals or communities.

As an organization that works closely with systems and with communities, the Center is uniquely positioned to bridge the gap between them, fostering communication, understanding, and trust. The Center's approach involves collaboration among the three main teams: research and evaluation; direct-service programming; and training and expert assistance. Research informs programming, programming informs research, and both research and practice informs the efforts to train and assist communities across the U.S. and internationally in adopting tailored reformation.

Following a long fiscal sponsorship relationship with the Fund of the City of New York, effective May 1, 2022, the Center began operating as a fully independent organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **Basis of Accounting** – The Center's financial statements have been prepared on the accrual basis of accounting. The Center adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. **Basis of Presentation** – The Center maintains its net assets under the following two classes:
- Without donor restrictions – resources that are available for the general support of the Center's operations.
 - With donor restrictions – net assets subject to donor-imposed stipulations that will be met either by actions of the Center or the passage of time, stipulations that they be maintained in perpetuity by the Center, and unappropriated endowment earnings.
- C. **Cash and Cash Equivalents** – The Center considers all highly liquid investments available for current use with an initial maturity of three months or less when purchased to be cash equivalents.
- D. **Government Grants and Contracts** – The Center derives its revenue from, among other sources, cost reimbursement contracts with government agencies which are recognized as revenue as those costs are incurred and the revenue is earned. Advances received on government grants are recorded as a liability until the expenses are incurred, at which time revenue is recognized. Cost reimbursement type government grants are accounted for under Financial Accounting Standards Board ("FASB") Accounting Standard Update ("ASU") 2018, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).

JUSTICE INNOVATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Multi-year governmental contracts included under government grants are cancelled by the funder upon its sole discretion. For the year ended June 30, 2022, the Center was awarded conditional grants and contracts from government agencies in the aggregate amount of \$130,209,725, that have not been recorded in the accompanying financial statements, as they have not yet been earned. These grants and contracts require the Center to provide qualifying expenses to conduct certain services as specified in the contracts. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the Center may be required to return the funds already remitted.

- E. **Allowance for Doubtful Accounts** – The Center determines whether an allowance for doubtful accounts should be provided for government grants and contracts receivable, and contributions and private grants receivables. Such estimates are based on management’s assessment of the aged basis of its receivable, current economic conditions and subsequent receipts. As of June 30, 2022, the Center determined no allowance was necessary.
- F. **Property and Equipment** – Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable value. Depreciation is provided on a straight-line basis over the estimated useful live of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the lease. The Center follows the policy of capitalizing all acquisitions in excess of \$5,000 with a useful life of one year or more.
- G. **Contributions and Private Grants** – Unconditional contributions and private grants, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are recorded as with donor restricted support if they are received with donor restrictions that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.
- H. **In-Kind Contribution** – In-Kind contributions are recorded as revenue in the period in which they are received, and which would typically be purchased had they not been provided by donation. For the year ended June 30, 2022, the Center recorded contributed goods and services received from a fundraising event amounting to \$32,004, which is included in revenue and expense in the accompanying financial statements.
- I. **Functional Expense Allocation** – The costs of program and supporting services activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, insurance, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest and other, which are allocated on the basis of estimates of time and effort.

- J. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

JUSTICE INNOVATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- K. **Direct Costs** – The direct costs of special events include expenses for the benefit of the donor. For example, meals, facilities and rental are considered direct costs of special events.
- L. **Recent Accounting Pronouncements** – FASB ASU 2020-07 *Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) was adopted by the Center for the year ended June 30, 2022. The core guidance is to increase the transparency of contributed nonfinancial assets received by non-for-profit (“NFP”) organizations, including the transparency on how those assets are used and are valued. ASU 2020-07 improves the financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs.

NOTE 3 - AVAILABLE RESOURCES AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, include the following as of June 30, 2022:

Cash and cash equivalents	\$ 4,330,982
Government grants and contracts receivable	18,102,545
Contributions and private grants receivable	<u>9,551,493</u>
Total financial assets	31,985,020
Less: Net assets with donor restrictions	<u>6,209,821</u>
	<u>\$ 25,775,199</u>

As part of the Center’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations. In addition, the Center has a line of credit of \$10,000,000 with a financial institution which can be drawn upon if needed (see Note 7).

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30, 2022:

		<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 13,485	5 years
Furniture and fixtures	51,516	3 to 5 years
Vehicles	<u>104,000</u>	5 years
Total Cost	169,001	
Less: Accumulated depreciation and amortization	<u>(143)</u>	
	<u>\$ 168,858</u>	

Depreciation and amortization expense amounted to \$143 for the year ended June 30, 2022. Fixed assets acquired at the end of June 2022 will begin depreciating in fiscal year 2023.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2022 were available for the following purposes:

Court Reform Programs	\$ 1,532,398
Community Development and Crime Prevention	852,380
National Initiative	3,515,232
Center Core	<u>309,811</u>
	<u>\$ 6,209,821</u>

JUSTICE INNOVATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions when expenses satisfying the restricted purposes were incurred or by occurrence of other events specified by donors as follows for the year ended June 30, 2022:

Court Reform Programs	\$ 120,860
Community Development and Crime Prevention	368,360
National Initiative	579,852
Center Core	<u>93,189</u>
	<u>\$ 1,162,261</u>

NOTE 6 - CONCENTRATION

Cash and cash equivalents that potentially subject the Center to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2022, there was approximately \$4,080,000 of cash and cash equivalents held by one bank that exceeded FDIC limits.

NOTE 7 - LINE OF CREDIT

The Center has a line of credit of \$10,000,000 which bears interest at Prime Rate. During the occurrence and continuance of an Event of Default of the Credit Agreement, all loans shall bear interest at 4% above the Prime Rate. The line of credit expires on May 25, 2023 and may be extended from time to time. The Center is subject to a debt service coverage ratio in accordance with the loan documents. As of June 30, 2022, the Center was in compliance with the debt service coverage ratio. The Center's line of credit balance as of June 30, 2022 was \$0. There were \$7,000,000 of borrowing from the line as of March 31, 2023.

NOTE 8 - 403(b) PLAN

The Center sponsors a defined contribution 403(b) Plan. Employee contributions to the 403(b) plan are based on a percentage of payroll. The Plan covers all eligible employees with at least six months of service. Pension expense for the fiscal years ended June 30, 2022, amounted to \$227,640.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

A. *Lease Commitments*

The Center leases office space in New York expiring in 2027. Rent expense for the year ended June 30, 2022 was \$206,978.

The Center operates justice centers in different locations in New York City and entered into multiple operating lease agreements that expire at various dates through 2027. Rent expense for the year ended June 30, 2022 was \$336,297.

Rent credits and charges are accounted for on a straight-line basis over the life of the lease, which give rise to a timing difference that is reflected as deferred rent obligation in the accompanying statement of financial position, amounting to \$21,293 as of June 30, 2022.

JUSTICE INNOVATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

As of June 30, 2022, minimum annual rental commitments for the remaining terms of the Center's operating leases were as follows:

2023	\$	3,034,244
2024		2,598,556
2025		2,618,838
2026		1,201,896
2027		<u>386,114</u>
Total	\$	<u>9,839,648</u>

B. *Income Tax*

The Center believes it had no uncertain tax positions as of June 30, 2022 in accordance with FASB Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

C. *Government Grant and Contact Disallowances*

In most instances, grants are subject to audits by city, state and federal auditors, and costs charged to grantors may be adjusted as a result of an audit. The Center believes that no material provision is required for costs adjustments.

NOTE 10 - SUBSEQUENT EVENTS

The Center has evaluated events subsequent to the date of the statement of financial position through March 31, 2023, the date the financial statements were available to be issued. The Center has determined that no subsequent events have occurred which require disclosure in or adjustments to the financial statements.