

**Center
for
Justice
Innovation**

**Justice Innovation, Inc.
D/B/A
Center for Justice Innovation**

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

Years Ended June 30, 2023 and 2022

JUSTICE INNOVATION, INC.
D/B/A
CENTER FOR JUSTICE INNOVATION
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Justice Innovation, Inc. D/B/A Center for Justice Innovation

Opinion

We have audited the financial statements of Justice Innovation, Inc. ("the Center"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for 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 the Center 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.

Change in Accounting Principle

As discussed in Note 2M to the financial statements, the Center changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective July 1, 2022, under the modified retrospective transition method. 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 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.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Hoffman McCann CPAs

New York, NY
February 13, 2024

JUSTICE INNOVATION, INC.
D/B/A CENTER FOR JUSTICE INNOVATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS:		
Cash and cash equivalents (Notes 2C, 3 and 6)	\$ 1,735,148	\$ 4,330,982
Contributions and private grants receivable (Notes 2E, 2G and 3)	2,485,619	9,551,493
Government grants and contracts receivable (Notes 2D, 2E and 3)	50,460,165	18,102,545
Prepaid expenses and other assets	1,098,479	750,383
Property and equipment, net (Notes 2F and 4)	840,131	168,858
Operating lease right-of-use asset (Notes 2L, 2M and 9)	9,139,766	-
Finance lease right-of-use asset (Notes 2L, 2M and 9)	180,323	-
	\$ 65,939,631	\$ 32,904,261
LIABILITIES:		
Accounts payable and accrued expenses	\$ 7,729,288	\$ 6,568,247
Accrued payroll and benefits	3,928,533	3,776,163
Line of credit (Note 7)	7,000,000	-
Refundable advances (Note 2D)	4,879,340	2,782,470
Operating lease liability (Notes 2L, 2M and 9)	9,284,783	-
Finance lease liability (Notes 2L, 2M and 9)	182,140	-
Deferred rent	-	21,293
	33,004,084	13,148,173
COMMITMENTS AND CONTINGENCIES (Notes 7 and 10)		
NET ASSETS (Note 2B):		
Without donor restrictions	25,999,124	13,546,267
With donor restrictions (Notes 3 and 5)	6,936,423	6,209,821
	32,935,547	19,756,088
TOTAL NET ASSETS	\$ 65,939,631	\$ 32,904,261
TOTAL LIABILITIES AND NET ASSETS	\$ 65,939,631	\$ 32,904,261

JUSTICE INNOVATION, INC.
D/B/A CENTER FOR JUSTICE INNOVATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>For the Year Ended June 30, 2023</u>			<u>For the Year Ended June 30, 2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>
REVENUE AND SUPPORT:						
Contributions and private grants (Note 2G)	\$ 8,416,251	\$ 9,575,554	\$ 17,991,805	\$ 12,723,876	\$ 7,372,082	\$ 20,095,958
Special events revenue (net of direct expenses of \$76,825 in 2022) (Note 2K)	-	-	-	173,053	-	173,053
Government grants and contracts (Note 2D)	84,586,553	-	84,586,553	18,102,546	-	18,102,546
Noncash contributions (Notes 2H and 11)	-	-	-	32,004	-	32,004
Other revenue	60,680	-	60,680	2,812	-	2,812
Net assets released from restrictions (Notes 2B and 5)	<u>8,848,952</u>	<u>(8,848,952)</u>	<u>-</u>	<u>1,162,261</u>	<u>(1,162,261)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>101,912,436</u>	<u>726,602</u>	<u>102,639,038</u>	<u>32,196,552</u>	<u>6,209,821</u>	<u>38,406,373</u>
EXPENSES (Note 2I):						
Program services:						
Court Reform Programs	42,631,832	-	42,631,832	8,686,915	-	8,686,915
Community Safety	20,674,393	-	20,674,393	5,600,837	-	5,600,837
National Initiatives and Research	11,008,976	-	11,008,976	2,039,218	-	2,039,218
Policy	820,375	-	820,375	-	-	-
Center Core	<u>1,374,275</u>	<u>-</u>	<u>1,374,275</u>	<u>290,308</u>	<u>-</u>	<u>290,308</u>
Total program services	<u>76,509,851</u>	<u>-</u>	<u>76,509,851</u>	<u>16,617,278</u>	<u>-</u>	<u>16,617,278</u>
Supporting services:						
Management and general	12,850,622	-	12,850,622	1,931,182	-	1,931,182
Fundraising	<u>99,106</u>	<u>-</u>	<u>99,106</u>	<u>101,825</u>	<u>-</u>	<u>101,825</u>
Total supporting services	<u>12,949,728</u>	<u>-</u>	<u>12,949,728</u>	<u>2,033,007</u>	<u>-</u>	<u>2,033,007</u>
TOTAL EXPENSES	<u>89,459,579</u>	<u>-</u>	<u>89,459,579</u>	<u>18,650,285</u>	<u>-</u>	<u>18,650,285</u>
CHANGE IN NET ASSETS	<u>12,452,857</u>	<u>726,602</u>	<u>13,179,459</u>	<u>13,546,267</u>	<u>6,209,821</u>	<u>19,756,088</u>
NET ASSETS - BEGINNING OF YEAR	<u>13,546,267</u>	<u>6,209,821</u>	<u>19,756,088</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 25,999,124</u>	<u>\$ 6,936,423</u>	<u>\$ 32,935,547</u>	<u>\$ 13,546,267</u>	<u>\$ 6,209,821</u>	<u>\$ 19,756,088</u>

JUSTICE INNOVATION, INC.
D/B/A CENTER FOR JUSTICE INNOVATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(With Comparative Totals for June 30, 2022)

	For the Year Ended June 30, 2023									
	Program Services					Supporting Services				
	Court Reform Programs	Community Safety	National Initiatives and Research	Policy	Center Core	Total Program Services	Management and General	Fundraising	TOTAL 2023	TOTAL 2022
Salaries	\$ 28,290,440	\$ 10,636,924	\$ 5,937,755	\$ 531,654	\$ 895,159	\$ 46,291,932	\$ 6,869,420	\$ 33,898	\$ 53,195,250	\$ 8,372,537
Payroll taxes and employee benefits (Note 8)	7,854,638	2,953,266	1,648,575	147,610	248,535	12,852,624	1,907,245	9,412	14,769,281	2,182,640
Total salaries and related costs	36,145,078	13,590,190	7,586,330	679,264	1,143,694	59,144,556	8,776,665	43,310	67,964,531	10,555,177
Participant Subsistence and Stipends	1,195,978	1,229,959	62,665	-	-	2,488,602	-	-	2,488,602	762,212
Staff Travel	159,068	114,600	634,361	858	66	908,953	62,830	135	971,918	79,798
Office Supplies, Postage and Small Equipment	596,540	476,454	63,277	1,943	76,267	1,214,481	182,936	54	1,397,471	225,073
Program Supplies	181,122	769,106	2,638	-	1,444	954,310	-	-	954,310	538,708
Events, Facilities Rental and Catering	128,976	364,612	5,303	-	-	498,891	55,176	-	554,067	131,939
Food	110,281	444,922	26,927	-	5,968	588,098	62,764	-	650,862	64,376
Professional Fees	649,833	1,034,040	724,137	58,995	-	2,467,005	1,322,097	42,622	3,831,724	1,322,800
Subcontracts	814,838	582,500	1,197,190	18,851	-	2,613,379	-	-	2,613,379	3,746,951
Rent and Office Occupancy Costs (Note 9)	1,841,009	1,655,751	592,048	55,430	126,658	4,270,896	900,597	4,174	5,175,667	819,611
Telecommunications and Software Licensing	450,185	171,929	42,604	260	12,037	677,015	481,275	55	1,158,345	139,731
Staff Training and Recruiting	79,719	21,118	944	-	-	101,781	176,867	-	278,648	72,174
Depreciation and Amortization (Note 4)	-	366	-	-	-	366	48,496	-	48,862	143
Insurance	240,995	118,322	62,506	4,774	8,141	434,738	15,831	556	451,125	214,503
Vehicle Maintenance	10,169	19,846	-	-	-	30,015	4,812	-	34,827	3,682
Bank and Interest Fees	7	15	-	-	-	22	377,271	-	377,293	1,788
Miscellaneous	28,034	80,663	8,046	-	-	116,743	383,005	8,200	507,948	48,444
	42,631,832	20,674,393	11,008,976	820,375	1,374,275	76,509,851	12,850,622	99,106	89,459,579	18,727,110
Less: Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	(76,825)
TOTAL EXPENSES	\$ 42,631,832	\$ 20,674,393	\$ 11,008,976	\$ 820,375	\$ 1,374,275	\$ 76,509,851	\$ 12,850,622	\$ 99,106	\$ 89,459,579	\$ 18,650,285

JUSTICE INNOVATION, INC.
D/B/A CENTER FOR JUSTICE INNOVATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	For the Year Ended June 30, 2022							
	Program Services				Supporting Services			
	Court Reform Programs	Community Safety	National Initiatives and Research	Center Core	Total Program Services	Management and General	Fundraising	TOTAL 2022
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 and Office Occupancy Costs (Note 9)	345,145	252,110	112,834	18,555	728,644	88,916	2,051	819,611
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

JUSTICE INNOVATION, INC.
D/B/A CENTER FOR JUSTICE INNOVATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 13,179,459	\$ 19,756,088
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	48,862	143
Amortization of finance lease	47,850	-
Reduction in carrying amount of right of use assets - operating leases	123,724	-
(Increase) decrease in assets:		
Prepaid expenses and other assets	(348,096)	(750,383)
Contributions and private grants receivable	7,065,874	(9,551,493)
Government grants and contracts receivable	(32,357,620)	(18,102,545)
Increase in liabilities:		
Accounts payable and accrued expenses	1,161,041	6,568,247
Accrued payroll and benefits	152,370	3,776,163
Deferred rent	-	21,293
Refundable advances	2,096,870	2,782,470
Net Cash Used in (provided by) Operating Activities	(8,829,666)	4,499,983
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(720,135)	(169,001)
Net Cash Used in Investing Activities	(720,135)	(169,001)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing line of credit	8,500,000	-
Repayment of line of credit	(1,500,000)	-
Payment of finance lease liability	(46,033)	-
Net Cash Provided by Financing Activities	6,953,967	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,595,834)	4,330,982
Cash and cash equivalents - beginning of year	4,330,982	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,735,148	\$ 4,330,982
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 377,293	\$ 1,788

JUSTICE INNOVATION, INC.
D/B/A CENTER FOR JUSTICE INNOVATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 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 inform the efforts to train and assist communities across the United States 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 acquired 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 Standards Update ("ASU") 2018, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).

JUSTICE INNOVATION, INC.
D/B/A CENTER FOR JUSTICE INNOVATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 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 years ended June 30, 2023 and 2022, the Center was awarded conditional grants and contracts from government agencies in the aggregate amounts of \$180,210,883 and \$130,209,725, respectively, 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 receivable. 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, 2023 and 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 lives 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 statements of activities as net assets released from restrictions.
- H. **In-Kind Contributions** – 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. There were no contributed goods or services for the year ended June 30, 2023.
- I. **Functional Expense Allocation** – The costs of program and supporting services activities have been summarized on a functional basis in the statements 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.
D/B/A CENTER FOR JUSTICE INNOVATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 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. **Leases** – The Center determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (“ROU”) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term.
- M. **Recent Accounting Pronouncements** – The Center adopted FASB ASU 2016-02, *Leases* (Topic 842) for the year ended June 30, 2023. The ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. The Center adopted Topic 842 as of July 1, 2022, which required the recognition of ROU assets and lease liabilities as of that date. The ROU assets and lease liabilities on July 1, 2022 totaled \$12,496,087 and \$12,517,380, respectively. The adoption of Topic 842 was done using a modified retrospective approach that does not require restating the prior period. The adoption of Topic 842 had no effect on the change in net assets as previously reported.
- N. **Reclassification** – Certain items in the June 30, 2022 financial statements have been reclassified to conform to the June 30, 2023 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2023.

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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,735,148	\$ 4,330,982
Government grants and contracts receivable	50,460,165	18,102,545
Contributions and private grants receivable	<u>2,485,619</u>	<u>9,551,493</u>
Total financial assets	54,680,932	31,985,020
Less: Net assets with donor restrictions	<u>6,936,423</u>	<u>6,209,821</u>
	<u>\$ 47,744,509</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:

	<u>2023</u>	<u>2022</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 638,034	\$ 13,485	5 years
Furniture and fixtures	67,722	51,516	3 to 5 years
Equipment	34,430	-	3 to 5 years
Vehicles	<u>148,950</u>	<u>104,000</u>	5 years
Total Cost	889,136	169,001	
Less: Accumulated depreciation and amortization	<u>(49,005)</u>	<u>(143)</u>	
	<u>\$ 840,131</u>	<u>\$ 168,858</u>	

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NOTE 4 - PROPERTY AND EQUIPMENT, NET (Continued)

Depreciation and amortization expense amounted to \$48,862 and \$143 for the years ended June 30, 2023 and 2022, respectively.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Court Reform Programs	\$ 2,570,294	\$ 1,532,398
Community Safety	888,661	852,380
National Initiatives and Research	3,172,468	3,515,232
Center Core	<u>305,000</u>	<u>309,811</u>
	<u>\$ 6,936,423</u>	<u>\$ 6,209,821</u>

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 years ended June 30:

	<u>2023</u>	<u>2022</u>
Court Reform Programs	\$ 3,199,572	\$ 120,860
Community Safety	1,082,734	368,360
National Initiatives and Research	3,718,061	579,852
Center Core	<u>848,585</u>	<u>93,189</u>
	<u>\$ 8,848,952</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, per insured financial institution. As of June 30, 2023 and 2022, there was approximately \$1,500,000 and \$4,080,000, respectively, 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 the 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 is collateralized by all of the Center's assets.

The line of credit expired on May 25, 2023, and was extended to August 25, 2023 and further extended to October 31, 2024. The Center is subject to a debt service coverage ratio in accordance with the loan documents. As of June 30, 2023, the Center was in compliance with the debt service coverage ratio. The Center's line of credit balance as of June 30, 2023 was \$7,000,000. There was no balance outstanding as of June 30, 2022. There were \$0 of borrowing from the line as of February 13, 2024.

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 employees on the first day of their employment. In order to receive the match, employees must be employed for six months. Pension expense for the years ended June 30, 2023 and 2022, amounted to \$2,911,406 and \$227,640, respectively.

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NOTE 9 - LEASES

The Center leases office space facilities and equipment at various terms under long-term non-cancelable operating lease and finance lease agreements. The leases expire at various dates through 2031.

The Center has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Center applied the risk-free rate option to the rental and equipment leases.

Total lease costs for the year ended June 30, 2023 are as follows:

Operating lease cost, included in occupancy	\$ 3,394,752
Finance lease cost	
Interest expense	4,790
Amortization of ROU assets	47,850
Total finance lease cost	<u>52,640</u>
Total lease cost	<u>\$ 3,447,392</u>

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 4,790
Operating cash flows from finance leases	\$ 3,271,028
Financing cash flows from finance leases	\$ 46,033

Noncash financing and investing cash flow (post ASC 842 adoption)

ROU assets obtained in exchange for lease liabilities

Operating leases	\$ 1,312,828
Financing leases	\$ 91,590

The following table summarizes the weighted-average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term in years	
Operating leases	3.89
Finance leases	3.83
Weighted-average discount rate	
Operating leases	2.97%
Finance leases	3.17%

As of June 30, 2023, minimum annual rental commitments for the remaining terms of the Center's operating leases were as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2024	\$ 3,273,329	\$ 54,208
2025	3,175,380	48,893
2026	1,194,375	47,705
2027	835,708	36,304
2028	524,107	6,536
Thereafter	<u>854,578</u>	<u>-</u>
Total	9,857,477	193,646
Less: present value discount	<u>(572,694)</u>	<u>(11,506)</u>
Present value of lease liabilities	<u>\$ 9,284,783</u>	<u>\$ 182,140</u>

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NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. *Income Tax*

The Center believes it had no uncertain tax positions as of June 30, 2023 and 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.

B. *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 cost adjustments.

NOTE 11 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets consisted of the following for the year ended June 30, 2022:

<u>Nonfinancial Asset</u>	<u>2022</u>	<u>Used in Programs/Activities</u>	<u>Donor-imposed Restriction</u>	<u>Fair Value Technique</u>
Donated foods, name tags, invitations, and swag items	\$ 21,254	Fundraising	No donor restrictions	Based on estimated fair value at the date of receipt
Donated professional services – event planners	10,750	Fundraising	No donor restrictions	Based on estimated hourly rates of services provided
	<u>\$ 32,004</u>			

There were no contributed nonfinancial assets received for the year ended June 30, 2023.

NOTE 12 - SUBSEQUENT EVENTS

The Center has evaluated events subsequent to the date of the statement of financial position through February 13, 2024, 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.