

# **Social Justice Collaborative**

Financial Statements and Independent Auditor's Report  
December 31, 2019

## SOCIAL JUSTICE COLLABORATIVE

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To the Board of Directors of  
Social Justice Collaborative  
Berkeley, California

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Social Justice Collaborative (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Social Justice Collaborative as of December 31, 2019, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Artesian CPA LLC*

**Artesian CPA, LLC**

Denver, Colorado  
May 19, 2020

**Artesian CPA, LLC**

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**SOCIAL JUSTICE COLLABORATIVE**  
**STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2019**

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**ASSETS**

Current Assets:

Cash	\$ 307,962
Accounts receivable	11,500
Grants receivable	482,588
Total Current Assets	<u>802,050</u>

Property and Equipment:

Buildings	184,450
Leasehold improvements	35,749
Furniture and fixtures	16,962
Land	32,550
Office equipment	12,675
Vehicle	2,800
Accumulated depreciation	(19,765)
Total Property and Equipment	<u>265,421</u>

Other Assets:

Deposits	<u>10,000</u>
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TOTAL ASSETS	<u><u>\$ 1,077,471</u></u>
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**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	\$ 34,658
Accrued expenses	38,230
Loan payable - current portion	2,151
Total Current Liabilities	<u>75,039</u>

Non-Current Liabilities:

Loan payable - net of current portion	<u>124,475</u>
Total Non-Current Liabilities	124,475

Total Liabilities	<u>199,514</u>
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Net Assets:

Without donor restrictions	422,037
With donor restrictions	455,920
Total Net Assets	<u>877,957</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,077,471</u></u>
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See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**SOCIAL JUSTICE COLLABORATIVE**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:			
Government grants	\$ 76,972	\$ 712,700	\$ 789,672
Program service revenue	562,908	-	562,908
Foundations and other grants	200,501	-	200,501
Contributions	172,801	-	172,801
In-kind contributions	69,899	-	69,899
Rental income	29,236	-	29,236
Work study income	16,299	-	16,299
Sponsorship income	7,500	-	7,500
Released from restrictions	478,296	(478,296)	-
Total Revenues and Support	<u>1,614,412</u>	<u>234,404</u>	<u>1,848,816</u>
Expenses:			
Program services	1,104,703	-	1,104,703
Supporting services:			
Management and general	203,378	-	203,378
Fundraising	59,873	-	59,873
Total Expenses	<u>1,367,954</u>	<u>-</u>	<u>1,367,954</u>
Change in net assets	246,458	234,404	480,862
Net assets at beginning of year	<u>175,579</u>	<u>221,516</u>	<u>397,095</u>
Net assets at end of year	<u>\$ 422,037</u>	<u>\$ 455,920</u>	<u>\$ 877,957</u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**SOCIAL JUSTICE COLLABORATIVE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2019**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total Expenses</b>
		<b>Management and General</b>	<b>Fundraising</b>	
Salaries and wages	\$ 485,648	\$ 63,597	\$ 28,908	\$ 578,153
Occupancy	172,248	22,556	10,253	205,057
Maintenance and repairs	104,103	13,633	6,197	123,933
Program expenses	86,173	-	-	86,173
In-kind expenses	69,899	-	-	69,899
Benefits	52,258	6,843	3,111	62,212
Payroll taxes	41,147	5,388	2,449	48,984
Computer and technology expens	22,630	-	-	22,630
Travel	20,075	-	-	20,075
Postage	18,928	-	-	18,928
Professional development	-	18,599	-	18,599
Merchant expenses	-	15,983	-	15,983
Office supplies	-	14,225	-	14,225
Contractors	13,499	-	-	13,499
Depreciation	10,392	1,361	619	12,372
Interest expense	-	11,027	-	11,027
Professional fees	-	8,322	-	8,322
Fundraising expenses	-	-	8,017	8,017
Communication expenses	-	7,782	-	7,782
Meals	-	7,541	-	7,541
Telephone	5,362	702	319	6,383
Insurance	-	3,465	-	3,465
Licenses and fees	-	2,354	-	2,354
Printing/Copying	2,341	-	-	2,341
	<u>\$ 1,104,703</u>	<u>\$ 203,378</u>	<u>\$ 59,873</u>	<u>\$ 1,367,954</u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**SOCIAL JUSTICE COLLABORATIVE**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2019**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in net assets	\$ 480,862
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	12,371
Change in operating assets and liabilities:	
Change in grants receivable	(261,071)
Change in accounts receivable	1,325
Change in accounts payable	19,147
Change in accrued expenses	6,055
Net cash provided by operating activities	<u>258,689</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	<u>(43,749)</u>
Net cash used in investing activities	<u>(43,749)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on note payable	<u>(2,882)</u>
Net cash used in investing activities	<u>(2,882)</u>

Net increase in cash and cash equivalents 212,058

Cash and cash equivalents at beginning of year 95,904

Cash and cash equivalents at end of year \$ 307,962

**Supplemental Disclosure of Cash Flow Information**

    Cash paid for interest 11,027

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.



**SOCIAL JUSTICE COLLABORATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of December 31, 2019 and for the year then ended**

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**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Social Justice Collaborative (the “Organization”) is a nonprofit corporation formed in 2012 under the laws of the State of California. The Organization’s mission is to provide legal services to low-income people and represent immigrants in removal proceedings.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less, except those designated for long-term purposes, to be cash equivalents. Cash and cash equivalents are held with FDIC insured banks and the Company assesses its cash and cash equivalents to ensure funds do not exceed FDIC insured amounts.

**SOCIAL JUSTICE COLLABORATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of December 31, 2019 and for the year then ended**

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Grants Receivable

Receivables, representing amounts due from grantors, are stated at amounts estimated by management to be the net realizable value. The Organization periodically evaluates the collectability of accounts receivable and establishes a reserve for uncollectible accounts based on an evaluation of the specific unpaid account balances. As of December 31, 2019, there were grants receivables of \$482,588 and no reserves against such.

Pledges Receivable

Pledges receivable are recorded in the financial statements upon receipt of pledge information from the donor at the net realizable amount. All pledges receivable are expected to be collected within one year, they are recorded at their net realizable value. This is achieved by creating an allowance for doubtful accounts when necessary. As of December 31, 2019, there were pledges receivable of \$0 and no reserves against such.

Property and Equipment

Acquisitions of assets in excess of \$1,000 are capitalized at cost. Property and equipment is depreciated using the straight-line method over the assets estimated useful life. The estimated useful lives of equipment range from 3 to 7 years while the buildings life is 40 years. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are placed in service.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Contributed Services and Other In-Kind Contributions

Contributed services are recorded if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of volunteers have contributed significant amounts of their time in the Organization's program services, but are not recognized as contributions in the financial statement because they do not meet the aforementioned criteria. There were in-kind contributions totaling \$69,899 for the year ended December 31, 2019.

**SOCIAL JUSTICE COLLABORATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of December 31, 2019 and for the year then ended**

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Measure of Operation

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for annual and interim periods beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. We are continuing to evaluate the impact of this new standard on our financial reporting and disclosures.

Functional Allocation of Expenses

The costs of providing the various programs and services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, benefits and payroll taxes	Time and Effort
Occupancy, depreciation, maintenance and telephone	Square footage

All other expenses were allocated based on the specific identification method.

Income Tax

No provision has been made for income taxes, since the Organization is exempt from Federal income tax pursuant to Internal Revenue Code Section 501(c)(3). There was no unrelated business taxable income during the year. The Organization has not recognized any cumulative adjustment relating to the adoption of FASB ASC Income Tax Topic, nor are there any unrecognized tax benefits to be disclosed as of December 31, 2019. Uncertainty in income taxes for a not-for-profit organization would include the status of its exemption from taxes, status of filings in local jurisdictions, and unrelated business income, if any. The Organization's information return filing for the years 2017 to 2019 remains subject to examination by the Internal Revenue Service.

**SOCIAL JUSTICE COLLABORATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of December 31, 2019 and for the year then ended**

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**NOTE 2: FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (“FASB”) guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

The carrying amounts reported in the balance sheet approximate their fair value.

**NOTE 3: GRANTS RECEIVABLE**

Grants receivable at December 31, 2019 and consisted of the following:

California Department of Social Services	\$ 455,921
Canal Alliance	<u>26,667</u>
	<u>\$ 482,588</u>

**NOTE 4: OPERATING LEASE**

Effective August 4, 2018, the Organization entered into a lease agreement for office space in Berkeley California, which commenced on November 1, 2018 and is scheduled to expire after 120 months on October 31, 2028. Monthly lease obligations under the lease range from \$11,667 to \$14,774 per month. Rent expense for the year ended December 31, 2019 totaled \$159,230.

As of December 31, 2019, the future minimum lease payments are as follows:

See accompanying Independent Auditor’s Report

**SOCIAL JUSTICE COLLABORATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of December 31, 2019 and for the year then ended**

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2020	\$ 144,869
2021	148,475
2022	149,217
2023	153,692
2024	158,303
Thereafter	<u>651,714</u>
	<u>\$1,406,270</u>

**NOTE 5: LOANS PAYABLE**

On September 13, 2018, the Organization entered in a 60 month term loan agreement for the purchase of the Modesto property with a commercial bank in the amount of \$130,000, bearing interest at 6.9% with required monthly principal and interest payments of \$919, with a balloon payment due of \$119,424 on September 13 2023, the loan is also secured by the property. Total interest expense on this loan was \$8,969 for the year ended December 31, 2019. The unpaid principal balance was \$126,626 as of December 31, 2019.

Future minimum debt payments under the Organization's outstanding loans are as follows as of December 31, 2019:

2020	\$ 2,151
2021	2,333
2022	2,501
2023	<u>119,641</u>
	<u>\$ 126,626</u>

**NOTE 6: DONOR RESTRICTED NET ASSETS**

The following schedule summarizes activity and balances related to donor restricted net assets:

<b>Grantors</b>	<b>Donor Restricted Balance 1/1/2019</b>	<b>Current Period Contributions &amp; Grants</b>	<b>Expended or Released</b>	<b>Donor Restricted Balance 12/31/19</b>
California Department of Social Services	\$ 202,300	\$ 712,700	\$ (459,080)	\$ 455,920
State of California	<u>19,216</u>	<u>-</u>	<u>(19,216)</u>	<u>-</u>
	<u>\$ 221,516</u>	<u>\$ 712,700</u>	<u>\$ (478,296)</u>	<u>\$ 455,920</u>

See accompanying Independent Auditor's Report

**SOCIAL JUSTICE COLLABORATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of December 31, 2019 and for the year then ended**

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**NOTE 7: CONCENTRATIONS**

The Organization's revenue sources carry a significant concentration. For the year ended December 31, 2019, there was one granting agencies that represented over 10% of revenues and it represented a concentration of risk which was approximately 39% of total revenues. The Organization's grant receivables carry a significant concentration. For the year ended December 31, 2019, there was one granting agencies that represented over 10% of total receivables and represented a concentration of risk which were approximately 92% of total receivables.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

The Organization has received state and local grants for specific purposes that are subject to review and audit by grantor agencies. Such audits may result in grantor agencies requiring a reimbursement from the Organization for expenditures disallowed by the grant terms. Management does not expect any such disallowances to be material.

**NOTE 9: LIQUIDITY**

The Organization's financial assets available within one year of December 31, 2019 date for general expenditures are as follows:

Cash	\$ 307,962
Accounts receivable	11,500
Grants receivable	482,588
	<u>\$ 802,050</u>

**NOTE 10: SUBSEQUENT EVENTS**

Subsequent Event

On April 14, 2020, the Company secured a loan through the Small Business Administration for the Payroll Protection Program, a 24-month term loan agreement in the amount of \$144,600, bearing interest at 1.00%, no payments are due on the loan for 6 months from the date of first disbursement of the loan and shall be repaid in 18 substantially equal monthly payments of principal and interest, commencing on the first business day after the end of the deferment period. The amount of loan forgiveness shall be calculated in accordance with the requirements of the Program, including the provisions of Section 1106 of the CARES Act.

Management's Evaluation

Management of the Organization has evaluated events and transactions that occurred after the balance sheet date through May 19, 2020, the date the financial statements were available to be issued and has determined that no subsequent events occurred that require recognition or disclosure in the financial statements.