Social Justice Collaborative

Financial Statements and Independent Auditor's Report
December 31, 2020

SOCIAL JUSTICE COLLABORATIVE

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

INDEPENDENT AUDITOR'S REPORT

Opinion

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, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020, 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. 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 Social Justice Collaborative 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 Social Justice Collaborative's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Social Justice Collaborative'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 Social Justice Collaborative'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.

Artesian CPA LLC

Artesian CPA, LLC

Denver, Colorado
May 12, 2021

SOCIAL JUSTICE COLLABORATIVE
STATEMENT OF FINANCIAL POSITION
As of December 31, 2020

ASSETS	
Current Assets:	
Cash	$ 346,064
Grants receivable	655,558
Total Current Assets	1,001,622
Property and Equipment:	
Buildings	184,450
Leasehold improvements	35,749
Furniture and fixtures	16,962
Land	32,550
Office equipment	18,704
Vehicle	2,800
Accumulated depreciation	(33,139)
Total Property and Equipment	258,076
Other Assets:	
Lease deposit	10,000
TOTAL ASSETS	$ 1,269,698
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	$ -
Accrued expenses	58,762
Loan payable - current portion	1,745
Total Current Liabilities	60,507
Non-Current Liabilities:	
Loan payable - net of current portion	148,255
Total Non-Current Liabilities	148,255
Total Liabilities	208,762
Net Assets:	
Without donor restrictions	405,378
With donor restrictions	655,558
Total Net Assets	1,060,936
TOTAL LIABILITIES AND NET ASSETS	$ 1,269,698

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:			
Revenues and Support:			
Government grants	$ 98,429	$ 655,558	$ 753,987
In-kind contributions	557,250	-	557,250
Program service revenue	352,128	-	352,128
Less cost of services	(245,949)		(245,949)
Foundations and other grants	209,177	-	209,177
Grant revenue - PPP loan forgiveness	144,600	-	144,600
Contributions	98,643	-	98,643
Rental income	28,764	-	28,764
Other income	1,267	-	1,267
Released from restrictions	455,920	(455,920)	-
Total Revenues and Support	1,700,229	199,638	1,899,867
Expenses:			
Program services	1,435,693	-	1,435,693
Supporting services:			
Management and general	234,021	-	234,021
Fundraising	47,190	-	47,190
Total Expenses	1,716,904	-	1,716,904
Nonoperating Activities:			
Interest	16	-	16
Change in net assets from nonoperating activities	16	-	16
Change in net assets	(16,659)	199,638	182,979
Net assets at beginning of year	422,037	455,920	877,957
Net assets at end of year	$ 405,378	655,558	$ 1,060,936

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, 2020

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 498,312	$ 65,255	$ 29,661	$ 593,228
In-kind legal services	550,000	-	-	550,000
Occupancy	218,198	28,574	12,988	259,760
Payroll taxes	41,562	5,443	2,474	49,479
Insurance	-	48,549	-	48,549
Computer and technology expenses	46,970	-	-	46,970
Professional fees	-	29,569	-	29,569
Telephone	16,457	2,155	980	19,592
Office supplies	-	18,205	-	18,205
Contractors	17,540	-	-	17,540
Travel	15,488	-	-	15,488
Depreciation	11,234	1,471	669	13,374
Postage	12,915	-	-	12,915
Interest expense	-	8,481	-	8,481
Maintenance and repairs	7,017	919	418	8,354
Communication expenses	-	8,163	-	8,163
Merchant expenses	-	6,473	-	6,473
Meals	-	4,713	-	4,713
Licenses and fees	-	2,289	-	2,289
Professional development	-	1,927	-	1,927
Fundraising expenses	-	1,835	-	1,835
	$ 1,435,693	$ 234,021	$ 47,190	$ 1,716,904

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	$ 182,979
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
PPP loan forgiveness	(144,600)
Depreciation	13,374
Change in operating assets and liabilities:	
Change in grants receivable	(172,971)
Change in accounts receivable	11,500
Change in accounts payable	(34,658)
Change in accrued expenses	20,534
Net cash used in operating activities	(123,842)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(6,030)
Net cash used in investing activities	(6,030)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from PPP loan	144,600
Proceeds from issuance of loan payable	150,000
Principal payments on loan payable	(126,626)
Net cash provided by investing activities	167,974
Net increase in cash and cash equivalents	38,102
Cash and cash equivalents at beginning of year	307,962
Cash and cash equivalents at end of year	$ 346,064
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	8,481

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

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.

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, 2020, there were grants receivables of $655,558 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, 2020, 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. Property and equipment are reviewed annually for indications of impairment and written down to the net realizable value if impairment is determined. Depreciation expense of $13,374 was recorded for the year ended December 31, 2020.

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 $557,250 for the year ended December 31, 2020.

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, 2021, 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:

Expense	Method of Allocation
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, 2020. 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 2018 to 2020 remains subject to examination by the Internal Revenue Service.

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 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, 2020 totaled $160,613.

As of December 31, 2020, the future minimum lease payments are as follows:

2021	$ 148,475
2022	149,217
2023	153,692
2024	158,303
2025	163,052
Thereafter	488,662
	$1,261,401

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%, requiring monthly principal and interest payments of $919, and with a balloon payment due of $119,424 on September 13, 2023. The loan is secured by the property. Total interest expense on this loan was $5,545 for the year ended December 31, 2020. The unpaid principal balance was $0 as of December 31, 2020, as the loan was paid off in 2020.

The Organization entered into a 30-year loan agreement with the Small Business Administration on June 3, 2020 for $150,000. The loan accrues interest at a fixed interest rate of 2.75% annually. Monthly principal and interest payments of $641 will begin 12 months from the date of the note. The loan is not subject to pre-payment penalties and is collateralized by substantially all assets of the Organization. Interest expense recorded for the year ended December 31, 2020 was $0.

Future minimum principal payments under the Organization's outstanding loans are as follows as of December 31, 2020:

2021	$ 1,745
2022	3,562
2023	3,662
2024	3,764
2025	3,868
Thereafter	133,399
	$ 150,000

NOTE 6: DONOR RESTRICTED NET ASSETS

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

Grantors	Donor Restricted Balance 1/1/2020	Current Period Contributions & Grants	Expended or Released	Donor Restricted Balance 12/31/20
California Department of Social Services	$ 455,920	$ 655,558	$ (455,920)	$ 655,558
	$ 455,920	$ 655,558	$ (455,920)	$ 655,558

NOTE 7: CONCENTRATIONS

The Organization's revenue sources carry a significant concentration. For the year ended December 31, 2020, there was one granting agency that represented over 10% of revenues and it represented a concentration of risk which was approximately 35% of total revenues. The Organization's grant receivables carry a significant concentration. For the year ended December 31, 2020, there was one granting agencies that represented over 10% of total receivables and represented a concentration of risk which was approximately 100% 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, 2020 date for general expenditures are as follows:

Cash	$ 346,064
Grants receivable	655,558
	$1,001,622

The Organization's financial assets have been reduced by amounts not available for general use because of board designated certain cash accounts for future grantee assistance. As part of the Organization'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. The Organization believes it can continue to fund its operations with its various revenue streams. Should there be a decline in revenues, the Organization would have difficulty in reducing expenses, but has budgetary discretion to reduce costs as needed to ensure ongoing operations.

NOTE 10: COVID-19 AND PPP LOAN

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates.

On April 14, 2020, the Organization received a loan of $144,600 from the SBA made available under the Paycheck Protection Program implemented under the CARES Act. The Organization has met all conditions of the loan and has submitted the forgiveness application. During the year ended December 31, 2020, the loan has been converted into grants based on the anticipated forgiveness.

NOTE 11: SUBSEQUENT EVENTS

Management's Evaluation

Management of the Organization has evaluated events and transactions that occurred after the balance sheet date through May 12, 2021, 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.