

Social Justice Learning Institute
Audited Financial Statements
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June 30, 2016

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Certified Public Accountants

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors
Social Justice Learning Institute
Inglewood, California

We have audited the accompanying financial statements of Social Justice Learning Institute (SJLI), a nonprofit organization, which comprise the statement of financial position as of June 30, 2016, 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 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

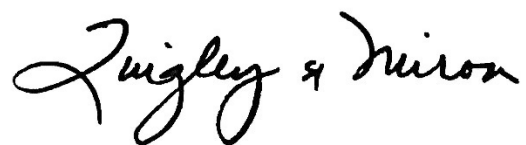
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Social Justice Learning Institute as of June 30, 2016, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
May 25, 2017

Social Justice Learning Institute
Statement of Financial Position
June 30, 2016

	<u>2016</u>
Assets	
Cash and cash equivalents	\$ 4,927
Grants and contributions receivable	425,000
Government contracts receivable	20,893
Prepaid expenses	3,600
Property, net—Note 3	124,113
	<hr/>
Total Assets	\$ 578,533
	<hr/>
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	61,926
Note payable—Note 4	47,269
Short term note payable—Note 5	12,500
	<hr/>
Total Liabilities	121,695
Net Assets	
Unrestricted	(41,704)
Temporarily restricted—Note 7	498,542
	<hr/>
Total Net Assets	456,838
	<hr/>
Total Liabilities and Net Assets	\$ 578,533
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See notes to the financial statements.

Social Justice Learning Institute
Statement of Activities
Year Ended June 30, 2016

	<u>2016</u>
Unrestricted Net Assets	
Revenue, Support, and Other Income	
Grants and contributions	\$ 428,781
Government contracts	192,613
Other income	6,316
Net assets released from restrictions	<u>159,177</u>
	Total Revenue, Support, and Other Income
	786,887
Expenses	
Program services	825,111
General and administrative	131,128
Fundraising	<u>90,688</u>
	Total Expenses
	1,046,927
	Decrease in Unrestricted Net Assets
	(260,040)
Temporarily Restricted Net Assets	
Grants and contributions	590,000
Net assets released from restrictions	<u>(159,177)</u>
	Increase in Temporarily Restricted Net Assets
	430,823
	Change in Net Assets
	170,783
Net Assets at Beginning of Year	<u>286,055</u>
	Net Assets at End of Year
	\$ <u>456,838</u>

See notes to financial statements.

**Social Justice Learning Institute
Statement of Functional Expenses
Year Ended June 30, 2016**

	<u>Program Services</u>	<u>General and Admin- istrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 278,689	\$ 75,141	\$ 42,736	\$ 396,566
Employee benefits	19,998	5,392	3,067	28,457
Payroll taxes	25,315	6,826	3,882	36,023
Total Personnel Expenses	324,002	87,359	49,685	461,046
Advertising and promotion	5,092	1,373	781	7,246
Bank charges		10,532		10,532
Catering and meeting expense	43,059			43,059
Depreciation expense	13,910	3,751	2,133	19,794
Dues and subscriptions	2,574	694	395	3,663
Equipment rental and maintenance	820	221	126	1,167
Events and honoraria	44,658			44,658
Insurance	11,144	3,005	1,709	15,858
Interest	601	162	92	855
Internet and web hosting	1,412	381	217	2,010
Occupancy	23,486	6,332	3,602	33,420
Office expense	6,504	1,754	997	9,255
Postage	1,263	341	194	1,798
Printing	1,290	348	198	1,836
Professional fees	186,365	4,309	24,843	215,517
Program supplies	44,196			44,196
Repairs and maintenance	16,864	4,547	2,586	23,997
Software and licensing	16,334			16,334
Taxes and licenses	12,218	3,294	1,874	17,386
Utilities	4,697	1,267	720	6,684
Telephone	3,495	942	536	4,973
Travel	61,127	516		61,643
Total Expenses	\$ 825,111	\$ 131,128	\$ 90,688	\$ 1,046,927

See notes to financial statements.

Social Justice Learning Institute
Statement of Cash Flows
Year Ended June 30, 2016

	<u>2016</u>
Cash Flows from Operating Activities	
Change in net assets	\$ 170,783
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	19,794
Increase in operating assets:	
Grants and contributions receivable	(285,000)
Government contracts receivable	(20,893)
Prepaid expenses	(3,600)
Increase in operating liabilities:	
Accounts payable and accrued expenses	61,926
	<hr/>
Net Cash Used in Operating Activities	(56,990)
Cash Flows from Investing Activities	
Purchases of property	(19,334)
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Net Cash Used in Investing Activities	(19,334)
Cash Flow from Financing Activities	
Advance on note payable	50,000
Principal payments on note payable	(2,731)
Principal payments on short term notes payable	(17,500)
	<hr/>
Net Cash Provided by Financing Activities	29,769
	<hr/>
Decrease in Cash and Cash Equivalents	(46,555)
Cash and Cash Equivalents at Beginning of Year	<hr/> 51,482
	<hr/>
Cash and Cash Equivalents at End of Year	\$ 4,927
	<hr/> <hr/>
Supplemental Disclosures	
Income taxes paid	\$
Interest paid	<hr/> \$ 800 <hr/>

See notes to financial statements.

Social Justice Learning Institute
Notes to Financial Statements
June 30, 2016

Note 1—Organization

Social Justice Learning Institute (SJLI) is a California not-for-profit public benefit corporation dedicated to improving the education, health and well-being of youth and communities of color. By empowering communities to enact social change through research training and community mobilization, SJLI works toward its vision of communities where individuals use their agency to improve each other's lives.

Established in Inglewood, California in 2008, SJLI works with youth, residents, schools and school districts, and local officials to advance academic, food and environmental justice through the following core program areas:

- **Educational Equity**—SJLI specializes in culturally relevant learning, teaching and curriculum development, which supports the positive identity growth, increases academic competencies, and expands opportunities for civic participation among boys and young men of color. Through its Urban Scholars program, integrated as a course at local schools, youth not only gain the tools to thrive as scholars but also to become leaders in their communities. The Urban Scholars program runs at five sites, including schools in South Los Angeles, Long Beach, and East Los Angeles as well as Los Padrinos Juvenile Hall in Downey, California.
- **Health Equity**—SJLI specializes health disparities through community development that is culturally relevant, and builds individuals' capacity to make healthy decisions in their personal lives. These initiatives include the following: 100 Seeds of Change, a network of over 100 home, school and community gardens; Community-Supported Agriculture, a program by which we distribute affordable, high-quality produce to residents; healthy lifestyle education featuring nutrition, fitness and gardening classes; Urban Health Fellowship, a summer program exposing Black and Latino males to careers in the Allied Health and Medical Fields; the Healthy and Sustainable Inglewood Collaborative, a group of community stakeholders who identify solutions for environmental and health disparities; and Inglewood Certified Farmers' Market.
- **BLOOM**—The California Community Foundation launched the BLOOM program, funding organizations such as SJLI to assist young African-American males in South Los Angeles who have had contact with the juvenile justice system to develop the skills they need to excel in the classroom moving them toward high school completion and post-secondary opportunities.

SJLI's principal funding sources are government contracts, foundation grants, and individual and corporate contributions.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. SJLI recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of SJLI and changes therein are classified and reported as follows:

Social Justice Learning Institute
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of SJLI.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of SJLI and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets that are restricted by the donors for investment in perpetuity. The investment income generated from these funds is available for general support of SJLI's programs and operations. There were no permanently restricted net assets as of June 30, 2016.

Income Taxes—SJLI is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, SCG is not a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2016. Generally, SJLI's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash Equivalents—SJLI considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Furniture and Equipment—Furniture and equipment are capitalized if there is a useful life greater than one year and the cost is above a minimum threshold established by management of \$1,000. Furniture and equipment are valued at cost or the fair market at the date of donation. SJLI provides for depreciation and amortization of furniture and equipment on a straight-line basis over the estimated useful lives of five years.

Concentration of Credit Risk—Financial instruments which potentially subject SJLI to concentrations of credit risk consist of cash and cash equivalents, investments and grants receivable. SCG places its cash, money market funds and certificates of deposit with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash and cash equivalent balances may be in excess of the FDIC insurance limits, however, it is the intention of SJLI to ensure that these balances do not exceed FDIC-guaranteed levels. Management regularly reviews the financial stability of its cash depositories and deems the risk of credit loss due to these concentrations to be minimal.

Social Justice Learning Institute
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Grants and Contributions Receivable—Grants and contributions receivable consist of balances from local foundations. SJLI has determined that no allowance for potential losses due to uncollectible receivables is necessary at June 30, 2016.

Government Contracts Receivable—Government contracts receivable consist of balances from government agencies, and consist of balances earned as contract revenue yet not settled in cash. SJLI has determined that no allowance for potential losses due to uncollectible receivables is necessary at June 30, 2016.

Contributions—Temporarily restricted and unrestricted contributions are recorded in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Government Contracts—Government contract revenue is recognized in the applicable period in which the program is performed.

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

Fiscal Sponsorship Agreement—Previously, SJLI was under a fiscal sponsorship agreement with Community Partners (CP). Under this agreement, CP assisted SJLI with administrative support and various other activities. Effective February 2016, the agreement was amicably terminated, and all inter-organizational transactions were cleared.

Note 3—Property, net

Property, net at June 30, 2016 consists of the following:

Leasehold improvements	\$ 115,071
Equipment	19,334
Vehicles	19,069
	<hr/>
	Gross 153,474
Less accumulated depreciation and amortization	(29,361)
	<hr/>
	Net \$ 124,113
	<hr/> <hr/>

Depreciation and amortization expense amounted to \$19,794 for the year ended June 30, 2016.

Social Justice Learning Institute
Notes to Financial Statements—Continued

Note 4—Note Payable

In June 2016, SJLI obtained a note payable for \$50,000. The note payable shall be paid off by 260 payments of \$217.33 due each business day, ending in February 2017. At June 30, 2016, the balance of the note payable was \$47,269.

Note 5—Short Term Note Payable

The short term note payable consists of an interest free loan from a donor, due on demand. At June 30, 2016, the balance of the short term note payable was \$12,500.

Note 6—Commitments and Contingencies

In September 2015, SJLI entered into a one-year operating lease for its headquarter facility. An addendum was agreed to which runs through August 2020, and provides for annual cost of living increases with each respective year. Rent expense related to the leased headquarter facility amounted to \$33,420 for the year ended June 30, 2016. The future minimum annual lease commitment is as follows:

<u>Year Ending June 30,</u>	
2017	\$ 44,460
2018	46,012
2019	47,622
2020	49,292
2021	<u>8,262</u>
Total	<u>\$ 195,648</u>

Note 7—Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 were available for the following purposes:

Health Equity	\$ 71,875
Core operating support	50,000
Educational Equity	<u>376,667</u>
Total	<u>\$ 498,542</u>

Note 8—Subsequent Events

Subsequent events were evaluated by management through May 25, 2017, which is the date the financial statements were available to be issued, and it was concluded that no additional subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.