

Audited Financial Statements

Social Justice Learning Institute

June 30, 2019 and 2018

Quigley & Miron

Social Justice Learning Institute
Audited Financial Statements
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June 30, 2019 and 2018

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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 statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Los Angeles, California
April 25, 2020

Social Justice Learning Institute
Statements of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 1,147,413	\$ 399,344
Grants and contributions receivable	567,500	778,427
Government contracts receivable	68,188	53,281
Prepaid expenses	47	3,856
Property, net—Note 4	118,216	119,656
	<u>1,901,364</u>	<u>1,354,564</u>
Total Assets	<u>\$ 1,901,364</u>	<u>\$ 1,354,564</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 103,051	\$ 37,625
	<u>103,051</u>	<u>37,625</u>
Total Liabilities	103,051	37,625
Net Assets		
Without donor restrictions	321,036	234,826
With donor restrictions—Note 6	1,477,277	1,082,113
	<u>1,798,313</u>	<u>1,316,939</u>
Total Net Assets	<u>1,798,313</u>	<u>1,316,939</u>
Total Liabilities and Net Assets	<u>\$ 1,901,364</u>	<u>\$ 1,354,564</u>

See notes to the financial statements.

Social Justice Learning Institute
Statements of Activities
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Net Assets Without Restrictions		
Revenue, Support, and Other Income		
Grants and contributions	\$ 380,519	\$ 903,954
Government contracts	705,460	389,313
Other income	7,339	20,307
Net assets released from restrictions	1,207,909	752,779
	<u>2,301,227</u>	<u>2,066,353</u>
Total Revenue, Support, and Other Income	2,301,227	2,066,353
Expenses		
Program services	1,603,528	1,522,230
General and administrative	379,067	194,329
Fundraising	234,522	133,843
	<u>2,217,117</u>	<u>1,850,402</u>
Total Expenses	2,217,117	1,850,402
Increase in Net Assets Without Restrictions	84,110	215,951
Net Assets With Restrictions		
Grants and contributions	1,603,073	860,465
Net assets released from restrictions	(1,207,909)	(752,779)
	<u>395,164</u>	<u>107,686</u>
Increase in Net Assets With Restrictions	395,164	107,686
Change in Net Assets from Operations	479,274	323,637
Nonoperating Activities		
Gain on disposal of property	2,100	
	<u>2,100</u>	
Total Nonoperating Activities	2,100	
Change in Net Assets	481,374	323,637
Net Assets at Beginning of Year	<u>1,316,939</u>	<u>993,302</u>
Net Assets at End of Year	<u>\$ 1,798,313</u>	<u>\$ 1,316,939</u>

See notes to financial statements.

**Social Justice Learning Institute
Statement of Functional Expenses
Year Ended June 30, 2019**

	Program Services				Support Services		
	Educational Equity	Health Equity	Policy and Advocacy	Total	General and Administrative	Fundraising	Total
Salaries	\$ 342,997	\$ 261,891	\$ 133,996	\$ 738,884	\$ 90,094	\$ 148,213	\$ 977,191
Employee benefits	20,339	15,530	7,946	43,815	5,342	8,789	57,946
Payroll taxes	27,759	21,195	10,844	59,798	7,291	11,995	79,084
Total Personnel Expenses	391,095	298,616	152,786	842,497	102,727	168,997	1,114,221
Advertising and promotion		3,068	220	3,288	225	9,035	12,548
Awards and grants	1,950			1,950		3,550	5,500
Bank charges	50	31	19	100	8,306	21	8,427
Catering and meeting expense	48,083	11,218	1,407	60,708	10,893	82	71,683
Depreciation	11,269			11,269	13,605		24,874
Dues and subscriptions					1,652		1,652
Equipment rental and maintenance	1,617	4,640		6,257	4,895		11,152
Events and honoraria	155,661	24,712	13,130	193,503	921	1,697	196,121
Insurance	8,577	5,146	1,715	15,438	1,715		17,153
Internet and web hosting						1,289	1,289
Occupancy	14,827	18,071		32,898	27,032		59,930
Office expense	9,488	924	945	11,357	35,964	487	47,808
Postage	16			16	1,723	4	1,743
Printing		6,187		6,187	8,228		14,415
Professional fees	112,107	43,655	49,425	205,187	59,183	31,480	295,850
Program supplies	37,214	18,309	623	56,146	27,732	7,713	91,591
Public relations						256	256
Repairs and maintenance					26,735		26,735
Software and licensing	8,572			8,572	14,441	7,716	30,729
Taxes and licenses		334		334	66	150	550
Telephone	2,536	5,478		8,014	11,285		19,299
Travel	120,910	5,960	4,748	131,618	16,810	2,045	150,473
Utilities	52	8,137		8,189	4,929		13,118
Total Expenses	\$ 924,024	\$ 454,486	\$ 225,018	\$ 1,603,528	\$ 379,067	\$ 234,522	\$ 2,217,117

See notes to financial statements.

**Social Justice Learning Institute
Statement of Functional Expenses
Year Ended June 30, 2018**

	Program Services				Support Services		
	Educational Equity	Health Equity	Policy and Advocacy	Total	General and Administrative	Fundraising	Total
Salaries	\$ 334,712	\$ 150,071	\$ 78,110	\$ 562,893	\$ 132,411	\$ 76,314	\$ 771,618
Employee benefits	23,207	10,405	5,416	39,028	9,181	5,291	53,500
Payroll taxes	29,306	13,140	6,839	49,285	11,594	6,682	67,561
Total Personnel Expenses	387,225	173,616	90,365	651,206	153,186	88,287	892,679
Advertising and promotion		13,806	1,039	14,845	3,492	2,013	20,350
Awards and grants	11,335			11,335			11,335
Bank charges	2,783	1,726	1,058	5,567	1,310	755	7,632
Catering and meeting expense	50,202	11,295	1,255	62,752			62,752
Depreciation	11,653			11,653	2,741	1,580	15,974
Dues and subscriptions	1,902			1,902	447	258	2,607
Equipment rental and maintenance	2,471	7,033		9,504	2,236	1,288	13,028
Events and honoraria	45,119	7,332	3,948	56,399			56,399
Insurance	18,177			18,177	4,276	2,464	24,917
Interest	1,453			1,453	342	197	1,992
Internet and web hosting	1,750			1,750	411	237	2,398
Occupancy	34,993			34,993	8,232	4,744	47,969
Office expense	19,083	1,817	1,817	22,717	5,344	3,080	31,141
Postage	1,293			1,293	304	175	1,772
Printing		6,480		6,480	1,524	878	8,882
Professional fees	168,933	64,502	73,716	307,151	4,309	24,843	336,303
Program supplies	61,444	30,722	931	93,097			93,097
Public relations	5,335			5,335			5,335
Repairs and maintenance	7,120			7,120	1,675	965	9,760
Software and licensing	17,573			17,573			17,573
Tax and licenses		338		338	79	46	463
Telephone	4,761	4,956		9,717	2,286	1,317	13,320
Travel	149,780	8,230	6,584	164,594	893		165,487
Utilites	53	5,226		5,279	1,242	716	7,237
Total Expenses	\$ 1,004,438	\$ 337,079	\$ 180,713	\$ 1,522,230	\$ 194,329	\$ 133,843	\$ 1,850,402

See notes to financial statements.

Social Justice Learning Institute
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 481,374	\$ 323,637
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,874	15,974
Gain on disposal of property	(2,100)	
(Increase) decrease in operating assets:		
Grants and contributions receivable	210,927	(346,127)
Government contracts receivable	(14,907)	76,403
Prepaid expenses	3,809	(130)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	65,426	(25,376)
	<u>769,403</u>	<u>44,381</u>
Net Cash Provided by Operating Activities	769,403	44,381
Cash Flows from Investing Activities		
Purchases of property	(24,115)	(36,216)
Proceeds from sale of property	2,781	
	<u>(21,334)</u>	<u>(36,216)</u>
Net Cash Used in Investing Activities	(21,334)	(36,216)
Cash Flow from Financing Activities		
Principal payments on short-term notes payable		(12,500)
Principal payments on note payable		(28,652)
		<u>(41,152)</u>
Net Cash Used in Financing Activities		(41,152)
Increase (Decrease) in Cash and Cash Equivalents	748,069	(32,987)
Cash and Cash Equivalents at Beginning of Year	<u>399,344</u>	<u>432,331</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,147,413</u>	<u>\$ 399,344</u>
Supplemental Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$ 1,991</u>

See notes to financial statements.

Social Justice Learning Institute
Notes to Financial Statements
June 30, 2019 and 2018

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 areas:

Empowering Youth Through Education—SJLI uses education as a tool to empower youth of color to succeed as scholars, express themselves creatively and unlock their ability to transform their world. SJLI provides culturally relevant teaching, curriculum development and academic support through a social justice lens. SJLI provides tools and skills for youth to express themselves creatively and to take control of telling their own stories. SJLI creates pipelines for young men of color to pursue careers in the Allied Health and Medical fields. SJLI teaches youth to advocate for themselves and their communities. SJLI provides residents with knowledge to improve health outcomes for themselves and their community.

Creating Thriving Communities—SJLI works to transform neighborhood conditions by improving access to affordable, healthy food and empowering residents with knowledge to create the changes that they want to see in their communities. SJLI grows and distributes high-quality produce in areas that lack access to affordable, healthy food. SJLI introduced and continues to manage the first farmers' market in the city of Inglewood. SJLI teaches residents to grow their own food and work with them to maintain a growing network of over 100 home, school and community gardens.

Changing Systems—SJLI builds capacity for community members to identify and rectify injustice and to advocate for their needs at the city, county and state level. SJLI builds youth leaders and supports them in efforts to address issues impacting their communities. SJLI convenes a group of local community advocates to identify solutions for environmental and health disparities in Inglewood. SJLI anchors a coalition of residents, businesses, community and faith organizations advocating for housing justice for Inglewood. SJLI privileges the voice of community members, who inform and lead SJLI's research and advocacy efforts.

Program accomplishments during the year ended June 30, 2019 include the following:

Empowering Youth Through Education

Urban Scholars—A well-researched and evidence-based program changing the life trajectories of youth of color by increasing academic literacy, self-awareness, understanding of community conditions, and other skills development resulting in high school graduation, college acceptance and or gainful employment. The *Urban Scholars* program supports youth of color by providing them with the tools needed to achieve academic success and transform conditions in their communities. Programming includes individualized academic planning; Youth Participatory Action Research projects; college and career tours; and retreats. During the 2018-2019 school year, SJLI served students in three school districts in both California and Texas.

Social Justice Learning Institute
Notes to Financial Statements—Continued

Note 1—Organization—Continued

Across all sites, Urban Scholars graduated at a rate of 94%. A majority (82%) of the students pursue an education or career path: 44% pursue a post-secondary education, while another 38% pursue a career or vocation.

College Persistence and Alumni Programming—SJLI continued to build upon its efforts to support *Urban Scholars* alumni on their journeys in college and the workforce by connecting them to resources related to academic success, tuition, and housing. In 2019, the Urban Leaders Alumni Council continued to provide peer support to fellow alumni and conducted several activities, including a winter retreat and a leadership retreat. SJLI received funding from the Executive Alliance for Boys and Men of Color to complete a Youth Participatory Action Research Project on the barriers and challenges facing young men of color in their pursuit of a post-secondary education. SJLI's Alumni Research group presented its research findings, *Creating Pathways to Success: Strengthening College Persistence for Young Men of Color* at several conferences and convenings including the Executive Alliance for Boys and Men of Color in Washington, DC; the Alumni of Color Conference at the Harvard School of Education in Boston, MA; the Southern California College Access Network Annual Meeting in Los Angeles, CA; and the California Community Foundation's Board of Directors' Retreat in Los Angeles, CA.

Educational Partnerships—SJLI continued to serve as an organizational program partner for two initiatives focused on improving educational outcomes for young men of color: California Community Foundation's *Building a Lifetime of Options and Opportunities for Men (BLOOM) Initiative*, which redirects the lives of young system-involved Black males; and JPMorgan Chase's *The Fellowship Initiative*, which supports Black and Latino young men's academic success.

Most significantly, in November 2018, SJLI's *Urban Scholars* program was included as one of the 19 winners of the inaugural Obama Foundation's MBK Community Challenge competition. The national competition selected projects serving as models to expand evidence-based initiatives that reduce youth violence, grow effective mentorship programs and measurably improve the lives of boys and men of color. SJLI is one of the community organizations providing direct services as part of "Unlocking Justice" a multi-organizational collaborative effort with the California Community Foundation and Liberty Hill Foundation. Unlocking Justice was one of 10 Community Impact awards, the highest award tier. This support enables a portion of SJLI's expansion to collaborate with school districts and serve more students at school sites.

Healthy Eating Active Living—SJLI continues to transform the built environment and creates systems change through its Health Eating and Active Living (HEAL) Initiative. With support from the Los Angeles County Department of Public Health, SJLI provides a robust series of activities encouraging healthy lifestyle habits, and educating residents on nutrition, physical fitness and gardening. Using a *Train the Teacher* model, SJLI has trained community residents and conducted classes at community and senior centers, libraries, and schools serving over 2,500 community residents annually. For this year, SJLI taught 163 nutrition education classes and cooking demonstrations, 70 Zumba and Weekly Walking Club sessions and engaged 12 Health Ambassadors (including several of our Urban Scholars alumni) who engaged community members in conversations about ways to improve health outcomes.

Social Justice Learning Institute
Notes to Financial Statements—Continued

Note 1—Organization—Continued

Creating Thriving Communities

Food for Thought Produce Pickup—SJLI continues to collaborate with the Inglewood Unified School District and Food Forward to present *Food for Thought*, a free monthly produce pick-up at Morningside High School. Food Forward works with wholesale markets to recover high quality produce that would have otherwise been unnecessarily disposed of, and works with SJLI to distribute produce to the community. In 2019, an average of 12,500 pounds of produce was diverted away from landfills each month, totaling 150,000 pounds. Each month, 78,000 pounds of produce or a total of 157,000 was distributed to 1,020 families.

Changing Systems

SJLI's theory of social action asserts that education empowers communities and its residents to identify community inequities and injustices and providing them with the opportunity to create system change. This year, SJLI worked with students and community members fostering significant changes in a number of areas.

Boys and Men of Color Advocacy—As an active member of the Brothers, Sons, Selves (BSS) Coalition, which advocates for alternatives to suspensions and the decriminalization of youth and communities of color; SJLI engaged youth leaders in skills-building in advocacy and organizing. BSS was responsible for the passage of the State's AB 392 and SB 419 and youth development efforts with the LA Board of Supervisors. SJLI continues its work with the California Funders for Boys and Men of Color (CFBMoC) to improve youth diversion and development efforts across the state.

Public Health and Environmental Justice—SJLI continues its strong track record to engage community members and activate spaces providing residents and youth with information and ways to educate themselves in approaches and methods that improve neighborhood conditions. SJLI was selected by the non-profit TreePeople, to conduct community presentations, WaterTalks, to generate and increase community involvement in planning a sustainable water future for California. SJLI was also selected by the Liberty Hill Foundation as a key partner in the emPower program, which connects low-income residents in economically vulnerable communities to more than 60 money- and energy-saving programs, including ratepayer incentives, energy efficiency upgrades, solar and clean vehicle rebates. So far, SJLI has provided assistance to two residents who were able to purchase zero emission vehicles through the program.

Housing Justice—As the anchor organization for a local housing justice coalition, SJLI helped facilitate this community-led effort addressing gentrification, displacement, and housing insecurity in Inglewood and throughout Los Angeles County. The Coalition built and deepened relationships with key stakeholders and critical message carriers, successfully built support among youth, residents, property owners and community leaders and educated homeowners, block clubs and residents about the complexities of housing issues. Community members became more involved in educational outreach efforts, and, as a result of this work, Inglewood City Council first adopted a temporary, and then a permanent, rent stabilization ordinance. This was the first rent stabilization ordinance passed in Los Angeles County in a generation.

Social Justice Learning Institute
Notes to Financial Statements—Continued

Note 1—Organization—Continued

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—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. SJLI has adopted ASU 2016-14 for the year ended June 30, 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. SJLI's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of SJLI and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of SJLI. These net assets may be used at the discretion of SJLI's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of SJLI and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit SJLI to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of SJLI to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of SJLI's program services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature; SJLI did not engage in any reportable nonoperating activities during the years ended June 30, 2019 and 2018.

Social Justice Learning Institute
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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, SJLI 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, 2019 and 2018. 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.

Concentrations of Credit Risk—Financial instruments which potentially subject SJLI to concentrations of credit risk consist of cash and cash equivalents and grants and contributions receivable. SJLI 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.

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, 2019 and 2018.

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, 2019 and 2018.

Contributions—Contributions with and without restrictions are recognized 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.

Social Justice Learning Institute
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Salaries, employee benefits, payroll taxes, advertising and promotion, awards and grants, bank charges, catering and meeting expense, depreciation, dues and subscriptions, equipment rental and maintenance, events and honoraria, insurance, internet and web hosting, occupancy, office expense, postage, printing, professional fees, program supplies, public relations, repairs and maintenance, software and licensing, taxes and licenses, telephone, travel, and utilities are allocated on the basis of estimates of time and effort.

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.

Note 3—Availability and Liquidity

SJLI's goal is generally to maintain financial assets to meet 45 days of operating expenses (approximately \$185,000).

The following represents the availability and liquidity of SJLI's financial assets at June 30, 2019 and 2018 to cover operating expenses for the next fiscal year:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 237,636	\$ 95,658
Government contracts receivable	68,188	53,281
Current Availability of Financial Assets	<u>\$ 305,824</u>	<u>\$ 148,939</u>

Social Justice Learning Institute
Notes to Financial Statements—Continued

Note 4—Property, Net

Net property at June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 115,071	\$ 115,071
Equipment	44,265	20,151
Vehicles	38,407	43,907
	Gross	179,129
Less accumulated depreciation and amortization	<u>(79,527)</u>	<u>(59,473)</u>
	Net	\$ 118,216
	\$ 118,216	\$ 119,656

Depreciation and amortization expense amounted to \$24,874 and \$15,975 for the years ended June 30, 2019 and 2018, respectively. During the year ended June 30, 2019, SJLI disposed of a vehicle with a net book value of \$681 for \$2,781 cash, resulting in a gain on disposal of property of \$2,100.

Note 5—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 \$59,930 and \$47,969 for the years ended June 30, 2019 and 2018, respectively. The future minimum annual lease commitment is as follows:

<u>Year Ending June 30,</u>	
2020	\$ 49,292
2021	<u>8,262</u>
Total	\$ <u>57,554</u>

Additionally, SJLI entered into a one-year lease agreement for supportive housing space in April 2019, requiring monthly lease payments of \$2,895. Subsequent to year-end, SJLI entered into another one-year lease agreement for office space in Palmdale, requiring monthly lease payments of \$600.

Social Justice Learning Institute
Notes to Financial Statements—Continued

Note 6—Net Assets

Net assets with donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Educational Equity	\$ 1,340,511	\$ 1,059,037
School garden		23,076
Health Equity	19,350	
Housing	15,000	
Policy and advocacy	20,833	
Subject to time restrictions	<u>81,583</u>	
Totals	<u>\$ 1,477,277</u>	<u>\$ 1,082,113</u>

Net assets released from donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions		
Educational Equity	\$ 1,159,499	\$ 729,703
School garden	23,076	23,076
Health Equity	8,750	
Housing	5,000	
Policy and advocacy	4,167	
Satisfaction of passage of time	<u>7,417</u>	
Totals	<u>\$ 1,207,909</u>	<u>\$ 752,779</u>

Note 7—Recent Accounting Pronouncements

Revenue Recognition—In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018; early adoption is permitted for fiscal years beginning after December 15, 2016. The guidance permits the use of either a retrospective or cumulative effect transition method. SJLI is evaluating whether this will have a material impact on its financial statements.

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Notes to Financial Statements—Continued

Note 7—Recent Accounting Pronouncements—Continued

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2020, with early adoption permitted. SJLI is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Restricted Cash—In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU No. 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities will be required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. SJLI is currently evaluating the impact that the adoption of ASU No. 2016-18 will have on its financial statements.

Contributions—In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) will account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation (“simultaneous release” option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. ASU No. 2018-08 is effective for resource recipients with fiscal years beginning after December 15, 2018, and for resource providers with fiscal years beginning after December 15, 2019; early adoption is permitted. SJLI is currently evaluating the impact that the adoption of ASU No. 2018-08 will have on its financial statements.

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Notes to Financial Statements—Continued

Note 8—Subsequent Events

In early March 2020, the COVID-19 virus was declared a global pandemic, and, unfortunately, it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Subsequent events were evaluated by management through April 25, 2020, 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.