

**Center  
for  
Justice  
Innovation**

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

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

**Years Ended June 30, 2024 and 2023**

**JUSTICE INNOVATION, INC.**  
**D/B/A**  
**CENTER FOR JUSTICE INNOVATION**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
  
**YEARS ENDED JUNE 30, 2024 AND 2023**

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## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

We have audited the financial statements of Justice Innovation, Inc. ("the Center"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*CBIZ CPAs P.C.*

New York, NY  
February 14, 2025



**JUSTICE INNOVATION, INC.**  
**D/B/A CENTER FOR JUSTICE INNOVATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS:</b>		
Cash and cash equivalents (Notes 2C, 3 and 6)	\$ 5,269,601	\$ 1,735,148
Contributions and private grants receivable (Notes 2E, 2G, 2L and 3)	7,717,129	2,485,619
Government grants and contracts receivable, net (Notes 2D, 2E, 2L and 3)	51,364,930	50,460,165
Prepaid expenses and other assets	1,505,734	1,098,479
Property and equipment, net (Notes 2F and 4)	1,948,127	840,131
Operating lease right-of-use assets (Notes 2K and 9)	7,632,291	9,139,766
Finance lease right-of-use assets (Notes 2K and 9)	130,051	180,323
<b>TOTAL ASSETS</b>	<b>\$ 75,567,863</b>	<b>\$ 65,939,631</b>
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 6,511,543	\$ 7,729,288
Accrued payroll and benefits	4,225,428	3,928,533
Line of credit (Note 7)	-	7,000,000
Refundable advances (Note 2D)	6,029,151	4,879,340
Operating lease liability (Notes 2K and 9)	7,870,883	9,284,783
Finance lease liability (Notes 2K and 9)	133,393	182,140
<b>TOTAL LIABILITIES</b>	<b>24,770,398</b>	<b>33,004,084</b>
<b>COMMITMENTS AND CONTINGENCIES</b> (Notes 7 and 10)		
<b>NET ASSETS</b> (Note 2B):		
Without donor restrictions	39,574,455	25,999,124
With donor restrictions (Notes 3 and 5)	11,223,010	6,936,423
<b>TOTAL NET ASSETS</b>	<b>50,797,465</b>	<b>32,935,547</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 75,567,863</b>	<b>\$ 65,939,631</b>

**JUSTICE INNOVATION, INC.**  
**D/B/A CENTER FOR JUSTICE INNOVATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>For the Year Ended June 30, 2024</u>			<u>For the Year Ended June 30, 2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2024</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2023</u>
<b>REVENUE AND SUPPORT:</b>						
Contributions and private grants (Note 2G)	\$ 9,642,443	\$ 12,686,917	\$ 22,329,360	\$ 8,416,251	\$ 9,575,554	\$ 17,991,805
Government grants and contracts (Note 2D)	100,150,576	-	100,150,576	84,586,553	-	84,586,553
Other revenue	564,989	-	564,989	60,680	-	60,680
Net assets released from restrictions (Notes 2B and 5)	8,400,330	(8,400,330)	-	8,848,952	(8,848,952)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>118,758,338</u>	<u>4,286,587</u>	<u>123,044,925</u>	<u>101,912,436</u>	<u>726,602</u>	<u>102,639,038</u>
<b>EXPENSES (Note 2I):</b>						
Program services:						
Court Reform Programs	48,345,969	-	48,345,969	42,631,832	-	42,631,832
Community Safety	25,233,408	-	25,233,408	20,674,393	-	20,674,393
National Initiatives and Research	13,277,156	-	13,277,156	11,008,976	-	11,008,976
Policy	1,396,644	-	1,396,644	820,375	-	820,375
Center Core	1,493,232	-	1,493,232	1,374,275	-	1,374,275
Total program services	<u>89,746,409</u>	<u>-</u>	<u>89,746,409</u>	<u>76,509,851</u>	<u>-</u>	<u>76,509,851</u>
Supporting services:						
Management and general	15,297,241	-	15,297,241	12,850,622	-	12,850,622
Fundraising	139,357	-	139,357	99,106	-	99,106
Total supporting services	<u>15,436,598</u>	<u>-</u>	<u>15,436,598</u>	<u>12,949,728</u>	<u>-</u>	<u>12,949,728</u>
<b>TOTAL EXPENSES</b>	<u>105,183,007</u>	<u>-</u>	<u>105,183,007</u>	<u>89,459,579</u>	<u>-</u>	<u>89,459,579</u>
<b>CHANGE IN NET ASSETS</b>	<u>13,575,331</u>	<u>4,286,587</u>	<u>17,861,918</u>	<u>12,452,857</u>	<u>726,602</u>	<u>13,179,459</u>
NET ASSETS - BEGINNING OF YEAR	25,999,124	6,936,423	32,935,547	13,546,267	6,209,821	19,756,088
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 39,574,455</u>	<u>\$ 11,223,010</u>	<u>\$ 50,797,465</u>	<u>\$ 25,999,124</u>	<u>\$ 6,936,423</u>	<u>\$ 32,935,547</u>

JUSTICE INNOVATION, INC.  
D/B/A CENTER FOR JUSTICE INNOVATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2024  
(With Comparative Totals for June 30, 2023)

	For the Year Ended June 30, 2024									
	Program Services					Supporting Services				
	Court Reform Programs	Community Safety	National Initiatives and Research	Policy	Center Core	Total Program Services	Management and General	Fundraising	TOTAL 2024	TOTAL 2023
Salaries	\$ 31,224,185	\$ 13,443,422	\$ 6,205,463	\$ 924,903	\$ 923,720	\$ 52,721,693	\$ 8,484,155	\$ 30,027	\$ 61,235,875	\$ 53,195,250
Payroll taxes and employee benefits (Note 8)	8,935,735	3,847,238	1,775,879	264,689	264,350	15,087,891	2,427,994	8,593	17,524,478	14,769,281
<b>Total salaries and related costs</b>	40,159,920	17,290,660	7,981,342	1,189,592	1,188,070	67,809,584	10,912,149	38,620	78,760,353	67,964,531
Participant Subsistence and Stipends	1,370,936	1,269,410	46,544	-	257	2,687,147	2,505	-	2,689,652	2,488,602
Staff Travel	255,018	139,652	452,632	1,607	-	848,909	65,307	1,056	915,272	971,918
Office Supplies, Postage and Small Equipment	895,020	514,097	64,007	5,643	25,639	1,504,406	245,581	1,079	1,751,066	1,397,471
Program Supplies	474,595	1,004,913	758	-	-	1,480,266	427	-	1,480,693	954,310
Events, Facilities Rental and Catering	72,852	421,085	11,509	-	15,481	520,927	30,389	61,355	612,671	554,067
Food	152,752	605,793	19,585	1,281	876	780,287	42,479	-	822,766	650,862
Professional Fees	865,534	1,343,250	858,047	104,847	-	3,171,678	1,161,491	32,000	4,365,169	3,831,724
Subcontracts	626,827	211,429	3,107,392	-	147,300	4,092,948	-	-	4,092,948	2,613,379
Rent and Office Occupancy Costs (Note 9)	2,323,636	1,945,140	581,188	80,064	103,064	5,033,092	973,880	3,237	6,010,209	5,175,667
Telecommunications and Software Licensing	385,709	173,566	57,620	4,510	3,573	624,978	542,692	-	1,167,670	1,158,345
Staff Training and Recruiting	175,019	47,669	2,634	443	-	225,765	331,511	-	557,276	278,648
Depreciation (Note 4)	-	-	-	-	-	-	218,588	-	218,588	48,862
Insurance	286,374	147,970	76,767	8,657	8,874	528,642	11,561	751	540,954	451,125
Vehicle Maintenance	8,843	41,503	-	-	-	50,346	3,931	-	54,277	34,827
Bank and Interest Fees	-	-	-	-	-	-	79,051	-	79,051	377,293
Bad Debts	-	-	-	-	-	-	562,230	-	562,230	-
Miscellaneous	292,934	77,271	17,131	-	98	387,434	113,469	1,259	502,162	507,948
<b>TOTAL EXPENSES</b>	<b>\$ 48,345,969</b>	<b>\$ 25,233,408</b>	<b>\$ 13,277,156</b>	<b>\$ 1,396,644</b>	<b>\$ 1,493,232</b>	<b>\$ 89,746,409</b>	<b>\$ 15,297,241</b>	<b>\$ 139,357</b>	<b>\$ 105,183,007</b>	<b>\$ 89,459,579</b>

JUSTICE INNOVATION, INC.  
D/B/A CENTER FOR JUSTICE INNOVATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023

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

The accompanying notes are an integral part of these financial statements.



**JUSTICE INNOVATION, INC.**  
**D/B/A CENTER FOR JUSTICE INNOVATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 17,861,918	\$ 13,179,459
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	218,588	48,862
Amortization of finance lease	56,174	47,850
Bad debt expense	562,230	-
Reduction in carrying amount of right of use assets	1,557,747	123,724
(Increase) decrease in assets:		
Prepaid expenses and other assets	(407,255)	(348,096)
Contributions and private grants receivable	(5,231,510)	7,065,874
Government grants and contracts receivable	(1,466,995)	(32,357,620)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,217,745)	1,161,041
Accrued payroll and benefits	296,895	152,370
Refundable advances	1,149,811	2,096,870
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>13,379,858</b>	<b>(8,829,666)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(1,326,584)	(720,135)
<b>Net Cash Used in Investing Activities</b>	<b>(1,326,584)</b>	<b>(720,135)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowing line of credit	1,500,000	8,500,000
Repayment of line of credit	(8,500,000)	(1,500,000)
Payment of finance lease liability	(1,518,821)	(46,033)
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(8,518,821)</b>	<b>6,953,967</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,534,453</b>	<b>(2,595,834)</b>
Cash and cash equivalents - beginning of year	1,735,148	4,330,982
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 5,269,601</b>	<b>\$ 1,735,148</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 75,099	\$ 377,293

**JUSTICE INNOVATION, INC.**  
**D/B/A CENTER FOR JUSTICE INNOVATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 1 - DESCRIPTION OF ORGANIZATION**

Center for Justice Innovation (“the Center”) is a community justice organization that centers safety and racial justice in partnership with communities, courts, and the people most impacted.

The Center builds community justice in three primary ways.

- Working with communities to identify local challenges and create and operate innovative programs to address those challenges, inside and outside the courts.
- Conducting and analyzing field-leading research to truly understand issues, opportunities, and solutions.
- Sharing what's learned with justice systems, governments, and communities to seed justice across the country and beyond.

When tackling a challenge or implementing a new idea, the Center brings together residents, local business owners, legal system practitioners, social service providers, and people who have been impacted by the system. Communities are crucial to transforming justice, and the Center is uniquely positioned to bridge the gap between courts and communities, fostering communication, understanding, and trust.

Center for Justice Innovation was founded in 1996 as the Center for Court Innovation, which grew from a cutting-edge community court in Midtown Manhattan (now called the Midtown Community Justice Center) as the independent research and development arm of the New York State Unified Court System. Since its founding, the Center has grown to nearly 1,000 employees and has worked with hundreds of jurisdictions—big and small, urban and rural—in every state in the nation.

Following a long fiscal sponsorship relationship with the Fund of the City of New York, effective May 1, 2022, the Center began operating as a fully independent organization.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. **Basis of Accounting** – The Center’s financial statements have been prepared on the accrual basis of accounting. The Center adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. **Basis of Presentation** – The Center maintains its net assets under the following two classes:
- Without donor restrictions – resources that are available for the general support of the Center's operations.
  - With donor restrictions – net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or the passage of time, stipulations that they be maintained in perpetuity by the Center, and unappropriated endowment earnings.
- C. **Cash and Cash Equivalents** – The Center considers all highly liquid investments available for current use with an initial maturity of three months or less when acquired to be cash equivalents.
- D. **Government Grants and Contracts** – The Center derives its revenue from, among other sources, cost reimbursement contracts with government agencies which are recognized as revenue as those costs are incurred and the revenue is earned. Advances received on government grants are recorded as a liability until the expenses are incurred, at which time revenue is recognized. Cost reimbursement type government grants are accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).

**JUSTICE INNOVATION, INC.**  
**D/B/A CENTER FOR JUSTICE INNOVATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Multi-year governmental contracts included under government grants are cancelled by the funder upon its sole discretion. For the years ended June 30, 2024 and 2023, the Center was awarded conditional grants and contracts from government agencies in the aggregate amounts of \$170,051,926 and \$180,210,883, respectively, that have not been recorded in the accompanying financial statements, as they have not yet been earned. These grants and contracts require the Center to provide qualifying expenses to conduct certain services as specified in the contracts. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the Center may be required to return the funds already remitted.

- E. **Allowance for Credit Losses** – The Center determines whether an allowance for credit losses should be provided for government grants and contracts receivable, and contributions and private grants receivable. Such estimates are based on management’s assessment of the aged basis of its receivable, current economic conditions and subsequent receipts. As of June 30, 2024, the Center determined an allowance of \$270,233 was necessary for government grants and contracts receivable.

The following table summarizes the activity related to the allowance for credit losses for accounts receivable for the year ended June 30, 2024:

Balances beginning of the year	\$	-
Write-offs		(291,997)
Provision during the year		<u>562,230</u>
	<u>\$</u>	<u>270,233</u>

- F. **Property and Equipment** – Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable value. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the lease. The Center follows the policy of capitalizing all acquisitions in excess of \$5,000 with a useful life of one year or more.
- G. **Contributions and Private Grants** – Unconditional contributions and private grants, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are recorded as with donor restricted support if they are received with donor restrictions that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
- H. **In-Kind Contributions** – In-Kind contributions are recorded as revenue in the period in which they are received, and which would typically be purchased had they not been provided by donation. There were no contributed goods or services for the years ended June 30, 2024 and 2023.
- I. **Functional Expense Allocation** – The costs of program and supporting services activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**JUSTICE INNOVATION, INC.**  
**D/B/A CENTER FOR JUSTICE INNOVATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, insurance, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest and other, which are allocated on the basis of estimates of time and effort.

- J. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.
- K. **Leases** – The Center determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (“ROU”) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term.
- L. **Recently Enacted Accounting Standards** – On July 1, 2023, the Center adopted FASB ASU 2016-03, *Financial Instruments – Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments* (Accounting Standards Codification (“ASC”) 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the CECL methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost which will be presented at the net amount expected to be collected by using an allowance for credit losses. The adoption did not have a material impact on the financial statements.

**NOTE 3 - AVAILABLE RESOURCES AND LIQUIDITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, include the following as of June 30:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 5,269,601	\$ 1,735,148
Government grants and contracts receivable, net	51,364,930	50,460,165
Contributions and private grants receivable	<u>7,717,129</u>	<u>2,485,619</u>
Total financial assets	64,351,660	54,680,932
Less: Net assets with donor restrictions	<u>(11,223,010)</u>	<u>(6,936,423)</u>
	<u>\$ 53,128,650</u>	<u>\$ 47,744,509</u>

As part of the Center’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the Center has a line of credit of \$10,000,000 with a financial institution which can be drawn upon if needed (see Note 7).

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**NOTE 4 - PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 1,423,359	\$ 638,034	5 years
Furniture and fixtures	408,353	67,722	3 to 5 years
Equipment	140,018	34,430	3 to 5 years
Vehicles	<u>243,990</u>	<u>148,950</u>	5 years
Total Cost	2,215,720	889,136	
Less: Accumulated depreciation and amortization	<u>(267,593)</u>	<u>(49,005)</u>	
	<u>\$ 1,948,127</u>	<u>\$ 840,131</u>	

Depreciation and amortization expense amounted to \$218,588 and \$48,862 for the years ended June 30, 2024 and 2023, respectively.

**NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2024</u>	<u>2023</u>
Court Reform Programs	\$ 2,908,233	\$ 2,570,294
Community Safety	549,139	888,661
National Initiatives and Research	7,729,964	3,172,468
Center Core	<u>35,674</u>	<u>305,000</u>
	<u>\$11,223,010</u>	<u>\$ 6,936,423</u>

Net assets were released from donor restrictions when expenses satisfying the restricted purposes were incurred or by occurrence of other events specified by donors as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Court Reform Programs	\$ 3,150,561	\$ 3,199,572
Community Safety	1,231,449	1,082,734
National Initiatives and Research	3,311,672	3,718,061
Center Core	<u>706,648</u>	<u>848,585</u>
	<u>\$ 8,400,330</u>	<u>\$ 8,848,952</u>

**NOTE 6 - CONCENTRATION**

Cash and cash equivalents that potentially subject the Center to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to \$250,000 per depositor, per insured financial institution. As of June 30, 2024 and 2023, there was approximately \$5,435,000 and \$1,500,000, respectively, of cash and cash equivalents held by one bank that exceeded FDIC limits.

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**NOTE 7 - LINE OF CREDIT**

The Center has a line of credit of \$10,000,000 which bears interest at the Prime Rate. During the occurrence and continuance of an Event of Default of the Credit Agreement, all loans shall bear interest at 4% above the Prime Rate. The line of credit is collateralized by all of the Center's assets.

The line of credit expired on May 25, 2023, was extended to August 25, 2023 and further extended to October 31, 2024 and April 30, 2025. The Center is subject to a debt service coverage ratio in accordance with the loan documents. As of June 30, 2024, the Center was in compliance with the debt service coverage ratio. There was no balance outstanding as of June 30, 2024. The Center's line of credit balance as of June 30, 2023 was \$7,000,000. There was \$0 of borrowing from the line as of February 14, 2025.

**NOTE 8 - 403(b) PLAN**

The Center sponsors a defined contribution 403(b) Plan. Employee contributions to the 403(b) plan are based on a percentage of payroll. The Plan covers all employees on the first day of their employment. In order to receive the match, employees must be employed for six months. Pension expense for the years ended June 30, 2024 and 2023, amounted to \$3,311,834 and \$2,911,406, respectively.

**NOTE 9 - LEASES**

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

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

Total lease costs for the year ended June 30, 2024 are as follows:

Operating lease cost, included in occupancy	\$ 3,629,250
Finance lease cost	
Interest expense	5,141
Amortization of ROU assets	56,174
Total finance lease cost	61,315
Total lease cost	\$ 3,690,565

The following table summarizes the supplemental cash flow information for the year ended June 30, 2024:

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

Operating cash flows from operating leases	\$ 3,539,725
Operating cash flows from finance leases	\$ 5,141
Financing cash flows from finance leases	\$ 54,649

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

ROU assets obtained in exchange for lease liabilities

Operating leases	\$ 1,864,737
Financing leases	\$ 5,902

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**NOTE 9 - LEASES (Continued)**

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

Weighted-average remaining lease term in years	
Operating leases	3.73
Finance leases	2.93
Weighted-average discount rate	
Operating leases	3.29%
Finance leases	3.20%

As of June 30, 2024, minimum annual rental commitments for the remaining terms of the Center's operating leases were as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2025	\$ 3,796,503	\$ 49,359
2026	1,459,539	47,705
2027	1,040,405	36,304
2028	734,720	6,536
2029	486,719	-
Thereafter	<u>876,771</u>	<u>-</u>
Total	8,394,657	139,904
Less: present value discount	<u>(523,774)</u>	<u>(6,511)</u>
Present value of lease liabilities	<u>\$ 7,870,883</u>	<u>\$ 133,393</u>

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**A. *Income Tax***

The Center believes it had no uncertain tax positions as of June 30, 2024 and 2023 in accordance with FASB Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

**B. *Government Grant and Contact Disallowances***

In most instances, grants are subject to audits by city, state and federal auditors, and costs charged to grantors may be adjusted as a result of an audit. The Center believes that no material provision is required for cost adjustments.

**NOTE 11 - SUBSEQUENT EVENTS**

The Center has evaluated events subsequent to the date of the statement of financial position through February 14, 2025, the date the financial statements were available to be issued. The Center has determined that no subsequent events have occurred which require disclosure in or adjustments to the financial statements.