CALIFORNIANS FOR JUSTICE EDUCATION FUND
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

CONTENTS

HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

November 10, 2023

Board of Directors
Californians for Justice Education Fund
Oakland, California

Opinion

I have audited the accompanying financial statements of Californians for Justice Education Fund (a nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Californians for Justice Education Fund as of December 31, 2022, and the changes in 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Californians for Justice Education Fund and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Californians for Justice Education Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

1200 CONCORD AVENUE, SUITE 250, CONCORD, CA 94520 • (925) 603-0800 • (925) 603-0804 FAX

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I:

- 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 Californians for Justice Education Fund'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Californians for Justice Education Fund's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Healy and Associates

Healy and Associates
Concord, California

CALIFORNIANS FOR JUSTICE EDUCATION FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 10,552,976
Contributions and grants receivable, current portion	2,975,600
Other receivable	4,394
Prepaid expenses	70,940
Total Current Assets	13,603,910
Grants receivable, long-term portion	1,100,000
Right-of-use asset	1,004,853
Fixed assets, net	2,331
Intangible assets, net	7,333
Deposits	23,428
Total Assets	$ 15,741,855
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 455,201
Sabbatical liability	96,184
Lease liability, current portion	176,146
Total Current Liabilities	727,531
Lease liability, long-term portion	839,043
Total Liabilities	1,566,574
NET ASSETS	
Without donor restrictions	8,612,573
With donor restrictions	5,562,708
Total Net Assets	14,175,281
Total Liabilities and Net Assets	$ 15,741,855

See Notes to Financial Statements

CALIFORNIANS FOR JUSTICE EDUCATION FUND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions:			
Foundation	$ 2,288,975	$ 6,364,632	$ 8,653,607
Individual	48,850	-	48,850
Organizational	15,776	-	15,776
Honoraria	18,518	-	18,518
Program fees	1,227,165	-	1,227,165
Fiscal sponsor fees	435,940	-	435,940
Interest income	5,246	-	5,246
Other revenue	627	-	627
	4,041,097	6,364,632	10,405,729
Net assets released from restriction	4,136,667	(4,136,667)	-
TOTAL REVENUE AND SUPPORT	8,177,764	2,227,965	10,405,729
EXPENSES			
Program services	6,074,471	-	6,074,471
Administrative services	1,073,054	-	1,073,054
Fundraising expenses	396,911	-	396,911
TOTAL EXPENSES	7,544,436	-	7,544,436
CHANGE IN NET ASSETS	633,328	2,227,965	2,861,293
NET ASSETS, beginning of year	7,979,245	3,334,743	11,313,988
NET ASSETS, end of year	$ 8,612,573	$ 5,562,708	$ 14,175,281

CALIFORNIANS FOR JUSTICE EDUCATION FUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Administrative Services	Fundraising Expenses	Total
Wages	$ 2,756,809	$ 688,601	$ 258,184	$ 3,703,594
Payroll taxes	225,098	56,324	21,125	302,547
Sabbatical expense	(59,381)	(16,258)	(6,100)	(81,739)
Employee benefits	318,269	83,303	31,372	432,944
Total Personnel Expenses	3,240,795	811,970	304,581	4,357,346
Grants to others	1,283,850	-	-	1,283,850
Consultants	379,650	102,042	38,530	520,222
Fiscal sponsor expense	435,940	-	-	435,940
Lease expense	145,088	52,647	16,617	214,352
Meeting and events	138,735	24,990	8,983	172,708
Intern expense	91,246	-	-	91,246
Computer expenses	65,288	16,647	6,252	88,187
Staff development	31,970	9,621	2,740	44,331
Miscellaneous	30,233	8,944	3,407	42,584
Individual honorarium	39,225	-	-	39,225
Utilities	28,506	7,430	2,797	38,733
Bank and payroll fees	21,490	6,356	2,421	30,267
Student and volunteer expenses	29,671	-	-	29,671
Travel	18,723	5,312	2,016	26,051
Office supplies	16,408	4,654	1,766	22,828
Insurance	15,685	4,639	1,767	22,091
Hiring expense	13,931	4,073	1,550	19,554
Telephone	13,410	3,693	1,398	18,501
Depreciation and amortization	9,085	2,686	1,024	12,795
Property taxes and fees	8,776	1,181	472	10,429
Postage and delivery	5,164	654	220	6,038
Printing	4,420	195	-	4,615
Office maintenance	-	3,095	-	3,095
Moving expenses	2,734	48	18	2,800
Publications and subscriptions	1,842	523	199	2,564
Office repairs	1,356	401	153	1,910
Donations to others	1,250	-	-	1,250
Bad debt expense	-	925	-	925
Board expense	-	328	-	328
Total Expenses	$ 6,074,471	$ 1,073,054	$ 396,911	$ 7,544,436

CALIFORNIANS FOR JUSTICE EDUCATION FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 2,861,293
Adjustment to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	12,795
CHANGES IN ASSETS AND LIABILITIES:	
Contributions and grants receivable	(1,657,876)
Other receivable	(2,832)
Prepaid expenses	(2,925)
Right-of-use asset	(1,004,853)
Deposits	(3,674)
Accounts payable and accrued expenses	(20,058)
Sabbatical liability	(81,738)
Lease liability	1,015,189
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,115,321
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,115,321
CASH AND CASH EQUIVALENTS, beginning of year	9,437,655
CASH AND CASH EQUIVALENTS, end of year	$ 10,552,976

SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:	
Right-of-use asset	$ 1,154,159
Operating lease liability for right-of-use asset	$ 1,154,159

NOTE A – NATURE OF ACTIVITIES

Californians for Justice Education Fund (Organization) is a California nonprofit public benefit corporation, incorporated in 1995 and operates from its headquarters in Oakland, California. It is a statewide, youth-powered organization, working to improve the lives of communities of color, immigrant, low-income, LGBTQ, and other marginalized communities. The Organization's primary mission is to carry on charitable and educational activities in furtherance of social justice.

The Organization is supported primarily through foundation grants and awards, contributions, and program fees.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

> **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. These net assets may be used at the discretion of the Organization'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; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents
Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Fair Value Measurements
The Organization's financial instruments include cash and cash equivalents measured using Level 1 inputs. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1— Quoted prices for identical assets in active markets.
Level 2—Observable inputs other than Level 1, which include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets.

Contributions and Grants Receivable
Contributions and grants receivable are recorded at net realizable value consisting of the amount awarded less an allowance for uncollectible amounts. The Organization evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. Management did not consider an allowance for doubtful accounts necessary as of December 31, 2022.

Fixed Assets
Fixed asset additions in excess of $5,000 are recorded at cost, or if donated, at fair value on the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exemption Status
The Organization has received exempt status under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has no unrelated business income, and management has analyzed tax positions taken and has concluded that there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Program fees earned under a contractual arrangement (an “exchange transaction”) are recognized when earned and therefore measured as services are provided. Funds received in advance of services are reflected in deferred revenue.

A portion of the Organization’s revenue is derived from cost-reimbursable grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has $1,080,000 in cost-reimbursement grants that have not been recognized as of December 31, 2022 because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the cost-reimbursable federal and state grants.

Functional Allocation of Expenses
The costs of program activities and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited based on employee time spent in the functional area.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Principles
In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard establishes a comprehensive new lease accounting model. It clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right of use asset for leases with a lease term of more than one year. It is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Organization adopted the standard on January 1, 2022. The Organization elected the 'package of practical expedients', which permitted the Organization not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs; and all of the new standard's available transition practical expedients. In addition, the Organization adopted the practical expedients of using the risk-free interest rate and the short-term lease definition. The adoption of the standard resulted in the addition of right of use assets and lease liabilities as reflected in the accompanying financial statements.

The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, less any lease incentives received. All right-of-use assets are reviewed for impairment. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an incremental borrowing rate for the same term as the underlying lease or the risk-free interest rate. Lease expense for our operating lease is recognized on a straight-line basis over the lease term. Included in lease expense are any variable lease payments incurred in the period that were not included in the initial lease liability.

NOTE C – CONCENTRATIONS

At December 31, 2022, the Organization has $3,945,213 in cash held in financial institutions exceeding insured limits. To date, the Organization has not experienced, nor does it anticipate, any losses with respect to such accounts. Management monitors the creditworthiness of the financial institutions on an ongoing basis.

At December 31, 2022, one funder accounted for 55% of total receivables.

The Organization received approximately 39% of its annual revenue from one funder. The loss of that funding could have an impact on the future operations of the Organization.

NOTE D – CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2022, contributions and grants receivable consist of the following:

Within one year – grants and contributions	$ 2,975,600
Within two years - grants	1,100,000
	$ 4,075,600

The Organization discounts the receivables which are due beyond three years. The grants receivable due within two years has not been discounted to present value, however, the difference is not deemed material to these financial statements taken as a whole by management.

NOTE E – FIXED ASSETS

Fixed assets at December 31, 2022 consisted of the following:

Computer equipment	$ 11,986
Less: accumulated depreciation	(9,655)
Total fixed assets, net	$ 2,331

Depreciation expense for the year ended December 31, 2022 is $3,995.

NOTE F – INTANGIBLE ASSETS

Intangible assets at December 31, 2022 consisted of the following:

Website	$ 44,000
Less: accumulated amortization	(36,667)
Total intangible assets, net	$ 7,333

Amortization expense for the year ended December 31, 2022 is $8,800.

NOTE G – LEASES

During the year ended December 31, 2022, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases,* which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments.

The Organization rents space in Oakland, San Jose, Fresno, and Long Beach, California, under various non-cancellable lease agreements. In addition, the Organization maintains non-cancellable lease agreements for various office equipment.

NOTE G – LEASES (Continued)

The client used a risk-free interest rate based on the duration of the lease which resulted in rates of 3.62%, 1.55%, and 1.04% to determine present value. Right-of-use assets were $1,004,853 and lease liabilities were $1,015,189 as of December 31, 2022. The weighted-average discount rate used to calculate the present value of future minimum lease payments was the risk-free interest rate of 2.13%. The weighted-average lease term was 5.73 years at December 31, 2022.

Lease expense consists of the following for the year ended December 31, 2022:

Operating lease expense	$ 161,513
Short term lease expense	52,839
Total lease expense	$ 214,352

The total cash amount paid for operating leases was $151,179 for the fiscal year ended December 31, 2022, with a non-cash component of $10,334.

Future minimum payments for the fiscal year ended December 31 is as follows:

	Operating Leases	Short-term Leases	Grand Total
2023	$ 284,536	$ 11,268	$ 295,804
2024	310,039	1,584	311,623
2025	286,855	1,584	288,439
2026	272,425	1,584	274,009
2027	280,597	660	281,257
2028	176,582	-	176,582
2029	48,253	-	48,253
Total minimum lease payments	1,659,287	16,680	1,675,967
Less: net present value	(644 098)	-	(644,098)
PV of minimum lease payments	$ 1,015,189	$ 16,680	$ 1,031,869

NOTE H – EMPLOYEE BENEFITS

The Organization's employees are entitled to paid time off based upon length of service and other factors. As of December 31, 2022, the respective accrued vacation liability was $162,503. This amount is reflected as accrued expenses in the statement of financial position.

NOTE H – EMPLOYEE BENEFITS (Continued)

The Organization accrues a ninety-day sabbatical for regular staff after five years of continuous employment. Additional sabbaticals are accrued after three years of continuous employment thereafter. The sabbatical accrues over five years or three years, depending on the employee, but is not payable to the employee upon termination of employment. The accrued sabbatical payable is $96,184 at December 31, 2022 and is included in the accompanying statement of financial position.

The Organization offers employees the opportunity to participate in a salary reduction retirement plan (with discretionary employer profit-sharing contributions) qualified under Internal Revenue Code Section 401(k). The Plan covers all eligible participants and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and, as such, has been amended periodically to comply with changes made to ERISA through 2021. Employer contributions for matching is $0 for the year ended December 31, 2022.

NOTE I – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$10,552,976
Receivables	2,979,994
Total Financial Assets	13,532,970
Less amounts not available to be used within one year:	
Net assets with purpose restrictions to be met in one year	(4,462,708)
Financial assets available to meet cash needs for general expenditures within one year	$9,070,262

The Organization has $9,070,262 in financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE J – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022, the Organization engaged the consulting services of a member of the Board of Directors. Total amount paid to the Board member is $500 for the year ended December 31, 2022.

NOTE K – FISCAL SPONSORSHIP

For the year ended December 31, 2022, the Organization served as fiscal sponsor for Youth Organize California. In this capacity, the Organization is responsible for ensuring funds are properly spent to achieve the project's goals. As a condition of this arrangement, such goals must align with and further the Organization's mission. The Organization anticipates continuing this fiscal sponsorship until the objectives can no longer be accomplished or the project no longer has the funds to continue. During the year ended December 31, 2022, the Organization received $4,218,460 for the fiscally sponsored project and disbursed $1,821,718, while earning an administrative fee of $435,940.

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2022, net assets with donor restriction activity consisted of the following:

Nature of Restriction	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Purpose:				
Campaign/Alliances	$ 890,864	$ 1,076,000	($1,127,245)	$ 839,619
Capacity building	231,959	40,000	(271,959)	-
Regrants	-	478,150	(186,000)	292,150
Civic engagement	-	83,582	(68,582)	15,000
YO! Cali	1,739,556	4,654,400	(2,101,499)	4,292,457
Development	132,364	32,500	(141,382)	23,482
Time	340,000	-	(240,000)	100,000
Total	$3,334,743	$6,364,632	($4,136,667)	$5,562,708

NOTE M – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through November 10, 2023, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2022, that required recognition or disclosure in the financial statements.