

NEW JERSEY INSTITUTE
FOR SOCIAL JUSTICE
FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2022 AND 2021

NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE
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YEAR DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
New Jersey Institute for Social Justice

Opinion

I have audited the accompanying financial statements of New Jersey Institute for Social Justice (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and 2021, 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 my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New Jersey Institute for Social Justice as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

I conducted my audits 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 the New Jersey Institute for Social Justice and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. 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 the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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, 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 the 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 the Institute'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 the Institute'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.

April 24, 2023
Hillsborough, NJ

James M. Wood, CPA

NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash & cash equivalents | \$ 1,225,006 | \$ 1,125,882 |
| Investment securities | 5,847,582 | 6,823,855 |
| Accounts receivable | 3,443 | 5,918 |
| Pledges receivable | 8,850 | 25,000 |
| Total financial assets | <u>7,084,881</u> | <u>7,980,655</u> |
| Prepaid expenses | 13,833 | 13,833 |
| Total current assets | <u>7,098,714</u> | <u>7,994,488</u> |
| Property & equipment | | |
| Furniture & fixtures | 215,521 | 212,445 |
| Leasehold improvements | 44,556 | 44,556 |
| | <u>260,077</u> | <u>257,001</u> |
| Less accumulated depreciation | <u>(242,620)</u> | <u>(235,774)</u> |
| | 17,457 | 21,227 |
| Other assets | | |
| Security deposit | 11,846 | 11,846 |
| | <u>11,846</u> | <u>11,846</u> |
| | <u>\$ 7,128,017</u> | <u>\$ 8,027,561</u> |
| Liabilities & Net Assets (Accumulated Deficit) | | |
| Current liabilities | | |
| Accounts payable & accrued expenses | \$ 83,331 | \$ 56,001 |
| Net assets (accumulated deficit) | | |
| Without donor restrictions | | |
| Undesignated | 142,249 | 112,615 |
| Board designated | 5,437,092 | 6,735,572 |
| | <u>5,579,341</u> | <u>6,848,187</u> |
| With donor restrictions | 1,465,345 | 1,123,373 |
| | <u>7,044,686</u> | <u>7,971,560</u> |
| | <u>\$ 7,128,017</u> | <u>\$ 8,027,561</u> |

See accompanying notes to financial statements.

NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | | | 2021 | | |
|--|----------------------------------|-------------------------------|---------------------|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Public Support | | | | | | |
| Contributions of cash and other financial assets | | | | | | |
| Contributions | \$ 149,476 | \$ - | \$ 149,476 | \$ 226,232 | \$ - | \$ 226,232 |
| Foundation & corporate grants | 994,525 | 2,274,411 | 3,268,936 | 962,333 | 1,589,000 | 2,551,333 |
| Special event, net of | | | | | | |
| Gross income | 584,170 | - | 584,170 | 381,500 | - | 381,500 |
| Direct expense | (211,668) | - | (211,668) | (62,660) | - | (62,660) |
| | <u>372,502</u> | <u>-</u> | <u>372,502</u> | <u>318,840</u> | <u>-</u> | <u>318,840</u> |
| | 1,516,503 | 2,274,411 | 3,790,914 | 1,507,405 | 1,589,000 | 3,096,405 |
| Revenue | | | | | | |
| Contractual arrangements | 21,312 | - | 21,312 | 9,837 | - | 9,837 |
| Litigation | - | - | - | 19,038 | - | 19,038 |
| | <u>21,312</u> | <u>-</u> | <u>21,312</u> | <u>28,875</u> | <u>-</u> | <u>28,875</u> |
| Other | | | | | | |
| Paycheck Protection Program | - | - | - | 324,800 | - | 324,800 |
| Investment Income | | | | | | |
| Interest & dividends | 148,033 | - | 148,033 | 201,370 | - | 201,370 |
| Gains (losses) on investment securities | (1,271,362) | - | (1,271,362) | 706,831 | - | 706,831 |
| Investment management fees | (25,151) | - | (25,151) | (27,617) | - | (27,617) |
| | <u>(1,148,480)</u> | <u>-</u> | <u>(1,148,480)</u> | <u>880,584</u> | <u>-</u> | <u>880,584</u> |
| Subtotal | 389,335 | 2,274,411 | 2,663,746 | 2,741,664 | 1,589,000 | 4,330,664 |
| Net assets released from restriction | 1,932,439 | (1,932,439) | - | 1,811,689 | (1,811,689) | - |
| Total income | 2,321,774 | 341,972 | 2,663,746 | 4,553,353 | (222,689) | 4,330,664 |
| Functional Expenses | | | | | | |
| Program services | | | | | | |
| Economic Justice | 874,429 | - | 874,429 | 766,476 | - | 766,476 |
| Criminal Justice | 880,436 | - | 880,436 | 670,312 | - | 670,312 |
| Democracy & Justice | 863,646 | - | 863,646 | 760,650 | - | 760,650 |
| | <u>2,618,511</u> | <u>-</u> | <u>2,618,511</u> | <u>2,197,438</u> | <u>-</u> | <u>2,197,438</u> |
| Supporting services | | | | | | |
| Management & general | 570,982 | - | 570,982 | 501,482 | - | 501,482 |
| Fund raising | 401,127 | - | 401,127 | 442,023 | - | 442,023 |
| | <u>972,109</u> | <u>-</u> | <u>972,109</u> | <u>943,505</u> | <u>-</u> | <u>943,505</u> |
| Total expenses | 3,590,620 | - | 3,590,620 | 3,140,943 | - | 3,140,943 |
| Increase (decrease) in net assets | (1,268,846) | 341,972 | (926,874) | 1,412,410 | (222,689) | 1,189,721 |
| Net assets, beginning of period | 6,848,187 | 1,123,373 | 7,971,560 | 5,435,777 | 1,346,062 | 6,781,839 |
| Net assets end of period | <u>\$ 5,579,341</u> | <u>\$ 1,465,345</u> | <u>\$ 7,044,686</u> | <u>\$ 6,848,187</u> | <u>\$ 1,123,373</u> | <u>\$ 7,971,560</u> |

See accompanying notes to financial statements.

NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021

| | 2022 | | | | 2021 | | | (See page 6) | |
|-------------------------------|-------------------|-------------------|---------------------|---------------------|----------------------|-------------------|-------------------|---------------------|---------------------|
| | Program Services | | | Total | Supporting Services | | Total Expenses | | Total Expenses |
| | Economic Justice | Criminal Justice | Democracy & Justice | | Management & General | Fund Raising | | Total | |
| Salaries | \$ 570,799 | \$ 513,033 | \$ 496,413 | \$ 1,580,245 | \$ 307,993 | \$ 260,139 | \$ 568,132 | \$ 2,148,377 | \$ 1,942,754 |
| Payroll tax & fringe benefits | 139,943 | 125,780 | 121,706 | 387,429 | 75,511 | 63,778 | 139,289 | 526,718 | 474,981 |
| | <u>710,742</u> | <u>638,813</u> | <u>618,119</u> | <u>1,967,674</u> | <u>383,504</u> | <u>323,917</u> | <u>707,421</u> | <u>2,675,095</u> | <u>2,417,735</u> |
| Professional fees | 25,316 | 32,987 | 26,190 | 84,493 | 106,576 | 19,897 | 126,473 | 210,966 | 83,204 |
| Direct project | 13,124 | 92,177 | 109,167 | 214,468 | 113 | 789 | 902 | 215,370 | 189,810 |
| Insurance | 2,027 | 1,821 | 1,763 | 5,611 | 1,094 | 924 | 2,018 | 7,629 | 10,270 |
| Office | 11,805 | 10,610 | 10,266 | 32,681 | 6,370 | 5,380 | 11,750 | 44,431 | 62,889 |
| Technology & communications | 26,764 | 24,056 | 23,276 | 74,096 | 14,442 | 12,198 | 26,640 | 100,736 | 99,496 |
| Travel, meals & entertainment | 12,629 | 11,351 | 10,983 | 34,963 | 6,814 | 5,756 | 12,570 | 47,533 | 11,467 |
| Dues & subscriptions | 12,622 | 11,344 | 10,977 | 34,943 | 6,810 | 5,752 | 12,562 | 47,505 | 43,925 |
| Equipment rental & repairs | 1,666 | 1,497 | 1,449 | 4,612 | 899 | 759 | 1,658 | 6,270 | 7,244 |
| Occupancy | 45,867 | 41,225 | 39,889 | 126,981 | 24,749 | 20,903 | 45,652 | 172,633 | 172,522 |
| Outside events | 1,221 | 4,986 | 2,308 | 8,515 | 13,867 | - | 13,867 | 22,382 | 24,189 |
| Miscellaneous | 8,827 | 7,934 | 7,677 | 24,438 | 4,763 | 4,023 | 8,786 | 33,224 | 13,903 |
| | <u>872,610</u> | <u>878,801</u> | <u>862,064</u> | <u>2,613,475</u> | <u>570,001</u> | <u>400,298</u> | <u>970,299</u> | <u>3,583,774</u> | <u>3,136,654</u> |
| Depreciation | 1,819 | 1,635 | 1,582 | 5,036 | 981 | 829 | 1,810 | 6,846 | 4,289 |
| Total functional expenses | <u>\$ 874,429</u> | <u>\$ 880,436</u> | <u>\$ 863,646</u> | <u>\$ 2,618,511</u> | <u>\$ 570,982</u> | <u>\$ 401,127</u> | <u>\$ 972,109</u> | <u>\$ 3,590,620</u> | <u>\$ 3,140,943</u> |

See accompanying notes to financial statements.

NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

| | 2021 | | | | | | | |
|----------------------------------|---------------------|---------------------|------------------------|---------------------|-------------------------|-------------------|-------------------|---------------------|
| | Program Services | | | | Supporting Services | | | |
| | Economic Justice | Criminal Justice | Democracy & Justice | Total | Management & General | Fund Raising | Total | Total Expenses |
| Salaries | \$ 509,137 | \$ 363,387 | \$ 484,657 | \$ 1,357,181 | \$ 285,309 | \$ 300,264 | \$ 585,573 | \$ 1,942,754 |
| Payroll tax & fringe benefits | 124,478 | 88,844 | 118,493 | 331,815 | 69,755 | 73,411 | 143,166 | 474,981 |
| | <u>633,615</u> | <u>452,231</u> | <u>603,150</u> | <u>1,688,996</u> | <u>355,064</u> | <u>373,675</u> | <u>728,739</u> | <u>2,417,735</u> |
| Professional fees | 2,908 | 3,210 | 3,812 | 9,930 | 70,767 | 2,507 | 73,274 | 83,204 |
| Direct project | 14,647 | 131,525 | 43,638 | 189,810 | - | - | - | 189,810 |
| Insurance | 2,692 | 1,921 | 2,562 | 7,175 | 1,508 | 1,587 | 3,095 | 10,270 |
| Office | 16,481 | 11,763 | 15,689 | 43,933 | 9,236 | 9,720 | 18,956 | 62,889 |
| Technology & communications | 26,075 | 18,610 | 24,821 | 69,506 | 14,612 | 15,378 | 29,990 | 99,496 |
| Travel, meals & entertainment | 3,005 | 2,145 | 2,861 | 8,011 | 1,684 | 1,772 | 3,456 | 11,467 |
| Dues & subscriptions | 11,511 | 8,216 | 10,958 | 30,685 | 6,451 | 6,789 | 13,240 | 43,925 |
| Equipment rental & repairs | 1,898 | 1,355 | 1,807 | 5,060 | 1,064 | 1,120 | 2,184 | 7,244 |
| Occupancy | 45,213 | 32,270 | 43,039 | 120,522 | 25,336 | 26,664 | 52,000 | 172,522 |
| Outside events | 3,663 | 3,663 | 3,774 | 11,100 | 13,089 | - | 13,089 | 24,189 |
| Miscellaneous | 3,644 | 2,601 | 3,469 | 9,714 | 2,041 | 2,148 | 4,189 | 13,903 |
| | <u>765,352</u> | <u>669,510</u> | <u>759,580</u> | <u>2,194,442</u> | <u>500,852</u> | <u>441,360</u> | <u>942,212</u> | <u>3,136,654</u> |
| Depreciation | <u>1,124</u> | <u>802</u> | <u>1,070</u> | <u>2,996</u> | <u>630</u> | <u>663</u> | <u>1,293</u> | <u>4,289</u> |
| Total functional expenses | <u>\$ 766,476</u> | <u>\$ 670,312</u> | <u>\$ 760,650</u> | <u>\$ 2,197,438</u> | <u>\$ 501,482</u> | <u>\$ 442,023</u> | <u>\$ 943,505</u> | <u>\$ 3,140,943</u> |

See accompanying notes to financial statements.

NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities | | |
| Increase (decrease) in net assets | \$ (926,874) | \$ 1,189,721 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | | |
| Depreciation | 6,846 | 4,288 |
| (Gains) losses on investment securities | 1,271,362 | (706,831) |
| Paycheck Protection Program loan forgiveness | - | (324,800) |
| (Increase) decrease in: | | |
| Accounts receivable | 2,475 | 7,775 |
| Pledges receivable | 16,150 | - |
| Prepaid expenses | - | 3,451 |
| Increase (decrease) in: | | |
| Accounts payable & accrued expenses | <u>27,330</u> | <u>9,626</u> |
| Cash provided by operating activities | 397,289 | 183,230 |
| Cash flows from investing activities | | |
| Proceeds from sale of investment securities | 150,000 | 150,000 |
| Acquisition of investment securities | (445,089) | (155,195) |
| Acquisition of fixed assets | <u>(3,076)</u> | <u>(15,878)</u> |
| Cash used in investing activities | <u>(298,165)</u> | <u>(21,073)</u> |
| Net increase in cash & cash equivalents | 99,124 | 162,157 |
| Cash & cash equivalents | | |
| Beginning of year | <u>1,125,882</u> | <u>963,725</u> |
| End of year | <u>\$ 1,225,006</u> | <u>\$ 1,125,882</u> |

See accompanying notes to financial statements.

NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2022 AND 2021

(1) **Summary of Significant Accounting Policies**

Nature of activities

New Jersey Institute for Social Justice (the Institute), a public charity, is a Newark-based urban research and advocacy organization dedicated to the advancement of New Jersey's urban areas and residents. Established in 1999, the Institute's programs focus on expanding access to economic opportunity for low-income and minority residents of Newark and other urban areas of the state; promoting local, regional and state government that is effective, equitable and accountable to the concerns of urban residents and their communities; and ensuring the civil rights and other basic entitlements of minorities and low-income individuals in the state. The Institute advances this nonpartisan agenda through policy-related research and analysis, development and implementation of model programs, advocacy efforts and sustained public education.

Basis of presentation

In accordance with generally accepted accounting principles, the financial statements have been prepared on the accrual basis of accounting. Net assets are classified based on the existence or absence of donor-imposed restrictions and are defined as follows:

Net assets without donor restrictions - net assets not subject to donor-imposed conditions and expendable for operating purposes.

Net assets with donor restrictions - net assets subject to donor-imposed conditions that will be met by actions of the Institute and/or by the passage of time.

Included in net assets without donor restrictions are board designated net assets. Prior to fiscal year 2005, the Institute's revenues were derived primarily from the Alan V. and Amy Lowenstein Family Foundation. The funds were received as investment securities and have been designated by the Board of Trustees to provide ongoing support for programs and operations. Use of endowment assets for programs and operations are determined by the Board of Trustees.

Cash & cash equivalents

The financial statement item "cash & cash equivalents" consists of demand deposits, including money market funds, in depository financial institutions and highly liquid investments in money market funds.

Investment securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities.

Contributions

Contributions received are recognized as revenue when pledged. Contributions are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions.

NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2022 AND 2021

Grants

Grants received from foundations and corporations are treated as contributions and are recorded as without or with donor restrictions depending on the nature of any donor imposed conditions. Grants which are conditional in nature are recognized when the underlying conditions are substantially satisfied.

Contractual arrangements

Revenue from contractual arrangements is recognized when the related services are rendered.

Premises & equipment

Acquisitions of premises and equipment with estimated useful lives in excess of one year are capitalized and depreciated over the estimated useful life of each asset. Leasehold improvements are amortized over the life of the asset or the length of the lease, whichever is shorter.

Functional expenses

Expenses are charged to each program based on direct expenditures incurred. Any expenses not directly chargeable are allocated to programs and supporting services based on applicable rates determined by management.

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.

Concentrations of credit and funding risk

Financial instruments

Financial instruments that potentially expose the Institute to concentrations of credit and market risk consist primarily of cash, cash equivalents, and investment securities. Cash and cash equivalents are placed in high-quality financial institutions or money market funds, and credit exposure is deemed to be limited to any one institution. The Institute did not experience any losses on cash and cash equivalents during the year ending December 31, 2022.

Investment securities

Investment securities consist of equity securities, mutual funds, index funds, real estate investment trusts and brokerage certificates of deposits. Investment securities with readily determinable market values are carried at fair value; all investment securities are subject to market fluctuations. Future losses may be incurred in the event of a decline in fair value.

NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2022 AND 2021

Funding

During the year ended December 31, 2022, the Institute received approximately 17% of its funding from one grantor; the remaining revenue sources were diversified with no more than 13% derived from a single source.

Fair value of financial instruments

Financial instruments are carried at fair value which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined using three levels of inputs:

- Level 1 Valuations based on quoted prices in active markets for identical assets. Valuations are based on quoted prices that are readily and regularly available in the active market.
- Level 2 Valuations based on one or more quoted price for investments that are not exchange-traded but for which all significant inputs are observable, either directly or indirectly, and for which transaction activity is unrestricted and occurs on a regular basis.
- Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurements.

The following valuation techniques are used for assets measured at fair value:

Cash equivalents - The carrying value approximates fair value due to its short term nature. Cash equivalents, defined as highly liquid dollar-denominated funds, are classified as Level 1 investments.

Equity securities - Investments in equity securities are measured at fair value using the quoted market price and are classified as Level 1.

Mutual funds - Investments in mutual and exchange-traded funds are measured at fair value using the quoted market prices and are classified as Level 1.

Index funds - Investments in index funds are exchange-traded and are classified as Level 1.

Brokerage certificates of deposits - Investments in brokerage certificates of deposits are measured at fair value using the quoted market prices and are classified as Level 1.

Accounting for uncertainty in income taxes

The Institute's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of tax status or exposure to uncertain tax positions that could require accrual or which could affect its liquidity or future cash flows. The Institute's exempt organization filings for the years ended December 31, 2019 through 2022 are subject to examination by the Internal Revenue Service and the State of New Jersey. Further, the Internal Revenue Service may examine the Institute's financial activities for income and unrelated business income tax for those periods.

NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2022 AND 2021

New accounting pronouncements

As of January 1, 2022, the Institute adopted Financial Accounting Standards Board Update No. 2016-02, *Leases* (Topic 842). Under this guidance, The Institute is required to record most leases on the statement of financial position and recognize lease expense in the statement of activities. As of the date of these financial statements, the Institute has no leases meeting the criteria for accounting under ASU No. 2016-02.

(2) Investment Securities

As of December 31, 2022 and 2021 consist of the following:

| | <u>Fair Value</u> | <u>Cost</u> |
|-----------------------------------|-----------------------|--------------------|
| <u>2022</u> | | |
| Equities | \$ 481,032 | \$ 386,593 |
| Bond funds | 1,227,913 | 1,359,796 |
| Equity funds | 3,385,445 | 3,118,235 |
| Real estate funds | 426,256 | 551,181 |
| Brokerage certificates of deposit | <u>326,936</u> | <u>325,000</u> |
| | <u>\$5,847,582</u> | <u>\$5,740,805</u> |
| <u>2021</u> | | |
| Equities | \$ 606,160 | \$ 369,291 |
| Bond funds | 1,430,998 | 1,455,782 |
| Equity funds | 4,338,389 | 3,161,849 |
| Real estate funds | <u>448,308</u> | <u>547,190</u> |
| | <u>\$6,823,855</u> | <u>\$5,534,112</u> |

(3) Commitments

As of the date of these financial statements, the Institute's lease for office space is on a month-to-month arrangement. Management expects to enter into a long-term lease for the space in 2023.

Rent expense totaled \$119,973 and \$119,973 for the years ended December 31, 2022 and 2021 respectively.

(4) Retirement Plan

The Institute sponsors a 401(k) profit sharing plan covering substantially all full time employees. Contributions to the plan are at the discretion of the Board of Trustees. For the year ended December 31, 2022 and 2021, contributions to the plan totaled \$56,063 and \$53,068, respectively.

(5) Income Tax Status

The Institute qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes except for unrelated business income tax applicable to certain investment income. All applicable returns for the exempt organization are filed in a timely manner; all payments for unrelated business income tax are made in a timely manner. The Institute is liable for payment of payroll taxes as an employer; all such amounts are paid in a timely manner as required by state and federal regulations.

NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDING DECEMBER 31, 2022 AND 2021

(6) **Net Assets**

Board-Designated Net Assets - Endowment

Since inception of the Institute, the Board of Trustees has designated certain contributions and bequests as a general endowment fund to support the mission of the Institute. As a board designation, the endowment is included in net assets without donor restrictions.

Amounts are released from the board-designated endowment as required to support operating activities. As the Institute's program services mature and the associated revenues expand, the Institute expects to release smaller amounts from the endowment. The Institute plans to allow its endowment to grow where investment income will enhance operating activities.

To achieve that objective, the Institute has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix which includes equity and debt securities, mutual funds, and real estate investment partnerships. The intended result is a consistent inflation-protected rate of return that has sufficient liquidity to make needed annual distributions while growing the endowment if possible. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation thereto is managed to provide an acceptable level of risk.

Endowment net assets activity as of December 31, 2022 and 2021 for the year then ended is as follows:

| | |
|---|--------------------|
| Endowment net assets, 12/31/20 | \$6,004,988 |
| Investment return, net | 880,584 |
| Distributions & appropriations pursuant to spending policy | (150,000) |
| Endowment net assets, 12/31/21 | 6,735,572 |
| Investment return, net | (1,148,480) |
| Distributions & appropriations pursuant to spending policy | (150,000) |
| Endowment net assets, 12/31/22 | <u>\$5,437,092</u> |

With Donor Restrictions

As of December 31, 2022 and 2021, net assets with donor restrictions subject to specified use are as follows:

| | <u>2022</u> | <u>2021</u> |
|---------------------|--------------------|--------------------|
| Criminal Justice | \$ 811,072 | \$ 554,549 |
| Economic Justice | 477,190 | 308,868 |
| Democracy & Justice | <u>177,083</u> | <u>259,956</u> |
| | <u>\$1,465,345</u> | <u>\$1,123,373</u> |

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------|--------------------|--------------------|
| Criminal Justice | \$ 892,281 | \$ 814,937 |
| Economic Justice | 487,981 | 381,951 |
| Democracy & Justice | 552,177 | 575,531 |
| Trustee Social Justice Legal fund | - | 39,270 |
| | <u>\$1,932,439</u> | <u>\$1,811,689</u> |

(7) Recurring Fair Value Measurements

The Institute has provided fair value disclosure information for relevant assets in these financial statements. The following tables summarize assets which have been accounted for at fair value on a recurring basis as of December 31, 2022 and 2021, along with the basis for the determination of fair value:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------------------|--------------------|----------------|----------------|--------------------|
| <u>December 31, 2022</u> | | | | |
| Equities | \$ 481,032 | \$ - | \$ - | \$ 481,032 |
| Bond funds | 1,227,913 | - | - | 1,227,913 |
| Equity funds | 3,385,445 | - | - | 3,385,445 |
| Real estate funds | 426,256 | - | - | 426,256 |
| Brokerage certificates | | | | |
| Of deposit | 326,936 | - | - | 326,936 |
| Money market funds | 53,425 | - | - | 53,425 |
| | <u>\$5,901,007</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$5,901,007</u> |
| <u>December 31, 2021</u> | | | | |
| Equities | \$ 606,160 | \$ - | \$ - | \$ 606,160 |
| Bond funds | 1,430,998 | - | - | 1,430,998 |
| Equity funds | 4,338,389 | - | - | 4,338,389 |
| Real estate funds | 448,308 | - | - | 448,308 |
| Money market funds | 50,633 | - | - | 50,633 |
| | <u>\$6,874,488</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$6,874,488</u> |

Financial instruments are presented in the following line items of the statements of financial position:

| | <u>2022</u> | <u>2021</u> |
|-------------------------|--------------------|--------------------|
| Cash & cash equivalents | \$1,225,006 | \$1,125,882 |
| Investment securities | <u>5,847,582</u> | <u>6,823,855</u> |
| | <u>\$7,072,588</u> | <u>\$7,949,737</u> |

For applicable assets, the Institute values such assets using quoted market prices in active markets for identical assets to the extent possible (Level 1). To the extent that such market prices are not available, the Institute next attempts to value such assets using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Institute develops measurement criteria based on the best information available (Level 3).

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(8) Paycheck Protection Program Loans

In response to the coronavirus pandemic, the United States Congress passed the Coronavirus Aid, Relief and Economic Security Act (CARES) which provides direct economic assistance and loans to business entities. In May 2020, the Institute received a loan of \$324,800 under the Paycheck Protection Program (PPP) which is a component of the CARES Act. The Institute met the criteria for loan forgiveness recognizing \$324,800 as income during the year ended December 31, 2021.

(9) Liquidity and Availability

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, are comprised of the following as of December 31, 2022:

| | <u>2022</u> | <u>2021</u> |
|---|--------------------|--------------------|
| Cash and cash equivalents | \$1,225,006 | \$1,125,882 |
| Investment securities | 5,847,582 | 6,823,855 |
| Accounts receivable | 3,443 | 5,918 |
| Pledges receivable | <u>8,850</u> | <u>25,000</u> |
| Financial assets | 7,084,881 | 7,980,655 |
| Less: | | |
| Donor restrictions | <u>1,465,345</u> | <u>1,123,373</u> |
| Financial assets available for general expenditure | <u>\$5,619,536</u> | <u>\$6,857,282</u> |

(10) Subsequent Events

The Institute has evaluated the need for adjustments resulting from subsequent events through April 24, 2023, the date the financial statements were available to be issued. Based upon this evaluation, no adjustments or additional disclosures were required to the financial statements as of December 31, 2022.