Justice at Work, Inc.

Financial Statements

June 30, 2021

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JUSTICE AT WORK, INC.

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June 30, 2021

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CohnReznick LLP
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Independent Auditors' Report

To the Board of Directors of
Justice at Work, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Justice at Work, Inc., (a nonprofit organization) (the Agency), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Justice at Work, Inc. as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Danvers, Massachusetts
March 28, 2022

JUSTICE AT WORK, INC.

Statement of Financial Position

As of June 30, 2021

Assets		
Current Assets		
Cash and cash equivalents	$	565,531
Promises to give		76,000
Total current assets		641,531
Deposits Held in Trust		5,227
Total Assets	$	646,758
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$	4,742
Accrued expenses		33,083
Note payable - Paycheck Protection Program		80,135
Total current liabilities		117,960
Long-term Liabilities		
Deposits Held in Trust		5,227
Total long term liabilities		5,227
Total liabilities		123,187
Net Assets		
Net assets without donor restrictions		427,646
Net assets with donor restrictions		95,925
Total net assets		523,571
Total Liabilities and Net Assets	$	646,758

See accompanying notes and independent auditors' report.

JUSTICE AT WORK, INC.

Statement of Activities

For the Year Ended June 30, 2021

Revenue and Support	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Contributions	$ 337,946	$ 133,000	$ 470,946
Special events	31,240	-	31,240
Program service fees	14,157	-	14,157
Net assets released from restrictions	111,433	(111,433)	-
Total revenue and support	494,776	21,567	516,343
Expenses			
Program services	402,163	-	402,163
Administration	55,477	-	55,477
Fundraising	112,096	-	112,096
Total expenses	569,736	-	569,736
Change in net assets from operations	(74,960)	21,567	(53,393)
Non-operating Revenue and (Expenses)			
Forgiveness of debt - PPP loan	58,878	-	58,878
Total Change in Net Assets	(16,082)	21,567	5,485
Net Assets at Beginning of Year	443,728	74,358	518,086
Net Assets at End of Year	$ 427,646	$ 95,925	$ 523,571

See accompanying notes and independent auditors' report.

JUSTICE AT WORK, INC.

Statement of Cash Flows

For the Year Ended June 30, 2021

Cash Flows from Operating Activities		
Change in net assets from operations	$	5,485
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Forgiveness of debt - PPP loan		(58,878)
(Increase) decrease in assets:		
Promises to give		(74,000)
Prepaid expenses		2,745
Deposits held in trust		1,348
Increase (decrease) in liabilities:		
Accounts payable		4,742
Accrued expenses		(49)
Deposits held in trust		(1,348)
Net Cash Used in Operating Activities		(119,955)
Cash Flows from Financing Activities		
Proceeds from note payable - paycheck protection program		80,135
Net Cash Provided by Financing Activities		80,135
Net Decrease in Cash and Cash Equivalents		(39,820)
Cash and Cash Equivalents - Beginning		605,351
Cash and Cash Equivalents - Ending	$	565,531

See accompanying notes and independent auditors' report.

JUSTICE AT WORK, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services	Administration	Fundraising	Total
Salary	$ 254,905	$ 12,009	$ 61,062	$ 327,976
Benefits	29,183	2,086	6,994	38,263
Payroll taxes	22,988	791	5,509	29,288
Total salary and related expenses	307,076	14,886	73,565	395,527
Consultants	29,191	14,951	9,437	53,579
Occupancy	37,638	1,294	9,014	47,946
Professional services	-	23,596	-	23,596
Office expenses	8,997	418	8,918	18,333
Events	3,030	-	10,717	13,747
Research expenses	8,224	-	-	8,224
Staff training	2,464	-	-	2,464
Insurance	2,040	16	110	2,166
Litigation	1,524	-	-	1,524
Memberships, subscriptions and fees	1,375	269	-	1,644
Travel, meetings and conferences	604	47	335	986
	$ 402,163	$ 55,477	$ 112,096	$ 569,736

See accompanying notes and independent auditors' report.

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by Justice at Work, Inc. (a nonprofit organization) (the Agency) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Agency was incorporated in Massachusetts on February 9, 2011, and serves its mission by supporting low wage immigrant workers by providing legal needs to immigrant worker centers. The Agency provides a mixture of employment and labor related legal support by training, educating, referrals and representation, in order to address issues in relation to wage theft, unsafe conditions, discrimination, harassment and illegal retaliation.

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Agency’s ongoing efforts.

(c) Standards of Accounting and Reporting

The Agency’s net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Agency are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

(1) Summary of Significant Accounting Policies - continued

(c) Standards of Accounting and Reporting - continued

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions, gains and investment income that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized.

(d) Cash and Cash Equivalents

The Agency considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

The Agency maintains its cash balances at a financial institution located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Agency has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2021.

(e) Revenue Recognition

The Agency earns revenue as follows:

Program Service Fees - Program service fee revenue transactions are considered to be reciprocal and are earned and recognized by the Agency when units or services are provided and a successful outcome is achieved on behalf of the client. The Agency earns contingency attorney fees for legal services provided to clients. The Agency also earns co-counsel contingency attorney fees when cases are co-counseled with other private attorneys. The fees are split through a lodestar approach, which is a method of determining fees based on reasonable hourly rates and a reasonable number of hours and may involve adjustments to reflect the characteristics of a given action. The Agency earns referral fees by recommending or sending clients to third party attorneys who also operate on a contingency fee basis. As of June 30, 2021, substantially all of the program service fees on the statement of activities were considered to be reciprocal transactions.

(1) Summary of Significant Accounting Policies - continued

(e) Revenue Recognition - continued

Contributions - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Agency must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse. Contributions with donor restrictions received and satisfied in the same period are included in grants and contributions without donor restrictions.

Grants - The Agency receives funding from various grantors for direct and indirect program costs associated with specific programs and projects. Various grants are subject to certain barriers as outlined in the agreement. Revenue is recognized as the barrier is met. For unconditional grants, revenue is recognized as contribution revenue that increases net assets with donor restrictions at the time the grant is received or pledged and the funds are released from restriction when the restriction has been met. Grants with donor restrictions received and satisfied in the same period are included in grants and contributions without donor restrictions.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special event contributions and fees are recognized as income when received.

Substantially all of the Agency's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2021, the Agency derived total revenue from operations from the following sources: 91% from contributions from foundations and individual donors, 3% from program service fees and 6% from special events. All revenue is recorded at the estimated net realizable amounts.

(1) Summary of Significant Accounting Policies - continued

(f) Accounts Receivable

The Agency's accounts receivable are recorded when litigation ends with favorable results or out of court settlements. Accounts receivable are stated at the amount management expects to collect from court judgements or settlements. As of July 1, 2020, accounts receivable was $2,000. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2021, management has determined any allowance would be immaterial. As of June 30, 2021, the Agency did not have any accounts receivable.

The Agency does not have a policy to accrue interest on receivables and has no policies requiring collateral or other security to secure the accounts receivable.

(g) Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of June 30, 2021, management has determined any allowance would be immaterial.

(h) Deposits Held in Trust

The Agency deposits settlement and judgement proceeds into an account known as the Interest on Lawyer Trust Account (IOLTA). Agency fees are withdrawn from this account and the remaining balances at year-end represent client funds or funds that belong to third party vendors working on the cases. Interest earned on the account goes to the Commonwealth to provide legal aid to indigent persons and support improvements to the justice system. The IOLTA funds are held by a financial institution in Massachusetts certified by the Massachusetts IOLTA Committee, a nonprofit organization.

(1) Summary of Significant Accounting Policies - continued

(i) Contributed Services, Gifts in Kind and Donated Facilities

Donated materials are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Agency or performed by Agency personnel. Donated facilities and utility costs are recorded based on the fair value of facility rent and utility costs at the time of donation.

(j) Fundraising

Fundraising relates to the activities of raising general and specific contributions to the Agency and promoting special events. Immaterial amounts of fundraising are included in administration expenses. Fundraising expenses as a percentage of contribution and special event revenue was 22% for the year ended June 30, 2021. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(k) Special Events

The Agency has determined that special events are incidental to its operations and therefore the direct costs of benefit to the donors is reported with fundraising expense and is not included with special events revenue. Immaterial amounts of the cost of direct benefits to donors are included in fundraising expenses on the statement of activities.

(l) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Payroll and associated costs are allocated to functions based upon actual time charges. Occupancy costs are allocated based upon associated full time equivalents.

(m) Use of Estimates

In preparing the Agency's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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.

(1) Summary of Significant Accounting Policies - continued

(n) Income Taxes

The Agency qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Agency's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Agency is not a private foundation under Section 509(a)(1).

(o) Recent Accounting Standards Adopted

On July 1, 2020, the Agency adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606). ASC 606 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the Agency expects to be entitled in exchange for those goods or services. On July 1 2020, the Agency adopted ASC 606 using the modified retrospective method applied to those contracts which were not competed as of July 1, 2020 (the practical expedient elected). Results for reporting periods beginning after July 1, 2020, are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Agency's historic accounting under ASC 605.

There were no material changes in the timing of recognition of revenue and, therefore, there were no adjustments to the opening balance of net assets without donor restrictions. The Agency does not expect the adoption of the new revenue standard to have a significant impact on its changes in net assets on an ongoing basis.

(p) Recent Accounting Standards

In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842)*. ASU 2020-05 deferred the implementation date of ASU 2016-02 and ASU 2014-09 by one year. The Agency has adopted ASU 2014-09. ASU 2016-02 is described below.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

(1) Summary of Significant Accounting Policies - continued

(p) Recent Accounting Standards - continued

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on July 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. The Agency is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases* and *ASU 2018-11, Leases (Topic 842), Targeted Improvements*. In December 2018, FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Adoption of these ASUs will run concurrent with the Agency's adoption of ASU 2016-02.

(q) Paycheck Protection Program Loan

As described at Note 4, the Agency received a Paycheck Protection Program (PPP) loan during the fiscal years ended June 30, 2021 and 2020. The Agency has elected to follow the guidance regarding Debt found in FASB ASC 470 - *Not-for Profit Entities - Debt* to account for its PPP Loan. As a result, during the year ended June 30, 2021, the Agency recognized $80,135 of debt (PPP2). During the year ended June 30, 2021, the Agency's first PPP loan amounting to $58,878 was forgiven.

(2) Promises to Give

The Agency has approximately $76,000 of unconditional promises to give as of June 30, 2021, all of which are expected to be received within one year from the date of the statement of financial position.

(3) Operating Lease Commitments

In the prior year, the Agency entered into a five year lease agreement for a new office space requiring monthly payments of $3,646 for the first year and increasing each year thereafter. During the year ended June 30, 2021, the Agency incurred rent expense of $44,167. Future minimum lease payments are as follows:

2022	$ 45,417
2023	46,667
2024	49,917
2025	32,500

(4) Note Payables - Paycheck Protection Program

The Agency received a Paycheck Protection Program loan from Eastern Bank during the fiscal year ended June 30, 2020 in the original amount of $58,878 with a maturity date of April 28, 2022. The loan bore interest at a rate of 1%, which was deferred for the first six months. The entire loan balance was forgiven during the year ended June 30, 2021 and is included in forgiveness of debt - PPP loan on the statement of activities.

The Agency received a second PPP loan from Eastern Bank during the fiscal year ended June 30, 2021 in the original amount of $80,135 with a maturity date of March 19, 2026. The loan bears interest at a rate of 1%, which is deferred for the first ten months. Management expects that the loan will be substantially forgiven during the year ended June 30, 2022 and as such the loan has been presented as a current liability on the statement of financial position in keeping with current industry practice. The Small Business Administration (SBA) has disclosed criteria for forgiveness which include but is not limited to maintaining the full-time equivalent number of employees over certain time period and expending the funds on eligible expenses over the covered period. The Agency will recognize forgiveness of the loan in full or in part when the SBA determines the amount of forgiveness and notifies the Agency. As of June 30, 2021, the outstanding principal balance for the second PPP loan was $80,135.

(5) Net Assets

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2021, net assets with donor restrictions amounted to $95,925, and are program restricted. Net assets released from restrictions during the year ended June 30, 2021 were $111,433, all from program restrictions.

(6) Liquidity and Availability of Resources

The following reflects the Agency's financial assets as of June 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date.

Financial assets at year end		
Cash and cash equivalents	$	565,531
Promises to give		76,000
Total		641,531
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors for specific purposes		95,925
Total		95,925
Financial assets available to meet cash needs for general expenditures within one year	$	545,606

The Agency is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Agency must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(7) COVID-19 - Risks and Uncertainties

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. As described in Note 4, the Agency received two PPP loans. Further, the Agency's liquidity as of June 30, 2021 is documented at Note 6. The Agency is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Agency's operations continue for an extended period of time the Agency may have to seek alternative measures to finance its operations. The Agency does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity.

(8) Subsequent Events

The Agency has performed an evaluation of subsequent events through March 28, 2022, which is the date the Agency's financial statements were available to be issued. No material subsequent events, other than the item noted below, have occurred since March 28, 2022 that required recognition or disclosure in these financial statements.

Subsequent to year end, the Agency's second Paycheck Protection Program loan was forgiven in the principal amount of $80,135, along with immaterial accrued interest.

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