



Lehigh Valley Justice Institute
Financial Statements
(Reviewed)

December 31, 2021



Lehigh Valley Justice Institute

Table of Contents
December 31, 2021

	Page
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1 and 2
FINANCIAL STATEMENTS	
Statement of Assets and Net Assets - Modified Cash Basis	3
Statement of Revenues, Expenses, and Change in Net Assets - Modified Cash Basis	4
Statement of Functional Expenses, by Natural Classification - Modified Cash Basis	5
Notes to Financial Statements	6 to 11

Independent Accountant's Review Report

To the Board of Directors
Lehigh Valley Justice Institute
Easton, Pennsylvania

We have reviewed the accompanying financial statements of Lehigh Valley Justice Institute (the Institute), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2021, and the related statements of revenues, expenses, and change in net assets - modified cash basis and functional expenses, by natural classification - modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2 to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting described in Note 2 to the financial statements. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Institute and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting described in Note 2 to the financial statements.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

RKL LLP

July 5, 2022
Wyomissing, Pennsylvania

Lehigh Valley Justice Institute

Statement of Assets and Net Assets - Modified Cash Basis

December 31, 2021

See Independent Accountant's Review Report

Assets	
Cash	\$ 146,864
Equipment, net	<u>2,542</u>
Total Assets	<u>\$ 149,406</u>
Net Assets	
Without donor restrictions	<u>\$ 149,406</u>
Total Net Assets	<u>\$ 149,406</u>

Lehigh Valley Justice Institute

Statement of Revenues, Expenses, and Change in Net Assets - Modified Cash Basis

Year Ended December 31, 2021

See Independent Accountant's Review Report

Revenues without Donor Restrictions

Contributions	<u>\$ 321,114</u>
---------------	-------------------

Functional Expenses

Program services	155,539
------------------	---------

General and administrative	19,858
----------------------------	--------

Fundraising	<u>23,194</u>
-------------	---------------

Total Expenses	<u>198,591</u>
-----------------------	-----------------------

Excess of Revenues over Expenses	122,523
---	----------------

Net Assets at Beginning of Year	<u>26,883</u>
--	----------------------

Net Assets at End of Year	<u><u>\$ 149,406</u></u>
----------------------------------	---------------------------------

Lehigh Valley Justice Institute

Statement of Functional Expenses, by Natural Classification - Modified Cash Basis

Year Ended December 31, 2021

See Independent Accountant's Review Report

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 11,851	\$ 1,481	\$ 1,481	\$ 14,813
Depreciation	1,305	163	163	1,631
Employee benefits	6,858	857	857	8,572
Fundraising	476	476	3,812	4,764
Insurance	981	123	123	1,227
Office expense	5,611	701	701	7,013
Payroll taxes	9,002	1,125	1,125	11,252
Professional fees	3,400	425	425	4,250
Rent	7,009	876	876	8,761
Salaries and wages	100,103	12,513	12,513	125,129
Travel	1,205	151	151	1,507
Utilities	1,887	236	236	2,359
Other administrative expenses	5,851	731	731	7,313
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Functional Expenses, by Natural Classification - Modified Cash Basis	\$ 155,539	\$ 19,858	\$ 23,194	\$ 198,591

Lehigh Valley Justice Institute

Notes to Financial Statements

December 31, 2021

See Independent Accountant's Review Report

Note 1 - Nature of Activities

The Lehigh Valley Justice Institute (the Institute) is a nonprofit corporation organized for the purpose of developing and promoting a reimagined criminal justice system that is equitable and fair for all communities. The Institute employs a data-driven approach focused on the criminal justice processes of the Lehigh Valley area of Pennsylvania.

The Institute qualifies as a tax-exempt Institute under the provision of the Internal Revenue Code Section (IRC) 501(c)(3); therefore, the Institute's income is not subject to federal or state income taxes.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statement follows.

Basis of Accounting

The financial statements of the Institute have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Modifications to the cash basis of accounting include recording property and equipment, depreciation expense, and long-term debt. Accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. If an expenditure results in the acquisition of an asset having an estimated useful life, which extends substantially beyond the year of acquisition, the expenditure is capitalized, and depreciated or amortized over the estimated useful life of the asset.

Net Assets

The Institute follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities (ASC 958)*. Under this Topic, the Institute is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are classified as follows:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for particular purposes by action of the Institute, or may otherwise be limited by contractual agreements with outside parties.

Net Assets with Donor Restrictions

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Institute had no net assets with donor restrictions as of December 31, 2021.

Lehigh Valley Justice Institute

Notes to Financial Statements

December 31, 2021

See Independent Accountant's Review Report

Note 2 - Summary of Significant Accounting Policies (continued)

Cash

The Institute considers all cash accounts, which are not subject to withdrawal restrictions or penalties, to be cash on the statement of assets and net assets - modified cash basis.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. The Institute reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenues, expenses, and change in net assets - modified cash basis as net assets released from donor restrictions.

The Institute reports contributions of goods and equipment as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used, and contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Institute reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services

A substantial number of volunteers have donated significant hours to the Institute's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statement since the services do not require specialized skills.

Equipment

Expenditures for the acquisition of furniture and fixtures, computers, and electronic equipment are capitalized at cost. The fair value of donated equipment at the date of gift is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Maintenance and repairs of equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts, and a gain or loss is included in operations.

Lehigh Valley Justice Institute

Notes to Financial Statements

December 31, 2021

See Independent Accountant's Review Report

Note 2 - Summary of Significant Accounting Policies (continued)

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. The Institute concluded that no impairment adjustment was required during 2021.

Functional Allocation of Expenses by Natural Classification

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses, by natural classification - modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The supporting services consist of general and administrative and fundraising expenses.

Advertising Costs

The Institute charges advertising costs to expense as incurred. Advertising expense amounted to \$14,813 for the year ended December 31, 2021.

Income Taxes

The Institute is considered a tax-exempt Institute under Internal Revenue Code Section 501(c)(3).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Institute, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Institute had taken no uncertain tax positions that require recognition or disclosure in the financial statements. With few exceptions, the Institute is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before December 31, 2020.

Lehigh Valley Justice Institute

Notes to Financial Statements

December 31, 2021

See Independent Accountant's Review Report

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, as subsequently amended in ASU 2019-10. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*, 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. 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 new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The ASU is expected to impact the Institute's financial statements, as the Institute has certain operating leases for which it is the lessee. The Institute will be evaluating the impact of this new guidance.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require for not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of revenues, expenses, and change in net assets - modified cash basis, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets, as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

The Institute is currently evaluating the impact of the pending adoption of the new standards on the financial statements.

Note 3 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of assets and net assets - modified cash basis date, comprise the following as of December 31, 2021:

Financial Assets

Cash	\$	146,864
------	----	---------

Amounts that are Internally or Externally Restricted

Held with donor restrictions		-
	\$	<u>146,864</u>

Lehigh Valley Justice Institute

Notes to Financial Statements

December 31, 2021

See Independent Accountant's Review Report

Note 4 - Commitment and Contingencies

Commitment

The Institute has a lease for office space which requires a monthly rental of \$730. The lease agreement is set to expire on November 30, 2022, with one renewal option for a two-year term through November 30, 2024. The Institute is responsible for utilities, insurance, and maintenance. The Institute is in the process of exiting this lease and it has not been completed or approved as of the date of our report.

On February 22, 2022, the Institute entered into a new lease for office space which requires a monthly rental of \$710 and a monthly payment of \$88 for pro-rata share of cost of utilities. The lease agreement is set to expire on February 22, 2025. The Institute is responsible for utilities, insurance, and maintenance.

The total rental commitment at December 31, 2021 under the above mentioned leases is \$33,590, which is due as follows:

2022	\$	15,130
2023		8,520
2024		8,520
2025		1,420
		<hr/>
	\$	33,590

Total rental expense for the year ended December 31, 2021 was \$8,761.

Contingencies

Credit Risk, Cash

The Institute has bank deposit accounts which may exceed federally insured limits. The first \$250,000 of deposits with the institution is insured by agencies of the U.S. Government. The Institute has not experienced any losses in such accounts. The Institute believes it is not exposed to any significant credit risk on cash.

Credit Risk, Revenue

The Institute's geographical revenue base consists of donors who are interested in promoting a reimagined criminal justice system.

Lehigh Valley Justice Institute

Notes to Financial Statements

December 31, 2021

See Independent Accountant's Review Report

Note 5 - Risks and Uncertainties

On January 30, 2020, the World Health Institute declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economy, financial markets, and the geographical area in which the Institute operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Institute.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Note 6 - Subsequent Events

The Institute has evaluated subsequent events through July 5, 2022. This date is the date the financial statements were available to be issued. The following event subsequent to December 31, 2021 was noted:

On February 22, 2022, the Institute entered into a new lease for office space (see Note 4).

No other material events subsequent to December 31, 2021 were noted.