

**VERA INSTITUTE OF JUSTICE, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

VERA INSTITUTE OF JUSTICE, INC.

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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees  
Vera Institute of Justice, Inc.  
New York, New York

**Report on the Financial Statements**

We have audited the accompanying financial statements of Vera Institute of Justice, Inc., which comprise the statement of financial position at June 30, 2019, and the related statements of activities, functional expenses, and cash flows 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.

**Auditors' 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 Vera Institute of Justice, Inc. at June 30, 2019, 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.

## Emphasis of Matter

As discussed in Note 2 to the financial statements, Vera Institute of Justice, Inc. adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14. Our opinion is not modified with respect to this matter.

*Grassi & Co., CPAs, P.C.*

GRASSI & CO., CPAs, P.C.

New York, New York  
January 6, 2020

VERA INSTITUTE OF JUSTICE, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019

ASSETS

Cash and cash equivalents	\$ 25,975,210
Investments	32,693,316
Grants and contracts receivable, net	21,683,405
Contributions receivable, net	18,063,075
Prepaid expenses and other assets	1,092,562
Fixed assets, net	<u>1,834,380</u>
 TOTAL ASSETS	 <u>\$ 101,341,948</u>

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accounts payable and accrued expenses	\$ 21,133,320
Accrued salaries and related benefits payable	1,131,475
Deferred rent	805,969
Advances from government agencies	<u>20,000</u>
 TOTAL LIABILITIES	 <u>23,090,764</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS:	
Without donor restrictions:	
Operating	21,798,526
Board designated	<u>26,761,719</u>
Total without donor restrictions	<u>48,560,245</u>
With donor restrictions:	
Purpose restricted	28,773,939
Endowment	<u>917,000</u>
Total with donor restrictions	<u>29,690,939</u>
 TOTAL NET ASSETS	 <u>78,251,184</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 101,341,948</u>

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

VERA INSTITUTE OF JUSTICE, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	With Donor Restrictions				Total
	Without Donor Restrictions	Purpose Restricted	Endowment	Total	
Operating revenue and other support:					
Government grants, contracts and fees	\$ 112,753,018	\$ -	\$ -	\$ -	\$ 112,753,018
Contributions	6,409,677	15,757,906	333,000	16,090,906	22,500,583
Special events	1,130,299	-	-	-	1,130,299
Miscellaneous revenue	335,610	-	-	-	335,610
Net assets released from restrictions	17,176,045	(17,176,045)	-	(17,176,045)	-
Total operating revenue and other support	137,804,649	(1,418,139)	333,000	(1,085,139)	136,719,510
Operating expenses:					
Program Services	118,534,906	-	-	-	118,534,906
Supporting Services:					
Management and general	10,327,390	-	-	-	10,327,390
Fundraising	1,453,934	-	-	-	1,453,934
Total operating expenses	130,316,230	-	-	-	130,316,230
Excess of operating revenue and other support over operating expenses	7,488,419	(1,418,139)	333,000	(1,085,139)	6,403,280
Investment income, net	2,459,891	-	-	-	2,459,891
Change in net assets	9,948,310	(1,418,139)	333,000	(1,085,139)	8,863,171
Net assets, beginning of year	38,611,935	30,192,078	584,000	30,776,078	69,388,013
Net assets, end of year	\$ 48,560,245	\$ 28,773,939	\$ 917,000	\$ 29,690,939	\$ 78,251,184

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

VERA INSTITUTE OF JUSTICE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services			
	Demonstration Projects	Centers and Programs	Total	Management and General	Fundraising	Total	Total
Salaries and related expenses:							
Salaries	\$ 1,489,242	\$ 12,766,872	\$ 14,256,114	\$ 3,914,706	\$ 540,855	\$ 4,455,561	\$ 18,711,675
Fringe benefits	436,461	3,285,290	3,721,751	1,036,079	105,328	1,141,407	4,863,158
Total	1,925,703	16,052,162	17,977,865	4,950,785	646,183	5,596,968	23,574,833
Subcontracts and pass-through funding	7,737	89,262,660	89,270,397	-	-	-	89,270,397
Consultants	52,850	6,161,997	6,214,847	1,414,361	263,413	1,677,774	7,892,621
Professional fees	509	139,723	140,232	446,039	10,925	456,964	597,196
Occupancy	1,399	1,819,974	1,821,373	933,086	18,241	951,327	2,772,700
Equipment expense and rentals	20,398	70,489	90,887	571,244	-	571,244	662,131
Office expenses	30,107	287,049	317,156	497,747	64,136	561,883	879,039
Insurance	14,341	23	14,364	158,059	-	158,059	172,423
Travel	16,548	2,308,044	2,324,592	538,798	391,823	930,621	3,255,213
Bad debt expense	-	17,937	17,937	-	-	-	17,937
Depreciation and amortization	-	-	-	200,555	-	200,555	200,555
Training	275	17,216	17,491	98,150	1,926	100,076	117,567
Miscellaneous expense	2,932	324,833	327,765	518,566	57,287	575,853	903,618
Total	\$ 2,072,799	\$ 116,462,107	\$ 118,534,906	\$ 10,327,390	\$ 1,453,934	\$ 11,781,324	\$ 130,316,230

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

VERA INSTITUTE OF JUSTICE, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 8,863,171
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	200,555
Bad debt expense	17,937
Deferred rent	139,056
Net realized and unrealized gains on investments	(1,613,697)
Endowment contributions	(333,000)
Amortization of discount pledge receivable	(410,441)
Changes in Assets (Increase) Decrease:	
Grants and contracts receivable	(5,103,110)
Contributions receivable	4,853,010
Prepaid expenses and other assets	(478,028)
Changes in Liabilities Increase (Decrease):	
Accounts payable and accrued expenses	8,234,429
Accrued salaries and related benefits payable	281,600
Due to related party	(136,175)
Advances from government agencies	(758,468)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>13,756,839</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(26,892,363)
Proceeds from sale of investments	23,757,201
Purchase of fixed assets	<u>(1,669,807)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(4,804,969)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Endowment contributions	<u>333,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>333,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,284,870
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>16,690,340</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 25,975,210</u></u>

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

VERA INSTITUTE OF JUSTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Note 1 - Nature of Operations

Vera Institute of Justice, Inc. ("Vera") was organized under the Not-for-Profit Corporation Law of the State of New York and is qualified as a public charity under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Vera is therefore exempt from federal income tax under Section 501(a) of the Code.

Vera's mission is to drive change and urgently build and improve justice systems that ensure fairness, promote safety, and strengthen communities. Vera works with others who share its vision to tackle the most pressing injustices of our day - from the causes and consequences of mass incarceration, racial disparities, and the loss of public trust in law enforcement, to the unmet needs of the vulnerable, the marginalized, and those harmed by crime and violence. Vera's primary source of funding is government grants and contributions.

Note 2 - Summary of Significant Accounting Policies

Adoption of FASB ASU No. 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities

Effective July 1, 2018, Vera adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* on a retrospective basis. This ASU provides for changes in financial statement presentation that affect classification of net assets and presentation of expenses. It also provides for enhanced disclosures of board designated funds, methods used to allocate costs among functions and available resources and liquidity.

Basis of Accounting

The accompanying 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").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Cash and Cash Equivalents

Vera considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Vera places its temporary cash investments with high credit quality financial institutions.

VERA INSTITUTE OF JUSTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments

Fair value 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. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs when little or no market data is available. These valuations require significant judgment.

At June 30, 2019, the cost basis of Vera's financial instruments, including cash and cash equivalents, grants and contracts receivable, contributions receivable, accounts payable and accrued expenses, accrued salaries and related benefits payable and advances from government agencies, approximated fair value due to the short maturity of these instruments.

Refer to Note 5 - Fair Value Measurements for assets measured at fair value.

Investments

Investments are stated at the readily determinable fair value in accordance with the Not-for-Profit Entities topic of the FASB Accounting Standards Codification ("ASC"). All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investments for which fair value is measured using net asset value per share as a practical expedient have not been categorized within the fair value hierarchy.

Grant Revenue, Receivables and Advances from Government Agencies

Government grants and contract receivables are recorded when earned based on expenses that have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, Vera establishes advances from government funders. For deliverables and fixed-price contracts, revenue is recorded when the deliverable is met or on the established time interval as described in the contract, respectively.

VERA INSTITUTE OF JUSTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions and Contributions Receivable

Vera reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 activities as net assets released from restrictions. Contributed securities are valued at the fair value of the asset on the date of the actual receipt of the gift.

Contributions, including unconditional promises to give, are recorded as revenue. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are to be received. Vera does not accrue interest on past due receivables.

Allowance for Doubtful Accounts

Vera determines whether an allowance for uncollectable accounts should be provided for grants and contributions receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Grants and contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. At June 30, 2019, there is no allowance for doubtful accounts.

Fixed Assets

Fixed assets are stated at cost. The costs of additions and betterments are capitalized when they exceed \$5,000 and have a useful life of over one year. Expenditures for repairs and maintenance are expensed in the period incurred. When items are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Depreciation of furniture and equipment is provided utilizing the straight-line method. Leasehold improvements are amortized over the lesser of the remaining term of the lease or the useful life of the improvement utilizing the straight-line method.

Useful lives are as follows:

Computer equipment	5 years
Furniture	7 years
Office equipment	5 years

VERA INSTITUTE OF JUSTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Net Assets

Net Assets without donor restrictions include funds having no restrictions as to use or purpose imposed by donors. Net assets with donor restrictions - board designated represent funds designated by the Board of Trustees as a special allocation for enhancing specific program activities. Net assets with donor restrictions - purpose restricted are those net assets that are restricted by the donors for specific purposes. Net assets with donor restrictions - endowment funds are those net assets whose principal may not be expended. The donors may or may not restrict the use of investment income.

Vera, who was the sole member of Common Justice, Inc., passed a resolution to legally separate effective July 1, 2018. On the previously issued consolidated financial statements, the consolidated net assets were \$74,477,295 and after the separation, the resulting net assets of Vera, as of July 1, 2018, were \$69,388,013, which is reflected in the accompanying financial statements.

Functional Reporting

The statement of functional expenses report certain categories of expenses that are attributable to one or more program functions within Vera. Those expenses include salaries and fringe benefits, subcontractors and pass-through funding, rent and depreciation and amortization. Salaries and fringe benefits are allocated across programs based on the proportional share of the employee's full-time equivalent charged to that program or a prescribed time study methodology. Subcontracts and pass-through funding is charged directly to the programs that benefit from the services. Rent and depreciation and amortization are allocated based on usable square footage.

Operating Leases

Operating lease expense has been recorded on the straight-line basis over the life of the lease. Deferred rent has been recorded for the difference between the fixed payment and rent expense.

Measure of Operations

Changes in net assets from operations include all revenues and expenses for the period except for investment income or loss.

Accounting for Uncertainty in Income Taxes

Vera applies the provisions pertaining to uncertain tax provisions of FASB ASC Topic 740, *Income Taxes*, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Vera is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Vera believes it is no longer subject to income tax examinations prior to 2016.

VERA INSTITUTE OF JUSTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Upcoming Accounting Pronouncements

ASU No. 2018-08

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which will assist organizations in evaluating the transfer of assets and the nature of the related transaction. Organizations will be required to determine whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and if a contribution is conditional. The guidance in this ASU requires that organizations determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both indicates that the recipient is not entitled to the transferred assets or a future transfer of assets until it has overcome any barriers in the agreement.

For nonpublic entities who are recipients, the amendments of ASU No. 2018-08 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted for all entities.

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021, based on the FASB's vote at its October 16, 2019 meeting to defer the implementation dates by one year. Early application is permitted for all entities.

VERA INSTITUTE OF JUSTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Upcoming Accounting Pronouncements (cont'd.)

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is the result of a joint project of the FASB and the IASB to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted under certain circumstances.

Vera has not yet determined if these ASUs will have a material effect on its financial statements.

Note 3 - Concentration of Credit Risk

Vera maintains cash balances in several financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. From time to time, Vera's balances may exceed these limits.

Note 4 - Investment Income

For the year ended June 30, 2019, investment income (loss) consists of:

Dividend and interest income	\$ 976,613
Realized and unrealized gains on investments	1,613,697
Investment advisory expense	<u>(130,419)</u>
	<u>\$ 2,459,891</u>

VERA INSTITUTE OF JUSTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Note 5 - Fair Value Measurements

Vera measures its investment at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect the Vera's own assumptions of market participant valuation (unobservable inputs).

Investments in mutual funds are valued using market prices in active markets. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from quoted prices for identical assets in inactive markets.

The following table presents Vera's assets that are measured on a recurring basis at June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity and fixed income mutual funds:			
Domestic equity	\$ 13,924,805	\$ -	\$ 13,924,805
International equity	2,768,296	-	2,768,296
Emerging markets	1,001,750	-	1,001,750
Credit sensitive/liquid strategies fixed income	7,218,250	-	7,218,250
Fixed income bonds	-	7,780,215	7,780,215
	<u>\$ 24,913,101</u>	<u>\$ 7,780,215</u>	<u>\$ 32,693,316</u>

Note 6 - Contributions Receivable

At June 30, 2019, contributions receivable, net consist of the following:

Receivable in less than one year	\$ 8,307,321
Receivable in one to five years	10,166,195
Total	<u>18,473,516</u>
Less: Discount to net present value (with rates ranging from 2.52% to 2.73%)	<u>410,441</u>
Net contributions receivable	<u>\$ 18,063,075</u>

VERA INSTITUTE OF JUSTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Note 7 - Fixed Assets

Fixed assets, net consist of the following:

Leasehold improvements	\$ 2,739,186
Computer equipment	584,043
Furniture	342,678
Office equipment	170,953
	<hr/>
	3,836,860
Less: Accumulated depreciation and amortization	2,002,480
	<hr/>
	\$ 1,834,380
	<hr/>

The remaining estimated cost to complete the leasehold improvements is approximately \$5,810,000. Construction was completed in September 2019.

Note 8 - Endowments

Vera maintains donor-restricted and board designated endowment funds that are established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Vera classifies as net assets with donor restrictions - endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In addition, Vera classifies any unspent accumulated earnings as part of net assets with donor restrictions - endowment.

Vera considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of Vera and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Vera, (7) Vera's investment policies, and (8) when appropriate, alternatives to spending from the donor-restricted endowment funds and the possible effects of those alternatives on Vera.

The Endowment Fund (the "Fund") was established in fiscal year 1987 as a board designated fund to function as and to achieve the same general purposes as an endowment. Policy guidelines established by Vera's Board of Trustees incorporate this requirement and provide that the Fund was to be known as the "Endowment Fund."

The Fund continues to be accounted for in a separate, segregated fund and the Finance and Investment Committee of Vera's Board of Trustees continues to exercise investment decisions and establishes and maintains investment guidelines and strategies.

VERA INSTITUTE OF JUSTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

Note 8 - Endowments (cont'd.)

Vera's investment and spending policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Investment risk is measured in terms of the total Endowment Fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. During 2019, the Board of Trustees voted to not make any appropriations.

Endowment net asset composition by type of fund at June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 917,000	\$ 917,000
Board-designated endowment funds	26,761,719	-	26,761,719
<b>Total</b>	<b>\$ 26,761,719</b>	<b>\$ 917,000</b>	<b>\$ 27,678,719</b>

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Board Designated Endowment	With Donor Restrictions Endowment	Total
Endowment net assets, June 30, 2018	\$ 9,091,609	\$ 584,000	\$ 9,675,609
Contributions	-	333,000	333,000
Internal board designation	15,767,174	-	15,767,174
Dividend and interest income	515,728	-	515,728
Net realized and unrealized gains	1,473,121	-	1,473,121
Investment fees	(85,913)	-	(85,913)
<b>Endowment net assets, June 30, 2019</b>	<b>\$ 26,761,719</b>	<b>\$ 917,000</b>	<b>\$ 27,678,719</b>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or New York Prudent Management of Institutional Funds Act requires Vera to retain as a fund of perpetual duration. In accordance with U.S. GAAP, there were no deficiencies at June 30, 2019.

VERA INSTITUTE OF JUSTICE, INC.  
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Note 9 - Line of Credit

Vera entered into a revolving line of credit agreement with a financial institution, which provides for borrowings up to \$2,500,000. This line of credit is secured by a blanket first lien on substantially all the assets of Vera and is subject to restrictive covenants. Interest is charged at the greater of the bank's prime rate (5.50% as of June 30, 2019) less 0.75%, or two hundred basis points in excess of a rate of interest determined by the bank in accordance with its customary procedures less 0.75%. There was no interest expense incurred for the year ended June 30, 2019. Vera had no outstanding balance due under the line of credit at June 30, 2019.

Note 10 - Net Assets with Donor Restrictions and Net Assets Released from Restrictions

At June 30, 2019, net assets with donor restrictions are available for the following purposes:

Demonstration Projects	\$ 389,282
Centers and programs	15,216,715
General and administrative	289,985
Planning and research	314,706
Time restricted contributions	12,563,251
	<u>\$ 28,773,939</u>

Net assets with donor restrictions were released from restrictions for the year ended June 30, 2019 by incurring expenses satisfying the following:

Demonstration Projects	\$ 82,291
Centers and programs	11,554,888
General and administrative	161,732
Planning and research	127,134
Time restricted contributions	5,250,000
	<u>\$ 17,176,045</u>

Note 11 - Employee Benefit Plans

Vera maintains a defined contribution group pension plan whereby contributions are made in an amount equal to 5% of annual compensation for all eligible employees. Employees are eligible to participate in the plan if they have completed one year of service and contribute at least 3% of their annual salary to the Vera Tax Sheltered Annuity Plan ("Annuity Plan"). The Annuity Plan is a defined contribution tax sheltered annuity plan that allows employees to defer a portion of their salaries for tax purposes through payroll deductions. Contributions to the pension plan for the year ended June 30, 2019 amounted to \$549,343.

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Note 12 - Operating Leases

Vera currently has various cancellable and noncancellable property lease agreements in connection with its programs which expire at various dates through September 2034. The property leases are subject to real estate tax escalations. Rental expense for Vera under all operating leases for the year ended June 30, 2019 was \$2,375,217. The minimum annual future rental commitments are as follows:

<u>Years Ending June 30:</u>	
2020	\$ 1,154,211
2021	1,369,153
2022	1,342,427
2023	1,302,586
2024	1,293,330
Thereafter	18,174,876
	<u>\$ 24,636,583</u>

Note 13 - Funds Held on Behalf of Others

Through the Guardianship Project, Vera acts as the court-appointed guardian for designated individuals. The Guardianship Project provides guardianship services for older adults and people with disabilities in New York City who have been determined by a judge to be unable to care for themselves. Vera's administration of these assets is limited as dictated in the Order and Judgment, which limits the scope of Vera's authority to handle financial tasks. At times during the year, cash balances for the Guardianship Project, which are in the designated individual's and Vera's name, may exceed the limits of FDIC insurance coverage. These amounts are not included in the accompanying financial statements.

The approximate value of the assets at June 30, 2019 is as follows:

Cash	\$ 7,000,000
Securities	4,000,000
Real property	<u>24,000,000</u>
	<u>\$ 35,000,000</u>

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Note 14 - Available Resources and Liquidity

Vera regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Vera has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit. See Note 9 for information about Vera's line of credit.

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

Cash and cash equivalents	\$ 25,975,210
Investments	32,693,316
Accounts receivable, net	21,683,405
Contributions receivable	18,063,075
Total financial assets	98,415,006
Less: Donor imposed restrictions or conditions, or internal designations	
Receivable scheduled to be collected in more than one year	(9,755,754)
Board designated endowment	(26,761,719)
With donor restrictions - purpose restricted	(28,773,939)
With donor restrictions - endowment	(917,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 32,206,594

Note 15 - Esperanza NY, Inc.

Vera guarantees up to \$250,000 of a \$500,000 unsecured, revolving term note that Esperanza NY, Inc., an unrelated entity, entered into with a financial institution. The line of credit agreement expires on April 5, 2020. Interest is charged at 0.5% above the prime rate, limited to 4%. No amount was outstanding at June 30, 2019.

Note 16 - Commitments and Contingencies

Vera has contracted with various funding agencies to perform services and receives reimbursements from federal, state and city governments. Reimbursements received under these contracts and payments are subject to audit by the federal, state and city governments. Upon audit, if discrepancies are discovered, Vera could be held responsible for refunding the amounts in question. Vera records such adjustments when the final audit amount is determined. At June 30, 2019, there were no material obligations as a result of such audits, and Vera's management believes that unaudited activities will not result in any material obligations. In the opinion of Vera's management, any liabilities that might be incurred would not have a material effect on Vera's financial position or results of operations.

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Note 17 - Subsequent Events

Vera has evaluated all events or transactions that occurred after June 30, 2019 through January 6, 2020, which is the date that these financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.