

INITIATE JUSTICE
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

July 21, 2025

Board of Directors
Initiate Justice
Los Angeles, California

Opinion

I have audited the accompanying financial statements of Initiate Justice (a nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Initiate Justice as of December 31, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Initiate Justice and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Initiate Justice'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 Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Initiate Justice'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 Initiate Justice'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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.



Healy and Associates
Concord, California

INITIATE JUSTICE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,980,571
Certificates of deposit	1,021,944
Grants and contributions receivable	495,000
Prepaid expenses and other current assets	<u>17,596</u>
 Total Current Assets	3,515,111
 Intangible assets	10,000
Right-of-use asset, operating lease	80,195
Security deposits	<u>9,246</u>
 Total Assets	<u>\$ 3,614,552</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 124,040
Accrued payroll and benefits payable	48,376
Lease liability - current portion	<u>70,891</u>
 Total Current Liabilities	243,307
 Lease liability - long-term portion	<u>13,151</u>
 Total Liabilities	<u>256,458</u>

NET ASSETS

Without donor restrictions	2,735,522
With donor restrictions	<u>622,572</u>
 Total Net Assets	<u>3,358,094</u>
 Total Liabilities and Net Assets	<u>\$ 3,614,552</u>

INITIATE JUSTICE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 2,469,610	\$ 512,420	\$ 2,982,030
Investment income, net	21,944	-	21,944
Interest income on savings	18,033	-	18,033
Program service fees	10,075	-	10,075
Other revenue	4,169	-	4,169
	<u>2,523,831</u>	<u>512,420</u>	<u>3,036,251</u>
Net assets released from restriction	<u>857,675</u>	<u>(857,675)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>3,381,506</u>	<u>(345,255)</u>	<u>3,036,251</u>
EXPENSES			
Program services	1,142,326	-	1,142,326
Lobbying	46,125	-	46,125
Supporting services			
Administrative services	328,848	-	328,848
Fundraising expenses	8,891	-	8,891
	<u>1,526,190</u>	<u>-</u>	<u>1,526,190</u>
CHANGE IN NET ASSETS	1,855,316	(345,255)	1,510,061
NET ASSETS, beginning of year	880,206	967,827	1,848,033
NET ASSETS, end of year	<u>\$ 2,735,522</u>	<u>\$ 622,572</u>	<u>\$ 3,358,094</u>

INITIATE JUSTICE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Services	Lobbying	Administrative Services	Fundraising Expenses	Total
Wages	\$ 633,605	\$ -	\$ 213,261	\$ 4,106	\$ 850,972
Employee benefits	90,682	-	49,641	189	140,512
Payroll taxes	48,505	-	17,928	1,703	68,136
Total Personnel Expenses	772,792	-	280,830	5,998	1,059,620
Printing, postage, and delivery	137,969	-	31	-	138,000
Professional services	53,224	46,125	16,717	1,962	118,028
Lease expense	66,846	-	7,076	-	73,922
Travel and meals	48,452	-	2,092	664	51,208
Stipends	17,327	-	-	-	17,327
IT services	7,326	-	9,029	-	16,355
Program supplies	12,076	-	-	-	12,076
Facilitators	9,000	-	-	-	9,000
HR and payroll fees	5,912	-	2,015	233	8,160
Other	3,373	-	2,154	-	5,527
Equipment	1,798	-	2,991	-	4,789
Insurance	-	-	3,904	-	3,904
Office expense and supplies	2,604	-	930	-	3,534
Grants to other organizations	3,050	-	-	-	3,050
Dues and memberships	577	-	1,079	-	1,656
Bank charges and fees	-	-	-	34	34
TOTAL EXPENSES	\$ 1,142,326	\$ 46,125	\$ 328,848	\$ 8,891	\$ 1,526,190

INITIATE JUSTICE**STATEMENT OF CASH FLOWS****YEAR ENDED DECEMBER 31, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 1,510,061
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Adjustments to reconcile change in net assets to cash provided by operating activities:	
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Realized and unrealized investment income	(21,944)
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CHANGES IN ASSETS AND LIABILITIES:	
Receivables	467,580
Prepaid expenses and other current assets	(3,331)
Right-of-use asset	65,324
Accounts payable and accrued expenses	(57,918)
Accrued payroll and benefits payable	(16,881)
Lease liability	<u>(64,794)</u>
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NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,878,097</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of certificates of deposit	(1,000,000)
Purchase of intangible assets	<u>(10,000)</u>
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NET CASH USED BY INVESTING ACTIVITIES	<u>(1,010,000)</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS	868,097
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CASH AND CASH EQUIVALENTS, beginning of year	<u>1,112,474</u>
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CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,980,571</u>
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INITIATE JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

NOTE A – GENERAL AND NATURE OF ACTIVITIES

Initiate Justice (Organization) is a California nonprofit public benefit corporation established in 2017, with an office in Los Angeles. The Organization's mission is to activate the power of people directly impacted by mass incarceration to be leaders in the movement to end it. The Organization provides training and leadership development programming. In addition, the Organization works with incarcerated members and organizers to affect policy change through educational guides, materials, and training on how the public policy process works.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

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

INITIATE JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Grants and Contributions Receivable

Grants and contributions receivable are comprised of promises to give expected to be received at their net realizable value. The Organization evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. Management did not consider an allowance for doubtful accounts necessary as of December 31, 2024.

Fair Value Measurements

The Organization's financial instruments include cash, cash equivalents, measured using Level 1 inputs, and certificates of deposit measured using Level 2 inputs. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1— Quoted prices for identical assets in active markets.

Level 2—Observable inputs other than Level 1, which include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3— Unobservable inputs that cannot be corroborated by observable market data.

Intangible Assets

Intangible asset additions are recorded at cost, less accumulated amortization. Intangible asset acquisitions \$5,000 and greater are capitalized and amortized over their respective useful lives. Amortization is computed on the straight-line method over the estimated useful lives of the related assets.

INITIATE JUSTICE**NOTES TO FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Revenue Recognition**

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

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

Revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

Functional Allocation of Expenses

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

Tax Exemption Status

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

NOTE C – INVESTMENTS

Investments are classified within Level 2 of the fair value hierarchy because they are measured by pricing on publicly traded markets with reasonable levels of price transparency. Investment fair values at December 31, 2024, are as follows:

Certificates of Deposit – 4.40196%	
12-month, matures July 2025	\$ 1,021,944
Ending balance	<u>\$ 1,021,944</u>

INITIATE JUSTICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE C – INVESTMENTS (Continued)

Activity for investment accounts for the year ended December 31, 2024, is as follows:

Beginning balance	\$ -
Purchased CDs	1,000,000
Interest income	21,944
Ending balance	<u>\$ 1,021,944</u>

NOTE D – INTANGIBLE ASSETS

At December 31, 2024 intangible assets consists of the following:

Website	\$ 10,000
Less: Accumulated amortization	-
Total intangible assets	<u>\$ 10,000</u>

Amortization expense for the year ended December 31, 2024 is \$0.

NOTE E – CONCENTRATIONS

The Organization's cash and cash equivalents are held primarily by one financial institution. From time to time, the Organization may carry funds in financial institutions in excess of insured limits. There were was approximately \$1,667,540 in excess of FDIC insurance limits as of December 31, 2024.

During the year ended December 31, 2024, the Organization received approximately 66% of its revenue from one funder.

In addition, 71% of receivables at December 31, 2024 is due primarily from two funders (51% and 20%).

NOTE F – EMPLOYEE BENEFITS

Employees of the Organization are entitled to paid vacation based on length of service and other factors and gain a vested right to accumulated vacation. Accrued vacation payable at December 31, 2024 is \$8,239, and is included in the accompanying financial statements.

In addition, employees may participate in a voluntary 401(k) employer sponsored plan (Plan). The Plan allows for discretionary employer matching contributions up to 4% with immediate vesting. The matching contributions totaled \$36,488 for the year ended December 31, 2024.

INITIATE JUSTICE**NOTES TO FINANCIAL STATEMENTS**
YEAR ENDED DECEMBER 31, 2024

NOTE G – LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 1,980,571
Investments	1,021,944
Receivables	495,000
Total financial assets	3,497,515
Less: Net assets with purpose restrictions to be met in one year	(622,572)
	<u>\$ 2,874,943</u>

As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE H – LEASES

The Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, Leases, which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments. The Organization elected the 'package of practical expedients', which permitted the Organization not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs; and all of the new standard's available transition practical expedients. In addition, the Organization adopted the practical expedients of using the risk-free interest rate and the short-term lease definition.

The Organization leases office space in Los Angeles, California under a non-cancellable lease at a rate of approximately \$6,700 per month extending through February 2026.

The Organization leases office equipment under non-cancellable leases at a rate of approximately \$250 per month through April 2026.

The client used the risk-free interest rate of 4.61% to determine present value. Right-of-use assets were \$80,195 and lease liabilities were \$84,042 as of December 31, 2024. The weighted-average discount rate used to calculate the present value of future minimum lease payments was the risk-free interest rate of 4.61%. The weighted-average lease term was 1.2 years at December 31, 2024.

INITIATE JUSTICENOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024NOTE H – LEASES (Continued)

Lease expense consists of the following for the year ended December 31, 2024:

Operating lease expenses	\$ 70,550
Short-term lease expense	3,372
Total lease expense	<u>\$ 73,922</u>

The total cash amount paid for operating leases was \$70,021 for the fiscal year ended December 31, 2024 with a non-cash component of \$529.

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

	Operating Leases	Short-term Leases	Total
2025	\$ 72,822	\$ 3,060	\$ 75,882
2026	13,334	1,020	14,354
Total minimum lease payments	86,156	4,080	90,236
Less: net present value	(2,114)	-	(2,114)
Present value of minimum payments	<u>\$ 84,042</u>	<u>\$ 4,080</u>	<u>\$ 88,122</u>

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with Board of Directors designations and donor restrictions had the following activity during the year ended December 31, 2024:

Nature of Restriction	12/31/2023	Income or Allocation	Releases	12/31/2024
Time	\$ 947,580	\$ 472,420	(\$ 830,000)	\$ 590,000
Purpose:				
Voting rights	15,000	15,000	(15,000)	15,000
Research	-	10,000	(7,918)	2,082
Policy	-	15,000	-	15,000
Communications	4,757	-	(4,757)	-
Other	490	-	-	490
	<u>\$ 967,827</u>	<u>\$ 512,420</u>	<u>(\$ 857,675)</u>	<u>\$ 622,572</u>

INITIATE JUSTICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE J – RELATED PARTY TRANSACTIONS

Initiate Justice Action – An organization exempt from taxation under section 501(c)(4) of the Internal Revenue Code (IRC) that mobilizes the power of people impacted by incarceration to advance progressive policies in California.

The Executive Director of the 501(c)(4) organization is on the Board of Directors of the Organization.

The Organization distributed grants to the 501(c)(4) of \$175,000 during the year ended December 31, 2024 which were accrued as unconditional promises to give at December 31, 2023.

NOTE K – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for recognition and disclosure through July 21, 2025, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2024, that required recognition or disclosure in the financial statements.