

VERA INSTITUTE OF JUSTICE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2015

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 the Vera Institute of Justice, Inc., which comprise the statement of financial position at June 30, 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Vera Institute of Justice, Inc. at June 30, 2015, 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.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
December 30, 2015

VERA INSTITUTE OF JUSTICE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Cash and cash equivalents	\$ 7,254,825
Investments	5,052,111
Grants receivable, net	6,406,415
Contributions receivable, net	5,995,794
Other assets	453,103
Leasehold improvements, furniture and equipment, net	<u>889,158</u>
 TOTAL ASSETS	 <u><u>\$ 26,051,406</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accounts payable and accrued expenses	\$ 4,708,352
Accrued salaries and related benefits payable	947,592
Notes payable	1,265
Deferred rent	938,657
Advances from government agencies	<u>1,668,679</u>
 TOTAL LIABILITIES	 <u>8,264,545</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS:	
Unrestricted:	
Undesignated	2,144,975
Board-designated	<u>4,862,221</u>
Total Unrestricted	<u>7,007,196</u>
Temporarily restricted	10,529,665
Permanent endowment	<u>250,000</u>
	<u>10,779,665</u>
 TOTAL NET ASSETS	 <u>17,786,861</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 26,051,406</u></u>
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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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains, losses and other support:				
Government grants	\$ 41,989,032	\$ -	\$ -	\$ 41,989,032
Contributions	1,092,085	6,925,247	-	8,017,332
Special events	699,716	-	-	699,716
Direct cost of special events	(72,923)	-	-	(72,923)
Interest and dividends	2,745	-	-	2,745
Loss on disposal of fixed assets	(11,389)	-	-	(11,389)
Miscellaneous revenue	494,195	-	-	494,195
Net assets released from restrictions	8,331,997	(8,331,997)	-	-
Total operating revenue, gains, losses and other support	<u>52,525,458</u>	<u>(1,406,750)</u>	<u>-</u>	<u>51,118,708</u>
Operating expenses:				
Program services	47,541,440	-	-	47,541,440
Management and general	4,284,199	-	-	4,284,199
Fundraising	196,240	-	-	196,240
Total operating expenses	<u>52,021,879</u>	<u>-</u>	<u>-</u>	<u>52,021,879</u>
Excess (deficiency) of operating revenue, gains, losses and other support over operating expenses	503,579	(1,406,750)	-	(903,171)
Investment loss	(166,692)	-	-	(166,692)
Change in net assets	336,887	(1,406,750)	-	(1,069,863)
Net assets, beginning of year	<u>6,670,309</u>	<u>11,936,415</u>	<u>250,000</u>	<u>18,856,724</u>
Net assets, end of year	<u>\$ 7,007,196</u>	<u>\$ 10,529,665</u>	<u>\$ 250,000</u>	<u>\$ 17,786,861</u>

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, 2015

	Program Services				Supporting Services				Total
	Demonstration Projects	Centers and Programs	Planning and Research	Total	Management and General	Fundraising	Direct Cost of Special Event	Total	
Salaries and related expenses:									
Salaries	\$ 2,026,202	\$ 6,315,763	\$ 699,303	\$ 9,041,268	\$ 2,578,380	\$ 48,236	\$ -	\$ 2,626,616	\$ 11,667,884
Fringe benefits	482,704	1,357,653	137,403	1,977,760	562,105	15,850	-	577,955	2,555,715
Total	<u>2,508,906</u>	<u>7,673,416</u>	<u>836,706</u>	<u>11,019,028</u>	<u>3,140,485</u>	<u>64,086</u>	<u>-</u>	<u>3,204,571</u>	<u>14,223,599</u>
Subcontractors and consultants	106,720	32,491,458	245,495	32,843,673	271,669	105,246	-	376,915	33,220,588
Professional fees	74,443	102,382	5,598	182,423	234,783	7,785	-	242,568	424,991
Occupancy	264,455	1,295,722	104,429	1,664,606	-	-	-	-	1,664,606
Equipment expense and rentals	37,041	29,795	6,152	72,988	14,589	-	-	14,589	87,577
Publications and printing	5,038	42,610	11,754	59,402	11,377	6,970	-	18,347	77,749
Office expenses	31,552	114,779	2,990	149,321	217,509	9,930	-	227,439	376,760
Telephone	19,028	56,785	3,605	79,418	59,773	328	-	60,101	139,519
Travel and subsistence	56,339	971,495	29,657	1,057,491	100,409	856	72,923	174,188	1,231,679
Bad debt expense	-	-	32,010	32,010	-	-	-	-	32,010
Insurance	28,458	8,901	-	37,359	86,325	-	-	86,325	123,684
Depreciation and amortization	43,658	136,084	15,067	194,809	55,558	1,039	-	56,597	251,406
Miscellaneous expense	15,910	129,153	3,849	148,912	91,722	-	-	91,722	240,634
Subtotal	<u>3,191,548</u>	<u>43,052,580</u>	<u>1,297,312</u>	<u>47,541,440</u>	<u>4,284,199</u>	<u>196,240</u>	<u>72,923</u>	<u>4,553,362</u>	<u>52,094,802</u>
Direct cost of special events	-	-	-	-	-	-	(72,923)	(72,923)	(72,923)
Total	<u>\$ 3,191,548</u>	<u>\$ 43,052,580</u>	<u>\$ 1,297,312</u>	<u>\$ 47,541,440</u>	<u>\$ 4,284,199</u>	<u>\$ 196,240</u>	<u>\$ -</u>	<u>\$ 4,480,439</u>	<u>\$ 52,021,879</u>

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (1,069,863)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	251,406
Loss on disposal of fixed asset	11,389
Deferred rent	(96,328)
Bad debt expense	32,010
Net realized and unrealized gains on investments	322,134
Amortization of discount on pledge receivable	(28,462)
Changes in assets (increase) decrease:	
Grants receivable	(182,848)
Contributions receivable	3,703,373
Prepaid expenses and other assets	(42,516)
Changes in liabilities increase (decrease):	
Accounts payable and accrued expenses	777,305
Accrued salaries and related benefits payable	(117,224)
Deferred income and advances	1,574,768
	<u>5,135,144</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(1,108,758)
Proceeds from sale of investments	975,836
Purchase of leasehold improvements, furniture and equipment	<u>(51,000)</u>
	<u>(183,922)</u>
NET CASH USED IN INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on notes payable	<u>(66,217)</u>
	<u>(66,217)</u>
NET CASH USED IN FINANCING ACTIVITIES	
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,885,005
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,369,820</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 7,254,825</u></u>

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

VERA INSTITUTE OF JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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") and is therefore exempt from Federal income taxation under Section 501(a) of the Code.

Vera is dedicated to making government policies fairer, more humane, and more effective for all people. Working in collaboration with government and local communities, Vera designs and implements innovative programs that expand the practice of justice and improve the quality of urban life. Vera operates demonstration projects in partnership with government, conducts original research, and provides technical assistance to public officials in New York and throughout the world. Vera's primary source of funding is government grants and contributions.

Note 2 - Summary of Significant Accounting Policies

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.

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.

VERA INSTITUTE OF JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Fair Value of Financial Instruments (cont'd.)

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

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

Investments

Investments are stated at the readily determinable fair market value in accordance with the Not-for-Profit Entities topic of the Financial Accounting Standard Board ("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 unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Grant Revenue, Receivables and Advances from Government Agencies

Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, Vera establishes advances from government funders.

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, temporarily restricted net assets are reclassified to unrestricted net assets 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 uncollectables should be provided for grant 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. Grant and contributions receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. At June 30, 2015, there is no allowance for doubtful accounts.

VERA INSTITUTE OF JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Leasehold Improvements and Furniture and Equipment

Leasehold improvements and furniture and equipment are stated at cost. The costs of additions and betterments are capitalized when they exceed \$1,500 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 equipment is provided utilizing the straight-line method. Leasehold improvements are amortized over the term of the lease.

Net Assets

Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors. Board designated funds represent funds designated by the Board of Trustees as a special allocation for enhancing specific program activities. Temporarily restricted net assets are those net assets that are restricted by the donors for specific purposes. Permanently restricted net assets are those net assets whose principal may not be expended. The donors may or may not restrict the use of investment income.

Functional Reporting

The costs of providing Vera's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 has adopted 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 2012.

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.

VERA INSTITUTE OF JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 4 - Investment Income/Loss

For the year ended June 30, 2015, investment income/loss consists of:

Dividend and interest income	\$ 205,442
Investment advisory expense	(50,000)
Realized and unrealized losses on investments	<u>(322,134)</u>
	<u>\$ (166,692)</u>

Note 5 - Fair Value Measurements

Vera measures its marketable securities 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 assumption, 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 Vera's own assumptions of market participant valuation (unobservable inputs).

The following table presents Vera's assets that are measured on a recurring basis at June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity and fixed income mutual funds:				
Large-cap	\$ 492,032	\$ -	\$ -	\$ 492,032
Mid-cap	198,581	-	-	198,581
Small-cap	303,480	-	-	303,480
International equity	760,172	-	-	760,172
Emerging markets	601,168	-	-	601,168
Frontier markets	143,497	-	-	143,497
Directional hedge-long/short equity	495,878	-	-	495,878
Interest rate sensitive fixed income	729,053	-	-	729,053
Multi-sector bonds	240,319	-	-	240,319
Real asset mutual funds:				
Public REITs	149,490	-	-	149,490
Commodities	164,088	-	-	164,088
Private energy	139,867	-	-	139,867
Alternative assets:				
Multi-strategy hedge mutual funds	166,268	-	-	166,268
Low volatility hedge mutual funds	162,558	-	-	162,558
Managed futures	154,774	-	-	154,774
Fund of funds	-	-	150,886	150,886
	<u>\$ 4,901,225</u>	<u>\$ -</u>	<u>\$ 150,886</u>	<u>\$ 5,052,111</u>

VERA INSTITUTE OF JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5 - Fair Value Measurements (cont'd.)

The following table sets forth a summary of changes in Vera's Level 3 investments for the year ended June 30, 2015:

	Balance July 1, 2014	Purchases	Settlements	Total Gains	Balance June 30, 2015
Alternative investments:					
Fund of funds	\$ 206,270	\$ -	\$ (69,613)	\$ 14,229	\$ 150,886
Total	<u>\$ 206,270</u>	<u>\$ -</u>	<u>\$ (69,613)</u>	<u>\$ 14,229</u>	<u>\$ 150,886</u>

The following is a description of the valuation methodologies used for investments at fair value. There have been no changes in the methodologies used at June 30, 2015.

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

Level 3 investments in mutual funds are determined by net asset value which is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares outstanding. The net asset value was obtained from audited financial statements and other reports received from the investment advisor.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Vera believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Net Asset Value Per Share

Vera's disclosures include fair value, number of funds, unfunded commitments, redemption terms, redemption restrictions and if the restrictions were not in place at year-end for those assets whose fair value is estimated using the net asset value ("NAV") per share at June 30, 2015. The following table presents Vera's investments with a reported NAV at June, 30, 2015:

Fund Name	NAV in Fund	Number of Funds	Redemption Terms/Restrictions	Redemption Restrictions in Place at Year-End
Hatteras Multi-Strategy TEI Fund, L.P.	\$ 150,886	1	1-year lock-up period quarterly withdrawal, with 65 days notice	Yes

There were no unfunded commitments at June 30, 2015.

VERA INSTITUTE OF JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5 - Fair Value Measurements (cont'd.)

The Hatteras Multi-Strategy TEI Fund, L.P. seeks to provide capital appreciation consistent with the return characteristic of larger endowments through investments in six asset classes: Opportunity Equity, Enhanced Fixed Income, Absolute Return, Real Estate, Private Equity, and Energy and Natural Resources.

Note 6 - Contributions Receivable

At June 30, 2015, contributions receivable consist of the following:

Receivable in less than one year	\$	4,250,704
Receivable in one to five years		1,835,235
Total pledges		6,085,939
Less discount to net present value		90,145
Net contributions receivable	\$	5,995,794

Contributions receivable due in one to five years are discounted at 2.50% for 2015.

Note 7 - Leasehold Improvements and Furniture and Equipment

Leasehold improvements and furniture and equipment consist of the following:

	<u>Estimated Useful Lives</u>	
Leasehold improvements	10 years	\$ 1,410,856
Computer equipment	3-5 years	485,348
Furniture and fixtures	3-7 years	59,443
Office equipment	3-5 years	170,953
		2,126,600
Less accumulated depreciation and amortization		1,237,442
		\$ 889,158

Note 8 - Endowments

Vera's endowment includes a permanent donor-restricted fund and a fund designated by the Board of Trustees to function as their endowments. Vera's endowments consist of equities, mutual funds, alternative investments, and cash established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

VERA INSTITUTE OF JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Endowments (cont'd.)

Vera classifies as permanently restricted net assets (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. The remaining portion of the donor-restricted endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Vera in a manner consistent with the standard of prudence prescribed by applicable laws and regulations. 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) where appropriate, alternatives to spending from the donor-restricted endowment funds and the possible effects of those alternatives on Vera.

Endowment Investment and Spending Policies

The Endowment Fund (the "Fund") was established in fiscal year 1987 as an unrestricted board designated fund to function as and to achieve the same general purposes as an endowment. The Fund was to be held in a "segregated restricted investment fund". 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'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 2015, the Board of Trustees voted to not make any appropriations this year.

VERA INSTITUTE OF JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Endowments (cont'd.)

Endowment net asset composition by type of fund at June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 250,000	\$ 250,000
Board-designated endowment funds	4,862,221	-	-	4,862,221
Total	<u>\$ 4,862,221</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 5,112,221</u>

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	<u>Unrestricted Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2014	\$ 5,028,913	\$ 250,000	\$ 5,278,913
Dividend and interest income	205,442	-	205,442
Net realized and unrealized gains	(322,134)	-	(322,134)
Investment fees	(50,000)	-	(50,000)
Endowment net assets, June 30, 2015	<u>\$ 4,862,221</u>	<u>\$ 250,000</u>	<u>\$ 5,112,221</u>

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 accounting principles generally accepted in the United States of America, there were no deficiencies at June 30, 2015.

Note 9 - Notes Payable

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 (3.25% as of June 30, 2015) 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, 2015. Vera had no outstanding balance due under the line of credit at June 30, 2015.

In January 2014, Vera entered into a revolving note agreement with an anonymous donor for borrowings of up to \$250,000 which are secured by outstanding commission fees related to the Guardianship Project and is subject to restrictive covenants. The borrowings are interest free for up to eight years, after which they become subject to interest equal to the lesser of 18% or the maximum allowed by law. At June 30, 2015, the outstanding balance was \$1,265.

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Note 10 - Temporarily Restricted Net Assets

At June 30, 2015, temporarily restricted net assets are available for the following purposes:

Demonstration projects	\$ 852,187
Centers and programs	8,190,565
Planning and research	660,141
Fundraising	<u>826,772</u>
	<u>\$ 10,529,665</u>

Temporarily restricted net assets were released from restrictions for the year ended June 30, 2015 by incurring expenses satisfying the following:

Demonstration projects	\$ 825,168
Centers and programs	6,813,204
Planning and research	189,202
Fundraising	<u>504,423</u>
	<u>\$ 8,331,997</u>

Note 11 - Permanently Restricted Net Assets

Permanently restricted net assets are restricted to an investment in perpetuity, the income from which is expendable for general purposes.

Note 12 - 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, 2015 amount to \$387,060.

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Note 13 - Operating Leases

Vera currently has various cancellable and noncancellable property lease agreements in connection with its programs which expire at various dates through October 2017. The property leases are subject to real estate tax escalations. Vera also has a lease for office space located in New York, NY which expires on July 31, 2021. Rental expense for Vera under all operating leases for the year ended June 30, 2015 was \$1,312,783. The minimum annual future rental commitments are as follows:

<u>Years Ending June 30,</u>	<u>Cancellable</u>	<u>Non- cancellable</u>	<u>Total</u>
2016	\$ 7,532	\$ 1,164,361	\$ 1,171,893
2017	-	1,109,546	1,109,546
2018	-	1,051,218	1,051,218
2019	-	1,034,946	1,034,946
2020	-	1,076,125	1,076,125
Thereafter	-	1,208,770	1,208,770
Total	<u>\$ 7,532</u>	<u>\$ 6,644,966</u>	<u>\$ 6,652,498</u>

Note 14 - Donated Facilities

Included in contribution income and occupancy expense for the year ended June 30, 2015 is contributed in-kind rent and related expenses totaling \$75,500. The amount is calculated based on fair value.

Note 15 - 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, 2015 is as follows:

Cash	\$ 7,000,000
Securities	3,000,000
Real property	<u>11,000,000</u>
	<u>\$ 21,000,000</u>

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Note 16 - Esperanza NY, Inc.

Vera guarantees up to \$250,000 of a \$500,000 unsecured, revolving term note that Esperanza NY, Inc. entered into with a financial institution. The line of credit agreement expires on April 5, 2016. Interest is charged at 0.5% above the prime rate, limited to 4%. No amount was outstanding at June 30, 2015.

Note 17 - Subsequent Events

Vera has evaluated all events or transactions that occurred after June 30, 2015 through the date of these financial statements, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.