

**VERA INSTITUTE OF JUSTICE, INC.  
AND RELATED ENTITY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2018**

VERA INSTITUTE OF JUSTICE, INC.  
AND RELATED ENTITY

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Vera Institute of Justice, Inc. and Related Entity, which comprise the consolidated statement of financial position at June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vera Institute of Justice, Inc. and Related Entity at June 30, 2018, 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.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities, and consolidating schedule of functional expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

GRASSI & CO., CPAs, P.C.

New York, New York

December 19, 2018

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018

ASSETS

Cash and cash equivalents	\$ 19,524,614
Investments	27,944,457
Grants and contracts receivable, net	16,948,306
Contributions receivable, net	24,415,198
Prepaid expenses and other assets	697,629
Leasehold improvements and furniture and equipment, net	<u>365,128</u>
 TOTAL ASSETS	 <u><u>\$ 89,895,332</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 13,098,614
Accrued salaries and related benefits payable	874,042
Deferred rent	666,913
Advances from government agencies	<u>778,468</u>
 TOTAL LIABILITIES	 <u>15,418,037</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS:

Operating - unrestricted	31,146,077
Board-designated endowment - unrestricted	9,091,609
Total Unrestricted	<u>40,237,686</u>
 Temporarily restricted	 33,655,609
Permanently restricted - endowment	584,000
	<u>34,239,609</u>
 TOTAL NET ASSETS	 <u>74,477,295</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 89,895,332</u></u>

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

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue and other support:				
Government grants, contracts and fees	\$ 93,306,466	\$ -	\$ -	\$ 93,306,466
Contributions	9,583,074	36,977,163	334,000	46,894,237
Special events	1,009,447	-	-	1,009,447
Miscellaneous revenue	398,017	-	-	398,017
Net assets released from restrictions	18,195,999	(18,195,999)	-	-
Total operating revenue and other support	<u>122,493,003</u>	<u>18,781,164</u>	<u>334,000</u>	<u>141,608,167</u>
Operating expenses:				
Program Services	95,419,277	-	-	95,419,277
Supporting Services:				
Management and general	7,747,450	-	-	7,747,450
Fundraising	1,224,831	-	-	1,224,831
Total operating expenses	<u>104,391,558</u>	<u>-</u>	<u>-</u>	<u>104,391,558</u>
Excess of operating revenue and other support over operating expenses	18,101,445	18,781,164	334,000	37,216,609
Investment income	<u>544,355</u>	<u>-</u>	<u>-</u>	<u>544,355</u>
Change in net assets	18,645,800	18,781,164	334,000	37,760,964
Net assets, beginning of year	<u>21,591,886</u>	<u>14,874,445</u>	<u>250,000</u>	<u>36,716,331</u>
Net assets, end of year	<u>\$ 40,237,686</u>	<u>\$ 33,655,609</u>	<u>\$ 584,000</u>	<u>\$ 74,477,295</u>

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

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services			Total
	Programs	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses:					
Salaries	\$ 13,027,448	\$ 3,780,263	\$ 498,960	\$ 4,279,223	\$ 17,306,671
Fringe benefits	3,349,688	878,078	86,088	964,166	4,313,854
Total	<u>16,377,136</u>	<u>4,658,341</u>	<u>585,048</u>	<u>5,243,389</u>	<u>21,620,525</u>
Subcontracts and pass-through funding	70,798,327	-	-	-	70,798,327
Consultants	4,092,562	1,011,513	239,586	1,251,099	5,343,661
Professional fees	206,861	421,429	4,608	426,037	632,898
Occupancy	1,191,374	314,794	43,792	358,586	1,549,960
Equipment expense and rentals	117,211	305,830	351	306,181	423,392
Publications and printing	33,246	18,631	9,826	28,457	61,703
Office expenses	115,977	274,069	41,488	315,557	431,534
Telephone	111,874	88,992	3,735	92,727	204,601
Travel	1,896,823	304,249	266,278	570,527	2,467,350
Insurance	33,771	111,617	-	111,617	145,388
Depreciation and amortization	157,276	47,032	5,576	52,608	209,884
Computer and Internet	8,474	520	264	784	9,258
Miscellaneous expense	278,365	190,433	24,279	214,712	493,077
Total	<u>\$ 95,419,277</u>	<u>\$ 7,747,450</u>	<u>\$ 1,224,831</u>	<u>\$ 8,972,281</u>	<u>\$ 104,391,558</u>

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

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 37,760,964
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	209,884
Deferred rent	(148,088)
Net realized and unrealized gains on investments	(285,463)
Permanently restricted contributions	(334,000)
Amortization of discount pledge receivable	(1,037,909)
Loss on disposal	6,134
Changes in Assets (Increase) Decrease:	
Grants and contracts receivable, net	(729,766)
Contributions receivable, net	(15,203,463)
Prepaid expenses and other assets	(215,436)
Changes in Liabilities Increase (Decrease):	
Accounts payable and accrued expenses	2,422,929
Accrued salaries and related benefits payable	(13,885)
Advances from government agencies	<u>(1,213,472)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>21,218,429</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(24,659,656)
Proceeds from sale of investments	2,816,571
Purchase of leasehold improvements, furniture and equipment	<u>(25,554)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(21,868,639)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from permanently restricted contributions	<u>334,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>334,000</u>
NET DECREASE CASH AND CASH EQUIVALENTS	(316,210)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>19,840,824</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 19,524,614</u></u>

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

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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.

Common Justice Inc. ("Common Justice") is a not-for-profit corporation that was incorporated in August 2016, and began its operations on October 1, 2017. The mission of Common Justice is to develop and advance solutions to violence that transform the lives of those harmed and foster racial equity without relying on incarceration. Prior to its spin-off, Common Justice was a project within Vera. Common Justice is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Vera is the sole member of Common Justice, Inc. and appoints the board of directors of Common Justice.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Vera and Common Justice (the "Consolidated Group"). All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Basis of Accounting

The accompanying consolidated 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 consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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

Cash and Cash Equivalents

The Consolidated Group considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Consolidated Group 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.

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

At June 30, 2018, the cost basis of the Consolidated Group'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 Financial Accounting Standards 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. 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.

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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, the Consolidated Group 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.

Contributions and Contributions Receivable

The Consolidated Group 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. The Consolidated Group does not accrue interest on past due receivables.

Allowance for Doubtful Accounts

The Consolidated Group determines whether an allowance for uncollectable accounts 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, 2018, there is no allowance for doubtful accounts.

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 \$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 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.

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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

Leasehold Improvements and Furniture and Equipment (cont'd.)

Useful lives are as follows:

Computer equipment	5 years
Furniture	7 years
Office equipment	5 years

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 various programs and supporting services to the Consolidated Group have been summarized on a functional basis in the consolidated 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

The Consolidated Group 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 consolidated financial statements. The Consolidated Group is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Consolidated Group believes it is no longer subject to income tax examinations prior to 2015.

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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

Upcoming Accounting Pronouncements

ASU No. 2016-14

In August 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. This ASU is a result of the recommendations developed by FASB’s Not-for-Profit Advisory Committee and FASB’s ongoing review of Generally Accepted Accounting Principles (GAAP) standards to improve existing standards to meet the evolving needs of a dynamic financial reporting environment.

The ASU provides for changes in financial statement presentation that affect classification of net assets, presentation of expenses, investment returns and presentation of operating cash flows. It also calls for enhanced disclosures of board designated funds, underwater endowment funds, methods used to allocate costs among functions, and liquidity and availability of resources. The ASU affects all not-for-profit organizations including charities, foundations, colleges and universities, health care providers, religious organizations, trade associations, and cultural institutions, among others.

The amendments of ASU No. 2016-14 are effective for annual financial statements issued for periods beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018.

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, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted for all entities.

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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.

The Consolidated Group has not yet determined if these ASUs will have a material effect on its consolidated financial statements.

Note 3 - Concentration of Credit Risk

The Consolidated Group 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, Consolidated Group's balances may exceed these limits.

Note 4 - Investment Income

For the year ended June 30, 2018, investment income (loss) consists of:

Dividend and interest income	\$ 335,465
Investment advisory expense	(76,573)
Realized and unrealized gains on investments	<u>285,463</u>
	<u><u>\$ 544,355</u></u>

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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 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 and U.S. treasury bills 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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity and fixed income mutual funds:			
Domestic equity	\$ 4,700,930	\$ -	\$ 4,700,930
International equity	931,811	-	931,811
Emerging markets	238,434	-	238,434
Discretionary hedge-long/short equity	28,842	-	28,842
U.S Treasury bills	4,966,600	-	4,966,600
Credit sensitive/liquid strategies fixed income	3,539,239	13,358,331	16,897,570
Alternative assets:			
Multi-strategy hedge mutual funds	62,929	-	62,929
Managed futures	117,341	-	117,341
	<u>\$ 14,586,126</u>	<u>\$ 13,358,331</u>	<u>\$ 27,944,457</u>

Note 6 - Contributions Receivable

At June 30, 2018, contributions receivable, net consist of the following:

Receivable in less than one year	\$ 10,910,730
Receivable in one to five years	<u>14,542,377</u>
Total	25,453,107
Less: Discount to net present value (with rates ranging from 2.52% to 2.73%)	<u>1,037,909</u>
Net contributions receivable	<u>\$ 24,415,198</u>

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

Note 7 - Leasehold Improvements and Furniture and Equipment

Leasehold improvements and furniture and equipment consist of the following:

Leasehold improvements	\$	1,384,270
Computer equipment		555,836
Furniture		55,994
Office equipment		170,953
		2,167,053
Less: Accumulated depreciation and amortization		1,801,925
		\$ 365,128

Note 8 - Endowments

Vera's endowments include a permanent donor-restricted fund and a fund designated by the Board of Trustees to function as their endowments. Vera's endowments are established for a variety of purposes and consist of equities, mutual funds, alternative investments, and cash. As required by U.S. GAAP, 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 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) when 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 INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

Note 8 - Endowments (cont'd.)

Endowment Investment and Spending Policies (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 2018, the Board of Trustees voted to not make any appropriations.

Endowment net asset composition by type of fund at June 30, 2018 is as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 584,000	\$ 584,000
Board-designated endowment funds	9,091,609	-	-	9,091,609
	<u>\$ 9,091,609</u>	<u>\$ -</u>	<u>\$ 584,000</u>	<u>\$ 9,675,609</u>
Total	<u>\$ 9,091,609</u>	<u>\$ -</u>	<u>\$ 584,000</u>	<u>\$ 9,675,609</u>

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>		Permanently <u>Restricted</u>	<u>Total</u>
	<u>Undesignated</u>	Board <u>Designated</u>		
Endowment net assets, June 30, 2017	\$ (1,147)	\$ 5,639,195	\$ 250,000	\$ 5,888,048
Contributions	-	3,000,000	334,000	3,334,000
Dividend and interest income	-	161,581	-	161,581
Net realized and unrealized gains	1,147	342,402	-	343,549
Investment fees	-	(51,569)	-	(51,569)
	<u>-</u>	<u>9,091,609</u>	<u>584,000</u>	<u>9,675,609</u>
Endowment net assets, June 30, 2018	<u>\$ -</u>	<u>\$ 9,091,609</u>	<u>\$ 584,000</u>	<u>\$ 9,675,609</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 U.S. GAAP, there were no deficiencies at June 30, 2018.

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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 (5.00% as of June 30, 2018) 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, 2018. Vera had no outstanding balance due under the line of credit at June 30, 2018.

At June 30, 2018, Common Justice has no outstanding balance on its available line of credit of \$500,000 from a financial institution. Interest is payable at the bank's fluctuating base rate which totaled 5.00% at June 30, 2018. The line of credit is secured by a \$300,000 guaranty by Vera and a first lien in all personal property of Common Justice along with a cash collateral of \$200,000 which is being held by the grantor. The line of credit has an expiration date of November 26, 2018. There was no interest expense incurred for the period from inception through June 30, 2018.

Note 10 - Temporarily Restricted Net Assets

At June 30, 2018, temporarily restricted net assets are available for the following purposes:

Vera Institute of Justice, Inc.	
Demonstration Projects	\$ 234,367
Centers and programs	12,009,567
General and administrative	90,352
Planning and research	47,673
Time restricted contributions	17,810,119
	<u>30,192,078</u>
Common Justice, Inc.	
Program support	3,328,181
Institutional strengthening	135,350
	<u>3,463,531</u>
Total	<u><u>\$ 33,655,609</u></u>

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

Note 10 - Temporarily Restricted Net Assets (cont'd.)

Temporarily restricted net assets were released from restrictions for the year ended June 30, 2018 by incurring expenses satisfying the following:

Vera Institute of Justice, Inc.	
Demonstration Projects	\$ 387,895
Centers and programs	9,459,053
Planning and research	61,493
Time restricted contributions	6,526,173
	<u>16,434,614</u>
Common Justice, Inc.	
Program support	1,510,255
Institutional strengthening	251,130
	<u>1,761,385</u>
	<u>\$ 18,195,999</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, 2018 amounted to \$499,088.

Common Justice maintains a multiple employer plan for its employees, whereby contributions to the plan are made at the discretion of the employer for all eligible employees. All employees of Common Justice are eligible to participate into the 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 period from inception through June 30, 2018 amounted to \$4,500.

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

Note 12 - Operating Leases

The Consolidated Group currently has various cancellable and noncancellable property lease agreements in connection with its programs which expire at various dates through July 2022. The property leases are subject to real estate tax escalations. The Consolidated Group also has a lease for office space located in New York, NY, which expires on July 31, 2021. Rental expense for the Consolidated Group under all operating leases for the year ended June 30, 2018 was \$1,087,734. The minimum annual future rental commitments are as follows:

Years Ending June 30:

2019	\$ 1,480,657
2020	1,519,665
2021	1,368,720
2022	216,590
2023	<u>46,924</u>
	<u>\$ 4,632,556</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 consolidated financial statements.

The approximate value of the assets at June 30, 2018 is as follows:

Cash	\$ 6,000,000
Securities	24,000,000
Real property	<u>2,000,000</u>
	<u>\$ 32,000,000</u>

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

Note 14 - 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, 2019. Interest is charged at 0.5% above the prime rate, limited to 4%. No amount was outstanding at June 30, 2018.

Note 15 - Subsequent Events

The Consolidated Group has evaluated all events or transactions that occurred after June 30, 2018 through December 19, 2018, which is the date that the consolidated financial statements were available to be issued.

Subsequent to June 30, 2018, Vera entered into an agreement to lease office space with a third party. The executed lease is for a 15-year period and the estimated lease payments over this period total approximately \$24,246,000. The commencement date of the lease has not yet been established, as the premises are under construction.

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SUPPLEMENTARY INFORMATION

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
SUPPLEMENTARY INFORMATION  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018

<u>ASSETS</u>	Vera Institute of Justice, Inc.	Common Justice, Inc.	Eliminations	Consolidated
Cash and cash equivalents	\$ 16,690,340	\$ 2,834,274	\$ -	\$ 19,524,614
Investments	27,944,457	-	-	27,944,457
Grants and contracts receivable, net	16,598,232	350,074	-	16,948,306
Contributions receivable, net	22,505,644	1,909,554	-	24,415,198
Prepaid expenses and other assets	614,534	83,095	-	697,629
Due from related party	-	136,175	(136,175)	-
Leasehold improvements and furniture and equipment, net	365,128	-	-	365,128
<b>TOTAL ASSETS</b>	<b>\$ 84,718,335</b>	<b>\$ 5,313,172</b>	<b>\$ (136,175)</b>	<b>\$ 89,895,332</b>
<u>LIABILITIES AND NET ASSETS</u>				
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses	\$ 12,898,891	\$ 199,723	\$ -	\$ 13,098,614
Accrued salaries and related benefits payable	849,875	24,167	-	874,042
Deferred rent	666,913	-	-	666,913
Advances from government agencies	778,468	-	-	778,468
Due to related party	136,175	-	(136,175)	-
<b>TOTAL LIABILITIES</b>	<b>15,330,322</b>	<b>223,890</b>	<b>(136,175)</b>	<b>15,418,037</b>
<b>NET ASSETS:</b>				
Operating - unrestricted	29,520,326	1,625,751	-	31,146,077
Board-designated endowment - unrestricted	9,091,609	-	-	9,091,609
Total Unrestricted	38,611,935	1,625,751	-	40,237,686
Temporarily restricted	30,192,078	3,463,531	-	33,655,609
Permanently restricted - endowment	584,000	-	-	584,000
<b>TOTAL NET ASSETS</b>	<b>69,388,013</b>	<b>5,089,282</b>	<b>-</b>	<b>74,477,295</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 84,718,335</b>	<b>\$ 5,313,172</b>	<b>\$ (136,175)</b>	<b>\$ 89,895,332</b>

See independent auditors' report.

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
SUPPLEMENTARY INFORMATION  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	Vera Institute of Justice, Inc.			Common Justice, Inc.			Eliminations	Total				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted		Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated
Operating revenue and other support:												
Government grants, contracts and fees	\$ 92,709,639	\$ -	\$ -	\$ 92,709,639	\$ 596,827	\$ -	\$ 596,827	\$ -	\$ 93,306,466	\$ -	\$ -	\$ 93,306,466
Contributions	9,105,696	33,543,323	334,000	42,983,019	507,378	3,433,840	3,941,218	(30,000)	9,583,074	36,977,163	334,000	46,894,237
Special events	1,009,447	-	-	1,009,447	-	-	-	-	1,009,447	-	-	1,009,447
Miscellaneous revenue	386,178	-	-	386,178	11,839	-	11,839	-	398,017	-	-	398,017
Net assets released from restrictions	16,434,614	(16,434,614)	-	-	1,761,385	(1,761,385)	-	-	18,195,999	(18,195,999)	-	-
<b>Total operating revenue and other support</b>	<b>119,645,574</b>	<b>17,108,709</b>	<b>334,000</b>	<b>137,088,283</b>	<b>2,877,429</b>	<b>1,672,455</b>	<b>4,549,884</b>	<b>(30,000)</b>	<b>122,493,003</b>	<b>18,781,164</b>	<b>334,000</b>	<b>141,608,167</b>
Operating expenses:												
Program Services	93,799,145	-	-	93,799,145	1,620,132	-	1,620,132	-	95,419,277	-	-	95,419,277
Supporting Services:												
Management and general	7,530,329	-	-	7,530,329	247,121	-	247,121	(30,000)	7,747,450	-	-	7,747,450
Fundraising	1,172,499	-	-	1,172,499	52,332	-	52,332	-	1,224,831	-	-	1,224,831
<b>Total operating expenses</b>	<b>102,501,973</b>	<b>-</b>	<b>-</b>	<b>102,501,973</b>	<b>1,919,585</b>	<b>-</b>	<b>1,919,585</b>	<b>(30,000)</b>	<b>104,391,558</b>	<b>-</b>	<b>-</b>	<b>104,391,558</b>
Excess of operating revenue and other support over operating expenses	17,143,601	17,108,709	334,000	34,586,310	957,844	1,672,455	2,630,299	-	18,101,445	18,781,164	334,000	37,216,609
Investment income	544,355	-	-	544,355	-	-	-	-	544,355	-	-	544,355
Change in net assets	17,687,956	17,108,709	334,000	35,130,665	957,844	1,672,455	2,630,299	-	18,645,800	18,781,164	334,000	37,760,964
Net assets, beginning of year	21,591,886	14,874,445	250,000	36,716,331	-	-	-	-	21,591,886	14,874,445	250,000	36,716,331
Net assets contributed from / (to) related parties	(667,907)	(1,791,076)	-	(2,458,983)	667,907	1,791,076	2,458,983	-	-	-	-	-
<b>Net assets, end of year</b>	<b>\$ 38,611,935</b>	<b>\$ 30,192,078</b>	<b>\$ 584,000</b>	<b>\$ 69,388,013</b>	<b>\$ 1,625,751</b>	<b>\$ 3,463,531</b>	<b>\$ 5,089,282</b>	<b>\$ -</b>	<b>\$ 40,237,686</b>	<b>\$ 33,655,609</b>	<b>\$ 584,000</b>	<b>\$ 74,477,295</b>

See independent auditors' report.

VERA INSTITUTE OF JUSTICE, INC. AND RELATED ENTITY  
SUPPLEMENTARY INFORMATION  
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	Vera Institute of Justice, Inc.							Common Justice, Inc.									Eliminations	Consolidated	
	Program Services			Supporting Services				Program Services					Supporting Services						
	Demonstration Projects	Centers and Programs	Total	Management and General	Fundraising	Total	Total	Communications	Direct Services	HealingWorks	Policy and Systems Change	Total	Management and General	Fundraising	Total	Total			
Salaries and related expenses:																			
Salaries	\$ 1,628,653	\$ 10,598,315	\$ 12,226,968	\$ 3,739,313	\$ 465,833	\$ 4,205,146	\$ 16,432,114	\$ 115,297	\$ 427,529	\$ 211,126.00	\$ 46,528	\$ 800,480	\$ 40,950	\$ 33,127	\$ 74,077	\$ 874,557	-	\$ 17,306,671	
Fringe benefits	467,720	2,693,442	3,161,162	862,323	79,715	942,038	4,103,200	21,325	112,656	46,695	7,850	188,526	15,755	6,373	22,128	210,654	-	4,313,854	
Total	2,096,373	13,291,757	15,388,130	4,601,636	545,548	5,147,184	20,535,314	136,622	540,185	257,821	54,378	989,006	56,705	39,500	96,205	1,085,211	-	21,620,525	
Subcontracts and pass-through funding	18,235	70,780,092	70,798,327	-	-	-	70,798,327	-	-	-	-	-	-	-	-	-	-	-	70,798,327
Consultants	94,599	3,771,041	3,865,640	1,005,093	239,517	1,244,610	5,110,250	157,038	43,699	25,892	293	226,922	6,420	69	6,489	233,411	-	5,343,661	
Professional fees	19,064	93,906	112,970	285,180	2,922	288,102	401,072	58,815	23,736	9,796	1,544	93,891	136,249	1,686	137,935	231,826	-	632,898	
Occupancy	138,279	876,736	1,015,015	303,528	35,985	339,513	1,354,528	58,537	74,476	37,443	5,903	176,359	11,266	7,807	19,073	195,432	-	1,549,960	
Equipment expense and rentals	42,775	58,297	101,072	305,543	45	305,588	406,660	9,691	4,331	1,829	288	16,139	287	306	593	16,732	-	423,392	
Publications and printing	1,395	29,977	31,372	18,486	9,766	28,252	59,624	590	847	378	59	1,874	145	60	205	2,079	-	61,703	
Office expenses	12,271	84,247	96,518	260,211	40,904	301,115	397,633	5,532	9,251	4,121	555	19,459	13,858	584	14,442	33,901	-	431,534	
Telephone	13,196	90,112	103,308	88,356	3,375	91,731	195,039	2,689	3,886	1,720	271	8,566	636	360	996	9,562	-	204,601	
Travel	36,653	1,794,586	1,831,239	301,311	264,872	566,183	2,397,422	6,658	24,980	30,481	3,465	65,584	2,938	1,406	4,344	69,928	-	2,467,350	
Insurance	31,911	1,860	33,771	97,943	-	97,943	131,714	-	-	-	-	-	13,674	-	13,674	13,674	-	145,388	
Depreciation and amortization	21,426	135,850	157,276	47,032	5,576	52,608	209,884	-	-	-	-	-	-	-	-	-	-	-	209,884
Computer and Internet	-	-	-	-	-	-	-	3,018	3,719	1,486	251	8,474	520	264	784	9,258	-	9,258	
Miscellaneous expense	55,192	209,315	264,507	216,010	23,989	239,999	504,506	1,403	8,743	3,449	263	13,858	4,423	290	4,713	18,571	(30,000)	493,077	
Total	\$ 2,581,369	\$ 91,217,776	\$ 93,799,145	\$ 7,530,329	\$ 1,172,499	\$ 8,702,828	\$ 102,501,973	\$ 440,593	\$ 737,853	\$ 374,416	\$ 67,270	\$ 1,620,132	\$ 247,121	\$ 52,332	\$ 299,453	\$ 1,919,585	\$ (30,000)	\$ 104,391,558	

See independent auditors' report.