

KATAL CENTER FOR HEALTH, EQUITY  
AND JUSTICE, INC

FINANCIAL STATEMENTS

DECEMBER 31, 2017

KATAL CENTER FOR HEALTH, EQUITY AND JUSTICE, INC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Katal Center for Health, Equity and Justice, Inc.  
New York, NY

I have audited the accompanying financial statements of Katal Center for Health, Equity and Justice, Inc., which comprise the statement of financial position as of December 31, 2017 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.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Katal Center for Health, Equity and Justice, Inc. as of December 31, 2017, 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.

*Paul Jacobyan, CPA*

New York, New York  
August 7, 2018

KATAL CENTER FOR HEALTH, EQUITY AND JUSTICE, INC  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2017

Assets

Cash and cash equivalents	\$ 587,219
Grants receivable	326,500
Security deposit	<u>10,731</u>
Total assets	<u>\$ 924,450</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ <u>58,024</u>
Total liabilities	<u>58,024</u>

Net Assets

Unrestricted	236,643
Temporarily Restricted	<u>629,783</u>
Total Net Asset	<u>866,426</u>

Total liabilities and net assets	<u>\$ 924,450</u>
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See accompanying notes to financial statements.

KATAL CENTER FOR HEALTH, EQUITY AND JUSTICE, INC  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and support</u>			
Grants and contributions	\$ 199,823	1,881,227	\$ 2,081,050
Service fee	1,500		1,500
Other income	14,509		14,509
Total revenue	<u>215,832</u>	<u>1,881,227</u>	<u>2,097,059</u>
Release from restriction:			
Satisfaction of program restriction	<u>1,251,444</u>	<u>(1,251,444)</u>	<u>-</u>
Total revenue and support	<u>1,467,276</u>	<u>629,783</u>	<u>2,097,059</u>
<u>Expenses</u>			
Program services	1,140,350		1,140,350
General and administration	147,291		147,291
Fundraising	49,423		49,423
Total expenses	<u>1,337,064</u>		<u>1,337,064</u>
Change in net assets	130,212	629,783	759,995
Net assets at beginning of year	<u>106,431</u>		<u>106,431</u>
Net assets at end of year	<u>\$ 236,643</u>	<u>629,783</u>	<u>866,426</u>

See accompanying notes to financial statements.

KATAL CENTER FOR HEALTH, EQUITY AND JUSTICE, INC  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 658,899	64,324	42,500	765,723
Payroll taxes and fringes	<u>107,329</u>	<u>10,478</u>	<u>6,923</u>	<u>124,730</u>
Total personnel	766,228	74,802	49,423	890,453
Consultants and professional fees	178,791	51,139		229,930
Supplies and office expenses	6,203	1,551		7,754
Printing and advertising	7,185			7,185
Travel and accommodation	97,369			97,369
Conference and events	14,489			14,489
Training and development	8,805			8,805
Occupancy	50,400	12,600		63,000
Communication and online service	3,105	776		3,881
Insurance		4,479		4,479
Dues, fees and subscriptions	3,424	856		4,280
Miscellaneous	<u>4,351</u>	<u>1,088</u>		<u>5,439</u>
Total expenses	<u>\$ 1,140,350</u>	<u>147,291</u>	<u>49,423</u>	<u>1,337,064</u>

See accompanying notes to financial statements.

KATAL CENTER FOR HEALTH, EQUITY AND JUSTICE, INC  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash Flows From Operating Activities

Change in net assets	\$ <u>759,995</u>
 <u>Adjustments to reconcile change in net assets to cash flows</u>	
Increase in grants receivable	(326,500)
Decrease in other receivable	21,997
Increase in security deposit	(10,731)
Increase in accounts payable and accrued expenses	<u>22,304</u>
Total adjustments	<u>(292,930)</u>
Net cash provided by operating activities represent net increase in cash	467,065
Cash and cash equivalents at beginning of year	<u>120,154</u>
Cash and cash equivalents at end of year	\$ <u><u>587,219</u></u>

See accompanying notes to financial statements.



KATAL CENTER FOR HEALTH, EQUITY AND JUSTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 1

Organization

Katal Center for Health, Equity and Justice, Inc. was founded in 2015. It works to strengthen the people, policies, institutions, and movements that advance health, equity, and justice for everyone. As a strategy hub and collaborative partner, Katal deploys expertise in organizing, advocacy, leadership development, and research to help secure practical and lasting change. Katal takes its direction from those most impacted by the harms we work to transform focusing on three big, inter-related goals:

- Ending mass criminalization, mass incarceration, and the war on drugs
- Advancing evidence-based solutions to promote health and safety, eliminate unwarranted disparities, and secure equitable access and outcomes
- Building leadership and organizing capacity of organizers, advocates, and community organizations to drive and shape changes in systems, policies, and practices.

Funding of the Organization's programs is provided by private sources.

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar provision of the State code. However, tax years 2015 and 2016 are subject to examinations by the Internal Revenue Service.

Note 2

Significant accounting policies

Financial Statement Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The classification of the Organization's net assets and its support and revenue is based on the existence or absence of donor-imposed restrictions. It requires that the amount for each of the three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

These classes are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed

KATAL CENTER FOR HEALTH, EQUITY AND JUSTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 2     Significant accounting policies (continued)  
Financial Statement Presentation (continued)

stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The Organization's net assets as at December 31, 2017 were made up of \$236,643 unrestricted and \$629,783 temporary restricted.

Cash and Cash Equivalents

Cash is primarily consisted of cash held in checking and saving accounts at major financial institutions. The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the property or equipment. The Organization capitalizes any asset it determines will be maintained for an extended period of time using the straight line method over five years.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, grants and contract and program fees receivable, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments. This measurement has remained the same as in prior years.

Subsequent Events – Management has evaluated subsequent events and transactions that occurred after the statement of financial position date through August 7, 2018. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management has determined that there are

KATAL CENTER FOR HEALTH, EQUITY AND JUSTICE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

- Note 2    Significant accounting policies (continued)  
Financial Statement Presentation (continued)  
no unrecognized subsequent events that require additional disclosure.
- Note 3    Grants Receivable  
Grants receivable of \$326,500 are all due within one year.
- Note 4    Temporary Restricted Net Asset  
As of December 31, 2017, temporarily restricted net assets of \$629,783 were grants and commitments restricted for program purposes for the next fiscal year.
- Note 5    Concentration  
Financial instruments that potentially subject the Organization to concentration risk consist principally of cash deposits. The Federal Deposit Insurance Corporation ("FDIC") insures accounts at each institution. Currently, the FDIC insures accounts for up to \$250,000 per depositor. Management believes the exposure to credit risk is minimal.
- Note 6    Functional allocation of expense  
The costs of providing various program and supporting services have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.
- Note 7    Occupancy  
Effective March 1, 2018, the Organization entered into an agreement to use office space on a month-to-month basis with a large entity that specializes in sharing office spaces.