

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.

FINANCIAL STATEMENTS

December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Katal Center for Equity, Health, and Justice, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Katal Center for Equity, Health, and Justice, Inc. as of December 31, 2020, 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.

Prior Period Adjustment

As described in Note 8 to the financial statements, prior period adjustments resulting in the understatement of net assets with and without donor restrictions, understatement of assets, and understatement of liabilities were discovered by management during the current year. Accordingly, an adjustment has been made to net assets as of the beginning of the year to correct the error. Our opinion is not modified with respect to this matter.



Wegner CPAs, LLP
New York, New York
November 5, 2021

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Cash	\$ 682,582
Unconditional promises to give	582,500
Due from Katal Action Fund	18,267
Prepaid expenses	4,686
Security deposit	4,118

Total assets

\$ 1,292,153

LIABILITIES

Accounts payable	\$ 24,780
Payroll liabilities	59,627

Total liabilities 84,407

NET ASSETS

Without donor restrictions	545,246
With donor restrictions	662,500

Total net assets 1,207,746

Total liabilities and net assets

\$ 1,292,153

See accompanying notes.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Contributions			
Individuals	\$ 94,675	\$ -	\$ 94,675
Paycheck protection program	100,200	-	100,200
Foundation	380,383	366,667	747,050
Corporate	25,465	-	25,465
Program service revenue	6,105	-	6,105
Other income	3,703	-	3,703
	<u>610,531</u>	<u>366,667</u>	<u>977,198</u>
EXPENSES			
Program services	727,463	-	727,463
Management and general	124,110	-	124,110
Fundraising	61,902	-	61,902
	<u>913,475</u>	<u>-</u>	<u>913,475</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	349,074	(349,074)	-
Expiration of time restrictions	200,000	(200,000)	-
	<u>246,130</u>	<u>(182,407)</u>	<u>63,723</u>
Change in net assets	246,130	(182,407)	63,723
Net assets at beginning of year as restated	<u>299,116</u>	<u>844,907</u>	<u>1,144,023</u>
Net assets at end of year	<u>\$ 545,246</u>	<u>\$ 662,500</u>	<u>\$ 1,207,746</u>

See accompanying notes.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

	Program Services	Management and General	Fundraising	Total
Personnel	\$ 513,215	\$ 62,161	\$ 38,418	\$ 613,794
Professional and consulting services	136,845	48,844	22,599	208,288
Occupancy	20,204	4,240	-	24,444
Information technology	18,259	1,112	795	20,166
Office expenses	14,868	4,648	-	19,516
Travel and conference	11,960	648	90	12,698
Telephone	7,542	1,520	-	9,062
Insurance	4,570	937	-	5,507
Total expenses	\$ 727,463	\$ 124,110	\$ 61,902	\$ 913,475

See accompanying notes.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 63,723
Adjustments to reconcile change in net assets to net change in cash	
Decrease in assets	
Unconditional promises to give	117,500
Due from Katal Action Fund	4,345
Prepaid expenses	491
Security deposit	2,478
Increase (decrease) in liabilities	
Accounts payable	(11,592)
Payroll liabilities	<u>13,283</u>
Net change in cash	190,228
Cash at beginning of year	<u>492,354</u>
Cash at end of year	<u><u>\$ 682,582</u></u>

See accompanying notes.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Katal Center for Equity, Health, and Justice, Inc. (the Organization) was founded in 2015. It works to strengthen the people, policies, institutions, and movements that advance health, equity, and justice for everyone. Katal envisions a world where all communities have the resources and power to exercise self-determination and participate meaningfully in the democratic process. Katal takes its direction from those most impacted by the harms we work to transform, focusing on three big, interrelated goals:

- building leadership and organizing capacity of neighborhood residents and community groups to effectively drive and shape systemic change;
- ending mass criminalization, mass incarceration, and the war on drugs; and
- advancing solutions to promote and secure equity, health, and justice.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give at December 31, 2020 are receivable in less than one year.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

The Organization's program service revenue consists of payments for services to plan an agenda for a convening. Revenues are recognized at the point in time the convening takes place.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Advertising

The Organization expenses advertising costs as they are incurred. For the year ended December 31, 2020, advertising expenses totaled \$1,644.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, which is allocated on the basis of time and effort, and occupancy, which is allocated on the basis of square footage usage. All other expenses are allocated based upon the types of services performed and expenses incurred. The following program services and supporting activities are included in the accompanying financial statements:

Program Services – Ending mass criminalization, mass incarceration, and the war on drugs. Advancing evidence-based solutions to promote health and safety, eliminate unwarranted racial disparities, and secure equitable communities and outcomes. Building leadership and organization capacity of neighborhood residents, as well as organizers, advocates, and community groups to effectively drive and shape real change.

Management and General—Management and general expenses include the costs necessary to ensure proper administrative functioning of the board of directors, management the financial and budgetary responsibilities of the Organization, and perform other administrative tasks.

Fundraising—Fundraising expenses include the costs related to activities that involve inducing potential donors to contribute assets, services, or time to the Organization.

Paycheck Protection Program Loan

The Organization received a loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan was subsequently forgiven as the funds were used for payroll costs, interest on mortgages, rent, and/or utilities. The Organization met the PPP's eligibility criteria confirming the Organization's beliefs that the loan was, in substance, a grant that to be forgiven. The Organization recorded the proceeds from the loan as a deferred income liability and subsequently reduced the liability as it recognized eligible expenses.

Date of Management's Review

Management has evaluated subsequent events through November 5, 2021, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS

The Organization maintains its cash balances at a financial institution located in Brooklyn, New York. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020, the Organization's uninsured cash balances were approximately \$403,700.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 are restricted for the following purposes and periods:

Building Leadership and Organizing Capacity (BLOC)	\$ 143,750
Art for Justice	208,333
Organization	97,917
Subsequent years' activities	<u>212,500</u>
Net assets with donor restrictions	<u>\$ 662,500</u>

NOTE 4 – OPERATING LEASE

The Organization leased office space under an operating lease requiring monthly payments subject to escalations that expired December 31, 2020. Rent expense under this lease totaled \$24,444 for the year ended December 31, 2020.

NOTE 5 – PAYCHECK PROTECTION PROGRAM LOANS PAYABLE

On May 15, 2020, the Organization received a \$100,200 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan accrues interest at 1%, but payments are deferred until a determination of the amount of forgiveness is made. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by the Organization during the covered period. Eligible expenses include payroll costs, rent, and utilities. Any unforgiven portion is payable over two years. Management has applied for and received forgiveness on January 5, 2021.

The Organization must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Organization's good-faith certification necessity of its loan request, whether the Organization calculated the loan amount correctly, whether the Organization used loan proceeds for the allowable uses specified in the CARES Act, and whether the Organization is concerning the entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Organization was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

On February 5, 2021, the Organization was approved for a second \$100,200 under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are deferred until a determination of the amount of forgiveness is made. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Any unforgiven portion is payable over five years.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 6 – PENSION PLAN

The Organization offers a deferred 401k pension plan for its full-time employees and makes a matching contributions to the plan equal to 100% of the participant's elective deferral. Employer contributions to the plan were \$1,724 for the year ending December 31, 2020.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Organization is related to Katal Action Fund for Health, Equity and Justice, Inc. ("KAF"), a 501(c)(4) not-for-profit organization through the collaboration on similar projects and activities, KAF pays the Organization for a portion of the shared common costs. In addition, some board members of the Organization are also board members of KAF.

For the year ended December 31, 2020, shared common costs totaled \$22,613. At December 31, 2020, amounts due from KAF totaled \$18,267.

NOTE 8 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments resulting in understatement of liabilities and overstatement of net assets without donor restrictions as of the beginning of the year were discovered by management during the year ended December 31, 2020. Accordingly, an adjustment of \$23,634 was made to decrease the balance of net assets without donor restrictions and increase the corresponding liabilities as of the beginning of the year. Also, a prior period adjustment resulting in the understatement of unconditional promises to give and understatement of net assets with donor restrictions as of the beginning of the year was discovered by management during the year ended December 31, 2020. Accordingly, an adjustment of \$550,000 was made to increase of net assets with donor restrictions and the corresponding assets as of the beginning of the year. Lastly, a prior period adjustment resulting in the understatement of net assets without donor restrictions and overstatement of net assets with donor restrictions as of the beginning of the year was discovered by management during the year ended December 31, 2020. Accordingly, an adjustment of \$110,417 was made to increase the balance of net assets without donor restrictions and decrease net assets with donor restrictions as of the beginning of the year.

NOTE 9 – RISKS AND UNCERTAINTIES

The COVID-19 pandemic has impacted and could further impact the Organization's operations and their donor base. The extent to which the COVID-19 pandemic impacts the Organization's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID 19 pandemic, the effects of the COVID-19 pandemic on the Organization's donors and revenues and to what extent normal economic and operating conditions can resume. Therefore, the Organization cannot reasonably estimate the impact at this time.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditures within one year because of contractual or donor-imposed restrictions.

Cash	\$ 682,582
Unconditional promises to give	582,500
Due from Katal Action Fund	<u>18,267</u>
Financial assets, at year-end	1,283,349
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	<u>(450,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 833,349</u>

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