

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

FINANCIAL STATEMENTS

December 31, 2021 and 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

Opinion

We have audited the financial statements of Katal Center for Equity, Health, and Justice, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Katal Center for Equity, Health, and Justice, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Katal Center for Equity, Health, and Justice, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Katal Center for Equity, Health, and Justice, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Katal Center for Equity, Health, and Justice, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Katal Center for Equity, Health, and Justice, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Wegner CPAs LLP

Wegner CPAs, LLP
New York, New York
September 8, 2022

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash	\$ 1,448,993	\$ 682,582
Unconditional promises to give	731,500	582,500
Due from Katal Action Fund	-	18,267
Prepaid expenses	6,969	4,686
Security deposit	2,902	4,118
Equipment, net	3,691	-
Total assets	\$ 2,194,055	\$ 1,292,153
LIABILITIES		
Accounts payable	\$ 22,911	\$ 24,780
Payroll liabilities	77,622	59,627
Total liabilities	100,533	84,407
NET ASSETS		
Without donor restrictions	1,123,418	545,246
With donor restrictions	970,104	662,500
Total net assets	2,093,522	1,207,746
Total liabilities and net assets	\$ 2,194,055	\$ 1,292,153

See accompanying notes.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Contributions			
Individuals	\$ 276,355	\$ -	\$ 276,355
Paycheck protection program	100,200	-	100,200
Foundation	985,003	788,854	1,773,857
In-kind	65,786	-	65,786
Other income	89	-	89
	<u>1,427,433</u>	<u>788,854</u>	<u>2,216,287</u>
Total revenues	1,427,433	788,854	2,216,287
EXPENSES			
Program services	1,075,322	-	1,075,322
Management and general	116,665	-	116,665
Fundraising	138,524	-	138,524
	<u>1,330,511</u>	<u>-</u>	<u>1,330,511</u>
Total expenses	1,330,511	-	1,330,511
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	222,917	(222,917)	-
Expiration of time restrictions	258,333	(258,333)	-
	<u>222,917</u>	<u>(222,917)</u>	<u>-</u>
	<u>258,333</u>	<u>(258,333)</u>	<u>-</u>
Change in net assets	578,172	307,604	885,776
Net assets at beginning of year	<u>545,246</u>	<u>662,500</u>	<u>1,207,746</u>
Net assets at end of year	<u>\$ 1,123,418</u>	<u>\$ 970,104</u>	<u>\$ 2,093,522</u>

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	299,116	844,907	1,144,023
	<u>299,116</u>	<u>844,907</u>	<u>1,144,023</u>
Net assets at end of year	\$ 545,246	\$ 662,500	\$ 1,207,746
	<u>\$ 545,246</u>	<u>\$ 662,500</u>	<u>\$ 1,207,746</u>

See accompanying notes.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2021 and 2020

	Program Services	Management and General	Fundraising	2021 Total
Personnel	\$ 648,249	\$ 59,863	\$ 44,541	\$ 752,653
Professional and consulting services	211,229	37,978	27,015	276,222
Subawards	95,000	-	-	95,000
Occupancy	25,075	4,082	-	29,157
Information technology	30,350	1,818	794	32,962
Office expenses	47,069	3,663	66,003	116,735
Travel and conference	5,760	7,187	171	13,118
Telephone	7,976	1,196	-	9,172
Depreciation	-	127	-	127
Insurance	4,614	751	-	5,365
Total expenses	<u>\$ 1,075,322</u>	<u>\$ 116,665</u>	<u>\$ 138,524</u>	<u>\$ 1,330,511</u>
	Program Services	Management and General	Fundraising	2020 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	<u>\$ 727,463</u>	<u>\$ 124,110</u>	<u>\$ 61,902</u>	<u>\$ 913,475</u>

See accompanying notes.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 885,776	\$ 63,723
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	127	-
Decrease in assets		
Unconditional promises to give	(149,000)	117,500
Due from Katal Action Fund	18,267	4,345
Prepaid expenses	(2,283)	491
Security deposit	1,216	2,478
Increase (decrease) in liabilities		
Accounts payable	(1,869)	(11,592)
Payroll liabilities	17,995	13,283
	<u>770,229</u>	<u>190,228</u>
Net cash flows from operating activities	770,229	190,228
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of equipment	<u>(3,818)</u>	<u>-</u>
Net change in cash	766,411	190,228
Cash at beginning of year	<u>682,582</u>	<u>492,354</u>
Cash at end of year	<u><u>\$ 1,448,993</u></u>	<u><u>\$ 682,582</u></u>

See accompanying notes.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 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 is primarily funded by contributions received. 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, 2021 and 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 statements 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 years ended December 31, 2021 and 2020, advertising expenses totaled \$20,580 and \$1,644, respectively.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 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.

Equipment

Equipment is recorded at cost or, if donated, at the fair value at date of receipt. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000. Depreciation is recorded using the straight-line method for financial statement reporting purposes.

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 September 8, 2022, the date which the financial statements were available to be issued.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 2 – CONCENTRATIONS

The Organization maintains its cash balances at two financial institutions located in Brooklyn, New York. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2021 and 2020 the Organization’s uninsured cash balances were approximately \$920,000 and \$403,700, respectively.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Building Leadership and Organizing Capacity (BLOC)	\$ 217,250	\$ 143,750
Art for Justice	33,333	208,333
Organization	95,417	97,917
Salaries	50,000	-
Apprenticeship	33,333	-
Rikers-NY	25,000	-
Training	771	-
Subsequent years' activities	515,000	212,500
Net assets with donor restrictions	\$ 970,104	\$ 662,500

NOTE 4 – OPERATING LEASE

The Organization leased office space under an operating lease requiring monthly payments subject to escalations that expired December 31, 2020. In June 2021 the Organization signed a lease through May 2024 requiring monthly payments subject to escalations. The Organization also has several other month-to-month leases. Rent expense under these leases totaled \$29,157 and \$24,444 for the years ended December 31, 2021 and 2020, respectfully. Future minimum lease payments for the remaining life of the lease are as follows:

2022	\$ 18,750
2023	18,750
2024	7,812
Total	\$ 45,312

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.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 5 – PAYCHECK PROTECTION PROGRAM LOANS PAYABLE (continued)

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. Management has applied for and received forgiveness on October 4, 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.

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, up to \$100 annually. Employer contributions to the plan were \$823 and \$1,724, respectively, for the years ending December 31, 2021 and 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 years ended December 31, 2021 and 2020, shared common costs totaled \$20,116 and \$22,613, respectively. At December 31, 2020, amounts due from KAF totaled \$18,267.

KATAL CENTER FOR EQUITY, HEALTH, AND JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 8 – LIQUIDITY AND AVAILABILITY

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

	2021	2020
Cash	\$ 1,448,993	\$ 682,582
Unconditional promises to give	731,500	582,500
Due from Katal Action Fund	-	18,267
Financial assets, at year-end	2,180,493	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	(346,000)	(450,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,834,493	\$ 833,349

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.