

JUST Capital Foundation, Inc.

Financial Statements
(Together With Independent Auditors' Report)

Years Ended December 31, 2016 and 2015

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

JUST CAPITAL FOUNDATION, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
JUST Capital Foundation, Inc.

We have audited the accompanying financial statements of JUST Capital Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
October 24, 2017

**JUST CAPITAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015**

ASSETS	<u>2016</u>	<u>2015</u>
Cash and cash equivalents (Notes 2C and 5)	\$ 61,446	\$ 167,700
Contributions receivable (Note 2E)	60,000	-
Prepaid expenses and other assets	225,463	136,169
Property and equipment, net (Notes 2D and 3)	<u>194,808</u>	<u>27,624</u>
TOTAL ASSETS	<u>\$ 541,717</u>	<u>\$ 331,493</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 391,708	\$ 231,497
Deferred rent (Note 2G)	216,278	-
Line of credit (Note 7)	<u>850,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,457,986</u>	<u>231,497</u>
COMMITMENTS AND CONTINGENCIES (Note 4)		
NET ASSETS (ACCUMULATED DEFICIT) (Note 2B)		
Unrestricted (Note 9)	(916,269)	(200,004)
Temporarily restricted (Note 6)	<u>-</u>	<u>300,000</u>
TOTAL NET ASSETS (ACCUMULATED DEFICIT)	<u>(916,269)</u>	<u>99,996</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 541,717</u>	 <u>\$ 331,493</u>

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

JUST CAPITAL FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>
SUPPORT AND REVENUE:						
Contributions (Notes 2E and 5B)	\$ 6,216,277	\$ -	\$ 6,216,277	\$ 4,617,988	\$ 300,000	\$ 4,917,988
In-kind contributions (Note 2F)	197,812	-	197,812	278,038	-	278,038
Interest	276	-	276	321	-	321
Net assets released from restrictions (Notes 2B and 6)	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>6,714,365</u>	<u>(300,000)</u>	<u>6,414,365</u>	<u>4,896,347</u>	<u>300,000</u>	<u>5,196,347</u>
EXPENSES (Note 2H):						
Program services	5,630,390	-	5,630,390	4,262,600	-	4,262,600
Management and administration	1,456,638	-	1,456,638	1,055,528	-	1,055,528
Fundraising	<u>343,602</u>	<u>-</u>	<u>343,602</u>	<u>315,125</u>	<u>-</u>	<u>315,125</u>
TOTAL EXPENSES	<u>7,430,630</u>	<u>-</u>	<u>7,430,630</u>	<u>5,633,253</u>	<u>-</u>	<u>5,633,253</u>
CHANGE IN NET ASSETS	(716,265)	(300,000)	(1,016,265)	(736,906)	300,000	(436,906)
Net assets - beginning of year	<u>(200,004)</u>	<u>300,000</u>	<u>99,996</u>	<u>536,902</u>	<u>-</u>	<u>536,902</u>
NET ASSETS - END OF YEAR	<u>\$ (916,269)</u>	<u>\$ -</u>	<u>\$ (916,269)</u>	<u>\$ (200,004)</u>	<u>\$ 300,000</u>	<u>\$ 99,996</u>

JUST CAPITAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	<u>Supporting Services</u>			<u>Total 2016</u>	<u>Total 2015</u>
	<u>Program</u>	<u>Management & Administration</u>	<u>Fundraising</u>		
Salaries and wages	\$ 2,871,814	\$ 979,261	\$ 232,500	\$ 4,083,575	\$ 1,872,234
Payroll taxes and fringe benefits and employment costs (Note 8)	566,835	104,500	35,173	706,508	265,076
Research	626,661	5,179	-	631,840	1,350,894
Marketing	103,459	2,812	-	106,271	366,665
Occupancy	444,351	90,633	10,942	545,926	128,321
Staff recruitment, training and development	74,204	9,860	-	84,064	50,407
Consultants	652,157	16,686	40,174	709,017	1,079,187
Accounting and auditing	-	30,935	-	30,935	65,089
Legal fees (Note 2F)	59,654	116,910	-	176,564	282,853
Travel and related expenses	81,109	41,728	21,382	144,219	61,845
Meetings and conferences	2,976	826	96	3,898	45,680
Office expenses	61,459	16,370	1,505	79,334	8,012
Non-capital purchases, equipment	55,599	22,249	397	78,245	34,440
Other	6,700	13,914	856	21,470	17,078
Depreciation and amortization (Note 3)	23,412	4,775	577	28,764	5,472
	<u>\$ 5,630,390</u>	<u>\$ 1,456,638</u>	<u>\$ 343,602</u>	<u>\$ 7,430,630</u>	<u>\$ 5,633,253</u>

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

JUST CAPITAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Supporting Services</u>			<u>Total 2015</u>
	<u>Program</u>	<u>Management & Administration</u>	<u>Fundraising</u>	
Salaries and wages	\$ 1,166,670	\$ 548,225	\$ 157,339	\$ 1,872,234
Payroll taxes and fringe benefits and employment costs (Note 8)	190,571	59,187	15,318	265,076
Research	1,350,432	231	231	1,350,894
Marketing	366,665	-	-	366,665
Occupancy	83,408	38,003	6,910	128,321
Staff recruitment, training and development	50,301	53	53	50,407
Consultants	923,077	40,185	115,925	1,079,187
Accounting and auditing	-	65,089	-	65,089
Legal fees (Note 2F)	-	282,853	-	282,853
Travel and related expenses	55,661	3,092	3,092	61,845
Meetings and conferences	41,112	2,284	2,284	45,680
Office expenses	4,638	2,996	378	8,012
Non-capital purchases, equipment	22,386	10,200	1,854	34,440
Other	4,123	1,509	11,446	17,078
Depreciation (Note 3)	3,556	1,621	295	5,472
	<u>\$ 4,262,600</u>	<u>\$ 1,055,528</u>	<u>\$ 315,125</u>	<u>\$ 5,633,253</u>

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

JUST CAPITAL FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,016,265)	\$ (436,906)
Adjustments to reconcile change in net assets to net cash (used) in operating activities		
Depreciation and amortization	28,764	5,472
	(987,501)	(431,434)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(60,000)	-
Prepaid expenses and other assets	(89,294)	(136,169)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	160,211	217,368
Deferred rent	216,278	-
Net Cash Used in Operating Activities	(760,306)	(350,235)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(195,948)	(26,290)
Net Cash Used in Investing Activities	(195,948)	(26,290)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from lines of credit	850,000	-
Net Cash Provided by Financing Activities	850,000	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(106,254)	(376,525)
Cash and cash equivalents - beginning of year	167,700	544,225
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 61,446	\$ 167,700

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

**JUST CAPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

JUST Capital Foundation, Inc. (the “Foundation”) is a not-for-profit corporation established in 2013 for charitable purposes and is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The Foundation promotes greater corporate responsibility by providing research and ratings about the social and environmental performance of the largest publicly-traded companies in the United States.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Presentation*

The Foundation’s financial statements have been prepared on the accrual basis of accounting. The Foundation adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

B. *Net Assets*

The Foundation’s net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled, the stipulated time period has elapsed) are reported as net assets released from restrictions.

C. *Cash and Cash Equivalents*

The Foundation considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

D. *Property and Equipment*

Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. The Foundation capitalizes acquisitions that have a cost of \$3,000 or more and a useful life of greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements is calculated over the lesser of the estimated useful lives of the assets or the length of the lease.

E. *Contributions*

Contributions and donated goods, including pledges receivable, are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions receivable are expected to be collected within one year.

**JUST CAPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. *In-kind Contributions*

The Foundation records contributed services at their fair value provided they meet the criteria for recognition. Donated professional fees of \$197,812 and \$278,038, respectively, for the years ended December 31, 2016 and 2015, are reflected as both income and expense in the accompanying financial statements.

G. *Deferred Rent*

The Foundation leases rental property through 2027. The difference between rental payments due under the leases and rent expense calculated on the straight-line basis for the years ended December 31, 2016 and 2015, amounted to \$216,278 and \$0, respectively. As of December 31, 2016 and 2015, a liability in the amount of \$216,278 and \$0, respectively, is reflected as deferred rent on the accompanying statements of financial position. See Note 4A for further discussion.

H. *Functional Allocation of Expenses*

The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

I. *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

J. *Reclassification*

Certain items in the December 31, 2015 financial statements have been reclassified to conform to the December 31, 2016 presentation and had no impact on the change in net assets for the year ended December 31, 2015.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives</u>
Website	\$ 17,085	\$ 17,085	15 years
Computers and networking equipment	16,205	16,205	5 years
Furniture and Fixtures	151,038	--	7 years
Leasehold improvements	<u>44,910</u>	<u>--</u>	12 years
Total costs	229,238	33,290	
Less: accumulated depreciation and amortization	<u>(34,430)</u>	<u>(5,666)</u>	
Net book value	<u>\$ 194,808</u>	<u>\$ 27,624</u>	

Depreciation and amortization expense amounted to \$28,764 and \$5,472 for the years ended December 31, 2016 and 2015, respectively.

JUST CAPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 4 – COMMITMENTS AND CONTINGENCIES

- A. In January 2016, the Foundation signed a lease for new office space that ends in 2027. This lease is guaranteed by a Board member of the Foundation.

Minimum rental payments for years subsequent to December 31, 2016 are as follows:

<u>Year ending December 31,</u>	
2017	\$ 466,260
2018	476,751
2019	487,478
2020	498,446
2021	509,661
Thereafter	<u>3,309,376</u>
	<u>\$ 5,747,972</u>

Rent expense for the years ended December 31, 2016 and 2015, amounted to \$534,818 and \$128,320, respectively and is included in occupancy expense in the accompanying statements of functional expenses.

- B. The Foundation believes it had no uncertain tax positions as of December 31, 2016 and 2015, in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 5 – CONCENTRATIONS

For the years ended December 31, 2016 and 2015, contributions from a Board member of the Foundation made up approximately 75% and 85%, respectively, of total contributions.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets amounted to \$0 and \$300,000 as of December 31, 2016 and 2015, respectively. Net assets released from restrictions amounted to \$300,000 and \$0 for the years ended December 31, 2016 and 2015, respectively.

NOTE 7 – LINE OF CREDIT

The Foundation has a revolving line of credit with a limit of \$1,500,000 which was obtained from a Board member on October 25, 2016. The line is unsecured and bears no interest. The principal amount of the lesser of \$1,500,000 or the aggregate of the unpaid balance is due on October, 25, 2018. On October 20, 2017, the line of credit was increased to \$2,550,000. The unpaid balance was \$850,000 as of December 31, 2016 and \$2,550,000 as of October 24, 2017.

NOTE 8 – PENSION PLAN

Effective July 1, 2016, the Foundation’s employees participate in a 401(k) profit sharing pension plan covering all eligible employees. Eligible employees can make elective deferrals under a salary reduction agreement. The Foundation matches, dollar for dollar, up to 4% of an employee’s compensation. The Foundation may also make discretionary contributions. For the years ended December 31, 2016 and 2015, contributions from the Foundation amounted to approximately \$37,553 and \$0, respectively.

JUST CAPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 9 – ACCUMULATED DEFICIT

While the fiscal years prior to 2016 reflect those costs associated with the initial buildout of the concept, and the development of the methodologies used to measure corporate performance, 2016 reflects an increased investment in personnel and core infrastructure, and represents the first full year of operations, all of which culminated in the publishing of the Foundation's first annual rankings of America's largest publicly traded corporations. With the increased spending, the Foundation incurred a loss of \$1,016,265 for the year ended December 31, 2016 which resulted in an accumulated deficit of \$916,269 as of December 31, 2016. The Foundation has a committed base of donors that have continued to fund operations in 2017 to mitigate the deficit and resolve any shortages in cash flow (See also Note 7). Management is taking steps to support the long-term sustainability of the Foundation by identifying new donors and potential funding sources.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statements of financial position through October 24, 2017, the date the financial statements were available to be issued.