

# **JUST Capital Foundation, Inc.**

Financial Statements  
(Together With Independent Auditors' Report)

Years Ended December 31, 2017 and 2016

**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, 2017 AND 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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  
June 28, 2018

**JUST CAPITAL FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017 AND 2016**

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
Cash (Notes 5)	\$ 264,133	\$ 61,446
Contributions receivable (Note 2D)	-	10,000
Grants receivable (Note 2F)	500,000	50,000
Prepaid expenses and other assets	197,526	225,463
Property and equipment, net (Notes 2C and 3)	<u>162,949</u>	<u>194,808</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,124,608</u>	<u>\$ 541,717</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 420,442	\$ 391,708
Deferred rent (Note 2G)	268,615	216,278
Line of credit (Note 7)	<u>2,750,000</u>	<u>850,000</u>
<b>TOTAL LIABILITIES</b>	<u>3,439,057</u>	<u>1,457,986</u>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 4)		
<b>NET ASSETS (ACCUMULATED DEFICIT)</b> (Notes 2B and 9)		
Unrestricted (Note 9)	(3,150,145)	(916,269)
Temporarily restricted (Note 6)	<u>835,696</u>	<u>-</u>
<b>TOTAL NET ASSETS (ACCUMULATED DEFICIT)</b>	<u>(2,314,449)</u>	<u>(916,269)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,124,608</u>	<u>\$ 541,717</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, 2017 AND 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>
<b>SUPPORT AND REVENUE:</b>						
Contributions (Notes 2D and 5A)	\$ 3,571,151	\$ -	\$ 3,571,151	\$ 5,116,277	\$ -	\$ 5,116,277
Foundation Grant (Note 2F)	1,510,000	950,000	2,460,000	1,100,000	-	1,100,000
In-kind contributions (Note 2E)	96,641	-	96,641	197,812	-	197,812
Other Interest	223	-	223	276	-	276
Net assets released from restrictions (Notes 2B and 6)	114,304	(114,304)	-	300,000	(300,000)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>5,292,319</u>	<u>835,696</u>	<u>6,128,015</u>	<u>6,714,365</u>	<u>(300,000)</u>	<u>6,414,365</u>
<b>EXPENSES (Note 2H):</b>						
Program services	6,366,997	-	6,366,997	5,630,390	-	5,630,390
Management and administration	880,694	-	880,694	1,456,638	-	1,456,638
Fundraising	278,504	-	278,504	343,602	-	343,602
<b>TOTAL EXPENSES</b>	<u>7,526,195</u>	<u>-</u>	<u>7,526,195</u>	<u>7,430,630</u>	<u>-</u>	<u>7,430,630</u>
<b>CHANGE IN NET ASSETS</b>	(2,233,876)	835,696	(1,398,180)	(716,265)	(300,000)	(1,016,265)
<b>Net assets - beginning of year</b>	<u>(916,269)</u>	<u>-</u>	<u>(916,269)</u>	<u>(200,004)</u>	<u>300,000</u>	<u>99,996</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ (3,150,145)</u>	<u>\$ 835,696</u>	<u>\$ (2,314,449)</u>	<u>\$ (916,269)</u>	<u>\$ -</u>	<u>\$ (916,269)</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, 2017**  
**(With Comparative Totals for the Year Ended December 31, 2016)**

	<u>Program</u>	<u>Supporting Services</u>		<u>Total 2017</u>	<u>Total 2016</u>
		<u>Management &amp; Administration</u>	<u>Fundraising</u>		
Salaries and wages	\$ 3,179,543	\$ 444,182	\$ 202,500	\$ 3,826,225	\$ 4,083,575
Payroll taxes, fringe benefits and employment costs (Note 8)	763,246	83,347	37,103	883,696	706,508
Research	821,443	13,563	33	835,039	631,840
Marketing	290,139	-	-	290,139	106,271
Occupancy	491,604	63,716	19,768	575,088	545,926
Staff recruitment, training and development	148,653	6,574	-	155,227	84,064
Consultants	404,853	139,729	-	544,582	709,017
Accounting and auditing	-	26,750	-	26,750	30,935
Legal fees (Note 2E)	5,678	39,886	-	45,564	176,564
Travel and related expenses	27,957	13,540	3,344	44,841	144,219
Meetings and conferences	75,513	4,994	8,691	89,198	3,898
Office expenses	51,393	12,748	2,729	66,870	79,334
Non-capital purchases, equipment	7,416	1,329	-	8,745	78,245
Other	72,324	26,806	3,242	102,372	21,470
Depreciation and amortization (Note 3)	27,235	3,530	1,094	31,859	28,764
	<u>\$ 6,366,997</u>	<u>\$ 880,694</u>	<u>\$ 278,504</u>	<u>\$ 7,526,195</u>	<u>\$ 7,430,630</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, 2016**

	<u>Supporting Services</u>			<u>Total 2016</u>
	<u>Program</u>	<u>Management &amp; Administration</u>	<u>Fundraising</u>	
Salaries and wages	\$ 2,871,814	\$ 979,261	\$ 232,500	\$ 4,083,575
Payroll taxes, fringe benefits and employment costs (Note 8)	566,835	104,500	35,173	706,508
Research	626,661	5,179	-	631,840
Marketing	103,459	2,812	-	106,271
Occupancy	444,351	90,633	10,942	545,926
Staff recruitment, training and development	74,204	9,860	-	84,064
Consultants	652,157	16,686	40,174	709,017
Accounting and auditing	-	30,935	-	30,935
Legal fees (Note 2E)	59,654	116,910	-	176,564
Travel and related expenses	81,109	41,728	21,382	144,219
Meetings and conferences	2,976	826	96	3,898
Office expenses	61,459	16,370	1,505	79,334
Non-capital purchases, equipment	55,599	22,249	397	78,245
Other	6,700	13,914	856	21,470
Depreciation and amortization (Note 3)	23,412	4,775	577	28,764
	<u>\$ 5,630,390</u>	<u>\$ 1,456,638</u>	<u>\$ 343,602</u>	<u>\$ 7,430,630</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, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (1,398,180)	\$ (1,016,265)
Adjustments to reconcile change in net assets to net cash (used) in operating activities		
Depreciation and amortization	31,859	28,764
	(1,366,321)	(987,501)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	10,000	(60,000)
Grants receivable	(450,000)	-
Prepaid expenses and other assets	27,937	(89,294)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	28,734	160,211
Deferred rent	52,337	216,278
	(1,697,313)	(760,306)
<b>Net Cash Used in Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	-	(195,948)
<b>Net Cash Used in Investing Activities</b>	-	(195,948)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	1,900,000	850,000
<b>Net Cash Provided by Financing Activities</b>	1,900,000	850,000
<b>NET INCREASE (DECREASE) IN CASH</b>	202,687	(106,254)
Cash - beginning of year	61,446	167,700
<b>CASH - END OF YEAR</b>	\$ 264,133	\$ 61,446

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



**JUST CAPITAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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, an independent, nonprofit research organization, makes it easier for people, companies, and markets to do the right thing by tracking the business behaviors Americans care about most.

The Foundation’s definitive polling, rankings, indexes and data empower all market participants – workers, investors, business leaders, consumers, advocacy groups – with the information they need to support, purchase from, invest in, and work for companies that perform best on the issues they care about. Ultimately, the Foundation empowers market participants to create a more “JUST” marketplace.

JUST Capital is building the definitive source of data and rankings on how large corporations perform on the issues that matter most to the American people. The rankings are based on some of the most comprehensive surveys ever conducted on public attitudes towards corporate behavior, involving 10,000 American respondents in 2017 and more than 72,000 over the past three years.

JUST Capital’s ranking model is weighted based on the ways Americans prioritize these seven thematic issues:

- Workers (23%)
- Customers (19%)
- Products (17%)
- Environment (13%)
- Communities (11%)
- U.S. Jobs (10%)
- Management & Shareholders (6%)

The Foundation works with a Research Advisory Council of academics, economists, and subject matter experts to develop rigorous and unbiased metrics based on the Drivers and Components. The Foundation identifies and collects the most robust data available across a diverse range of sources on the issues identified through its polling, and seeks to tell as accurate and unbiased a story as possible about the largest publicly-traded U.S. companies. In 2017, the Foundation ranked 875 companies in the Russell 1000 Index across 33 industries.

The release of the 2017 list of America’s Most JUST Companies and the launch of the Foundation’s new company rankings platform represented a major step forward for JUST Capital, as it was the first time America’s largest corporations were measured on a head-to-head, absolute basis across the critical issues identified by the American public through its annual survey effort. The Foundation increased accessibility to the data and built out the tools needed to understand it – including the new JUST Capital website. The top performers – the JUST 100 – were featured in Forbes and awarded the Foundation’s JUST Seal, and provide a powerful benchmark to incentivize just business behavior.

**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”).

**JUST CAPITAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. *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.

**D. *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.

**E. *In-kind Contributions***

The Foundation records contributed services at their fair value provided they meet the criteria for recognition. Donated professional fees of \$96,641 and \$197,812, respectively, for the years ended December 31, 2017 and 2016, are reflected as both income and expense in the accompanying financial statements.

**F. *Grants Receivable***

Grants are recorded as revenue when the grant is made. Historically, the Foundation has not had collection issues with the grants. The Foundation bases its allowance for doubtful accounts on its historical loss experience, the age of the receivables, and an evaluation of the creditworthiness of the donor. Grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. The Foundation has determined that no allowance was necessary as of December 31, 2017 and 2016 for grants receivable.

**JUST CAPITAL FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2017 and 2016, amounted to \$52,337 and \$216,278, respectively. As of December 31, 2017 and 2016, a liability in the amount of \$268,615 and \$216,278, 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, 2016 financial statements have been reclassified to conform to the December 31, 2017 presentation and had no impact on the change in net assets for the year ended December 31, 2016.

**NOTE 3 – PROPERTY AND EQUIPMENT**

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

	<u>2017</u>	<u>2016</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	151,038	7 years
Leasehold improvements	<u>44,910</u>	<u>44,910</u>	12 years
Total costs	229,238	229,238	
Less: accumulated depreciation and amortization	<u>(66,289)</u>	<u>(34,430)</u>	
Net book value	<u>\$ 162,949</u>	<u>\$ 194,808</u>	

Depreciation and amortization expense amounted to \$31,859 and \$28,764 for the years ended December 31, 2017 and 2016, respectively.

**JUST CAPITAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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, 2017 are as follows:

<u>Year ending December 31,</u>	
2018	\$ 476,251
2019	487,478
2020	498,446
2021	509,661
2022	553,848
Thereafter	<u>2,755,528</u>
	<u>\$ 5,281,212</u>

Rent expense for the years ended December 31, 2017 and 2016, amounted to \$546,497 and \$534,981, 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, 2017 and 2016, 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**

- A. For the years ended December 31, 2017 and 2016, contributions from a Board member of the Foundation made up approximately 50% and 75%, respectively, of total contributions.
- B. Cash that potentially subjects the Foundation to a concentration of credit risk includes cash accounts with banks that exceeded the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Accounts are insured up to \$250,000 per depositor, per FDIC-insured institution and per ownership category. As of December 31, 2017 and 2016, there was approximately \$4,000 and \$0, respectively, of cash held by one bank that exceeded FDIC limits. Such excess includes outstanding checks.

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets amounted to \$835,696 and \$0 as of December 31, 2017 and 2016, respectively. Net assets released from restrictions amounted to \$114,304 and \$300,000 for the years ended December 31, 2017 and 2016, respectively.

**NOTE 7 – LINE OF CREDIT**

The Foundation has a revolving line of credit with a limit of \$2,550,000 which was obtained from a Board member on October 20, 2017. The line is unsecured and bears no interest. The principal amount of the lesser of \$2,550,000 or the aggregate of the unpaid balance is due on October, 20, 2020. In November, 2017, the line of credit was increased to \$2,750,000. The unpaid balance was \$2,750,000 as of December 31, 2017 and \$2,750,000 as of June 28, 2018.

**JUST CAPITAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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, 2017 and 2016, contributions from the Foundation amounted to approximately \$104,866 and \$37,553, respectively.

**NOTE 9 – ACCUMULATED DEFICIT**

The Foundation incurred a loss of \$1,398,180 for the year ended December 31, 2017 which resulted in an accumulated deficit of \$2,314,449 as of December 31, 2017. The Foundation has a committed base of donors that have continued to fund operations in 2018 to mitigate the deficit and resolve any shortages in cash flow (See also Note 7). Management is continuing to take steps to support the long-term sustainability of the Foundation, including working to put in place a strategic development program. This program is more tightly integrated to the issue-centered programs and marketing to better leverage content and use every opportunity for prospect recruitment and engagement. The program includes a plan to increase Board support, targeted outreach to high-net worth donor communities, and implementing a tiered giving structure to better support the development of a community of donors that are united in a commitment to the JUST Capital mission and vision. The development program includes ongoing outreach to foundations, and, importantly, a new focus on support from the private sector and corporate philanthropy. In support of these efforts JUST Capital has purchased a subscription to a donor research tool, and expects to implement Salesforce by the end of the year to more effectively manage contacts and engagement with all external audiences, in particular, donors and potential donors. Finally, the development program will be supported by an increasingly robust schedule of events and activities, including conference participation, issue-specific conference calls, and engagement opportunities with Board members. The Foundation has received more than \$1,000,000 in new support through June 28, 2018.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated events subsequent to the date of the statements of financial position through June 28, 2018, the date the financial statements were available to be issued.