JUST Capital Foundation, Inc.

Financial Statements
(Together with Independent Auditors' Report)

For the Years Ended December 31, 2018 and 2017

MARKS PANETH

ACCOUNTANTS & ADVISORS

JUST CAPITAL FOUNDATION, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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MARKS PANETH
ACCOUNTANTS & ADVISORS

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, 2018 and 2017, 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 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 the Foundation as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 2J to the financial statements, during the year ended December 31, 2018, the Foundation adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Marks Paneth LLP

New York, NY
June 27, 2019

Morison KSi
Independent member

JUST CAPITAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

ASSETS	**2018**	**2017**
Cash (Note 6B)	$ 368,182	$ 264,133
Accounts receivable (Note 2D)	55,181	-
Grants receivable (Note 2F)	150,000	500,000
Prepaid expenses and other assets	216,642	197,526
Property and equipment, net (Notes 2C and 4)	512,257	162,949
TOTAL ASSETS	$ 1,302,262	$ 1,124,608
LIABILITIES		
Accounts payable and accrued expenses	$ 298,918	$ 420,442
Deferred rent (Note 2G)	310,460	268,615
Line of credit (Note 8)	3,950,000	2,750,000
TOTAL LIABILITIES	4,559,378	3,439,057
COMMITMENTS AND CONTINGENCIES (Note 5)		
NET ASSETS (ACCUMULATED DEFICIT) (Notes 2B and 10)		
Without donor restrictions	(3,445,453)	(3,150,145)
With donor restrictions (Note 7)	188,337	835,696
TOTAL NET ASSETS (ACCUMULATED DEFICIT)	(3,257,116)	(2,314,449)
TOTAL LIABILITIES AND NET ASSETS	$ 1,302,262	$ 1,124,608

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

JUST CAPITAL FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	For the Year Ended December 31, 2018			For the Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total 2018	Without Donor Restrictions	With Donor Restrictions	Total 2017
SUPPORT AND REVENUE:						
Contributions (Note 6A)	$ 4,772,394	$ -	$ 4,772,394	$ 3,571,151	$ -	$ 3,571,151
Foundation grants (Note 2F)	1,215,000	230,000	1,445,000	1,510,000	950,000	2,460,000
In-kind contributions (Note 2E)	169,337	-	169,337	96,641	-	96,641
Program revenue (Note 2D)	55,181	-	55,181	-	-	-
Other interest	239	-	239	223	-	223
Net assets released from restrictions (Notes 2B and 7)	877,359	(877,359)	-	114,304	(114,304)	-
TOTAL SUPPORT AND REVENUE	7,089,510	(647,359)	6,442,151	5,292,319	835,696	6,128,015
EXPENSES (Note 2H):						
Program services	5,817,001	-	5,817,001	6,366,997	-	6,366,997
Management and administration	1,132,080	-	1,132,080	880,694	-	880,694
Fundraising	435,737	-	435,737	278,504	-	278,504
TOTAL EXPENSES	7,384,818	-	7,384,818	7,526,195	-	7,526,195
CHANGE IN NET ASSETS	(295,308)	(647,359)	(942,667)	(2,233,876)	835,696	(1,398,180)
Net assets - beginning of year	(3,150,145)	835,696	(2,314,449)	(916,269)	-	(916,269)
NET ASSETS - END OF YEAR	$ (3,445,453)	$ 188,337	$ (3,257,116)	$ (3,150,145)	$ 835,696	$ (2,314,449)

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, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

		Supporting Services			
	Program	**Management & Administration**	**Fundraising**	**Total 2018**	**Total 2017**
Salaries and wages	$ 3,056,642	$ 476,893	$ 338,171	$ 3,871,706	$ 3,826,225
Payroll taxes, fringe benefits and employment costs (Note 9)	689,930	116,737	48,676	855,343	883,696
Research	614,437	35,248	4,671	654,356	835,039
Marketing	381,540	-	-	381,540	290,139
Occupancy (Notes 2G and 5)	490,845	62,963	27,117	580,925	575,088
Staff recruitment, training and development	31,265	2,496	-	33,761	155,227
Consultants	233,056	196,950	-	430,006	544,582
Accounting and auditing	-	26,500	-	26,500	26,750
Legal fees (Note 2E)	3,079	106,682	-	109,761	45,564
Travel and related expenses	17,546	11,481	930	29,957	44,841
Meetings and conferences	59,584	17,360	79	77,023	89,198
Office expenses	53,365	34,176	2,475	90,016	66,870
Non-capital purchases, equipment	2,402	4,237	1,127	7,766	8,745
Donated interest (Note 2E)	133,776	25,570	9,991	169,337	84,641
Other	6,702	9,293	134	16,129	17,731
Depreciation and amortization (Note 4)	42,832	5,494	2,366	50,692	31,859
	$ 5,817,001	$ 1,132,080	$ 435,737	$ 7,384,818	$ 7,526,195

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

		Supporting Services		
	Program	Management & Administration	Fundraising	Total 2017
Salaries and wages	$ 3,179,543	$ 444,182	$ 202,500	$ 3,826,225
Payroll taxes, fringe benefits and employment costs (Note 9)	763,246	83,347	37,103	883,696
Research	821,443	13,563	33	835,039
Marketing	290,139	-	-	290,139
Occupancy (Notes 2G and 5)	491,604	63,716	19,768	575,088
Staff recruitment, training and development	148,653	6,574	-	155,227
Consultants	404,853	139,729	-	544,582
Accounting and auditing	-	26,750	-	26,750
Legal fees (Note 2E)	5,678	39,886	-	45,564
Travel and related expenses	27,957	13,540	3,344	44,841
Meetings and conferences	75,513	4,994	8,691	89,198
Office expenses	51,393	12,748	2,729	66,870
Non-capital purchases, equipment	7,416	1,329	-	8,745
Donated interest (Note 2E)	71,606	9,903	3,132	84,641
Other	718	16,903	110	17,731
Depreciation and amortization (Note 4)	27,235	3,530	1,094	31,859
	$ 6,366,997	$ 880,694	$ 278,504	$ 7,526,195

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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (942,667)	$ (1,398,180)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	50,692	31,859
	(891,975)	(1,366,321)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	-	10,000
Accounts receivable	(55,181)	-
Grants receivable	350,000	(450,000)
Prepaid expenses and other assets	(19,116)	27,937
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(121,524)	28,734
Deferred rent	41,845	52,337
Net Cash Used in Operating Activities	(695,951)	(1,697,313)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(400,000)	-
Net Cash Used in Investing Activities	(400,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	1,200,000	1,900,000
Net Cash Provided by Financing Activities	1,200,000	1,900,000
NET INCREASE IN CASH	104,049	202,687
Cash - beginning of year	264,133	61,446
CASH - END OF YEAR	$ 368,182	$ 264,133

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

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, uses the power of information and markets to address some of the most pressing social, economic, and environmental challenges of our time. JUST Capital makes it easier for people, companies, and markets to do the right thing by tracking the business behaviors Americans care about most.

Uniquely, JUST Capital engages the American public to determine what matters most to them when it comes to just business behavior. Since 2015, JUST Capital had surveyed more than 81,000 Americans, representative of the U.S. adult population, who agree that companies should pay a living wage, create good jobs, provide fair pay and good benefits, meet supply chain labor standards, treat customers well, reduce environmental impacts, promote gender and racial equity, and support local communities. The Foundation then does extensive research to define metrics, gather data, analyze performance, and ultimately rank the largest 1,000 publicly traded U.S. corporations on these issues. The Foundation's methodology is recognized as one of the most analytically robust, unbiased, transparent, and data-driven approaches currently deployed, utilizing over 110,000 data points. The Foundation leverages these data, rankings, and analysis to incentivize and influence more just corporate behavior. In partnership with Forbes, the Foundation publishes the list of America's Most JUST Companies, which includes the JUST 100 and Industry Leaders, celebrating business leadership on just issues to promote a "race to the top".

On December 10, 2018, the Foundation released its third annual rankings, which measured companies on a head-to-head, absolute basis across the critical issues identified by the American public. The top performers – the JUST 100 – were featured in Forbes and awarded our JUST Seal, and provide a powerful benchmark to incentivize just business behavior.

Additionally, in the Foundation's effort to drive capital towards top performing companies, on June 13, 2018 Goldman Sachs, with JUST Capital's partnership, launched its first ever environmental, social, and governance (ESG) focused exchange-traded fund (ETF) – the JUST ETF – which is based on the JUST U.S. Large Cap Diversified Index ("JULCD"), the first benchmark index based on JUST Capital's proprietary research and rankings. The Index includes the top 50% of Russell 1000 companies ranked by JUST Capital by industry and is constructed to match the Russell's industry weights. It features companies driving positive change on the issues the American public cares about most – issues like worker pay and wellbeing, beneficial products, the environment, strong communities, and more.

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.

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").

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:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

- With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Foundation or the passage of time. This net asset class might also include those resources whose stipulations are to be maintained in perpetuity by the Foundation. The Foundation had no net assets with donor restrictions maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets with donor restrictions (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. ***Program Revenue***

Program revenue consists of licensing fees related to the JUST ETF (see Note 1). Revenue is calculated based on a 20% share of the expense ratio of the average quarterly Assets Under Management ("AUM"). Total revenue earned during the year ended December 31, 2018 amounted to $55,181 and is included as program revenue in the accompanying statements of activities.

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

The Foundation records donated interest and contributed services at their fair value provided they meet the criteria for recognition. Donated interest of $169,337 and $84,641 , respectively, and professional fees of $0 and $12,000, respectively, for the years ended December 31, 2018 and 2017, 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. 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. Historically, the Foundation has not had collection issues with the grants and therefore has determined that no allowance was necessary as of December 31, 2018 and 2017 for grants receivable.

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, 2018 and 2017, amounted to $41,845 and $52,337, respectively. As of December 31, 2018 and 2017, a liability in the amount of $310,460 and $268,615, respectively, is reflected as deferred rent on the accompanying statements of financial position. See Note 5A 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. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, office expenses, depreciation, and amortization, which are allocated on a headcount basis, as well as salaries and wages, benefits, payroll taxes, and interest, which are allocated on the basis of estimates of time and effort.

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. ***Change in Accounting Principle***

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses. ASU 2016-14 was adopted by the Foundation for the year ended December 31, 2018. Financial statements for the year ended December 31, 2017 were restated to conform to the current year presentation. These changes had no impact on the change in net assets for the year ended December 31, 2017. Specifically, ASU 2016-14 resulted in renaming amounts previously reported as unrestricted net assets as net assets without donor restrictions and temporarily restricted and permanently restricted net assets as net assets with donor restrictions. In addition, required disclosures on liquidity and availability of resources were provided for the current year in Note 3.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Foundation has access to a revolving line of credit to fund any cash needs from revenue shortfalls. See Note 8 for information about the Foundation's line of credit.

As of December 31, 2018, the financial assets available to meet general expenditures over the next 12 months were as follows:

Cash	$ 368,182
Accounts receivable	55,181
Grants receivable	150,000
	$ 573,363

The above table does not take into account the Foundation's liabilities of $4,559,378 which exceed financial assets available to meet cash needs for general expenditures. See Note 10 regarding the Foundation's accumulated deficit.

NOTE 4 – PROPERTY AND EQUIPMENT

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

	2018	2017	Estimated Useful Lives
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
Intangible asset (Note 1)	400,000	-	10 years
Leasehold improvements	44,910	44,910	12 years
Total costs	629,238	229,238	
Less: accumulated depreciation and amortization	(116,981)	(66,289)	
Net book value	$ 512,257	$ 162,949	

Depreciation and amortization expense amounted to $50,692 and $31,859 for the years ended December 31, 2018 and 2017, respectively.

During 2018, the Foundation entered into a licensing agreement for the use of the Foundation's JULCD. The costs incurred to position the Foundation to be able to enter into such agreements were estimated to be $400,000, consisting mostly of legal expenses, which are being amortized over ten years. These costs were valued under the Cost Approach using the current replacement cost basis which is a valuation method used in the industry.

NOTE 5 – 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, 2018 are as follows:

Year ending December 31,	
2019	$ 487,478
2020	498,446
2021	509,661
2022	553,848
2023	566,310
Thereafter	2,189,218
	$ 4,804,961

Rent expense for the years ended December 31, 2018 and 2017, amounted to $548,921 and $546,497, 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, 2018 and 2017, 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 6 – CONCENTRATIONS

A. For the years ended December 31, 2018 and 2017, contributions from a Board member of the Foundation made up approximately 57% and 50%, 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, 2018 and 2017, there was approximately $104,000 and $4,000, respectively, of cash held by one bank that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions amounted to $188,337 ($188,337 subject to expenditure for specified purpose – the Environmental Explorer) and $835,696 ($500,000 subject to the passage of time, and $335,696 subject to expenditure for specified purpose – the Environmental Explorer) as of December 31, 2018 and 2017, respectively. Net assets released from restrictions amounted to $877,359 and $114,304 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8 – LINE OF CREDIT

The Foundation has a revolving line of credit with a limit of $4,550,000 which was obtained from a Board member. The line of credit originated on October 20, 2017 for $2,550,000, and was subsequently increased to $2,750,000 (November 2017). The line of credit was amended and restated on December 14, 2018 to increase the line to $4,500,000. The line is unsecured and bears no interest. The principal amount of the lesser of $4,500,000 or the aggregate of the unpaid balance is due on December 14, 2020. As of December 31, 2018 and 2017, the unpaid balance amounted to $3,950,000 and $2,750,000, respectively. As of June 27, 2019, the outstanding balance amounted to $3,950,000.

NOTE 9 – PENSION PLAN

Effective July 1, 2016, the Foundation's employees can 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, 2018 and 2017, contributions from the Foundation amounted to $102,038 and $104,866, respectively.

NOTE 10 – ACCUMULATED DEFICIT

The Foundation incurred a loss of $942,667 for the year ended December 31, 2018 which resulted in an accumulated deficit of $3,257,116 as of December 31, 2018. The Foundation has a committed base of donors that have continued to fund operations in 2019 to mitigate the deficit and resolve any shortages in cash flow (See also Note 8). 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.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through June 27, 2019, the date the financial statements were available to be issued.