

Equal Justice Initiative



Financial Highlights

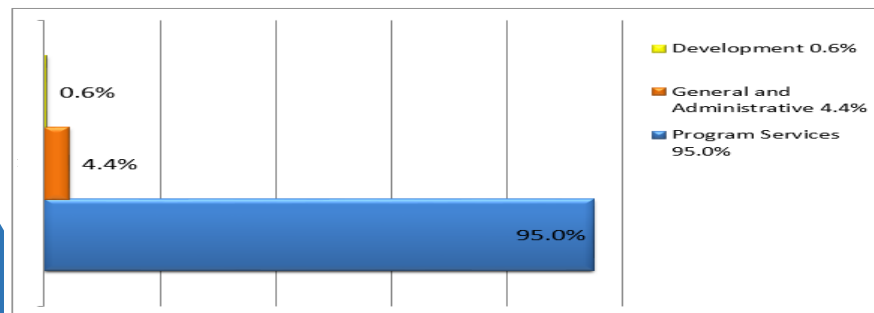
For Year Ended September 30, 2022

The Equal Justice Initiative is working harder than ever to challenge bigotry, inequality, injustice, excessive punishment, and over incarceration in America. New reports that educate the public, new meeting spaces to facilitate important conversations about race, and court victories that secure freedom and relief for people in prison are all part of what we celebrate this year even as there is so much injustice that requires our attention.

During 2022 we embarked on three new initiatives that focuses on poverty. The first anti-poverty project focuses on hunger relief. EJI's hunger relief program provides families in need with financial assistance for groceries and essential items. Our second initiative focuses on health. We are working to build a health center and a mobile clinic that will allow us to offer free health screenings and care to thousands of people in Alabama. People with low income and people formerly incarcerated often face serious health issues related to poverty, trauma, and inadequate services. Our Unjust Fees and Fines initiative is an effort to reduce the impact the carceral system is having on communities and provide desperately needed help to the poor who are unfairly targeted by overly harsh and punitive local governments.

In 2022, we expanded our National Memorial for Peace and Justice with a new Community Reckoning exhibit. This exhibit represents thousands of people around the country engaged in community remembrance work. We expanded the art gallery in the Legacy Museum, which continues to attract hundreds of thousands of visitors as well as international attention and acclaim.

We are proud to have devoted 95% of our revenue support to program and core activities in 2022. This past year, we took in \$65 million dollars with an additional \$26 million in pledged amounts for future work. We had expenditures of \$54 million including over \$25 million in capital costs related to the expansion of our sites. The \$11 million we received in 2022 over costs, along with our pledged amounts will be directed to next year's budget which is set at \$54 million dollars. We continue to be grateful to our donors for their generous support of our work.



2022 FINANCIAL SUMMARY:

Contributions and Other Income	\$91,915,328
Pledged Grants included in Income	(\$26,208,310)
Program and Administrative Expenditures	(\$28,380,254)
Capital Outlay Expenditures	<u>(\$25,671,579)</u>
Contributions above Expenditures	\$11,655,185
2023 Operating Budget	(\$54,000,000)



Equal Justice Initiative, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022



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REPORT





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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Equal Justice Initiative, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Equal Justice Initiative, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Equal Justice Initiative, Inc. as of September 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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 auditing standards generally accepted in the United States of America 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, including omissions, 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 auditing standards generally accepted in the United States of America, 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 the Organization'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 the Organization'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.

Carr, Riggs & Ingram, L.L.C.

Montgomery, Alabama

February 6, 2023



FINANCIAL STATEMENTS



Equal Justice Initiative, Inc.
Consolidated Statement of Financial Position

September 30,

2022

Assets

Current assets

Cash and cash equivalents	\$	10,441,966
Certificates of deposit, non-negotiable		52,307,245
Grants receivable		19,170,112
Accounts receivable		118,647
Accrued interest receivable		665,007
Inventory		1,196,418
Prepaid expenses		794,342

Total current assets		84,693,737
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Investments

Investments		169,187,788
Certificates of deposit, negotiable		30,406,203
Certificates of deposit, non-negotiable		21,561,526
Grants receivable, net (less current portion)		7,038,198
Construction in process		1,360,001
Property and equipment, net		86,270,605

Total assets	\$	400,518,058
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Liabilities and net assets

Current liabilities

Accounts payable	\$	3,018,347
Accrued liabilities		48,571
Performance obligation liability		28,265

Total current liabilities		3,095,183
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Net assets

Without donor restrictions		397,422,875
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Total net assets		397,422,875
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Total liabilities and net assets	\$	400,518,058
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The accompanying notes are an integral part of these financial statements.

Equal Justice Initiative, Inc.
Consolidated Statement of Activities

<i>Year ended September 30,</i>	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions	\$ 62,407,270	\$ -	\$ 62,407,270
Contributions of non-financial assets	85,540	-	85,540
Grants	44,242,239	-	44,242,239
Admission fee income	558,858	-	558,858
Merchandise sales income	1,523,407	-	1,523,407
Service income	1,181,886	-	1,181,886
Net investment return	(18,178,044)	-	(18,178,044)
Other income	94,172	-	94,172
Total revenues and other support	91,915,328	-	91,915,328
Expenses			
Program services			
Legal assistance	13,288,155	-	13,288,155
Education	13,681,058	-	13,681,058
Total program services	26,969,213	-	26,969,213
Supporting services			
Management and general	1,252,199	-	1,252,199
Fundraising	158,842	-	158,842
Total supporting services	1,411,041	-	1,411,041
Total expenses	28,380,254	-	28,380,254
Change in net assets	63,535,074	-	63,535,074
Net assets, beginning of year	333,887,801	-	333,887,801
Net assets, end of year	\$ 397,422,875	\$ -	\$ 397,422,875

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

Equal Justice Initiative, Inc.
Consolidated Statement of Functional Expenses

<i>Year ended September 30, 2022</i>	Program Services			Supporting Services			2022 Totals
	Legal Assistance	Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Advertising and promotion	\$ -	\$ 115,016	\$ 115,016	\$ -	\$ -	\$ -	\$ 115,016
Anit-Poverty Initiative	-	375,000	375,000	-	-	-	375,000
Community education and training	126,767	437,458	564,225	-	-	-	564,225
Contract labor	40,216	7,097	47,313	20,277	-	20,277	67,590
Depreciation expense	3,092,917	2,725,429	5,818,346	9,477	1,714	11,191	5,829,537
Dues, fees and subscriptions	959,508	30,687	990,195	29,871	19,914	49,785	1,039,980
Employee benefits	899,786	939,470	1,839,256	149,957	11,755	161,712	2,000,968
Professional fees and experts	302,013	-	302,013	8,387	5,592	13,979	315,992
Insurance	335,164	37,240	372,404	29,682	4,212	33,894	406,298
Merchandise for resale	-	645,782	645,782	-	-	-	645,782
Other expenses	22,889	26	22,915	1,383	196	1,579	24,494
Payroll taxes	252,123	415,104	667,227	42,019	3,294	45,313	712,540
Printing, postage, publishing and media	607,794	584,385	1,192,179	-	27,153	27,153	1,219,332
Re-entry and client support	106,794	-	106,794	-	-	-	106,794
Rental expense	623,408	37,796	661,204	-	-	-	661,204
Repairs, maintenance and renovation	821,269	1,156,143	1,977,412	65,457	9,288	74,745	2,052,157
Salaries and payroll expenses	3,186,127	5,020,090	8,206,217	855,458	67,059	922,517	9,128,734
Supplies	84,126	168,547	252,673	9,347	-	9,347	262,020
Travel	547,900	39,267	587,167	4,991	4,991	9,982	597,149
Utilities, telephone and communication	1,279,354	946,521	2,225,875	25,893	3,674	29,567	2,255,442
Totals	\$ 13,288,155	\$ 13,681,058	\$ 26,969,213	\$ 1,252,199	\$ 158,842	\$ 1,411,041	\$ 28,380,254

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

Equal Justice Initiative, Inc.
Consolidated Statement of Cash Flows

<i>Years ended September 30,</i>	2022
Operating Activities	
Change in net assets	\$ 63,535,074
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	5,829,537
Contributions of nonfinancial assets	(85,540)
Contributed investments	(2,196,311)
Unrealized and realized gains on investments	21,888,089
Change in operating assets and liabilities	
Grants receivable	(8,933,870)
Accounts receivable	85,673
Accrued interest receivable	(311,514)
Inventory	(343,019)
Prepaid expenses	(185,648)
Accounts payable	394,092
Accrued liabilities	14,946
Performance obligation liability	21,746
Net cash provided by operating activities	79,713,255
Investing activities	
Construction in progress	(1,360,001)
Purchases of property and equipment	(24,311,578)
Proceeds from maturities of certificates of deposit, non-negotiable	65,301,149
Purchases of investments	(146,868,688)
Proceeds from sales of investments	71,461,763
Purchases and reinvestments of certificates of deposit, non-negotiable	(67,188,155)
Net cash used in investing activities	(102,965,510)
Net change in cash and cash equivalents	(23,252,255)
Cash and cash equivalents, beginning of year	33,694,221
Cash and cash equivalents, end of year	\$ 10,441,966
As presented on statements of financial position:	
Cash and cash equivalents	\$ 10,441,966
Total cash and cash equivalents, end of year	\$ 10,441,966

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

Equal Justice Initiative, Inc.

Notes to Consolidated Financial Statements

Note 1: NATURE OF OPERATIONS

Equal Justice Initiative, Inc. (EJI) (the Organization) is a non-profit law organization working to improve justice and fairness in America for the poor, disadvantaged, and incarcerated. EJI provides legal assistance to condemned prisoners, people wrongly convicted or unfairly sentenced, children in the criminal justice system, and the mentally ill and disabled facing imprisonment. EJI is actively engaged in efforts to improve conditions of confinement, provide legal aid to children and the disabled, assist condemned prisoners, and help the formerly incarcerated with re-entry, while also fighting to eliminate mass imprisonment, extreme punishments, and cruel sentencing practices. EJI also continues to expand and intensify work on race and poverty in America, and to bring increased knowledge and awareness of the connections between its nation's history of racial injustice and the current era of mass incarceration, disproportionate educational and economic opportunity, and abuse of racial minorities. EJI remains committed to advocating for more hopeful solutions to the violence, powerlessness, and despair that plague many marginalized communities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Consolidated Financial Statements

The financial statements of SCD Holdings, LLC have been consolidated with the Organization. The Organization is the sole member of SCD Holdings, LLC, an Alabama limited liability company. Intercompany accounts, transactions and earnings have been eliminated in consolidation. SCD Holdings, LLC was formed and organized in 2021 to hold title to property for the benefit of the Organization.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Equal Justice Initiative, Inc.
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit subject to immediate withdrawal. In presenting the statements of cash flows, the Organization considers all short-term, highly liquid investments to be cash equivalents that are readily convertible to known amounts of cash, and so near their maturities that they present insignificant risk of changes in value because of interest rates.

Certificates of Deposit – Non-negotiable

Non-negotiable certificates of deposit are carried at amortized cost.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of members to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

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. Promises to give are recorded at their discounted net present value using a discount rate of 3.83%.

Inventory

The Organization maintains an inventory of various publications available for distribution to its colleagues and other users in connection with its primary exempt purposes. The Organization also maintains an inventory of various merchandise, books and apparel available for sale from the EJI Café, Gift Shop and Bookstore. The cost of these items is recorded in program expenses once the items are distributed or sold. Inventory is stated at the lower of cost or net realizable value, with cost being determined by the first in, first out method.

Equal Justice Initiative, Inc.
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Organization reports investments in equity securities, including negotiable certificates of deposit, with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments in Non-marketable Securities

Limited partnership interests are reported at estimated fair value as determined by the general partner. The Organization records its initial investment and subsequent contributions at cost and adjusts for its share of income/appreciation, losses/depreciation, and distributions received from the investments. The Organization believes that the carrying amount of these investments is a reasonable estimate of fair value as of September 30, 2022. Because these investments are not readily marketable, the estimated value is subject to uncertainty, and therefore may differ from the value that would have been used had a ready market for the investments existed and such difference could be material. These fair values are estimated by the general partner of each limited partnership using various valuation techniques. The fair values of these investments were \$7,663,108 as of September 30, 2022.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures over \$5,000 for major renewals and betterments that extend the useful life of an asset for more than one year are capitalized. These assets are depreciated using the straight line method with useful lives of three to forty years. The Organization capitalizes works of art that meet the definition of a collection in the statements of financial position. The Organization has elected to not depreciate the works of art.

Construction in Process

Construction in process is stated at cost and not depreciated. Property is transferred to property and equipment when completed and placed in service. There was \$1,360,001 included in construction in process as of September 30, 2022, respectively.

Equal Justice Initiative, Inc.
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Donor restricted resources that are received and spent in the same year are included in changes in net assets without donor restrictions.

Revenue Recognition and Performance Obligation Liabilities

Contributions and grants are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Admission fee income, merchandise sales income and service income are accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied.

Certain performance obligations are satisfied at a specific point in time, while others are satisfied over time. As of September 30, 2022, there was \$28,265 of performance obligations yet to be satisfied, of which all is expected to be recognized in revenue during the year ended September 30, 2023.

Equal Justice Initiative, Inc.
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Performance Obligation Liabilities (Continued)

Revenue for admission fee income and service income are recognized at a point in time. The Organization has an obligation to provide services at a specified time determined on the transaction date. The Organization considers the income to be earned at a point in time once the relevant performance obligation is satisfied.

Revenue for merchandise sales income relates to fees charged for goods. The Organization has an obligation to provide goods to customers who purchase them and recognizes revenue at a point in time when the purchase is made and the obligation is satisfied.

100% of non-contribution type revenue earned in the current year was at a point in time consisting of admission fee income, merchandise sales income and service income.

Contract Balances

<i>September 30,</i>	2022
Performance obligation liabilities, beginning of year	\$ 6,519
Performance obligation liabilities, end of year	\$ 28,265

Non-cash Contributions

The Organization receives in-kind contributions from time to time (e.g. investment securities). These contributions are recognized at fair market value on the date of the contribution.

The Organization receives contributed assets, materials and services from time to time that improve or contribute value to property and equipment. These contributed assets, materials and services are recognized by the Organization at fair value on the date of the contribution.

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Functional Allocation of Expenses

Expenses that can be directly identified with a function are so classified. Payroll, occupancy, and related expenditures are distributed on a percentage basis determined from estimates of time and effort, square footage, and certain other factors that are adjusted for significant changes affecting a particular function.

Advertising

The Organization expenses advertising costs incurred. For the year ended September 30, 2022, advertising costs were \$115,016, respectively.

Equal Justice Initiative, Inc.
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The Organization is a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to income tax. The Organization's subsidiary, SDC Holdings LLC, is tax exempt under section 501(c)(3) as a single member LLC where the Organization is the single member. The Organization is required to file an annual information return on Federal Form 990.

The Organization has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject the Organization to any material income tax exposure. The tax years that remain subject to examination are the periods ending September 30, 2019 through 2022 for all major tax jurisdictions.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 6, 2023.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

ASU 2020-05, *Leases (Topic 842): Effective Dates for Certain Entities*, amended the effective date of ASU 2016-02 for certain organizations. Specifically, private companies and private not-for-profit organizations may apply the new leases standard for fiscal years beginning after December 15, 2021, and to interim periods within fiscal years beginning after December 15, 2022.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU specifies requirements for the recognition and initial measurement of contributions and disclosure requirements for contributed services. The ASU is effective for fiscal years beginning after June 15, 2021. The Organization has implemented the guidance and the effects of the implementation are included in these financial statements and disclosures for the years ended September 30, 2022. The implementation did not have a significant impact on the Organization's financial statements.

Equal Justice Initiative, Inc.
Notes to Consolidated Financial Statements

Note 3: FINANCIAL ASSET AVAILABILITY

The Organization regularly monitors liquidity required to meet operating needs and other contractual commitments, while also striving to maximize the investment of available funds. The Organization has various sources of liquidity at their disposal, including cash and cash equivalents, grants and accounts receivables and operating investments. The Organization manages liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves.

The Organization operates with a cash positive budget and anticipates collecting sufficient revenues to meet current expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<i>September 30,</i>	2022
Cash and cash equivalents	\$ 10,441,966
Certificates of deposit, non-negotiable	52,307,245
Grants receivable	19,170,112
Accounts receivable	118,647
Operating investments	82,440,396
	\$ 164,478,366

As part of the Organization’s liquidity management plan, cash in excess of daily requirements is invested in operating investments.

Note 4: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

<i>September 30,</i>	2022
Petty cash	\$ 6,000
Business checking and money market accounts	10,435,966
Total cash and cash equivalents	\$ 10,441,966

Equal Justice Initiative, Inc.
Notes to Consolidated Financial Statements

Note 5: GRANTS RECEIVABLE

Grants receivable as of September 30, 2022 is expected to be collected as follows:

<i>September 30,</i>	2022
Less than one year	\$ 19,170,112
One year to five years	7,450,000
Total grants receivable	26,620,112
Less discount to net present value (discount rate 3.83%)	(411,802)
Present value of grants receivable	\$ 26,208,310

Note 6: INVESTMENTS

The Organization's investments and negotiable certificates of deposit are stated at fair market value and consisted of the following:

<i>September 30, 2022</i>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit - negotiable	\$ 31,334,329	\$ 3,426	\$ (931,552)	\$ 30,406,203
Common stocks	30,173,776	1,023,387	(4,102,078)	27,095,085
Equity mutual funds	9,387,972	-	(2,443,167)	6,944,805
Fixed income mutual funds	3,158,555	12	(300,271)	2,858,296
Common investment fund - fixed income	4,992,486	-	(780,578)	4,211,908
Corporate bonds	69,099,378	11,105	(4,041,208)	65,069,275
Limited partnership interest	8,392,720	-	(729,612)	7,663,108
Government securities	58,591,543	323	(3,246,555)	55,345,311
Total	\$ 215,130,759	\$ 1,038,253	\$ (16,575,021)	\$ 199,593,991

Equal Justice Initiative, Inc.
Notes to Consolidated Financial Statements

Note 7: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

<i>September 30,</i>	2022
Land	\$ 10,781,954
Buildings, museum, and memorial	97,249,342
Furniture and fixtures	120,747
Computer, office, and media equipment	340,143
Automobiles	619,018
Leasehold improvements	656,816
Total property and equipment at cost	109,768,020
Less accumulated depreciation	(23,497,415)
Property and equipment, net	\$ 86,270,605

Depreciation expense was \$5,829,537 for the year ended September 30, 2022.

Note 8: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Equal Justice Initiative, Inc.
Notes to Consolidated Financial Statements

Note 8: FAIR VALUE MEASUREMENTS (Continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used for September 30, 2022.

Certificates of deposit: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Common stocks and mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. Treasuries, fixed income securities, corporate bonds, asset-backed securities and government securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

The Organization uses the net asset value (NAV) per share or its equivalent reported by the general partners as a practical expedient to estimate fair value for limited partnership interests. The NAV per share of its equivalent is applied to limited partnership interests that do not have readily determinable fair values unless it is probable that all or a portion of the investment will be sold for an amount different than NAV. As of September 30, 2022, the Organization had no plans or intentions to sell those investments at amounts different from NAV. While these investments may contain varying degrees of risk, the Organization's risk with respect to such transactions is limited to its capital balance in each investment and the amounts of any unfunded commitments.

Equal Justice Initiative, Inc.
Notes to Consolidated Financial Statements

Note 8: FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis, are summarized for the year ended September 30, 2022:

<i>September 30, 2022</i>	Based on:		
	Level 1 inputs	Level 2 inputs	Level 3 inputs
Certificates of deposit - negotiable	\$ -	\$ 30,406,203	\$ -
Common stocks	27,095,085	-	-
Equity mutual funds	6,944,805	-	-
Fixed income mutual funds	2,858,296	-	-
Common investment fund - fixed income	-	-	4,211,908
Corporate bonds	-	65,069,275	-
Government securities	-	55,345,311	-
Total	\$ 36,898,186	\$ 150,820,789	\$ 4,211,908

September 30, 2022

Investments at net asset value (NAV):

Limited partnership interest	\$ 7,663,108
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September 30, 2022

Description	Fair Value	Unfunded Commitments	Redemption frequency (If Currently Eligible)	Redemption Notice Period
Limited partnership interest	\$ 7,663,108	\$ -	Quarterly	60 days

The changes in amounts valued as Level 3 are as follows:

	2022
Level 3, beginning of year	\$ 4,968,777
Sales	(7,514)
Change in common investment fund - fixed income	(749,355)
Level 3, end of year	\$ 4,211,908

Equal Justice Initiative, Inc.
Notes to Consolidated Financial Statements

Note 9: COMMITMENTS

A summary of the Organization’s lease agreements in place during the year ended September 30, 2022 are as follows:

Type	Inception date	Initial Term	Monthly Payment	End Date	2022 Expense
Property	May 2017	63 month	\$ 1,075	July 2022	\$ 12,950
Property	January 2018	45 month	1,050	September 2023	12,600
Property	February 2018	45 month	4,600	October 2021	4,933
Property	July 2022	12 month	1,573	June 2023	4,805
Property	September 2022	12 month	1,573	September 2023	1,618
Property	August 2022	12 month	2,220	August 2023	4,289
Copier	February 2019	48 month	371	January 2023	6,547
Property	July 2020	18 month	1,768	December 2021	4,345
Property	February 2021	60 month	4,060	January 2026	48,720
Office Rent	October 2021	66 month	53,520	April 2027	481,680

The future minimum payments required under the contracts are as follows:

<i>Years ended September 30,</i>	
2023	\$ 773,247
2024	692,422
2025	692,422
2026	657,992
2027	677,920
Thereafter	3,353,920
Total future minimum lease payments	\$ 6,847,923

Note 10: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents and certificates of deposit balances maintained at financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures these balances up to a total of \$250,000 at each institution. Cash and investment balances are also maintained in broker accounts that are insured up to \$500,000 by the Securities Investors Protection Corporation (SIPC). For the year ended September 30, 2022, the Organization had a total of \$235,882,014 in excess of insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these accounts.

Equal Justice Initiative, Inc.
Notes to Consolidated Financial Statements

Note 11: EMPLOYEE BENEFITS

The Organization has a 403(b) pension plan under which employees may defer a portion of their gross earnings. All full-time employees are eligible to participate. The plan is funded fully by employee contribution deferrals. During the year ended September 30, 2021, the Organization changed the 403(b) pension plan to be a discretionary matching plan. During the year ended September 30, 2022, the Organization funded \$409,512 for employee pension. All full time employees are eligible and fully vested on day one. During the year ended September 30, 2022, the Organization paid \$1,443,569 for employee health insurance.

Note 12: RELATED PARTY

The Legacy Foundation

Certain employees and board members also serve as board members of The Legacy Foundation (Foundation). The employees of the Organization administer the Foundation on a day-to-day basis and operations are conducted in common facilities that are owned by the Organization. During the year ended September 30, 2022, the Organization received \$125,000 from the Foundation. No amounts were due to or from the Foundation at September 30, 2022.

Note 13: CONTRIBUTIONS OF NON-FINANCIAL ASSETS

The Organization received donated good and goods from independent donors during the year ended September 30, 2022. There were no donor-imposed restrictions associated with the contributed services or goods.

The following reflects the components of donated goods and land contributed to the Organization.

<i>Year ended September 30, 2022</i>	Donated Goods/Land	Total
Management and general		
Inventory	\$ 5,340	\$ 5,340
Land	80,200	80,200
	\$ 85,540	\$ 85,540