



**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**THE SENTENCING PROJECT**

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DECEMBER 31, 2020**

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## Independent Auditors' Report

Board of Directors  
The Sentencing Project

We have audited the accompanying financial statements of The Sentencing Project (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 auditors' 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 auditors consider 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 Sentencing Project as of December 31, 2020, 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.

*Councilor, Buchanan + Mitchell, P.C.*

Washington, D.C.  
June 3, 2021

Certified Public Accountants

**THE SENTENCING PROJECT**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**

<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 1,459,449
Investments	2,866,252
Accounts Receivable	6,269
Contributions Receivable	510,752
Prepaid Expenses	<u>26,922</u>
Total Current Assets	4,869,644
<b>Contributions Receivable, Net of Current Portion</b>	75,000
<b>Property and Equipment, Net</b>	
Furniture	4,562
Software and Computers	<u>153,493</u>
Total Property and Equipment	158,055
Less Accumulated Depreciation	<u>(120,058)</u>
Property and Equipment, Net	37,997
<b>Other Assets</b>	
Security Deposit	<u>8,747</u>
Total Other Assets	<u>8,747</u>
<b>Total Assets</b>	<u><u>\$ 4,991,388</u></u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 72,682
Accrued Expenses	<u>40,684</u>
Total Current Liabilities	113,366
<b>Net Assets</b>	
Net Assets Without Donor Restrictions	
Board Designated	500,000
Undesignated	<u>3,538,041</u>
Total Net Assets Without Donor Restrictions	4,038,041
Net Assets With Donor Restrictions	<u>839,981</u>
Total Net Assets	<u>4,878,022</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,991,388</u></u>

*See accompanying Notes to Financial Statements.*

**THE SENTENCING PROJECT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>Revenues</b>			
Contributions	\$ 2,739,141	\$ 839,981	\$ 3,579,122
Consulting Income	14,000	-	14,000
Honoraria and Other Income	14,729	-	14,729
Investment Income	59,453	-	59,453
Net Assets Released from Time Restrictions	183,942	(183,942)	-
Total Revenues	3,011,265	656,039	3,667,304
<b>Program and Supporting Services Expenses</b>			
Program Services			
Policy Reform Advocacy	328,156	-	328,156
Public Education	639,695	-	639,695
Race and Justice	262,546	-	262,546
Voting Rights	201,565	-	201,565
Youth Justice	8,728	-	8,728
Total Program Services	1,440,690	-	1,440,690
Supporting Services			
Fundraising	179,510	-	179,510
Management and General	177,519	-	177,519
Total Supporting Services	357,029	-	357,029
Total Expenses	1,797,719	-	1,797,719
Change in Net Assets	1,213,546	656,039	1,869,585
Net Assets, Beginning of Year	2,824,495	183,942	3,008,437
<b>Net Assets, End of Year</b>	<b>\$ 4,038,041</b>	<b>\$ 839,981</b>	<b>\$ 4,878,022</b>

*See accompanying Notes to Financial Statements.*

## THE SENTENCING PROJECT

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Policy Reform Advocacy	Public Education	Race and Justice	Voting Rights	Youth Justice		Fundraising	Management and General		
Salaries and Benefits	\$ 288,485	\$ 507,565	\$ 226,175	\$ 76,845	\$ 7,704	\$ 1,106,774	\$ 24,069	\$ 56,065	\$ 80,134	\$ 1,186,908
Consultants	3,970	24,343	2,250	101,510	77	132,150	110,732	23,187	133,919	266,069
Meetings	727	1,279	570	194	19	2,789	61	949	1,010	3,799
Printing	352	4,395	276	94	9	5,126	12,508	460	12,968	18,094
Mail House Services	-	-	-	-	-	-	11,257	-	11,257	11,257
Travel	765	4,280	1,966	180	17	7,208	53	830	883	8,091
Accounting	-	-	-	-	-	-	-	51,926	51,926	51,926
Postage and Delivery	740	1,335	580	197	20	2,872	11,140	967	12,107	14,979
Occupancy	24,295	42,744	19,047	6,472	649	93,207	2,027	31,744	33,771	126,978
Office Supplies	1,353	2,230	975	331	33	4,922	420	1,625	2,045	6,967
Telephone and Fax	1,082	1,904	848	288	29	4,151	90	1,414	1,504	5,655
Office Equipment and Maintenance	36	1,627	28	10	1	1,702	3	47	50	1,752
Depreciation and Amortization	2,458	4,324	1,927	655	66	9,430	205	3,211	3,416	12,846
Insurance	461	811	361	123	12	1,768	38	602	640	2,408
Bank Service Charges	3,018	5,311	2,367	804	81	11,581	252	3,943	4,195	15,776
Dues/Subscriptions/Registration Fees	55	10,135	44	15	1	10,250	5	73	78	10,328
Website	-	26,780	4,850	13,751	-	45,381	6,620	-	6,620	52,001
Other	359	632	282	96	10	1,379	30	476	506	1,885
<b>Total Expenses</b>	<b>\$ 328,156</b>	<b>\$ 639,695</b>	<b>\$ 262,546</b>	<b>\$ 201,565</b>	<b>\$ 8,728</b>	<b>\$ 1,440,690</b>	<b>\$ 179,510</b>	<b>\$ 177,519</b>	<b>\$ 357,029</b>	<b>\$ 1,797,719</b>

See accompanying Notes to Financial Statements.

**THE SENTENCING PROJECT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 1,869,585
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation and Amortization	12,846
Net Gain on Investments	(24,821)
<u>(Increase) Decrease in Assets</u>	
Accounts Receivable	(1,638)
Contributions Receivable	(401,810)
Prepaid Expenses	(3,503)
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable	56,806
Accrued Expenses	23,209
	1,530,674
 <b>Cash Flows from Investing Activities</b>	
(Purchases) Sales of Property and Equipment	(22,662)
(Purchases) Sales of Investments	(1,634,262)
Proceeds from Sales of Investments	308,047
	(1,348,877)
Net Cash Used in Investing Activities	
Net Increase in Cash and Cash Equivalents	181,797
Cash and Cash Equivalents, Beginning of the Year	1,277,652
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,459,449</b>

*See accompanying Notes to Financial Statements.*

# THE SENTENCING PROJECT

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Organization*

The Sentencing Project (the Organization) is a non-profit organization incorporated in the District of Columbia on July 1, 1986. The Organization engages in research and public education on criminal justice policy issues, advocates for policy reform toward a more fair and effective justice system, and conducts outreach to the media to influence the public debate on crime and justice. The Organization's main source of support is contributions.

The Organization's programs are:

**Policy Reform Advocacy** - The Organization advocates at federal and state levels for reducing the use of incarceration to address crime, decreasing the number of people in prison in favor of more community-based solutions, reforming sentencing policies that produce mass incarceration and racial, gender or economic injustice, and reducing the collateral consequences of a felony conviction.

**Public Education** - The Organization monitors the criminal justice system and produces research and policy analyses to educate the public about the impact of criminal justice policies, and advocates for reform of unfair, excessive or racially disparate policies. Areas of activity include sentencing and drug policy, alternatives to incarceration, voting rights, and the impact of incarceration on families and communities.

**Race and Justice** - The Organization engages in research, public education, and technical assistance to enhance fairness in the justice system and to reduce racial disparities. The Organization conducts trainings and produces analyses for policy makers and practitioners on strategies to meet the goals of both public safety and racial justice.

**Voting Rights** - The Organization is a leader in national efforts to educate the public about the disenfranchisement of justice-involved people, the racially disparate impacts of current felon disenfranchisement laws and jail practices, and the need to implement universal suffrage for all citizens in order to end the role of the criminal legal system in mediating the central right of voting in a democracy. The Organization works at the federal, state, and local level to advocate for full voting rights for individuals in jail, prison, and the community regardless of conviction status.

**Youth Justice** - The Organization works to safeguard youth from the ravages of the adult criminal legal system and explore alternatives to youth involvement in both the juvenile and adult justice systems. The Organization engages in this work by cultivating a constituency of organizations and activists to push for an expanded jurisdiction of youth accountability that includes older adolescents and young adults. At the same time, the Organization advocates for the shielding of minors from avoidable involvement in the justice system, including ending the presence of police in schools, and promoting treatment-based approaches to youthful behavioral problems rather than punishment. In all this work, a racial justice lens is paramount.

#### *Method of Accounting*

The financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.



THE SENTENCING PROJECT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Cash and Cash Equivalents*

The Organization considers all short-term investments with original maturities of three months or less to be cash and cash equivalents.

*Accounts and Contributions Receivable*

Accounts and contributions receivable are recorded at the amount the Organization expects to collect on balances outstanding at the end of the year. Amounts to be received over multiple years are discounted to their net present value using the applicable interest rate if such discount would be material. Management closely monitors receivables and charges off to expense any balances that are determined to be uncollectible. No reserve for doubtful accounts has been established because management expects to collect receivables in full.

*Investments*

Investments are carried at fair market value based on quotations available on national security exchanges.

*Property and Equipment*

Property and equipment are stated at cost, if purchases, or fair market value on donation date, if contributed. Depreciation is calculated on a straight-line basis over a three-year or five-year estimated useful life. Leasehold improvements are amortized over the shorter of the useful life or lease term. The Organization capitalizes property and equipment purchases of \$1,000 or more.

*Contributions and Support*

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional grants and contributions are reported as refundable advances until the date that the conditions have been substantially met or explicitly waived by the donor. Unconditional restricted contributions for which the restrictions are met in the year received are considered contributions without donor restrictions for financial statement purposes.

*Consulting and Honoraria and Other Income*

Consulting, honoraria, and other income is recognized when earned, at the points in time that performance obligations are met. Amounts received in advance of satisfaction of performance obligations are recorded as deferred revenue in the statement of financial position.

*Income Taxes*

The Organization is exempt under Section 501(c)(3) of the Internal Revenue Code (the Code) from the payment of taxes on income other than unrelated business income.

## THE SENTENCING PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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#### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Income Taxes (Continued)*

No provision for income tax is required for the year ended December 31, 2020, as the Organization had no net unrelated business income. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Organization requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions. The Organization’s IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by taxing authorities generally for three years after filing.

##### *Use of Estimates*

The preparation 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include benefits, occupancy and other indirect costs as well as overhead. These expenses are generally allocated on the basis of staff time and effort. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

#### 2. CONCENTRATIONS AND INVESTMENT RISK

As of December 31, 2020, approximately 64% of contributions receivable consisted of amounts due from three donors. For the year ended December 31, 2020, 17% of contributions was from one donor.

The Organization’s demand deposits with financial institutions exceeded federally insured limits at certain times during the year. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk.

The Organization invests in professionally managed portfolios that contain mutual funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in market conditions in the near term could materially affect investment balances and the amounts reported in the financial statements.

THE SENTENCING PROJECT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

3. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

*Level 1* - inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets (examples include equity securities);

*Level 2* - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate and municipal bonds); and

*Level 3* - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment (examples include certain private equity securities, alternate investments, and split-interest agreements).

The following presents the Organization's assets measured at fair value as of December 31, 2020:

	Fair Value	Level 1	Level 2	Level 3
Mutual Funds	\$ 2,866,252	\$ 2,866,252	\$ -	\$ -

4. OPERATING LEASE

The Organization leases office space under an operating lease agreement that expires June 30, 2024. Future minimum lease payments required under the lease agreement are:

For the Years Ending December 31,

2021	\$ 127,350
2022	131,808
2023	136,422
2024	69,384
Total	\$ 464,964

5. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2020, net assets with donor restrictions were available for the following purposes:

Youth Justice/Life Sentencing	\$ 509,229
Time Restrictions	330,752
	\$ 839,981

6. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's cash flows have seasonal variations due to the timing of receipts of contribution revenue and vendor payments. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**THE SENTENCING PROJECT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**6. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

As of December 31, 2020, the following financial assets and liquidity sources were available for general operating purposes:

Cash and Cash Equivalents	\$ 1,459,449
Investments	2,866,252
Accounts Receivable	6,269
Contributions Receivable	<u>510,752</u>
	4,842,722
Less Net Assets with Donor Purpose Restrictions	<u>(509,229)</u>
Total Financial Assets Available	<u><u>\$ 4,333,493</u></u>

Included in the financial assets available is an operating reserve fund (the Reserve) designated by the Board of Directors to ensure the stability of the mission, programs, employment, and ongoing operations of the Organization. The Reserve is funded with surplus net assets without donor restrictions and is commingled with the Organization's general cash and investment accounts. The Board of Directors' investment objectives for the Reserve are to create financial stability by the preservation of capital that earns a reasonable rate of return. The balance of the Board designated operating net assets was \$500,000 at December 31, 2020, roughly six months' operating costs. These net assets can be used to fund the Organization's operations if necessary, with Board approval.

**7. RETIREMENT PLAN**

The Organization sponsors a 403(b) plan (the Plan) for its employees. Employees are eligible to participate in the Plan after four months of employment. The Organization will contribute 4% of each employee's annual salary to the Plan upon the condition that the employee contributes a minimum of 4% of their annual salary. The employees are fully vested in the employer contribution when it is made. For the year ended December 31, 2020, the Organization contributed approximately \$33,000 to the Plan.

**8. CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following as of December 31, 2020:

Less than One Year	\$ 510,752
One to Two Years	<u>75,000</u>
Total Contributions Receivable	<u><u>\$ 585,752</u></u>

**9. CONDITIONAL CONTRIBUTION**

At December 31, 2020, the Organization has a conditional contribution for approximately \$66,000, extending into 2021, which will be recognized as contributions revenue as the required milestones are met.

## THE SENTENCING PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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#### 10. CONTINGENCIES

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofits around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

#### 11. SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through June 3, 2021, the date the financial statements were issued. No material subsequent events were noted.