

ALLIANCE FOR JUSTICE

FINANCIAL STATEMENTS

DECEMBER 31, 2018



ALLIANCE FOR JUSTICE

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

CONTENTS

	PAGE
Report of Independent Auditors	1
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	5
Statements of Cash Flows	7
Statements of Functional Expenses	8
Notes to Financial Statements	10



7501 WISCONSIN AVENUE | SUITE 1200 WEST
BETHESDA, MD 20814
202.331.9880 PHONE | 202.331.9890 FAX

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Alliance for Justice

We have audited the accompanying financial statements of Alliance for Justice (the Alliance), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 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 Alliance for Justice 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.

CalibreCPAGroup, PLLC

Bethesda, MD
July 12, 2019

ALLIANCE FOR JUSTICE
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,163,166	\$ 405,827
Accounts receivable net of allowance of \$34,000 and \$1,300 at December 31, 2018 and 2017, respectively	252,652	99,744
Contributions receivable	210,490	194,168
Grants receivable, current	955,558	2,290,117
Due from affiliates	23,625	22,463
Prepaid expenses	108,201	77,848
Total current assets	5,713,692	3,090,167
NET PROPERTY AND EQUIPMENT		
Furniture and fixtures	534,653	388,646
Leasehold improvements	1,051,677	364,005
Less: accumulated depreciation	(480,216)	(586,561)
Net property and equipment	1,106,114	166,090
OTHER ASSETS		
Grants receivable, net of current portion and discount	-	422,116
Investments	3,624,565	5,267,895
Deferred compensation plan investments	-	349,264
Security deposits	70,505	55,521
Total other assets	3,695,070	6,094,796
Total assets	\$ 10,514,876	\$ 9,351,053

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE
STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2018 AND 2017

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 125,141	\$ 104,850
Accrued salaries and benefits	89,922	72,427
Deferred revenue	180,000	-
Deferred rent- current portion	-	220,144
Deferred lease incentive, current portion	97,518	99,714
Deferred Compensation Plan liability	-	349,264
Total current liabilities	492,581	846,399
OTHER LIABILITIES		
Deferred rent - long term	784,862	-
Deferred lease incentive- long term	918,568	-
Total other liabilities	1,703,430	-
Total liabilities	2,196,011	846,399
NET ASSETS		
Without donor restrictions	4,412,199	3,389,338
With donor restrictions	3,906,666	5,115,316
Total net assets	8,318,865	8,504,654
Total liabilities and net assets	\$ 10,514,876	\$ 9,351,053

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grant revenue	\$ 1,498,337	\$ 2,460,473	\$ 3,958,810
Contributions	1,047,754	-	1,047,754
Events	530,880	-	530,880
Less: event direct expenses	(172,247)	-	(172,247)
Contract revenue	191,217	-	191,217
Membership dues	45,250	-	45,250
Rental income	125,313	-	125,313
Other revenue	14,806	-	14,806
Investment income (loss), net of investment expense	(53,105)	-	(53,105)
Net assets released from restrictions, satisfaction of program restrictions	3,669,123	(3,669,123)	-
Total revenue	6,897,328	(1,208,650)	5,688,678
EXPENSES			
Program expenses			
Judicial Selection	1,577,511	-	1,577,511
Community Partner Engagement	155,075	-	155,075
Bolder Advocacy/Non-Profit Advocacy Project	2,599,182	-	2,599,182
Total program expenses	4,331,768	-	4,331,768
Support expenses			
Management and general	1,231,412	-	1,231,412
Fundraising	311,287	-	311,287
Total expenses	5,874,467	-	5,874,467
CHANGE IN NET ASSETS	1,022,861	(1,208,650)	(185,789)
NET ASSETS			
Beginning of year	3,389,338	5,115,316	8,504,654
End of year	\$ 4,412,199	\$ 3,906,666	\$ 8,318,865

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grant revenue	\$ 294,090	\$ 3,779,746	\$ 4,073,836
Contributions	1,067,483	50,956	1,118,439
Events	666,779	-	666,779
Less: event direct expenses	(189,000)	-	(189,000)
Contract revenue	449,971	-	449,971
Membership dues	63,500	-	63,500
Rental income	171,201	-	171,201
Other revenue	15,802	-	15,802
Investment income, net of investment expense	385,109	-	385,109
Net assets released from restrictions, satisfaction of program restrictions	3,646,410	(3,646,410)	-
Total revenue	6,571,345	184,292	6,755,637
EXPENSES			
Program expenses			
Judicial Selection	1,974,135	-	1,974,135
Community Partner Engagement	62,949	-	62,949
Bolder Advocacy/Non-Profit Advocacy Project	2,678,577	-	2,678,577
Total program expenses	4,715,661	-	4,715,661
Support expenses			
Management and general	586,291	-	586,291
Fundraising	229,462	-	229,462
Total expenses	5,531,414	-	5,531,414
CHANGE IN NET ASSETS	1,039,931	184,292	1,224,223
NET ASSETS			
Beginning of year	2,349,407	4,931,024	7,280,431
End of year	\$ 3,389,338	\$ 5,115,316	\$ 8,504,654

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (185,789)	\$ 1,224,223
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	126,320	82,146
Amortization of deferred lease incentive	(97,519)	(36,018)
Loss on disposal of fixed assets	31,626	-
Provision for bad debt and bad debt expense	(29,968)	(200)
(Appreciation) depreciation in investments	95,661	(328,265)
Donated securities	(1,130,204)	(1,010,202)
Sale of donated securities	1,130,204	1,011,063
Change in assets and liabilities		
Accounts receivable	(152,908)	(51,248)
Contributions receivable	(16,322)	(108,780)
Grants receivable	1,756,675	162,623
Due from affiliates	(1,162)	(6,124)
Prepaid expenses	(30,353)	16,629
Tenant security deposits	14,984	(5,726)
Accounts payable and accrued expenses	20,291	67,913
Accrued leave payable	17,495	1,062
Deferred revenue	180,000	-
Deferred rent	564,718	(45,459)
Deferred lease incentive	1,113,605	-
Net cash provided by operating activities	3,407,354	973,637
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,197,684)	(68,026)
Purchase of investments	(1,558,326)	(11,438,950)
Proceeds from sale of investments	3,105,995	9,809,765
Net cash provided by (used for) investing activities	349,985	(1,697,211)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,757,339	(723,574)
CASH AND CASH EQUIVALENTS		
Beginning of year	405,827	1,129,401
End of year	\$ 4,163,166	\$ 405,827

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services		
	Judicial Selection	Community Partner Engagement	Total Justice Program	Bolder Advocacy	Management and General	Fundraising	Total
Salaries, benefits and payroll	\$ 916,156	\$ 97,810	\$ 1,013,966	\$ 1,662,561	\$ 414,945	\$ 190,348	\$ 3,281,820
Digital media	783	77	860	3,724	2,088	8	6,680
Books and periodicals	17,313	354	17,667	15,230	4,361	960	38,218
Consultants	108,646	42,870	151,516	246,846	134,315	48,048	580,725
Grants and awards	200,000	-	200,000	-	-	-	200,000
Travel	15,338	1,649	16,987	91,093	7,305	6,538	121,923
Meetings and conferences	1,896	671	2,567	16,608	4,696	6,561	30,432
Accounting and bookkeeping	4,727	126	4,853	25,889	19,421	-	50,163
Bank charges	1,418	269	1,687	5,456	4,941	-	12,084
Bad debts	-	-	-	32,725	6,000	-	38,725
Recruiting and hiring	1,110	-	1,110	113	4,898	-	6,121
Dues and licenses	909	151	1,060	6,327	962	2,200	10,549
Equipment rental	1,604	184	1,788	6,690	10,143	-	18,621
Insurance	1,891	241	2,132	7,775	6,386	-	16,293
Office supplies	4,145	595	4,740	23,132	12,533	809	41,214
Postage and delivery	1,139	296	1,435	7,013	2,614	1,306	12,368
Rent and utilities	70,973	8,085	79,058	375,800	489,657	48,114	992,629
Repairs and maintenance	4,189	637	4,826	20,912	7,794	-	33,532
Staff development	861	-	861	3,046	4,332	-	8,239
Contributed legal services	213,889	-	213,889	-	-	-	213,889
Depreciation and amortization	9,032	1,029	10,061	47,824	62,312	6,123	126,320
Loss on early termination of lease	-	-	-	-	31,626	-	31,626
Miscellaneous	1,492	31	1,523	418	83	272	2,296
Totals	\$ 1,577,511	\$ 155,075	\$ 1,732,586	\$ 2,599,182	\$ 1,231,412	\$ 311,287	\$ 5,874,467

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Judicial Selection	Program Services			Bolder Advocacy	Total	Supporting Services		
		Community Partner Engagement	Total Justice Program				Management and General	Fundraising	Total
Salaries, benefits and payroll	\$ 781,434	\$ 56,430	\$ 837,864	\$ 1,618,451	\$ 2,456,315	\$ 155,921	\$ 165,840	\$ 2,778,076	
Digital media	2,663	-	2,663	1,981	4,644	(359)	49	4,334	
Books and periodicals	17,525	305	17,830	20,126	37,956	1,945	7,661	47,562	
Consultants	254,877	274	255,151	273,486	528,637	60,705	28,129	617,471	
Grants and awards	200,150	-	200,150	-	200,150	-	-	200,150	
Travel	18,114	185	18,299	81,192	99,491	(331)	5,153	104,313	
Meetings and conferences	12,295	123	12,418	14,767	27,185	7,604	2,765	37,554	
Accounting and bookkeeping	8,813	22	8,835	27,992	36,827	48,998	96	85,921	
Bank charges	200	-	200	5,206	5,406	9,083	-	14,489	
Bad debts	-	-	-	-	-	2,301	-	2,301	
Recruiting and hiring	1,080	-	1,080	4,641	5,721	5,977	-	11,698	
Dues and licenses	914	-	914	7,057	7,971	285	1,395	9,651	
Equipment rental	2,195	65	2,260	7,559	9,819	4,916	129	14,864	
Insurance	2,393	206	2,599	5,780	8,379	14,601	406	23,386	
Office supplies	5,524	371	5,895	15,327	21,222	19,088	694	41,004	
Postage and delivery	1,705	61	1,766	2,858	4,624	1,934	3,886	10,444	
Rent and utilities	127,333	3,866	131,199	558,650	689,849	151,904	10,770	852,523	
Repairs and maintenance	12,740	567	13,307	21,036	34,343	38,513	1,570	74,426	
Staff development	23	-	23	4	27	996	-	1,023	
Contributed legal services	524,014	-	524,014	-	524,014	-	-	524,014	
Depreciation and amortization	(25)	474	449	12,462	12,911	68,316	919	82,146	
Miscellaneous	168	-	168	2	170	(6,106)	-	(5,936)	
Totals	\$ 1,974,135	\$ 62,949	\$ 2,037,084	\$ 2,678,577	\$ 4,715,661	\$ 586,291	\$ 229,462	\$ 5,531,414	

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1. ORGANIZATION AND PROGRAMS

Organization - Alliance for Justice (the Alliance) is incorporated under the laws of the District of Columbia as a not-for-profit, non-stock corporation. The Alliance has been organized to operate exclusively for charitable and educational purposes and, in particular, to ensure that all Americans have the right to secure justice in the courts and to have their voices heard when government makes decisions that affect their lives. The main programs undertaken by the Alliance are:

Bolder Advocacy - through its Bolder Advocacy initiative, the Alliance strengthens the capacity of the public interest community to influence public policy. Bolder Advocacy promotes active engagement in democratic processes and institutions by giving nonprofits and foundations the confidence to advocate effectively and by protecting their right to do so. The goal is to demystify and decode advocacy by equipping organizations with knowledge and tools. The Alliance helps organizations fully understand the rules and become assertive in their right to pursue their policy goals. Bolder Advocacy started in 2012 and expands upon and incorporates two other Alliance programs - the Non-Profit Advocacy Project and the Foundation Advocacy Initiative.

Bolder Advocacy helps foundations and their nonprofit grantees understand the importance of advocacy and the complex legal rules governing advocacy by offering trainings, written guides, tools (including tools to assess advocacy and community organizing capacity), coaching, and the Technical Assistance Hotline (866-NP-LOBBY). In addition, Bolder Advocacy works to protect and expand the right of nonprofits and foundations to advocate.

Access to Justice Project - protects and promotes the value of a vigorous civil justice system and monitors and exposes threats to the rule of law. The Access to Justice Project educates the public and policy makers through rigorous research, comprehensive written reports and publications and information for the public.

Judicial Selection Project - monitors and investigates nominations to the federal bench and engages the public to ensure that the federal judiciary reflects the diversity of America, adheres to the highest legal standards, and is composed of judges who are fair, independent, compassionate and respectful of the country's progress in civil rights, environmental protection and reproductive choice.

Fellows Program - introduces recent college and law school graduates to public interest careers and service.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Alliance prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

New Accounting Pronouncement Adopted - During the year ended December 31, 2018, the Alliance adopted the applicable provisions of Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (the Update). The Update amends the reporting model for not-for-profit organizations and enhances required disclosures. The major changes include: requiring the presentation of only two classes of net assets - those with donor restrictions and those without donor restrictions; requiring all not-for-profits to present an analysis of expenses by both function and nature in a single location, generally as a separate financial statement or by disclosure in the notes, and to provide additional information about the methods used to allocate costs across functional reporting categories; requiring the presentation of investment return net of all external and direct internal expenses; and requiring disclosure of both quantitative and qualitative information about liquidity and the availability of financial resources.

Financial Presentation - The financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board Accounting Standards Codification, *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Alliance is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - These net assets are available to finance the general operations of the Alliance. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Alliance, the environment in which it operates, and the purposes specified in its organizing documents.

Net assets with donor restrictions - These net assets result from contributions and other inflows of assets, the use of which by the Alliance is limited by donor-imposed time or purpose restrictions that are either temporary or permanent. The Alliance had no permanently restricted net assets with donor restrictions as of December 31, 2018 and 2017. Note 7 details the changes in net assets with donor restrictions that were temporarily restricted as of December 31, 2018 and 2017.

Revenue Recognition - Contributions received are recorded as depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor, including pledges, is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Alliance reports gifts of equipment as unrestricted support unless explicit stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit stipulations about how long those long-lived assets must be maintained, the Alliance reports expirations of restrictions when the assets are placed in service.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents - Cash and cash equivalents consists of amounts available for immediate withdrawal from bank accounts and all highly liquid monetary instruments whose maturity dates do not extend past three months.

Contributions, Grants, Accounts Receivable and Allowance for Doubtful Accounts - All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional contributions and grants are recognized as revenue in the period the pledge is received. Conditional contributions and grants are recognized when the conditions on which they depend are substantially met. All contributions and grants receivable are expected to be collected.

Property and Equipment - The Alliance capitalizes fixed assets with an original cost of \$2,500 or more. Leasehold improvements and furniture and equipment are recorded at cost. Donated equipment is reflected in the accompanying financial statements at its estimated value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the lease or the useful life of the asset.

Investments - Investments are recorded at market value. Unrealized gains and losses are included in investment income in the statements of activities and changes in net assets.

Deferred Revenue - Deferred revenue represents payments received for services that have not yet been performed or for membership for the upcoming year.

Functional Allocation of Expenditures - The costs of providing various programs and other activities of the Alliance have been summarized on a functional basis in the accompanying financial statements. Costs that can be identified with a particular program or support function are charged directly to that program or function. Salaries and related costs and other allocable costs have been allocated among the programs and supporting services based upon management's best estimates of the proportion of these costs applicable to each program.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. INCOME TAXES

Income Taxes - The Internal Revenue Service has determined that the Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Alliance did not engage in activities which might give rise to income tax during 2018 or 2017. Accordingly, no provision for income tax is made in the accompanying financial statements.

NOTE 3. INCOME TAXES (CONTINUED)

The Alliance accounts for uncertainties in income taxes recognized under a prescribed threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Alliance performed an evaluation of uncertain tax positions for the year ended December 31, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of December 31, 2018, the statute of limitations for tax years 2015 through 2017 remains open with the U.S. Federal jurisdiction and the state and local jurisdictions in which the Alliance files returns.

NOTE 4. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Alliance’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The following table represents the Alliance’s financial assets available to meet cash needs for general expenditures within one year of December 31, 2018 and 2017:

Total assets at end of year	\$ 10,514,876
Less nonfinancial assets	
Prepaid expenses	(108,201)
Security deposit	(70,505)
Net property and equipment	<u>(1,106,114)</u>
Total financial assets at end of year	<u>(1,284,820)</u>
Less amounts unavailable for general expenditures within one year	
Restricted by donor with time or purpose restrictions	<u>(3,906,666)</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 5,323,390</u>

NOTE 5. GRANTS RECEIVABLE

Grants receivable due within one year or less are reported as current assets. Grants receivable that are due after one year are reported at their net present value in other assets. Grants receivable at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 955,558	\$ 2,290,117
Receivable in two to five years	<u>-</u>	<u>430,558</u>
	955,558	2,720,675
Less: discounts to net present value	<u>-</u>	<u>(8,442)</u>
Total	<u>\$ 955,558</u>	<u>\$ 2,712,233</u>

The discount rate used on long-term promises to give was approximately 1% at December 31, 2017.

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following at December 31, 2018 and 2017:

	2018		2017	
	Cost Basis	Fair Market Value	Cost Basis	Fair Market Value
Equity securities	\$ 1,582,578	\$ 1,829,246	\$ 1,637,681	\$ 1,947,602
Fixed income	1,851,777	1,795,319	1,855,539	1,839,853
U.S. Treasury bill	-	-	1,479,604	1,480,440
	<u>\$ 3,434,355</u>	<u>\$ 3,624,565</u>	<u>\$ 4,972,824</u>	<u>\$ 5,267,895</u>

Accounting standards provides the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Alliance has the ability to access.
- Level 2 Inputs to the valuation methodology include other significant observable inputs including:
- 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 for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Alliance's assets and liabilities at fair value as of December 31, 2018 and 2017:

Description	December 31, 2018 Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Equity securities	\$ 1,829,246	\$ 1,829,246	\$ -	\$ -
Fixed income	<u>1,795,319</u>	<u>-</u>	<u>1,795,319</u>	<u>-</u>
Total	<u>\$ 3,624,565</u>	<u>\$ 1,829,246</u>	<u>\$ 1,795,319</u>	<u>\$ -</u>
Description	December 31, 2017 Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Equity securities	\$ 1,947,602	\$ 1,947,602	\$ -	\$ -
Fixed income	1,839,853	-	1,839,853	-
U.S. Treasury bill	<u>1,480,440</u>	<u>1,480,440</u>	<u>-</u>	<u>-</u>
Total	5,267,895	3,428,042	1,839,853	-
Deferred compensation annuity contracts	<u>349,264</u>	<u>349,264</u>	<u>-</u>	<u>-</u>
Total assets	5,617,159	3,777,306	1,839,853	-
Liabilities				
Deferred compensation annuity contracts - mutual funds	<u>(349,264)</u>	<u>-</u>	<u>(349,264)</u>	<u>-</u>
Total	<u>\$ 5,267,895</u>	<u>\$ 3,777,306</u>	<u>\$ 1,490,589</u>	<u>\$ -</u>

Following are the descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2018 and 2017

The fair value of U.S. Treasury bills and equity securities are valued at the closing price reported on the active market on which the securities are traded.

The fair value of fixed income debt securities was estimated using pricing models maximizing the use of observable inputs for similar securities. This included basing values on yields available on comparable securities of issuers with similar credit ratings.

The deferred compensation liability is not publicly traded and is, therefore, classified as Level 2.

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The asset's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to their fair value measurement. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Alliance believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

A summary of temporarily restricted net assets with donor restrictions that are available for use for the years ended December 31, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Time restricted	\$ 400,000	\$ 100,000
Purpose restricted		
Bolder Advocacy/The Non-Profit Advocacy		
Project/Foundation Advocacy Initiative	2,749,377	4,757,576
Judicial Selection Project	140,432	186,502
Fellowship Programs	447,231	58,738
Institutional Strengthening	169,626	-
Access to Justice Project	-	12,500
	<u>\$ 3,906,666</u>	<u>\$ 5,115,316</u>

A summary of net assets released from donor restrictions for the years ended December 31, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Bolder Advocacy/The Non-Profit Advocacy		
Project/Foundation Advocacy Initiative	\$ 2,932,199	\$ 2,719,137
Judicial Selection Project	408,543	635,756
Fellowship Programs	115,507	165,945
Institutional Strengthening	100,374	-
Access to Justice Project	12,500	-
Texas office - general support	-	125,572
Time restriction	100,000	-
	<u>\$ 3,669,123</u>	<u>\$ 3,646,410</u>

NOTE 8. RETIREMENT PLANS

The Alliance maintains a 401(k) profit-sharing plan for all eligible employees. Employees may elect to contribute in accordance with Internal Revenue Service regulations. Although the Alliance is not required to make contributions, it is the Alliance's practice to make contributions up to 5% of compensation for each eligible participant. For the years ended December 31, 2018 and 2017, the Alliance's contribution to the plan amounted to \$156,309 and \$109,518, respectively

NOTE 9. DEFERRED COMPENSATION

During 2013, the Alliance established a Section 457(f) nonqualified deferred compensation plan. Benefits are funded by annuity contracts that have been purchased by the Alliance. The fair value of these annuity contracts at December 31, 2017 was \$349,264. During the year ended December 31, 2018, these assets were distributed to the participant. The Alliance did not hold any deferred compensation assets at December 31, 2018.

NOTE 10. OPERATING LEASES, DEFERRED RENT AND DEFERRED LEASE INCENTIVE

The Alliance leases office space in the District of Columbia under a non-cancelable agreement which originally expired in August 2010. During 2010, this lease was amended to extend the lease for one hundred twenty-four months and a landlord provided improvement allowance not to exceed \$343,425. This amount was included in leasehold improvements in the 2017 statement of financial position. The leasehold improvements were amortized over the life of the lease on a straight-line basis. The deferred lease incentive was amortized against rent expense over the life of the lease on a straight-line basis. For the year ended December 31, 2017, \$33,238 had been recorded as amortization of the leasehold improvements to reduce rent expense.

Rent expense under this lease was recognized over the life of the lease on a straight-line basis. Straight-line rent expense over the life of the lease was \$643,481. The difference between the straight-line rent expense and the rent paid/abated was recorded as deferred rent at December 31, 2017.

During the year ended December 31, 2017, the Alliance negotiated a new lease, effective January 2018. This lease extended the previous lease for one hundred thirty-seven months and included a landlord provided improvement allowance and rent abatement. The Alliance recorded \$1,051,677 of leasehold improvements which is included in leasehold improvements in the 2018 statement of financial position. The leasehold improvements are amortized over the life of the lease on a straight-line basis. The deferred lease incentive is amortized against rent expense over the life of the lease on a straight-line basis. For the year ended December 31, 2018, \$97,519 has been recorded as amortization of the leasehold improvements to reduce rent expense.

Rent expense under this lease is recognized over the life of the lease on a straight-line basis. Straight-line rent expense over the life of the lease is \$834,868. The difference between the straight-line rent expense and the rent paid/abated is recorded as deferred rent at December 31, 2018.

**NOTE 10. OPERATING LEASES, DEFERRED RENT AND DEFERRED LEASE INCENTIVE
(CONTINUED)**

Minimum lease payments are as follows for future years ending December 31:

2019	\$	802,979
2020		822,994
2021		843,562
2022		864,683
2023		886,355
Thereafter		<u>5,804,306</u>
Total	\$	<u><u>10,024,879</u></u>

Net rent expense was \$895,851 and \$807,064 for the years ended December 31, 2018 and 2017, respectively.

The Alliance also leases office spaces in Los Angeles, California and Dallas, Texas on a month-to-month basis and Oakland, California under a non-cancelable agreement which expired in March 2019. The lease requires a monthly payment for the estimated annual increase in real estate taxes and operating expenses.

The Alliance has entered into several agreements to sublease a portion of the District of Columbia office space to unrelated third parties for varying periods ending in 2021. Sub-lease income was \$125,313 and \$171,201, for the years ended December 31, 2018 and 2017, respectively. Minimum sublease income are as follows for the years ending December 31:

2019	\$	82,737
2020		59,032
2021		<u>40,466</u>
Total	\$	<u><u>182,235</u></u>

NOTE 11. CONCENTRATIONS

The Alliance maintains its cash bank deposit accounts which at times may exceed the federally insured limits per bank. The Alliance has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. Amounts in excess of deposit insurance limits were approximately \$833,000 as of December 31, 2018.

NOTE 12. CONTINGENCIES

The Alliance receives a significant portion of its revenue from grants. The ultimate determination of amounts received under these programs often is based on allowable costs reported to the donor. In some instances, the donor reserves the right to audit the program costs. Until the final settlement is reached with each donor, there exists a contingency to refund any amount received for costs deemed unallowable in an audit conducted by a donor.

NOTE 13. RELATED PARTY TRANSACTIONS

The Alliance is affiliated with the Alliance for Justice Action Campaign (the Campaign), a 501(c)(4) organization incorporated in 2001. The Campaign shares office facilities with the Alliance. During the years ended December 31, 2018 and 2017, the Alliance charged the Campaign for administrative and payroll costs totaling \$109,531 and \$103,401, respectively. At December 31, 2018 and 2017, the Campaign owed the Alliance \$23,625 and \$22,463 for shared office expenses, respectively. These amounts are included in "Due from Affiliate" in the accompanying financial statements. The Alliance also made a contribution of \$200,000 to the Campaign during each of the years ended December 31, 2018 and 2017.

NOTE 14. NON-CASH TRANSACTIONS

During 2018 and 2017, the Alliance received donations of stock valued at approximately \$1,130,200 and \$1,010,200, respectively. All of the donated stock was subsequently sold by the Alliance.

NOTE 15. SUBSEQUENT EVENTS

The Alliance has evaluated events through July 12, 2019, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2018, that would have a material impact on the Alliance's results of operations or financial position as of December 31, 2018.