

**ALLIANCE FOR JUSTICE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**



**ALLIANCE FOR JUSTICE**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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## **REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors  
Alliance for Justice

We have audited the accompanying financial statements of Alliance for Justice (AFJ), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 AFJ'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 AFJ'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, 2019 and 2018, 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  
August 4, 2020

**ALLIANCE FOR JUSTICE**  
**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,069,439	\$ 4,163,166
Accounts receivable net of allowance of \$5,528 and \$34,000 at December 31, 2019 and 2018, respectively	85,693	252,652
Contributions receivable	64,820	210,490
Grants receivable, current	1,542,411	955,558
Due from affiliates	59,978	23,625
Prepaid expenses	100,298	108,201
Total current assets	4,922,639	5,713,692
NET PROPERTY AND EQUIPMENT		
Furniture and fixtures	534,653	534,653
Leasehold improvements	1,051,677	1,051,677
Less: accumulated depreciation	(613,615)	(480,216)
Net property and equipment	972,715	1,106,114
OTHER ASSETS		
Grants receivable, net of current portion and discount	1,399,040	-
Investments	6,462,198	3,624,565
Security deposits	70,505	70,505
Total other assets	7,931,743	3,695,070
Total assets	\$ 13,827,097	\$ 10,514,876

See accompanying notes to financial statements.

**ALLIANCE FOR JUSTICE**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

DECEMBER 31, 2019 AND 2018

	2019	2018
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 101,308	\$ 125,141
Accrued salaries and benefits	92,927	89,922
Deferred revenue	22,000	180,000
Deferred lease incentive, current portion	97,518	97,518
Total current liabilities	313,753	492,581
<b>OTHER LIABILITIES</b>		
Deferred rent - long term	811,350	784,862
Deferred lease incentive - long term	820,780	918,568
Total other liabilities	1,632,130	1,703,430
Total liabilities	1,945,883	2,196,011
<b>NET ASSETS</b>		
Without donor restrictions	6,885,891	4,412,199
With donor restrictions	4,995,323	3,906,666
Total net assets	11,881,214	8,318,865
Total liabilities and net assets	\$ 13,827,097	\$ 10,514,876

See accompanying notes to financial statements.

**ALLIANCE FOR JUSTICE**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE</b>			
Grant revenue	\$ 444,085	\$ 6,381,849	\$ 6,825,934
Contributions	711,001	-	711,001
Events	331,200	-	331,200
Less: event direct expenses	(132,257)	-	(132,257)
Contract revenue	339,319	-	339,319
Membership dues	63,750	-	63,750
Rental income	104,189	-	104,189
Other revenue	21	-	21
Investment income (loss), net of investment expense	901,279	-	901,279
Net assets released from restrictions, satisfaction of program restrictions	<u>5,293,192</u>	<u>(5,293,192)</u>	<u>-</u>
Total revenue	<u>8,055,779</u>	<u>1,088,657</u>	<u>9,144,436</u>
<b>EXPENSES</b>			
Program expenses			
Judicial Selection	1,358,376	-	1,358,376
Community Engagement Partnerships	196,247	-	196,247
Bolder Advocacy	<u>3,070,541</u>	<u>-</u>	<u>3,070,541</u>
Total program expenses	4,625,164	-	4,625,164
Support expenses			
Management and general	759,414	-	759,414
Fundraising	<u>197,509</u>	<u>-</u>	<u>197,509</u>
Total expenses	<u>5,582,087</u>	<u>-</u>	<u>5,582,087</u>
<b>CHANGE IN NET ASSETS</b>	2,473,692	1,088,657	3,562,349
<b>NET ASSETS</b>			
Beginning of year	<u>4,412,199</u>	<u>3,906,666</u>	<u>8,318,865</u>
End of year	<u>\$ 6,885,891</u>	<u>\$ 4,995,323</u>	<u>\$ 11,881,214</u>

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
<b>REVENUE</b>			
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, 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
<b>EXPENSES</b>			
Program expenses			
Judicial Selection	1,577,511	-	1,577,511
Community Engagement Partnerships	155,075	-	155,075
Bolder Advocacy	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
<b>CHANGE IN NET ASSETS</b>	1,022,861	(1,208,650)	(185,789)
<b>NET ASSETS</b>			
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

### STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,562,349	\$ (185,789)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	133,399	126,320
Amortization of deferred lease incentive	(97,788)	(97,519)
Loss on disposal of fixed assets	-	31,626
Provision for bad debt and bad debt expense	-	(29,968)
(Appreciation) depreciation in investments	(826,502)	95,661
Donated securities	(226,732)	(1,130,204)
Sale of donated securities	226,732	1,130,204
Change in assets and liabilities		
Accounts receivable	166,959	(152,908)
Contributions receivable	145,670	(16,322)
Grants receivable	(1,985,893)	1,756,675
Due from affiliates	(36,353)	(1,162)
Prepaid expenses	7,903	(30,353)
Tenant security deposits	-	14,984
Accounts payable and accrued expenses	(23,833)	20,291
Accrued leave payable	3,005	17,495
Deferred revenue	(158,000)	180,000
Deferred rent	26,488	564,718
Deferred lease incentive	-	1,113,605
Net cash provided by operating activities	917,404	3,407,354
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(1,197,684)
Purchase of investments	(3,224,734)	(1,558,326)
Proceeds from sale of investments	1,213,603	3,105,995
Net cash provided by (used for) investing activities	(2,011,131)	349,985
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,093,727)	3,757,339
CASH AND CASH EQUIVALENTS		
Beginning of year	4,163,166	405,827
End of year	\$ 3,069,439	\$ 4,163,166

See accompanying notes to financial statements.

**ALLIANCE FOR JUSTICE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Program Services				Supporting Services		Total
	Judicial Selection	Community Engagement Partnerships	Bolder Advocacy	Total	Management and General	Fundraising	
Salaries, benefits and payroll	\$ 865,198	\$ 157,763	\$ 1,985,055	\$ 3,008,016	\$ 186,719	\$ 190,219	\$ 3,384,954
Digital media	2,301	302	6,976	9,579	2,743	-	12,322
Books and periodicals	36,568	865	8,371	45,804	6,128	5,590	57,522
Consultants	69,257	3,574	157,650	230,481	235,947	-	466,428
Grants and awards	207,120	-	5,750	212,870	-	-	212,870
Travel	10,679	5,568	106,859	123,106	9,965	525	133,596
Meetings and conferences	277	265	14,722	15,264	48,468	540	64,272
Accounting and bookkeeping	5,254	785	18,941	24,980	4,716	-	29,696
Bank charges	1,506	288	7,020	8,814	3,639	-	12,453
Bad debts	-	-	-	-	(18,991)	-	(18,991)
Recruiting and hiring	1,353	-	1,588	2,941	21,286	-	24,227
Dues and licenses	3,317	1,069	25,012	29,398	(9,984)	250	19,664
Equipment rental	3,419	986	16,568	20,973	3,274	-	24,247
Insurance	1,294	195	5,289	6,778	1,507	-	8,285
Office supplies	6,277	929	24,053	31,259	(8,211)	341	23,389
Postage and delivery	646	348	2,598	3,592	1,968	44	5,604
Rent and utilities	117,164	19,257	525,023	661,444	217,699	-	879,143
Repairs and maintenance	3,479	485	13,840	17,804	4,786	-	22,590
Staff development	1,141	200	4,417	5,758	3,517	-	9,275
Contributed legal services	-	-	59,799	59,799	-	-	59,799
Depreciation and amortization	17,778	2,922	79,666	100,366	33,033	-	133,399
Miscellaneous	4,348	446	1,344	6,138	11,205	-	17,343
Totals	<u>\$ 1,358,376</u>	<u>\$ 196,247</u>	<u>\$ 3,070,541</u>	<u>\$ 4,625,164</u>	<u>\$ 759,414</u>	<u>\$ 197,509</u>	<u>\$ 5,582,087</u>

See accompanying notes to financial statements.

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

	Program Services				Supporting Services		Total
	Judicial Selection	Community Engagement Partnerships	Bolder Advocacy	Total	Management and General	Fundraising	
Salaries, benefits and payroll	\$ 916,156	\$ 97,810	\$ 1,662,561	\$ 2,676,527	\$ 414,945	\$ 190,348	\$ 3,281,820
Digital media	783	77	3,724	4,584	2,088	8	6,680
Books and periodicals	17,313	354	15,230	32,897	4,361	960	38,218
Consultants	108,646	42,870	246,846	398,362	134,315	48,048	580,725
Grants and awards	200,000	-	-	200,000	-	-	200,000
Travel	15,338	1,649	91,093	108,080	7,305	6,538	121,923
Meetings and conferences	1,896	671	16,608	19,175	4,696	6,561	30,432
Accounting and bookkeeping	4,727	126	25,889	30,742	19,421	-	50,163
Bank charges	1,418	269	5,456	7,143	4,941	-	12,084
Bad debts	-	-	32,725	32,725	6,000	-	38,725
Recruiting and hiring	1,110	-	113	1,223	4,898	-	6,121
Dues and licenses	909	151	6,327	7,387	962	2,200	10,549
Equipment rental	1,604	184	6,690	8,478	10,143	-	18,621
Insurance	1,891	241	7,775	9,907	6,386	-	16,293
Office supplies	4,145	595	23,132	27,872	12,533	809	41,214
Postage and delivery	1,139	296	7,013	8,448	2,614	1,306	12,368
Rent and utilities	70,973	8,085	375,800	454,858	489,657	48,114	992,629
Repairs and maintenance	4,189	637	20,912	25,738	7,794	-	33,532
Staff development	861	-	3,046	3,907	4,332	-	8,239
Contributed legal services	213,889	-	-	213,889	-	-	213,889
Depreciation and amortization	9,032	1,029	47,824	57,885	62,312	6,123	126,320
Loss on early termination of lease	-	-	-	-	31,626	-	31,626
Miscellaneous	1,492	31	418	1,941	83	272	2,296
<b>Totals</b>	<b>\$ 1,577,511</b>	<b>\$ 155,075</b>	<b>\$ 2,599,182</b>	<b>\$ 4,331,768</b>	<b>\$ 1,231,412</b>	<b>\$ 311,287</b>	<b>\$ 5,874,467</b>

See accompanying notes to financial statements.

## ALLIANCE FOR JUSTICE

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

#### NOTE 1. ORGANIZATION AND PROGRAMS

**Organization** - Alliance for Justice (AFJ) is incorporated under the laws of the District of Columbia as a not-for-profit, non-stock corporation. AFJ 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 AFJ are:

*Bolder Advocacy* – Bolder Advocacy (BA) promotes active engagement in the democratic process by providing nonprofits and foundations with the knowledge and confidence to advocate efficiently and effectively. For over 20 years, BA has offered a comprehensive program of thought-leadership, workshops, technical assistance, publications, and educational events to help nonprofits cost-effectively navigate the 501(c)(3) and (c)(4) rules and be more effective advocates for their communities. Through lobbying, regulatory efforts, and candidate education, BA strengthens the ability of thousands of nonprofit staff members and trustees to advocate confidently.

*Judicial Selection* – Through the various initiative’s under its Judicial Selection Program (Justice), AFJ works to ensure that the Nation’s courts are staffed with highly-qualified, fair, and independent judges who will safeguard the rights of all. Our Judicial Nominations Project works to research nominees to the federal bench, providing detailed information to Congress, the media, and the public and educates the public about the importance and role of the federal courts. Our Building the Bench Project promotes the identification of professionally and demographically diverse and highly-qualified individuals for federal judgeships. And AFJ’s Access to Justice work protects and promotes the value of a vigorous civil justice system and monitors and exposes threats to the rule of law through rigorous research, comprehensive written reports and publications and information for the public.

*Community Engagement Partnerships* – AFJ’s Community Engagement Partnerships (Outreach) manages the engagement and growth of its membership program of over 120 civil rights and public interest organizations and leads strategies elevating the importance of the courts through public education and mobilization; engaging AFJ’s national network of member organizations, progressive groups, legal communities, and political influencers; and expanding the reach of Justice and Bolder Advocacy resources to arm partners, grassroots advocates, and diverse constituencies with the tools to advocate for a democracy that protects our constitutional rights.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - AFJ 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.

**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, AFJ 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 AFJ. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of AFJ, 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 AFJ is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual. AFJ had no perpetually restricted net assets with donor restrictions as of December 31, 2019 and 2018. Note 7 details the changes in net assets with donor restrictions that were temporarily restricted as of December 31, 2019 and 2018.

**Revenue Recognition** - Revenue from contracts with customers consists entirely of grant contributions, gifts and pledges. Revenue is recognized when control of the promised goods or services is transferred to AFJ's programs beneficiaries, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Contributions received are recorded 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. AFJ 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, AFJ reports expirations of restrictions when the assets are placed in service.

Revenue is recognized using the five-step approach required by ASC Topic 606, as follows:

- Identification of the contract with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations in the contract.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Recognition of revenue when, or as, performance obligations are satisfied.

### *Performance Obligations and Significant Judgments*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service and recognized as revenue when, or as, the performance obligation is satisfied. Grant contributions, gifts and pledges entitle beneficiaries of AFJ's programs to a bundle of goods and services that are considered a single performance obligation provided ratably over the period of the program.

### *Contract Balances*

The timing of cash collections and revenue recognition result in contract assets reported in the consolidated statements of financial position. Contract assets consist entirely of grant contributions receivable, which are recognized only to the extent that it is probable that AFJ will collect substantially all of the consideration to which it is entitled in exchange for the goods or services that will be or have been transferred.

### *Costs to Obtain a Contract*

AFJ has elected the practical expedient available in ASC Subtopic 340-40, in which any incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

**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** - AFJ 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.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 AFJ 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.

**New Accounting Pronouncement Adopted** - During the year ended December 31, 2019, AFJ adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Update 2014-09). Update 2014-09 prescribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized, including performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. It also requires expanded disclosures about the nature, amount, and timing of revenues and cash flows. The adoption of Update 2014-09 did not have a material impact on AFJ's financial statements.

During the year ended December 31, 2019, AFJ also adopted the provisions of Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Update 2018-08). Update 2018-08 provides a framework for determining whether a particular transaction is an exchange or a contribution, including how to evaluate whether a resource provider receives commensurate value in an exchange transaction, and guidance to assist entities in determining whether a contribution is either conditional or unconditional. Updates 2014-09 and 2018-08 had no significant impact on AFJ's financial statements.

## NOTE 3. INCOME TAXES

**Income Taxes** - The Internal Revenue Service has determined that AFJ 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. AFJ did not engage in activities which might give rise to income tax during 2019 or 2018. Accordingly, no provision for income tax is made in the accompanying financial statements.

AFJ 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.



**NOTE 3. INCOME TAXES (CONTINUED)**

AFJ performed an evaluation of uncertain tax positions for the year ended December 31, 2019, 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, 2019, the statute of limitations for tax years 2016 through 2018 remains open with the U.S. Federal jurisdiction and the state and local jurisdictions in which AFJ files returns.

**NOTE 4. LIQUIDITY AND AVAILABILITY OF RESOURCES**

As part of AFJ'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 AFJ's financial assets available to meet cash needs for general expenditures within one year of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Total assets at end of year	\$ 13,827,097	\$ 10,514,876
Less nonfinancial assets		
Prepaid expenses	(100,298)	(108,201)
Security deposit	(70,505)	(70,505)
Net property and equipment	<u>(972,715)</u>	<u>(1,106,114)</u>
Total financial assets at end of year	<u>(1,143,518)</u>	<u>(1,284,820)</u>
Less amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	<u>(4,995,323)</u>	<u>(3,906,666)</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 7,688,256</u>	 <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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 1,542,411	\$ 955,558
Receivable in two to five years	<u>1,422,200</u>	<u>-</u>
	2,964,611	955,558
Less: discounts to net present value	<u>(23,160)</u>	<u>-</u>
Total	<u>\$ 2,941,451</u>	<u>\$ 955,558</u>

The discount rate used on long-term promises to give was approximately 1.62% at December 31, 2019.



**NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments consist of the following at December 31, 2019 and 2018:

	2019		2018	
	Cost Basis	Fair Market Value	Cost Basis	Fair Market Value
Equity securities	\$ 2,478,496	\$ 3,351,375	\$ 1,582,578	\$ 1,829,246
Fixed income debt securities	1,074,736	1,109,906	1,851,777	1,795,319
Certificates of deposit	2,000,000	2,000,917	-	-
	<u>\$ 5,553,232</u>	<u>\$ 6,462,198</u>	<u>\$ 3,434,355</u>	<u>\$ 3,624,565</u>

Accounting standards provide 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 AFJ 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 full 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, AFJ's assets and liabilities at fair value as of December 31, 2019 and 2018:

Description	December 31, 2019 Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Equity securities	\$ 3,351,375	\$ 3,351,375	\$ -	\$ -
Fixed income debt securities	1,109,906	-	1,109,906	-
Certificates of deposit	<u>2,000,917</u>	<u>2,000,917</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,462,198</u>	<u>\$ 5,352,292</u>	<u>\$ 1,109,906</u>	<u>\$ -</u>
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 debt securities	<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>

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, 2019 and 2018

Equity securities are valued using quoted prices of identical investments on the active markets they are traded on.

Certificates of deposit are valued at amortized cost which approximates fair value.

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 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 AFJ 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. REVENUE RECOGNITION

### *Disaggregation of Revenue from Contracts with Customers*

The following table disaggregates AFJ's revenue based on timing of satisfaction of performance obligations for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Performance obligations satisfied over time		
Membership dues	\$ 63,750	\$ 45,250
Contract revenue	<u>339,319</u>	<u>191,217</u>
Total Performance obligations satisfied over time	<u>403,069</u>	<u>236,467</u>
Performance obligations satisfied at a point in time		
Events less direct expenses	<u>198,943</u>	<u>358,633</u>
Total Performance obligations satisfied at a point in time	<u>198,943</u>	<u>358,633</u>
Other revenue*	<u>8,542,424</u>	<u>5,093,578</u>
 Total revenue	 <u>\$ 9,144,436</u>	 <u>\$ 5,688,678</u>

\*Due to the nature of revenue streams, these items are excluded from disaggregation under Topic 606. They are included here to provide a reconciliation to the total revenues report in the consolidated statements of activities.

The nature of AFJ's operations does not typically give rise to variable consideration. When variable consideration arises, estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience with customers and comparable projects as well as known trends within AFJ and its industry.

All of AFJ's contract assets are considered accounts receivable and are included within the accounts receivable balance in the statements of financial position. Balances in these accounts as of the beginning and end of the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Membership dues	<u>\$ 85,693</u>	<u>\$ 252,652</u>	<u>\$ 99,744</u>

**NOTE 7. REVENUE RECOGNITION (CONTINUED)**

All of AFJ's contract liabilities are included with deferred revenues in the statements of financial position. Balances in these accounts as of the beginning and end of the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Membership dues	<u>\$ 22,000</u>	<u>\$ 180,000</u>	<u>\$ -</u>

**NOTE 8. 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, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Time restricted	<u>\$ 1,440,511</u>	<u>\$ 400,000</u>
Purpose restricted		
Bolder Advocacy	2,235,252	2,749,377
Judicial Selection Project	662,770	477,914
Community Engagement Partners	150,029	109,749
Institutional Strengthening	<u>506,761</u>	<u>169,626</u>
Total purpose restricted	<u>3,554,812</u>	<u>3,506,666</u>
Total	<u>\$ 4,995,323</u>	<u>\$ 3,906,666</u>

A summary of net assets released from donor restrictions for the years ended December 31, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Time restricted	<u>\$ 502,289</u>	<u>\$ 100,000</u>
Purpose restricted		
Bolder Advocacy	3,189,080	2,932,199
Judicial Selection Project	739,238	457,923
Community Engagement Partners	159,720	66,127
Institutional Strengthening	702,865	100,374
Access to Justice Project	<u>-</u>	<u>12,500</u>
Total purpose restricted	<u>4,790,903</u>	<u>3,569,123</u>
Total	<u>\$ 5,293,192</u>	<u>\$ 3,669,123</u>

**NOTE 9. RETIREMENT PLANS**

AFJ maintains a 401(k) profit-sharing plan for all eligible employees. Employees may elect to contribute in accordance with Internal Revenue Service regulations. Although AFJ is not required to make contributions, it is AFJ's practice to make contributions up to 5% of compensation for each eligible participant. For the years ended December 31, 2019 and 2018, AFJ's contribution to the plan amounted to \$139,133 and \$156,309, respectively.

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

AFJ 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 2018 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, 2018, \$92,118 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 approximately \$643,000. The difference between the straight-line rent expense and the rent paid/abated was recorded as deferred rent at December 31, 2018.

During the year ended December 31, 2017, AFJ 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. AFJ recorded \$1,051,677 of leasehold improvements which is included in leasehold improvements in the 2019 statements 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, 2019, \$92,118 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 approximately \$834,000. The difference between the straight-line rent expense and the rent paid/abated is recorded as deferred rent at December 31, 2019.

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

2020	\$	822,994
2021		843,562
2022		864,683
2023		886,355
2024		908,579
Thereafter		<u>4,895,727</u>
Total	\$	<u>9,221,900</u>

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

Net rent expense was \$812,227 and \$895,851 for the years ended December 31, 2019 and 2018, respectively.

AFJ also leases office spaces on a month-to-month basis.

AFJ 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 \$104,189 and \$125,313, for the years ended December 31, 2019 and 2018, respectively.

Minimum sublease income is as follows for the years ending December 31:

2020	\$	59,032
2021		<u>40,466</u>
Total	\$	<u>99,498</u>

**NOTE 11. CONCENTRATIONS**

AFJ maintains its cash bank deposit accounts which at times may exceed the federally insured limits per bank. AFJ 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 \$2,396,000 as of December 31, 2019.

**NOTE 12. CONTINGENCIES**

AFJ 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**

AFJ is affiliated with the Alliance for Justice Action Campaign (AFJAC), a 501(c)(4) organization incorporated in 2001. AFJAC shares office facilities with AFJ. During the years ended December 31, 2019 and 2018, AFJ charged AFJAC for administrative and payroll costs totaling \$121,471 and \$109,531, respectively. At December 31, 2019 and 2018, AFJAC owed AFJ \$59,978 and \$23,625 for shared office expenses, respectively. These amounts are included in "Due from Affiliate" in the accompanying financial statements. AFJ also made a contribution of \$200,000 to AFJAC during each of the years ended December 31, 2019 and 2018.

**NOTE 14. NON-CASH TRANSACTIONS**

During 2019 and 2018, AFJ received donations of stock valued at approximately \$227,000 and \$1,130,200, respectively. All of the donated stock was subsequently sold by AFJ.

**NOTE 15. SUBSEQUENT EVENTS**

Subsequent to year-end, U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. The potential impacts on AFJ's subsequent events have been evaluated through August 4, 2020, which is the date the financial statements were available to be issued. This review and evaluation revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.