

ALLIANCE FOR JUSTICE

FINANCIAL STATEMENTS

DECEMBER 31, 2020



ALLIANCE FOR JUSTICE

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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, 2020 and 2019, 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
October 6, 2021

ALLIANCE FOR JUSTICE
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,312,702	\$ 3,069,439
Accounts receivable net of allowance of \$1,000 and \$5,528 at December 31, 2020 and 2019, respectively	27,969	73,060
Interest receivable	31,795	12,633
Contributions receivable	112,715	64,820
Grants receivable, current	1,118,859	1,542,411
Due from affiliates	80,251	59,978
Prepaid expenses	46,485	100,298
Total current assets	5,730,776	4,922,639
NET PROPERTY AND EQUIPMENT		
Furniture and fixtures	556,883	534,653
Leasehold improvements	1,051,677	1,051,677
Less: accumulated depreciation	(747,704)	(613,615)
Net property and equipment	860,856	972,715
OTHER ASSETS		
Grants receivable, net of current portion and discount	578,891	1,399,040
Investments	6,583,862	6,462,198
Security deposits	70,505	70,505
Total other assets	7,233,258	7,931,743
Total assets	\$ 13,824,890	\$ 13,827,097

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE
STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2020 AND 2019

	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 54,195	\$ 90,304
Accrued salaries and benefits	189,981	103,931
Deferred revenue	50,500	22,000
Deferred rent- current portion	14,096	-
Deferred lease incentive, current portion	97,518	97,518
Total current liabilities	406,290	313,753
OTHER LIABILITIES		
Deferred rent - long term	803,726	811,350
Deferred lease incentive - long term	723,261	820,780
Total other liabilities	1,526,987	1,632,130
Total liabilities	1,933,277	1,945,883
NET ASSETS		
Without donor restrictions	8,760,141	6,885,891
With donor restrictions	3,131,472	4,995,323
Total net assets	11,891,613	11,881,214
Total liabilities and net assets	\$ 13,824,890	\$ 13,827,097

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grants	\$ 722,000	\$ 2,227,733	\$ 2,949,733
Contributions	619,490	-	619,490
Contributed services	1,170,087	-	1,170,087
Events	346,813	-	346,813
Less: event direct expenses	(110)	-	(110)
Paycheck Protection Program loan	567,200	-	567,200
Contract revenue	222,752	-	222,752
Membership dues	104,000	-	104,000
Rental income	81,528	-	81,528
Other revenue	750	-	750
Investment income, net of investment expense	558,003	-	558,003
Net assets released from restrictions, satisfaction of program restrictions	4,091,584	(4,091,584)	-
Total revenue	8,484,097	(1,863,851)	6,620,246
EXPENSES			
Program expenses			
Judicial Selection	1,985,686	-	1,985,686
Community Engagement Partnerships	257,965	-	257,965
Bolder Advocacy	3,017,148	-	3,017,148
Total program expenses	5,260,799	-	5,260,799
Support expenses			
Management and general	979,418	-	979,418
Fundraising	369,630	-	369,630
Total support expenses	1,349,048	-	1,349,048
Total expenses	6,609,847	-	6,609,847
CHANGE IN NET ASSETS	1,874,250	(1,863,851)	10,399
NET ASSETS			
Beginning of year	6,885,891	4,995,323	11,881,214
End of year	\$ 8,760,141	\$ 3,131,472	\$ 11,891,613

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>
REVENUE			
Grants	\$ 444,085	\$ 6,381,849	\$ 6,825,934
Contributions	651,202	-	651,202
Contributed services	59,799	-	59,799
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, 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>
EXPENSES			
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 support expenses	<u>956,923</u>	<u>-</u>	<u>956,923</u>
Total expenses	<u>5,582,087</u>	<u>-</u>	<u>5,582,087</u>
CHANGE IN NET ASSETS	2,473,692	1,088,657	3,562,349
NET ASSETS			
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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,399	\$ 3,562,349
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	133,863	133,399
Amortization of deferred lease incentive	(97,519)	(97,788)
Appreciation in investments	(422,540)	(826,502)
Donated securities	(297,860)	(226,732)
Paycheck Protection Program loan forgiveness	(567,200)	-
Sale of donated securities	297,860	226,732
Change in assets and liabilities		
Accounts receivable	45,091	163,148
Interest receivable	(19,162)	3,811
Contributions receivable	(47,895)	145,670
Grants receivable	1,243,701	(1,985,893)
Due from affiliates	(20,273)	(36,353)
Prepaid expenses	53,813	7,903
Accounts payable and accrued expenses	(36,109)	(23,833)
Accrued leave payable	86,050	3,005
Deferred revenue	28,500	(158,000)
Deferred rent	6,472	26,488
Net cash provided by operating activities	397,191	917,404
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(22,004)	-
Purchase of investments	(1,595,034)	(3,224,734)
Proceeds from sale of investments	1,895,910	1,213,603
Net cash provided by (used for) investing activities	278,872	(2,011,131)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program Loan	567,200	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,243,263	(1,093,727)
CASH AND CASH EQUIVALENTS		
Beginning of year	3,069,439	4,163,166
End of year	\$ 4,312,702	\$ 3,069,439

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services		Total
	Judicial Selection	Community Engagement Partnerships	Bolder Advocacy	Management and General	Fundraising	
Salaries, benefits and payroll	\$ 1,050,662	\$ 197,817	\$ 1,571,057	\$ 579,846	\$ 215,084	\$ 3,614,466
Digital media	1,864	265	2,158	1,544	-	5,831
Books and periodicals	30,040	141	13,281	10,903	-	54,365
Consultants	50,637	1,478	144,254	49,225	34,894	280,488
Grants and awards	200,243	-	2,610	-	-	202,853
Travel	3,165	1,282	12,341	2,657	8,012	27,457
Meetings and conferences	110	2,087	5,359	9,172	18,577	35,305
Accounting and bookkeeping	4,235	138	11,396	15,319	44,015	75,103
Bank charges	2,393	370	4,456	9,726	-	16,945
Bad debts	-	-	326	(4,528)	-	(4,202)
Recruiting and hiring	2,289	341	3,950	28,266	46,600	81,446
Dues and licenses	566	203	3,436	13,184	20	17,409
Equipment rental	2,390	360	5,172	9,600	-	17,522
Insurance	2,199	324	5,850	7,341	-	15,714
Office supplies	2,790	451	13,674	(6,173)	351	11,093
Postage and delivery	320	66	116	2,526	1,868	4,896
Rent and utilities	236,064	44,446	352,986	178,605	-	812,101
Repairs and maintenance	2,412	389	5,314	9,631	-	17,746
Staff development	79	480	349	5,231	199	6,338
Contributed legal services	354,312	-	800,250	15,525	-	1,170,087
Depreciation and amortization	38,912	7,326	58,185	29,440	-	133,863
Miscellaneous	4	1	628	12,378	10	13,021
Totals	\$ 1,985,686	\$ 257,965	\$ 3,017,148	\$ 979,418	\$ 369,630	\$ 6,609,847

See accompanying notes to financial statements.

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

	Judicial Selection	Program Services			Supporting Services		Total
		Judicial Selection	Community Engagement Partnerships	Bolder Advocacy	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	\$ 1,358,376	\$ 196,247	\$ 3,070,541	\$ 4,625,164	\$ 759,414	\$ 197,509	\$ 5,582,087

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 initiatives 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 (FASB) Accounting Standards Codification (ASC), *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, 2020 and 2019. Note 7 details the changes in net assets with donor restrictions that were temporarily restricted as of December 31, 2020 and 2019.

Revenue Recognition - Revenue is derived from both exchange transactions and contribution transactions. Revenue from exchange transactions is recognized when control of promised goods or services is transferred to our members and customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Except for goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time. Payments are generally required in advance and are reported as deferred revenue until the related revenue is recognized. Unconditional contributions are recognized upon receipt of cash or other assets, or when a donor promises to transfer cash or other assets in the future. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been substantially met.

Grants - Most grant agreements are accounted for as contribution transactions. When an agreement includes both a barrier and either a right of return of assets to the resource provider or a right of release from obligation by the resource provider, the contribution is considered to be conditional. Amounts received under conditional transfers are reported as a liability (refundable advance) and recognized as contribution revenue only when the conditions are met.

Contributions - Contributions received are reported as increases in net assets without donor restrictions unless received with donor stipulations that require the assets be used for specific purposes or in specific time periods. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a 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 statement of activities as net assets released from restrictions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events - Events revenue is comprised of an exchange element based on the fair value of direct benefits provided to donors, and a contribution element for the difference. The exchange element is recognized when the special event takes place. The contribution element is recognized immediately, unless there is a right of return if the special event does not take place, in which case the contribution element is recognized when the special event takes place.

Contract Revenue - Contract revenue arises from a service and consulting agreements entered into with customers. Revenue from these agreements is recognized when the service is provided.

Membership Dues - Membership dues entitle members to a bundle of goods and services that are considered a single performance obligation and the related revenue is recognized ratably over the membership period. Membership dues payments are required in advance and amounts not yet recognized as revenue are deferred to the applicable membership period.

Donated Services - Donated services are recognized if they create or enhance a nonfinancial asset, or if the services require specialized skills, are provided by individuals possessing those skills, and would have to be purchased if they were not contributed to us. Contribution revenue is recognized at the fair value of the nonfinancial asset created or enhanced, or at the fair value of the donated services, whichever is applicable. Revenue from donated services is included in contributions on the statements of activities.

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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassification – Certain amounts have been reclassified in the 2019 statement of financial position to conform to the 2020 presentation. These reclassifications had no impact on the total assets, liabilities or net assets previously reported.

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 2020 or 2019. 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.

AFJ performed an evaluation of uncertain tax positions for the year ended December 31, 2020, 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, 2020, the statute of limitations for tax years 2017 through 2019 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 FINANCIAL 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 table on the following page represents AFJ's financial assets available to meet cash needs for general expenditures within one year of December 31, 2020 and 2019.

NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

	<u>2020</u>	<u>2019</u>
Total assets at end of year	\$ 13,824,890	\$ 13,827,097
Less nonfinancial assets		
Prepaid expenses	(46,485)	(100,298)
Security deposit	(70,505)	(70,505)
Net property and equipment	<u>(860,856)</u>	<u>(972,715)</u>
Total financial assets at end of year	<u>(977,846)</u>	<u>(1,143,518)</u>
Less amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	<u>(3,131,472)</u>	<u>(4,995,323)</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 9,715,572</u>	 <u>\$ 7,688,256</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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 1,118,859	\$ 1,542,411
Receivable in one to five years	<u>587,600</u>	<u>1,422,200</u>
	1,706,459	2,964,611
Less: discounts to net present value	<u>(8,709)</u>	<u>(23,160)</u>
Total	<u>\$ 1,697,750</u>	<u>\$ 2,941,451</u>

The discount rate used on long-term promises to give was approximately 1.69% and 1.62% at December 31, 2020 and 2019, respectively.

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following at December 31, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost Basis</u>	<u>Fair Market Value</u>	<u>Cost Basis</u>	<u>Fair Market Value</u>
Equity securities	\$ 2,346,522	\$ 3,507,901	\$ 2,478,496	\$ 3,351,375
Fixed income debt securities	1,437,795	1,550,497	1,074,736	1,109,906
Certificates of deposit	<u>1,525,464</u>	<u>1,525,464</u>	<u>2,000,000</u>	<u>2,000,917</u>
	<u>\$ 5,309,781</u>	<u>\$ 6,583,862</u>	<u>\$ 5,553,232</u>	<u>\$ 6,462,198</u>

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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.

The following table sets forth by level, within the fair value hierarchy, AFJ's assets and liabilities at fair value as of December 31, 2020:

Description	December 31, 2020 Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Equity securities	\$ 3,507,901	\$ 3,507,901	\$ -	\$ -
Fixed income debt securities	1,550,497	-	1,550,497	-
Certificates of deposit	<u>1,525,464</u>	<u>1,525,464</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,583,862</u>	<u>\$ 5,033,365</u>	<u>\$ 1,550,497</u>	<u>\$ -</u>

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, AFJ's assets and liabilities at fair value as of December 31, 2019:

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>

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, 2020 and 2019

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. CONTRACT BALANCES

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities reported in the statements of financial position. Contract assets consist entirely of accounts receivable, which are recognized only to the extent that it is probable that the 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. Contract liabilities consist entirely of deferred revenue that results when the AFJ receives advance payments from our customers before revenue is recognized.

NOTE 7. CONTRACT BALANCES (CONTINUED)

Balances in these accounts as of the beginning and end of the years ended December 31, 2020, and 2019 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Membership dues receivable	\$ 13,969	\$ 16,972	\$ 33,750
Contract service receivable	<u>14,000</u>	<u>56,062</u>	<u>-</u>
	<u>\$ 27,969</u>	<u>\$ 73,034</u>	<u>\$ 33,750</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Membership dues - deferred	<u>\$ 50,500</u>	<u>\$ 22,000</u>	<u>\$ 180,000</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, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Time restricted	<u>\$ 934,032</u>	<u>\$ 1,440,511</u>
Purpose restricted		
Bolder Advocacy	1,369,592	2,235,252
Judicial Selection Project	259,440	662,770
Community Engagement Partners	-	150,029
COVID	100,000	-
Institutional Strengthening	<u>468,408</u>	<u>506,761</u>
Total purpose restricted	<u>2,197,440</u>	<u>3,554,812</u>
Total	<u>\$ 3,131,472</u>	<u>\$ 4,995,323</u>

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS(CONTINUED)

A summary of net assets released from donor restrictions for the years ended December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Time restricted	\$ 885,569	\$ 502,289
Purpose restricted		
Bolder Advocacy	2,038,110	3,189,080
Judicial Selection Project	979,523	739,238
Community Engagement Partners	150,029	159,720
Institutional Strengthening	<u>38,353</u>	<u>702,865</u>
Total purpose restricted	<u>3,206,015</u>	<u>4,790,903</u>
Total	<u>\$ 4,091,584</u>	<u>\$ 5,293,192</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, 2020 and 2019, AFJ's contribution to the plan amounted to \$153,660 and \$139,133, respectively.

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

During the year ended December 31, 2017, AFJ negotiated a lease, effective January 2018, for office space in the District of Columbia under a non-cancelable agreement. 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. 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 both years ended December 31, 2020 and 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, 2020 and 2019.

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

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

2021	\$	843,562
2022		864,683
2023		886,355
2024		908,579
2025		931,356
Thereafter		<u>3,364,633</u>
Total	\$	<u>7,799,168</u>

Net rent expense was \$761,743 and \$812,227 for the years ended December 31, 2020 and 2019, 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 \$81,528 and \$104,189, for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, minimum sublease income is \$40,466.

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 \$3,653,000 as of December 31, 2020.

NOTE 12. SIGNIFICANT RISK, UNCERTAINTIES AND CONTINGENCIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of the pandemic on AFJ's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the AFJ's members, employees, and vendors, all of which, at present, cannot be determined. Accordingly, the extent to which the pandemic may impact the AFJ's financial position, changes in net assets, and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

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. PAYCHECK PROTECTION PROGRAM LOAN

On May 5, 2020, AFJ received a loan in the amount of \$567,200 under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). PPP loan and accrued interest are forgivable after the covered period (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, primarily payroll, benefits, rent and utilities. Any unforgiven portion of a PPP loan is payable over two to five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. Management believes it has used the loan proceeds for purposes consistent with the PPP requirements and has received forgiveness of the loan as of December 31, 2020.

AFJ initially recorded the note payable as a refundable advance and subsequently recognized contribution income related to the debt forgiveness when the loan obligation was legally released. The amount of contribution income recognized during the year ended December 31, 2020, was \$567,200.

NOTE 14. 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, 2020 and 2019, AFJ charged AFJAC for administrative and payroll costs totaling approximately \$169,239 and \$121,471, respectively. At December 31, 2020 and 2019, AFJAC owed AFJ \$80,251 and \$59,978 for these administrative 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, 2020 and 2019.

NOTE 15. NON-CASH TRANSACTIONS

During 2020 and 2019, AFJ received donations of stock valued at approximately \$298,000 and \$227,000, respectively. All of the donated stock was subsequently sold by AFJ.

NOTE 16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 6, 2021, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements, except as noted below.