



ALLIANCE FOR JUSTICE

FINANCIAL STATEMENTS

DECEMBER 31, 2021





ALLIANCE FOR JUSTICE

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Alliance for Justice

Opinion

We have audited the accompanying financial statements of Alliance for Justice (AFJ), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alliance for Justice as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AFJ and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AFJ's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AFJ's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CaliberCPAGroup, PLLC

Bethesda, MD
October 5, 2022



ALLIANCE FOR JUSTICE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 7,087,244	\$ 4,312,702
Accounts receivable net of allowance of \$1,000 at December 31, 2021 and 2020, respectively	21,718	27,969
Interest receivable	12,673	31,795
Contributions receivable	111,880	112,715
Grants receivable, current	580,862	1,118,859
Due from affiliates	35,963	80,251
Prepaid expenses	<u>38,346</u>	<u>46,485</u>
Total current assets	<u>7,888,686</u>	<u>5,730,776</u>
Net property and equipment		
Furniture and fixtures	572,209	556,883
Leasehold improvements	1,051,677	1,051,677
Less: accumulated depreciation	<u>(885,525)</u>	<u>(747,704)</u>
Net property and equipment	<u>738,361</u>	<u>860,856</u>
Other assets		
Grants receivable, net of current portion and discount	-	578,891
Investments	7,507,192	6,583,862
Security deposits	<u>70,505</u>	<u>70,505</u>
Total other assets	<u>7,577,697</u>	<u>7,233,258</u>
Total assets	<u>\$ 16,204,744</u>	<u>\$ 13,824,890</u>

See accompanying notes to financial statements.



ALLIANCE FOR JUSTICE

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 153,043	\$ 54,195
Accrued salaries and benefits	159,059	189,981
Deferred revenue	72,674	50,500
Refundable advance (PPP loan)	565,960	-
Deferred rent - current portion	35,216	14,096
Deferred lease incentive, current portion	<u>97,518</u>	<u>97,518</u>
Total current liabilities	<u>1,083,470</u>	<u>406,290</u>
Other liabilities		
Deferred rent - long term	768,510	803,726
Deferred lease incentive - long term	<u>625,742</u>	<u>723,261</u>
Total other liabilities	<u>1,394,252</u>	<u>1,526,987</u>
Total liabilities	<u>2,477,722</u>	<u>1,933,277</u>
Net assets		
Without donor restrictions	11,223,385	8,760,141
With donor restrictions	<u>2,503,637</u>	<u>3,131,472</u>
Total net assets	<u>13,727,022</u>	<u>11,891,613</u>
Total liabilities and net assets	<u>\$ 16,204,744</u>	<u>\$ 13,824,890</u>

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Grants	\$ 843,100	\$ 2,842,035	\$ 3,685,135
Contributions	1,022,427	-	1,022,427
Contributed services	646,831	-	646,831
Events, net of direct expenses	1,186,486	-	1,186,486
Contract revenue	331,696	-	331,696
Membership dues	130,583	-	130,583
Rental income	64,955	-	64,955
Other revenue	5,637	-	5,637
Investment income, net of investment expense	1,100,290	-	1,100,290
Net assets released from restrictions, satisfaction of program restrictions	<u>3,469,870</u>	<u>(3,469,870)</u>	<u>-</u>
Total revenue	<u>8,801,875</u>	<u>(627,835)</u>	<u>8,174,040</u>
Expenses			
Program expenses			
Judicial Selection	1,630,276	-	1,630,276
Community Engagement Partnerships	201,330	-	201,330
Bolder Advocacy	<u>3,103,652</u>	<u>-</u>	<u>3,103,652</u>
Total program expenses	<u>4,935,258</u>	<u>-</u>	<u>4,935,258</u>
Support expenses			
Management and general	881,918	-	881,918
Fundraising	<u>521,455</u>	<u>-</u>	<u>521,455</u>
Total support expenses	<u>1,403,373</u>	<u>-</u>	<u>1,403,373</u>
Total expenses	<u>6,338,631</u>	<u>-</u>	<u>6,338,631</u>
Change in net assets	2,463,244	(627,835)	1,835,409
Net assets			
Beginning of year	<u>8,760,141</u>	<u>3,131,472</u>	<u>11,891,613</u>
End of year	<u>\$ 11,223,385</u>	<u>\$ 2,503,637</u>	<u>\$ 13,727,022</u>

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, less direct expenses	346,703	-	346,703
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	<u>4,091,584</u>	<u>(4,091,584)</u>	<u>-</u>
Total revenue	<u>8,484,097</u>	<u>(1,863,851)</u>	<u>6,620,246</u>
Expenses			
Program expenses			
Judicial Selection	1,985,686	-	1,985,686
Community Engagement Partnerships	257,965	-	257,965
Bolder Advocacy	<u>3,017,148</u>	<u>-</u>	<u>3,017,148</u>
Total program expenses	<u>5,260,799</u>	<u>-</u>	<u>5,260,799</u>
Support expenses			
Management and general	979,418	-	979,418
Fundraising	<u>369,630</u>	<u>-</u>	<u>369,630</u>
Total support expenses	<u>1,349,048</u>	<u>-</u>	<u>1,349,048</u>
Total expenses	<u>6,609,847</u>	<u>-</u>	<u>6,609,847</u>
Change in net assets	1,874,250	(1,863,851)	10,399
Net assets			
Beginning of year	<u>6,885,891</u>	<u>4,995,323</u>	<u>11,881,214</u>
End of year	<u>\$ 8,760,141</u>	<u>\$ 3,131,472</u>	<u>\$ 11,891,613</u>

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services		
	Judicial Selection	Community Engagement Partnerships	Bolder Advocacy	Management and General	Fundraising	Total
Salaries, benefits and payroll taxes	\$ 623,874	\$ 127,072	\$ 1,765,757	\$ 603,232	\$ 359,560	\$ 3,479,495
Digital media	1,289	267	3,636	1,623	818	7,633
Books and periodicals	24,639	314	27,974	1,782	1,003	55,712
Consultants	43,963	18,041	267,957	34,453	14,168	378,582
Grants and awards	223,192	7,551	149,625	-	-	380,368
Travel	2,287	290	6,746	1,633	1,361	12,317
Meetings and conferences	3,343	832	10,218	3,285	1,937	19,615
Accounting and bookkeeping	13,474	2,203	39,848	11,655	6,975	74,155
Bank charges	3,251	641	9,646	3,213	1,845	18,596
Recruiting and hiring	38,803	5,956	104,761	34,730	24,625	208,875
Dues and licenses	2,101	415	6,829	2,463	1,270	13,078
Equipment rental	3,668	765	11,078	3,546	2,210	21,267
Insurance	745	121	6,374	605	395	8,240
Office supplies	1,153	200	3,402	5,916	741	11,412
Postage and delivery	570	119	1,511	666	340	3,206
Rent and utilities	145,158	29,566	410,842	140,355	83,660	809,581
Repairs and maintenance	6,635	1,456	19,423	6,407	4,036	37,957
Staff development	164	23	478	174	835	1,674
Contributed legal services	465,000	-	181,831	-	-	646,831
Depreciation and amortization	24,712	5,033	69,941	23,895	14,241	137,822
Miscellaneous	2,255	465	5,775	2,285	1,435	12,215
Totals	\$ 1,630,276	\$ 201,330	\$ 3,103,652	\$ 881,918	\$ 521,455	\$ 6,338,631

See accompanying notes to financial statements.

ALLIANCE FOR JUSTICE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services		
	Judicial Selection	Community Engagement Partnerships	Bolder Advocacy	Management and General	Fundraising	Total
Salaries, benefits and payroll taxes	\$ 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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 1,835,409	\$ 10,399
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	137,822	133,863
Amortization of deferred lease incentive	(97,519)	(97,519)
Appreciation in investments	(1,024,818)	(422,540)
Donated securities	(252,894)	(297,860)
Paycheck Protection Program loan forgiveness	-	(567,200)
Sale of donated securities	52,191	297,860
Change in assets and liabilities		
Accounts receivable	6,251	45,091
Interest receivable	19,122	(19,162)
Contributions receivable	835	(47,895)
Grants receivable	1,116,888	1,243,701
Due from affiliates	44,288	(20,273)
Prepaid expenses	8,139	53,813
Accounts payable and accrued expenses	98,848	(36,109)
Accrued leave payable	(30,922)	86,050
Deferred revenue	22,174	28,500
Deferred rent	(14,096)	6,472
Net cash provided by operating activities	<u>1,921,718</u>	<u>397,191</u>
Cash flows from investing activities		
Purchase of property and equipment	(15,327)	(22,004)
Purchase of investments	(2,022,591)	(1,595,034)
Proceeds from sale of investments	<u>2,324,782</u>	<u>1,895,910</u>
Net cash provided by investing activities	<u>286,864</u>	<u>278,872</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program Loan	<u>565,960</u>	<u>567,200</u>
Net change in cash and cash equivalents	2,774,542	1,243,263
Cash and cash equivalents		
Beginning of year	<u>4,312,702</u>	<u>3,069,439</u>
End of year	<u>\$ 7,087,244</u>	<u>\$ 4,312,702</u>

See accompanying notes to financial statements.



ALLIANCE FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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 Statement 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, 2021 and 2020. Note 8 details the changes in net assets with donor restrictions that were temporarily restricted as of December 31, 2021 and 2020.

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.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements of activities as net assets released from restrictions.

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.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 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 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 2021 or 2020. 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, 2021, 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, 2021, the statute of limitations for tax years 2018 through 2020 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 below represents AFJ's financial assets available to meet cash needs for general expenditures within one year of December 31, 2021 and 2020.

	2021	2020
Total assets at end of year	\$ 16,204,744	\$ 13,824,890
Less nonfinancial assets		
Prepaid expenses	(38,346)	(46,485)
Security deposit	(70,505)	(70,505)
Net property and equipment	(738,361)	(860,856)
Total financial assets at end of year	(847,212)	(977,846)
Less amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	(2,503,637)	(3,131,472)
 Total financial assets available for general expenditures within one year	 \$ 12,853,895	 \$ 9,715,572

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, 2021 and 2020 are as follows:

	2021	2020
Receivable in less than one year	\$ 580,862	\$ 1,118,859
Receivable in one to five years	-	587,600
	580,862	1,706,459
Less: discounts to net present value	-	(8,709)
Total	\$ 580,862	\$ 1,697,750

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

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following at December 31, 2021 and 2020:

	2021		2020	
	Cost Basis	Fair Market Value	Cost Basis	Fair Market Value
Equity securities	\$ 3,588,468	\$ 5,390,486	\$ 2,346,522	\$ 3,507,901
Fixed income debt securities	1,180,258	1,227,882	1,173,482	1,296,976
Mutual funds - fixed income	372,675	386,318	264,313	253,521
Certificates of deposit	502,506	502,506	1,525,464	1,525,464
	<u>\$ 5,643,907</u>	<u>\$ 7,507,192</u>	<u>\$ 5,309,781</u>	<u>\$ 6,583,862</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

The following tables set forth by level, within the fair value hierarchy, AFJ's assets and liabilities at fair value as of December 31, 2021 and 2020:

Description	December 31, 2021 Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Equity securities	\$ 5,390,486	\$ 5,390,486	\$ -	\$ -
Fixed income debt securities	1,227,882	-	1,227,882	-
Mutual funds - fixed income	386,318	386,318	-	-
Certificates of deposit	502,506	502,506	-	-
Total	<u>\$ 7,507,192</u>	<u>\$ 6,279,310</u>	<u>\$ 1,227,882</u>	<u>\$ -</u>
Assets				
December 31, 2020				
Description	Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	\$ 3,507,901	\$ 3,507,901	\$ -	\$ -
Fixed income debt securities	1,296,976	-	1,296,976	-
Mutual funds - fixed income	253,521	253,521	-	-
Certificates of deposit	1,525,464	1,525,464	-	-
Total	<u>\$ 6,583,862</u>	<u>\$ 5,286,886</u>	<u>\$ 1,296,976</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, 2021 and 2020

Equity securities and mutual funds 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.

Balances in these accounts as of the beginning and end of the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Membership dues receivable	\$ 4,500	\$ 13,969	\$ 16,972
Contract service receivable	<u>17,218</u>	<u>14,000</u>	<u>56,062</u>
	<u>\$ 21,718</u>	<u>\$ 27,969</u>	<u>\$ 73,034</u>
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Membership dues - deferred	<u>\$ 72,674</u>	<u>\$ 50,500</u>	<u>\$ 22,000</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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Time restricted	<u>\$ 169,232</u>	<u>\$ 934,032</u>
Purpose restricted		
Bolder Advocacy	1,356,137	1,369,592
Judicial Selection Project	782,417	259,440
COVID	-	100,000
Institutional Strengthening	<u>195,851</u>	<u>468,408</u>
Total purpose restricted	<u>2,334,405</u>	<u>2,197,440</u>
Total	<u>\$ 2,503,637</u>	<u>\$ 3,131,472</u>

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

A summary of net assets released from donor restrictions for the years ended December 31, 2021 and 2020 was as follows:

	2021	2020
Time restricted	\$ 924,800	\$ 885,569
Purpose restricted		
Bolder Advocacy	1,586,488	2,038,110
Judicial Selection Project	586,025	979,523
Community Engagement Partners	-	150,029
COVID	100,000	-
Institutional Strengthening	272,557	38,353
Total purpose restricted	2,545,070	3,206,015
Total	\$ 3,469,870	\$ 4,091,584

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, 2021 and 2020, AFJ's contribution to the plan amounted to \$144,258 and \$153,660, 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, 2021 and 2020, \$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, 2021 and 2020.



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

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

2022	\$	864,683
2023		886,355
2024		908,579
2025		931,356
2026		954,685
Thereafter		<u>2,409,948</u>
Total	\$	<u>6,955,606</u>

Net rent expense was \$751,187 and \$761,743 for the years ended December 31, 2021 and 2020, 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 \$64,955 and \$81,528, for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021, these leases were on a month-to-month basis.

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 \$6,078,000 as of December 31, 2021.

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.



NOTE 12. SIGNIFICANT RISK, UNCERTAINTIES AND CONTINGENCIES (CONTINUED)

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. 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.

In April of 2022, AFJ received a loan in the amount of \$565,960 under the Paycheck Protection Program (PPP) established as part of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (the Act). PPP loans and accrued interest are forgivable after a 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 of AFJ believe it has used the loan proceeds for purposes consistent with the PPP requirements and will apply for forgiveness within 10 months of the end of the covered period.

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, 2021 and 2020, AFJ charged AFJAC for administrative and payroll costs totaling approximately \$43,048 and \$173,280, respectively. At December 31, 2021 and 2020, AFJAC owed AFJ \$35,963 and \$80,251, respectively for these administrative expenses. These amounts are included in "Due from Affiliate" in the accompanying financial statements. AFJ also made a contribution of \$375,000 and \$200,000 to AFJAC during the years ended December 31, 2021 and 2020, respectively.



NOTE 15. NON-CASH TRANSACTIONS

During 2021 and 2020, AFJ received donations of stock valued at approximately \$252,000 and \$298,000, respectively. All of the donated stock was subsequently sold by AFJ.

NOTE 16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 5, 2022, 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.