

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Asian Americans Advancing Justice - AAJC
Washington, D.C.

We have audited the accompanying financial statements of Asian Americans Advancing Justice - AAJC (AAJC), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows 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 of 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AAJC as of December 31, 2017 and 2016, 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.

April 11, 2018

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ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,848,205	\$ 1,950,844
Investments	154,210	327,599
Grants receivable	1,127,500	1,411,661
Pledges receivable	231,685	77,215
Prepaid expenses	<u>67,066</u>	<u>56,560</u>
Total current assets	<u>3,428,666</u>	<u>3,823,879</u>
FIXED ASSETS		
Furniture and equipment	61,908	75,759
Less: Accumulated depreciation and amortization	<u>(39,052)</u>	<u>(50,015)</u>
Net fixed assets	<u>22,856</u>	<u>25,744</u>
OTHER ASSETS		
Investments - restricted	500,000	500,000
Grants receivable, net of current portion	<u>1,649,181</u>	<u>1,623,852</u>
Total other assets	<u>2,149,181</u>	<u>2,123,852</u>
TOTAL ASSETS	<u>\$ 5,600,703</u>	<u>\$ 5,973,475</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 339,389	\$ 401,449
Deferred rent	<u>4,166</u>	<u>-</u>
Total current liabilities	<u>343,555</u>	<u>401,449</u>
LONG-TERM LIABILITIES		
Deferred rent, net of current portion	<u>312,843</u>	<u>314,367</u>
Total liabilities	<u>656,398</u>	<u>715,816</u>
NET ASSETS		
Unrestricted:		
Undesignated	295,193	295,985
Board designated	<u>575,000</u>	<u>575,000</u>
Total unrestricted net assets	870,193	870,985
Temporarily restricted	3,541,797	3,854,359
Permanently restricted	<u>532,315</u>	<u>532,315</u>
Total net assets	<u>4,944,305</u>	<u>5,257,659</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,600,703</u>	<u>\$ 5,973,475</u>

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE AND SUPPORT				
Grants and contributions	\$ 293,119	\$ 2,095,055	\$ -	\$ 2,388,174
Contributed services and materials	-	-	-	-
Investment income	7,789	56,623	-	64,412
Special event	350,449	-	-	350,449
Other income	76,746	-	-	76,746
Net assets released from donor restrictions	<u>2,464,240</u>	<u>(2,464,240)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>3,192,343</u>	<u>(312,562)</u>	<u>-</u>	<u>2,879,781</u>
EXPENSES				
Program Services:				
Census	149,775	-	-	149,775
Community Partners	1,409,328	-	-	1,409,328
Immigration and Immigrant Rights	307,535	-	-	307,535
Litigation	362,628	-	-	362,628
Direct Lobbying	38,852	-	-	38,852
Grassroots Lobbying	2,011	-	-	2,011
Strategic Planning	9,450	-	-	9,450
Media	93,567	-	-	93,567
Voting Rights	<u>73,047</u>	<u>-</u>	<u>-</u>	<u>73,047</u>
Total program services	<u>2,446,193</u>	<u>-</u>	<u>-</u>	<u>2,446,193</u>
Supporting Services:				
Management and General	234,775	-	-	234,775
Fundraising	<u>512,167</u>	<u>-</u>	<u>-</u>	<u>512,167</u>
Total supporting services	<u>746,942</u>	<u>-</u>	<u>-</u>	<u>746,942</u>
Total expenses	<u>3,193,135</u>	<u>-</u>	<u>-</u>	<u>3,193,135</u>
Changes in net assets	(792)	(312,562)	-	(313,354)
Net assets at beginning of year	<u>870,985</u>	<u>3,854,359</u>	<u>532,315</u>	<u>5,257,659</u>
NET ASSETS AT END OF YEAR	<u>\$ 870,193</u>	<u>\$ 3,541,797</u>	<u>\$ 532,315</u>	<u>\$ 4,944,305</u>

2016			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 94,901	\$ 2,651,329	\$ -	\$ 2,746,230
40,000	-	-	40,000
15,655	40,412	-	56,067
515,126	-	-	515,126
7,829	-	-	7,829
<u>3,146,997</u>	<u>(3,146,997)</u>	<u>-</u>	<u>-</u>
<u>3,820,508</u>	<u>(455,256)</u>	<u>-</u>	<u>3,365,252</u>
144,359	-	-	144,359
2,003,084	-	-	2,003,084
276,621	-	-	276,621
567,300	-	-	567,300
4,756	-	-	4,756
-	-	-	-
5,045	-	-	5,045
-	-	-	-
<u>299,060</u>	<u>-</u>	<u>-</u>	<u>299,060</u>
<u>3,300,225</u>	<u>-</u>	<u>-</u>	<u>3,300,225</u>
216,229	-	-	216,229
<u>452,861</u>	<u>-</u>	<u>-</u>	<u>452,861</u>
<u>669,090</u>	<u>-</u>	<u>-</u>	<u>669,090</u>
<u>3,969,315</u>	<u>-</u>	<u>-</u>	<u>3,969,315</u>
(148,807)	(455,256)	-	(604,063)
<u>1,019,792</u>	<u>4,309,615</u>	<u>532,315</u>	<u>5,861,722</u>
<u>\$ 870,985</u>	<u>\$ 3,854,359</u>	<u>\$ 532,315</u>	<u>\$ 5,257,659</u>

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services						
	Census	Community Partners	Immigration and Immigrant Rights	Litigation	Direct Lobbying	Grassroots Lobbying	Strategic Planning
Base office and administrative operations	\$ 22,054	\$ 142,348	\$ 41,757	\$ 50,135	\$ 2,985	\$ 306	\$ 672
Conferences, meetings and travel	1,700	140,070	24,299	2,364	19,885	-	1
Copying and printing	857	6,138	1,931	1,644	123	14	16
Grants	-	181,000	-	-	-	-	-
Other office and administrative expenses	2,390	25,619	5,238	7,258	659	46	38
Professional fees	15,608	69,263	32,179	91,344	1,004	117	6,126
Salaries and related expenses	107,166	844,890	202,131	209,883	14,196	1,528	2,597
TOTAL	\$ 149,775	\$ 1,409,328	\$ 307,535	\$ 362,628	\$ 38,852	\$ 2,011	\$ 9,450

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services (Continued)			Supporting Services			Total Expenses
	Media	Voting Rights	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Base office and administrative operations	\$ 14,789	\$ 11,069	\$ 286,115	\$ 34,623	\$ 58,665	\$ 93,288	\$ 379,403
Conferences, meetings and travel	878	2,447	191,644	2,379	82,495	84,874	276,518
Copying and printing	625	443	11,791	1,305	3,321	4,626	16,417
Grants	-	-	181,000	-	-	-	181,000
Other office and administrative expenses	1,776	1,611	44,635	4,809	24,224	29,033	73,668
Professional fees	6,423	4,530	226,594	14,936	61,940	76,876	303,470
Salaries and related expenses	69,076	52,947	1,504,414	176,723	281,522	458,245	1,962,659
TOTAL	\$ 93,567	\$ 73,047	\$ 2,446,193	\$ 234,775	\$ 512,167	\$ 746,942	\$ 3,193,135

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services					
	Census	Community Partners	Immigration and Immigrant Rights	Litigation	Direct Lobbying	Strategic Planning
Base office and administrative operations	\$ 22,111	\$ 143,945	\$ 29,784	\$ 75,612	\$ 705	\$ 153
Conferences, meetings and travel	1,159	226,656	17,624	16,007	52	3
Copying and printing	689	4,645	888	2,447	24	7
Grants	-	548,354	18,000	-	-	-
Other office and administrative expenses	2,791	29,963	4,358	11,485	144	10
Professional fees	11,789	340,626	70,548	153,056	517	4,130
Salaries and related expenses	105,820	708,895	135,419	308,693	3,314	742
TOTAL	\$ 144,359	\$ 2,003,084	\$ 276,621	\$ 567,300	\$ 4,756	\$ 5,045

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services (Continued)		Supporting Services			Total Expenses
	Voting Rights	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Base office and administrative operations	\$ 31,521	\$ 303,831	\$ 32,879	\$ 49,108	\$ 81,987	\$ 385,818
Conferences, meetings and travel	14,164	275,665	4,244	109,221	113,465	389,130
Copying and printing	983	9,683	1,028	1,541	2,569	12,252
Grants	15,000	581,354	-	-	-	581,354
Other office and administrative expenses	4,410	53,161	6,095	19,708	25,803	78,964
Professional fees	82,260	662,926	14,298	38,595	52,893	715,819
Salaries and related expenses	150,722	1,413,605	157,685	234,688	392,373	1,805,978
TOTAL	\$ 299,060	\$ 3,300,225	\$ 216,229	\$ 452,861	\$ 669,090	\$ 3,969,315

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (313,354)	\$ (604,063)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	2,888	4,882
Unrealized gain	(42,399)	(34,696)
Discount on long-term grants receivable	(36,116)	(69,850)
Decrease (increase) in:		
Grants receivable	294,948	(1,002,346)
Pledges receivable	(154,470)	175,497
Prepaid expenses	(10,506)	90,320
Security deposit	-	24,700
(Decrease) increase in:		
Accounts payable and accrued liabilities	(62,060)	194,116
Deferred rent	<u>2,642</u>	<u>223,470</u>
Net cash used by operating activities	<u>(318,427)</u>	<u>(997,970)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(856,598)	(283,908)
Redemptions of certifications of deposit	<u>1,072,386</u>	<u>530,998</u>
Net cash provided by investing activities	<u>215,788</u>	<u>247,090</u>
Net decrease in cash and cash equivalents	(102,639)	(750,880)
Cash and cash equivalents at beginning of year	<u>1,950,844</u>	<u>2,701,724</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,848,205</u>	<u>\$ 1,950,844</u>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Asian Americans Advancing Justice - AAJC (AAJC) is a 501(c)(3) non-profit organization, incorporated in Washington, D.C. AAJC works to advance civil and human rights for Asian Americans, and to build and promote a fair and equitable society for all. In accomplishing its mission, AAJC focuses its work to promote civic engagement, to forge strong and safe communities, and to create an inclusive society in communities on a local, regional, and national level. A nationally recognized voice on behalf of Asian Americans, AAJC focuses its expertise on anti-Asian violence prevention/race relations, broadband, census, health, immigrant rights, language access, and voting rights.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

AAJC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Restricted cash and cash equivalents are restricted for use as an Operating Reserve Fund.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, AAJC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, investment fees, and realized and unrealized gains and losses are included in investment income in the Statements of Activities and Changes in Net Assets.

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions, if any, and satisfaction of time restrictions.

Such grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Fixed assets funded by the landlord are amortized over the life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

AAJC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. AAJC is not a private foundation.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Uncertain tax positions -

For the years ended December 31, 2017 and 2016, AAJC has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Grants and pledges receivable -

Grants receivable that are expected to be collected in future years are recorded at their fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Pledges receivable expected to be collected in the current year are recorded at their net realizable value, which approximates fair value. All grants and pledges receivable are considered by management to be fully collectible.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of AAJC and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of AAJC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by AAJC. Permanently restricted net assets consist of the Joyce Chiang Memorial Scholarship Fund and an operating fund reserve.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Contributed services and materials -

AAJC recognizes contributed services and materials if the contributions enhance or create non-financial assets or requires specialized skills for which the organization would otherwise pay.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investment risks and uncertainties -

AAJC invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

AAJC adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. AAJC accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of AAJC's financial statements, it is not expected to alter AAJC's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. AAJC has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements (not yet adopted) (continued) -

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

AAJC plans to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

Investments consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Certificates of deposit	\$ -	\$ 245,370
Mutual funds	85,100	84,195
Common stocks	552,388	484,463
Limited partnerships	<u>16,722</u>	<u>13,571</u>
TOTAL INVESTMENTS	<u>\$ 654,210</u>	<u>\$ 827,599</u>

Included in investment income are the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 22,013	\$ 21,371
Unrealized gain	<u>42,399</u>	<u>34,696</u>
TOTAL INVESTMENT INCOME	<u>\$ 64,412</u>	<u>\$ 56,067</u>

3. GRANTS RECEIVABLE

As of December 31, 2017 and 2016, contributors to AAJC have made written promises to give totaling \$2,955,083 and \$3,177,799, respectively. Grants and contributions due in more than one year have been discounted using a rate of 4.50% and 3.75%, for the years ended December 31, 2017 and 2016, respectively.

Grants are due as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 1,127,500	\$ 1,411,661
One-to-five years	<u>1,827,583</u>	<u>1,766,138</u>
Subtotal	2,955,083	3,177,799
Less: Allowance to discount balance to present value	<u>(178,402)</u>	<u>(142,286)</u>
GRANTS RECEIVABLE, NET	<u>\$ 2,776,681</u>	<u>\$ 3,035,513</u>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016:

	2017	2016
Civil Rights	\$ 3,536,087	\$ 3,848,649
Immigration Rights	5,710	5,710
TEMPORARILY RESTRICTED NET ASSETS	\$ 3,541,797	\$ 3,854,359

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

	2017	2016
Civil Rights	\$ 2,464,240	\$ 3,138,604
Immigration and Immigrant Rights	-	8,393
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 2,464,240	\$ 3,146,997

6. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted endowments in which the principal is invested in perpetuity and the income is expendable to support certain programs. Permanently restricted net assets consisted of the following at December 31, 2017 and 2016:

	2017	2016
Ford Foundation Operating Reserves	\$ 500,000	\$ 500,000
Joyce Chiang Memorial Scholarship Fund	32,315	32,315
TOTAL PERMANENTLY RESTRICTED NET ASSETS	\$ 532,315	\$ 532,315

7. BOARD DESIGNATED NET ASSETS

AAJC's Board of Directors created an Operating Reserve Fund to ensure stability of the mission, programs, employment and ongoing operations of the organization. The minimum amount to be designated as operating reserves will be established in an amount sufficient to maintain on-going operations and programs measured for a set period of time, measured in months. The target minimum Operating Reserve Fund is equal to six months of average operating costs, to be calculated each year after approval of the annual budget.

8. LEASE COMMITMENT

During November 2015, AAJC entered into a ten-year lease for office space at 1620 L Street, N.W., Washington, D.C. Base rent of \$24,700 commences on the first day of the eleventh calendar month, with annual rent increases by 2.25%.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. LEASE COMMITMENT (Continued)

The lease agreement includes provisions whereas the base rent is abated during the initial ten calendar months.

During the year ended December 31, 2015, AAJC obtained an irrevocable letter of credit with BB&T totaling \$24,700. The terms under the lease that began during that year stipulate that AAJC maintain this letter of credit in lieu of a security deposit.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent on the Statements of Financial Position.

Approximate minimum lease payments required under the aforementioned lease are as follows:

<u>Year Ended December 31,</u>	
2018	\$ 310,443
2019	317,431
2020	324,970
2021	336,923
2022	344,529
Thereafter	<u>1,362,637</u>
	<u>\$ 2,996,933</u>

Rent expense for 2017 and 2016 was \$312,855 and \$313,795, respectively, and is included in base office and administrative operations in the accompanying Statements of Functional Expenses.

For the years ended December 31, 2017 and 2016, the deferred rent liability was \$317,009 and \$314,367, respectively.

9. PENSION PLAN

AAJC maintains an IRC Section 403(b) retirement plan allowing employees to elect to defer compensation up to the maximum allowed under IRS regulations. After one year of employment, AAJC contributes 3% of an employee's annual salary into its designated 403(b) plan.

For the years ended December 31, 2017 and 2016, contributions totaled \$34,492 and \$33,720, respectively.

10. CONTRIBUTED SERVICES AND MATERIALS

During the year ended December 31, 2016, AAJC was the beneficiary of contributed services and materials, which allowed AAJC to provide greater resources toward various programs. There were no contributed services and materials donated during the year ended December 31, 2017

To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2016:

Donated Video Production	<u>\$ 40,000</u>
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ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

11. ENDOWMENT

AAJC's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, AAJC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ <u>-</u>	\$ <u>93,190</u>	\$ <u>532,315</u>	\$ <u>625,505</u>

Changes in endowment net assets for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>-</u>	\$ <u>36,567</u>	\$ <u>532,315</u>	\$ <u>568,882</u>
Investment return:				
Net appreciation (realized and unrealized)	-	60,830	-	60,830
Investment fees	-	(4,207)	-	(4,207)
Total investment return	-	56,623	-	56,623
ENDOWMENT NET ASSETS, END OF YEAR	\$ <u>-</u>	\$ <u>93,190</u>	\$ <u>532,315</u>	\$ <u>625,505</u>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

11. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ <u>-</u>	\$ <u>36,567</u>	\$ <u>532,315</u>	\$ <u>568,882</u>

Changes in endowment net assets for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>(11,911)</u>	\$ <u>-</u>	\$ <u>532,315</u>	\$ <u>520,404</u>
Investment return:				
Investment income	11,911	5,716	-	17,627
Net appreciation (realized and unrealized)	-	34,696	-	34,696
Investment fees	<u>-</u>	<u>(3,845)</u>	<u>-</u>	<u>(3,845)</u>
Total investment return	<u>11,911</u>	<u>36,567</u>	<u>-</u>	<u>48,478</u>
ENDOWMENT NET ASSETS, END OF YEAR	\$ <u>-</u>	\$ <u>36,567</u>	\$ <u>532,315</u>	\$ <u>568,882</u>

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (Endowment only):

	<u>2017</u>	<u>2016</u>
Permanently Restricted Net Assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ <u>532,315</u>	\$ <u>532,315</u>
Total Endowment Funds Classified as Permanently Restricted Net Assets	\$ <u>532,315</u>	\$ <u>532,315</u>
Temporarily Restricted Net Assets:		
Cumulative unspent earnings on permanently restricted endowment funds	\$ <u>93,190</u>	<u>36,567</u>
Total Endowment Funds Classified as Temporarily Restricted Net Assets	\$ <u>93,190</u>	\$ <u>36,567</u>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

11. ENDOWMENT (Continued)

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets was \$11,911 as of December 31, 2016 (none in 2017). These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions.

12. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, AAJC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market AAJC has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by AAJC are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by AAJC are deemed to be actively traded.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Limited partnerships* - AAJC is a limited partner in several partnerships. The limited partnership interests in these entities are publicly traded and these interest are available on active markets. Fair value represents the closing price on the active market in which individual limited partnership interests are traded.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

12. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, AAJC's investments as of December 31, 2017:

Asset Class:	Level 1	Level 2	Level 3	Total December 31, 2017
Mutual funds	\$ 85,100	\$ -	\$ -	\$ 85,100
Common stocks	552,388	-	-	552,388
Limited partnerships	<u>16,722</u>	<u>-</u>	<u>-</u>	<u>16,722</u>
TOTAL	<u>\$ 654,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 654,210</u>

The table below summarizes, by level within the fair value hierarchy, AAJC's investments as of December 31, 2016:

Asset Class:	Level 1	Level 2	Level 3	Total December 31, 2016
Certificates of deposit	\$ -	\$ 245,370	\$ -	\$ 245,370
Mutual funds	84,195	-	-	84,195
Common stocks	484,463	-	-	484,463
Limited partnerships	<u>13,571</u>	<u>-</u>	<u>-</u>	<u>13,571</u>
TOTAL	<u>\$ 582,229</u>	<u>\$ 245,370</u>	<u>\$ -</u>	<u>\$ 827,599</u>

There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2017 and 2016. Transfers between levels are recorded at the end of the reporting period, if applicable.

13. SUBSEQUENT EVENTS

In preparing these financial statements, AAJC has evaluated events and transactions for potential recognition or disclosure through April 11, 2018, the date the financial statements were issued.