

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

May 21, 2019

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

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ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

ASSETS		<u>2018</u>	<u>2017</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,596,725	\$ 1,848,205
Investments		637,205	154,210
Grants receivable		1,506,750	1,127,500
Pledges receivable		463,676	231,685
Prepaid expenses		<u>77,061</u>	<u>67,066</u>
Total current assets		<u>4,281,417</u>	<u>3,428,666</u>
FIXED ASSETS			
Furniture and equipment		56,798	61,908
Less: Accumulated depreciation and amortization		<u>(36,829)</u>	<u>(39,052)</u>
Net fixed assets		<u>19,969</u>	<u>22,856</u>
OTHER ASSETS			
Investments - restricted		500,000	500,000
Grants receivable, net of current portion		<u>1,131,561</u>	<u>1,649,181</u>
Total other assets		<u>1,631,561</u>	<u>2,149,181</u>
TOTAL ASSETS	\$	<u>5,932,947</u>	\$ <u>5,600,703</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	175,944	\$ 339,389
Deferred rent		<u>11,154</u>	<u>4,166</u>
Total current liabilities		<u>187,098</u>	<u>343,555</u>
LONG-TERM LIABILITIES			
Deferred rent, net of current portion		<u>301,689</u>	<u>312,843</u>
Total liabilities		<u>488,787</u>	<u>656,398</u>
NET ASSETS			
Without donor restrictions		872,898	870,193
With donor restrictions		<u>4,571,262</u>	<u>4,074,112</u>
Total net assets		<u>5,444,160</u>	<u>4,944,305</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>5,932,947</u>	\$ <u>5,600,703</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, 2018 AND 2017**

	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 149,790	\$ 3,456,195	\$ 3,605,985
Investment income (loss)	3,648	(43,819)	(40,171)
Special event	874,275	-	874,275
Other income	37,453	-	37,453
Net assets released from donor restrictions	<u>2,915,226</u>	<u>(2,915,226)</u>	<u>-</u>
Total revenue and support	<u>3,980,392</u>	<u>497,150</u>	<u>4,477,542</u>
EXPENSES			
Program Services:			
Census	504,529	-	504,529
Community Partners	1,649,685	-	1,649,685
Immigration and Immigrant Rights	491,798	-	491,798
Litigation	219,140	-	219,140
Direct Lobbying	14,361	-	14,361
Grassroots Lobbying	28,267	-	28,267
Strategic Planning	-	-	-
Media	189,819	-	189,819
Voting Rights	<u>86,367</u>	<u>-</u>	<u>86,367</u>
Total program services	<u>3,183,966</u>	<u>-</u>	<u>3,183,966</u>
Supporting Services:			
Management and General	291,696	-	291,696
Fundraising	<u>502,025</u>	<u>-</u>	<u>502,025</u>
Total supporting services	<u>793,721</u>	<u>-</u>	<u>793,721</u>
Total expenses	<u>3,977,687</u>	<u>-</u>	<u>3,977,687</u>
Changes in net assets	2,705	497,150	499,855
Net assets at beginning of year	<u>870,193</u>	<u>4,074,112</u>	<u>4,944,305</u>
NET ASSETS AT END OF YEAR	<u>\$ 872,898</u>	<u>\$ 4,571,262</u>	<u>\$ 5,444,160</u>

<u>2017</u>		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 293,119	\$ 2,095,055	\$ 2,388,174
7,789	52,416	60,205
350,449	-	350,449
76,746	-	76,746
<u>2,460,033</u>	<u>(2,460,033)</u>	<u>-</u>
<u>3,188,136</u>	<u>(312,562)</u>	<u>2,875,574</u>
149,481	-	149,481
1,407,737	-	1,407,737
307,063	-	307,063
362,210	-	362,210
38,811	-	38,811
2,003	-	2,003
9,442	-	9,442
93,440	-	93,440
<u>72,928</u>	<u>-</u>	<u>72,928</u>
<u>2,443,115</u>	<u>-</u>	<u>2,443,115</u>
234,321	-	234,321
<u>511,492</u>	<u>-</u>	<u>511,492</u>
<u>745,813</u>	<u>-</u>	<u>745,813</u>
<u>3,188,928</u>	<u>-</u>	<u>3,188,928</u>
(792)	(312,562)	(313,354)
<u>870,985</u>	<u>4,386,674</u>	<u>5,257,659</u>
<u>\$ 870,193</u>	<u>\$ 4,074,112</u>	<u>\$ 4,944,305</u>

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services						
	Census	Community Partners	Immigration and Immigrant Rights	Litigation	Direct Lobbying	Grassroots Lobbying	Strategic Planning
Base office and administrative operations	\$ 51,127	\$ 149,398	\$ 54,225	\$ 37,856	\$ 1,985	\$ 335	\$ -
Conferences, meetings and travel	19,083	694,585	13,664	2,514	1,949	26,154	-
Grants	-	-	50,000	-	-	-	-
Other office and administrative expenses	4,055	30,193	7,286	3,682	307	16	-
Professional fees	204,166	77,751	104,877	14,359	740	109	-
Salaries and related expenses	226,098	697,758	261,746	160,729	9,380	1,653	-
TOTAL	\$ 504,529	\$ 1,649,685	\$ 491,798	\$ 219,140	\$ 14,361	\$ 28,267	\$ -

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	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	\$ 27,351	\$ 7,047	\$ 329,324	\$ 44,025	\$ 60,779	\$ 104,804	\$ 434,128
Conferences, meetings and travel	8,475	3,553	769,977	945	98,764	99,709	869,686
Grants	-	12,500	62,500	-	-	-	62,500
Other office and administrative expenses	3,055	999	49,593	8,539	26,245	34,784	84,377
Professional fees	20,517	27,891	450,410	25,075	37,907	62,982	513,392
Salaries and related expenses	130,421	34,377	1,522,162	213,112	278,330	491,442	2,013,604
TOTAL	\$ 189,819	\$ 86,367	\$ 3,183,966	\$ 291,696	\$ 502,025	\$ 793,721	\$ 3,977,687

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	\$ 22,911	\$ 148,486	\$ 43,687	\$ 51,780	\$ 3,107	\$ 320	\$ 688
Conferences, meetings and travel	1,700	140,070	24,299	2,364	19,885	-	1
Grants	-	181,000	-	-	-	-	-
Other office and administrative expenses	2,096	24,028	4,767	6,839	619	38	30
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	\$ 149,481	\$ 1,407,737	\$ 307,063	\$ 362,210	\$ 38,811	\$ 2,003	\$ 9,442

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	\$ 15,414	\$ 11,512	\$ 297,905	\$ 35,927	\$ 61,986	\$ 97,913	\$ 395,818
Conferences, meetings and travel	878	2,447	191,644	2,379	82,495	84,874	276,518
Grants	-	-	181,000	-	-	-	181,000
Other office and administrative expenses	1,649	1,492	41,558	4,354	23,549	27,903	69,461
Professional fees	6,423	4,530	226,594	14,938	61,940	76,878	303,472
Salaries and related expenses	69,076	52,947	1,504,414	176,723	281,522	458,245	1,962,659
TOTAL	\$ 93,440	\$ 72,928	\$ 2,443,115	\$ 234,321	\$ 511,492	\$ 745,813	\$ 3,188,928

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 499,855	\$ (313,354)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	2,887	2,888
Realized and unrealized loss (gain)	59,427	(42,399)
Discount on long-term grants receivable	65,250	(36,116)
(Increase) decrease in:		
Grants receivable	73,120	294,948
Pledges receivable	(231,991)	(154,470)
Prepaid expenses	(9,995)	(10,506)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(163,445)	(62,060)
Deferred rent	<u>(4,166)</u>	<u>2,642</u>
Net cash provided (used) by operating activities	<u>290,942</u>	<u>(318,427)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(962,068)	(856,598)
Proceeds from sales of investments	<u>419,646</u>	<u>1,072,386</u>
Net cash (used) provided by investing activities	<u>(542,422)</u>	<u>215,788</u>
Net decrease in cash and cash equivalents	(251,480)	(102,639)
Cash and cash equivalents at beginning of year	<u>1,848,205</u>	<u>1,950,844</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,596,725</u>	<u>\$ 1,848,205</u>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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, totaling \$500,000 as of December 31, 2018 and 2017 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, realized and unrealized gains and losses, net of any investment fees, are included in investment income (loss) in the Statements of Activities and Changes in Net Assets.

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. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 is immaterial. The Organization is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2018 and 2017, 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.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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 -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Grants and contributions -

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restriction in the accompanying financial statements.

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

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.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

Functional allocation of expenses -

The costs of providing services and other activities are summarized on a functional basis in the statements of activities and changes in net assets. Expenses directly attributable to specific functional areas of the organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas on a basis of time and effort, such as salary dollars based on labor hours of employees, or other reasonable basis.

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$870,193 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets and permanently restricted net assets in the amount of \$3,541,797 and \$532,315, respectively, are now classified as net assets with donor restrictions.

New accounting pronouncements (not yet adopted) -

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, 2018 AND 2017**

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

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

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. AAJC has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Certificates of deposit	\$ 600,134	\$ -
Mutual funds	10,701	85,100
Common stocks	521,191	552,388
Limited partnerships	<u>5,179</u>	<u>16,722</u>
TOTAL INVESTMENTS	\$ <u>1,137,205</u>	\$ <u>654,210</u>

Included in investment (loss) income are the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 23,684	\$ 22,013
Realized and unrealized (loss) gain	(59,427)	42,399
Investment expenses provided by external investment advisors	<u>(4,428)</u>	<u>(4,207)</u>
TOTAL INVESTMENT (LOSS) INCOME, NET OF INVESTMENT EXPENSES	\$ <u>(40,171)</u>	\$ <u>60,205</u>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

3. GRANTS RECEIVABLE

As of December 31, 2018 and 2017, contributors to AAJC have made written promises to give totaling \$2,751,463 and \$2,955,083, respectively. Grants and contributions due in more than one year have been discounted using a rate of 5.50% and 4.50%, for the years ended December 31, 2018 and 2017, respectively.

Grants are due as follows at December 31, 2018 and 2017:

	2018	2017
Less than one year	\$ 1,506,750	\$ 1,127,500
One-to-five years	1,244,713	1,827,583
Subtotal	2,751,463	2,955,083
Less: Allowance to discount balance to present value	(113,152)	(178,402)
GRANTS RECEIVABLE, NET	\$ 2,638,311	\$ 2,776,681

4. 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.

As of December 31, 2018 and 2017, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

	2018	2017
Operating Reserve Fund	\$ 575,000	\$ 575,000

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018 and 2017:

	2018	2017
Subject to expenditure for specified purpose:		
Civil Rights	\$ 3,980,226	\$ 3,536,087
Immigration Rights	58,721	5,710
Endowments to be invested in perpetuity:		
Ford Foundation Operating Reserves	500,000	500,000
Joyce Chiang Memorial Scholarship Fund	32,315	32,315
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 4,571,262	\$ 4,074,112

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	2018	2017
Purpose restrictions accomplished:		
Civil Rights	\$ 2,803,237	\$ 2,460,033
Immigration and Immigrant Rights	111,989	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 2,915,226	\$ 2,460,033

6. LIQUIDITY

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the current Statements of Financial Position date, comprise the following at December 31, 2018 and 2017:

	2018	2017
Cash and cash equivalents	\$ 1,596,725	\$ 1,848,205
Investments	1,137,204	654,210
Grants and pledges receivable	3,101,987	3,008,365
Less: Amounts restricted by donors	(4,571,262)	(4,074,112)
TOTAL FINANCIAL ASSETS AVAILABLE FOR USE FOR GENERAL PURPOSES WITHIN ONE YEAR	\$ 1,264,654	\$ 1,436,668

This total includes board designated restricted cash of \$575,000 for AAJC's Operating Reserve Fund. AAJC's Board of Directors created the 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 for a set period of time, measured in months. The target minimum Operating Reserve is equal to six months of average operating costs, to be calculated each year after approval of the annual budget. With Board of Director's approval, the reserve funds can be released if necessary.

In addition to the Operating Reserve Fund, AAJC's policy is to structure its financial assets to become available as general expenditures, liabilities, and other obligations become due. As of December 31, 2018, AAJC has financial assets equal to approximately four months of operating expenses.

7. 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%. 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.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

7. LEASE COMMITMENT (Continued)

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>	
2019	\$ 317,431
2020	324,970
2021	336,923
2022	344,529
2023	352,263
Thereafter	<u>1,010,374</u>
	<u>\$ 2,686,490</u>

Rent expense for 2018 and 2017 was \$348,761 and \$312,855, respectively, and is included in base office and administrative operations in the accompanying Statements of Functional Expenses.

For the years ended December 31, 2018 and 2017, the deferred rent liability was \$312,843 and \$317,009, respectively.

8. 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, 2018 and 2017, contributions totaled \$39,159 and \$34,492, respectively.

9. 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 net assets with donor restrictions in perpetuity as (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 net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

9. ENDOWMENT (Continued)

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, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 49,371	\$ 49,371
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	<u>-</u>	<u>532,315</u>	<u>532,315</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 581,686</u>	<u>\$ 581,686</u>

Changes in endowment net assets for the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 625,505	\$ 625,505
Investment return:			
Net appreciation (realized and unrealized)	-	(39,391)	(39,391)
Investment fees	<u>-</u>	<u>(4,428)</u>	<u>(4,428)</u>
Total investment return	<u>-</u>	<u>(43,819)</u>	<u>(43,819)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 581,686</u>	<u>\$ 581,686</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 93,190	\$ 93,190
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	<u>-</u>	<u>532,315</u>	<u>532,315</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 625,505</u>	<u>\$ 625,505</u>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

9. ENDOWMENT (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ <u>-</u>	\$ <u>568,882</u>	\$ <u>568,882</u>
Investment return:			
Net appreciation (realized and unrealized)	-	60,830	60,830
Investment fees	<u>-</u>	<u>(4,207)</u>	<u>(4,207)</u>
Total investment return	<u>-</u>	<u>56,623</u>	<u>56,623</u>
ENDOWMENT NET ASSETS, END OF YEAR	\$ <u>-</u>	\$ <u>625,505</u>	\$ <u>625,505</u>

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

	<u>2018</u>	<u>2017</u>
Net Assets with Donor Restrictions:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 532,315	\$ 532,315
With purpose restrictions	<u>49,371</u>	<u>93,190</u>
Total Endowment Funds Classified as Net Assets with Donor Restrictions	\$ <u>581,686</u>	\$ <u>625,505</u>

Return Objectives and Risk Parameters -

AAJC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, AAJC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). AAJC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

9. ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy -

AAJC has a policy of appropriating for distribution each year a certain percentage of its endowment fund's average fair value. In establishing this policy, AAJC considered the long-term expected return on its endowment. Accordingly, over the long-term, AAJC expects the current spending policy to allow its endowment to grow at the average rate of return for the market. This is consistent with AAJC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

10. 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, 2018 and 2017.

- *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, 2018 AND 2017**

10. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, AAJC's investments as of December 31, 2018:

Asset Class:	Level 1	Level 2	Level 3	Total December 31, 2018
Certificates of deposit	\$ -	\$ 600,134	\$ -	\$ 600,134
Mutual funds	10,701	-	-	10,701
Common stocks	521,191	-	-	521,191
Limited partnerships	5,179	-	-	5,179
TOTAL	\$ 537,071	\$ 600,134	\$ -	\$ 1,137,205

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	16,722	-	-	16,722
TOTAL	\$ 654,210	\$ -	\$ -	\$ 654,210

There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2018 and 2017. Transfers between levels are recorded at the end of the reporting period, if applicable.

11. SUBSEQUENT EVENTS

In preparing these financial statements, AAJC has evaluated events and transactions for potential recognition or disclosure through May 21, 2019, the date the financial statements were issued.