

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statements of Financial Position, as of December 31, 2020 and 2019	4
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2020 and 2019	5 - 6
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2020	7 - 8
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2019	9 - 10
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2020 and 2019	11
NOTES TO FINANCIAL STATEMENTS	12 - 23



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Asian Americans Advancing Justice, Inc. - AAJC (AAJC), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, 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.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Friedman

April 6, 2021

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,357,368	\$ 2,267,991
Investments	901,918	581,493
Contributions receivable	1,454,968	1,638,666
Pledges receivable	276,228	329,011
Prepaid expenses	<u>62,636</u>	<u>77,185</u>
Total current assets	<u>11,053,118</u>	<u>4,894,346</u>
FIXED ASSETS		
Furniture and equipment	56,798	56,798
Less: Accumulated depreciation	<u>(42,603)</u>	<u>(39,716)</u>
Net fixed assets	<u>14,195</u>	<u>17,082</u>
OTHER ASSETS		
Investments - restricted	500,000	500,000
Contributions receivable, net of current portion	<u>236,967</u>	<u>698,547</u>
Total other assets	<u>736,967</u>	<u>1,198,547</u>
TOTAL ASSETS	<u>\$ 11,804,280</u>	<u>\$ 6,109,975</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Loan payable	\$ 257,807	\$ -
Accounts payable and accrued liabilities	349,244	195,799
Deferred rent	<u>30,646</u>	<u>18,693</u>
Total current liabilities	<u>637,697</u>	<u>214,492</u>
LONG-TERM LIABILITIES		
Loan payable, net of current portion	105,751	-
Deferred rent, net of current portion	<u>252,350</u>	<u>282,996</u>
Total long-term liabilities	<u>358,101</u>	<u>282,996</u>
Total liabilities	<u>995,798</u>	<u>497,488</u>
NET ASSETS		
Without donor restrictions	1,651,082	1,209,155
With donor restrictions	<u>9,157,400</u>	<u>4,403,332</u>
Total net assets	<u>10,808,482</u>	<u>5,612,487</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,804,280</u>	<u>\$ 6,109,975</u>

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 582,575	\$ 9,126,348	\$ 9,708,923
In-kind contributions	1,772,203	-	1,772,203
Events	295,369	-	295,369
Investment income, net	13,077	37,500	50,577
Other income	49,437	-	49,437
Net assets released from donor restrictions	<u>4,409,780</u>	<u>(4,409,780)</u>	<u>-</u>
Total revenue and support	<u>7,122,441</u>	<u>4,754,068</u>	<u>11,876,509</u>
EXPENSES			
Program Services:			
Census	3,137,206	-	3,137,206
Community Partners	813,302	-	813,302
Immigration and Immigrant Rights	332,061	-	332,061
Litigation	314,906	-	314,906
Anti-Asian Violence and Race Relations	165,658	-	165,658
Direct Lobbying	12,101	-	12,101
Grassroots Lobbying	3,294	-	3,294
Media	163,270	-	163,270
Voting Rights	<u>804,927</u>	<u>-</u>	<u>804,927</u>
Total program services	<u>5,746,725</u>	<u>-</u>	<u>5,746,725</u>
Supporting Services:			
Management and General	455,649	-	455,649
Fundraising	<u>478,140</u>	<u>-</u>	<u>478,140</u>
Total supporting services	<u>933,789</u>	<u>-</u>	<u>933,789</u>
Total expenses	<u>6,680,514</u>	<u>-</u>	<u>6,680,514</u>
Changes in net assets	441,927	4,754,068	5,195,995
Net assets at beginning of year	<u>1,209,155</u>	<u>4,403,332</u>	<u>5,612,487</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,651,082</u>	<u>\$ 9,157,400</u>	<u>\$ 10,808,482</u>

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 251,348	\$ 2,443,590	\$ 2,694,938
Events	381,892	-	381,892
Investment income, net	14,136	94,772	108,908
Other income	37,784	-	37,784
Net assets released from donor restrictions	<u>2,706,292</u>	<u>(2,706,292)</u>	<u>-</u>
Total revenue and support	<u>3,391,452</u>	<u>(167,930)</u>	<u>3,223,522</u>
EXPENSES			
Program Services:			
Census	566,661	-	566,661
Community Partners	819,977	-	819,977
Immigration and Immigrant Rights	418,686	-	418,686
Litigation	264,346	-	264,346
Direct Lobbying	11,567	-	11,567
Grassroots Lobbying	909	-	909
Media	183,059	-	183,059
Voting Rights	<u>100,056</u>	<u>-</u>	<u>100,056</u>
Total program services	<u>2,365,261</u>	<u>-</u>	<u>2,365,261</u>
Supporting Services:			
Management and General	418,682	-	418,682
Fundraising	<u>508,111</u>	<u>-</u>	<u>508,111</u>
Total supporting services	<u>926,793</u>	<u>-</u>	<u>926,793</u>
Total expenses	<u>3,292,054</u>	<u>-</u>	<u>3,292,054</u>
Changes in net assets before other item	99,398	(167,930)	(68,532)
OTHER ITEM			
Litigation settlement income	<u>236,859</u>	<u>-</u>	<u>236,859</u>
Changes in net assets	336,257	(167,930)	168,327
Net assets at beginning of year	<u>872,898</u>	<u>4,571,262</u>	<u>5,444,160</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,209,155</u>	<u>\$ 4,403,332</u>	<u>\$ 5,612,487</u>

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services						
	Census	Community Partners	Immigration and Immigrant Rights	Litigation	Anti-Asian Violence and Race Relations	Direct Lobbying	Grassroots Lobbying
Base office and administrative operations	\$ 61,351	\$ 110,053	\$ 48,697	\$ 48,044	\$ 16,867	\$ 1,820	\$ 529
Conferences, meetings and travel	4,092	6,753	503	4,514	1,800	94	-
Grants	308,000	40,675	6,000	-	35,000	-	-
Other office and administrative expenses	6,659	37,958	4,995	4,461	323	227	6
Professional fees	2,493,112	20,884	4,038	27,094	21,743	75	18
Salaries and related expenses	263,992	596,979	267,828	230,793	89,925	9,885	2,741
TOTAL	\$ 3,137,206	\$ 813,302	\$ 332,061	\$ 314,906	\$ 165,658	\$ 12,101	\$ 3,294

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	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	\$ 24,982	\$ 17,495	\$ 329,838	\$ 46,202	\$ 57,334	\$ 103,536	\$ 433,374
Conferences, meetings and travel	660	2,584	21,000	89	48,739	48,828	69,828
Grants	-	392,000	781,675	-	-	-	781,675
Other office and administrative expenses	5,090	1,101	60,820	13,803	30,198	44,001	104,821
Professional fees	1,166	297,329	2,865,459	130,932	21,905	152,837	3,018,296
Salaries and related expenses	131,372	94,418	1,687,933	264,623	319,964	584,587	2,272,520
TOTAL	\$ 163,270	\$ 804,927	\$ 5,746,725	\$ 455,649	\$ 478,140	\$ 933,789	\$ 6,680,514

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services					
	Census	Community Partners	Immigration and Immigrant Rights	Litigation	Direct Lobbying	Grassroots Lobbying
Base office and administrative operations	\$ 68,622	\$ 114,603	\$ 52,396	\$ 43,773	\$ 1,756	\$ 143
Conferences, meetings and travel	15,599	94,472	9,982	10,887	418	-
Grants	73,000	-	2,500	-	-	-
Other office and administrative expenses	5,077	24,163	5,255	4,571	127	6
Professional fees	79,975	29,237	82,576	2,851	124	10
Salaries and related expenses	324,388	557,502	265,977	202,264	9,142	750
TOTAL	\$ 566,661	\$ 819,977	\$ 418,686	\$ 264,346	\$ 11,567	\$ 909

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	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	\$ 28,106	\$ 12,070	\$ 321,469	\$ 49,504	\$ 66,627	\$ 116,131	\$ 437,600
Conferences, meetings and travel	7,328	12,043	150,729	2,592	70,434	73,026	223,755
Grants	-	-	75,500	-	-	-	75,500
Other office and administrative expenses	2,330	1,456	42,985	12,534	27,785	40,319	83,304
Professional fees	2,026	11,804	208,603	98,010	34,614	132,624	341,227
Salaries and related expenses	143,269	62,683	1,565,975	256,042	308,651	564,693	2,130,668
TOTAL	\$ 183,059	\$ 100,056	\$ 2,365,261	\$ 418,682	\$ 508,111	\$ 926,793	\$ 3,292,054

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 5,195,995	\$ 168,327
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,887	2,887
Realized and unrealized gain	(18,904)	(80,333)
Discount on long-term contributions receivable	38,420	61,699
Decrease (increase) in:		
Contributions receivable	606,858	239,399
Pledges receivable	52,783	134,665
Prepaid expenses	14,549	(124)
Increase (decrease) in:		
Accounts payable and accrued liabilities	153,445	19,855
Deferred rent	<u>(18,693)</u>	<u>(11,154)</u>
Net cash provided by operating activities	<u>6,027,340</u>	<u>535,221</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,131,773)	(205,260)
Proceeds from sales of investments	<u>830,252</u>	<u>341,305</u>
Net cash (used) provided by investing activities	<u>(301,521)</u>	<u>136,045</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>363,558</u>	<u>-</u>
Net cash provided by financing activities	<u>363,558</u>	<u>-</u>
Net increase in cash and cash equivalents	6,089,377	671,266
Cash and cash equivalents at beginning of year	<u>2,267,991</u>	<u>1,596,725</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,357,368</u>	<u>\$ 2,267,991</u>

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Asian Americans Advancing Justice, Inc. - 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 of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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** - Net assets may be subject to donor-imposed stipulations that are more restrictive than AAJC mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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. Included in cash and cash equivalents is restricted cash totaling \$500,000 as of December 31, 2020 and 2019 and is 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.

Contributions and pledges receivable -

Contributions and pledges receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows.

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Contributions and pledges receivable (continued) -

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 contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. All receivables are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses, net of any investment fees, are included in investment income 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. 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.

Uncertain tax positions -

For the years ended December 31, 2020 and 2019, 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.

Events revenue -

Revenue received for events is recorded as revenue when the related event has occurred. The transaction price is determined based on cost and/or sales price. Revenue received in advance for events is recorded as deferred revenue within the Statements of Financial Position.

Contributions -

The majority of AAJC's revenue is received through contributions from organizations and other entities. Contributions are recognized in the appropriate category of net assets in the period received. AAJC performs an analysis of the individual contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

Contributions (continued) -

For contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions that are unconditional that have 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 restrictions in the accompanying financial statements. There were no unrecognized conditional awards as of December 31, 2020 and 2019.

Litigation settlement income -

Litigation settlement income is recognized upon settlement of the related litigation. Litigation settlement income totaled \$0 and \$236,859 during the years ended December 31, 2020 and 2019, respectively.

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.

In-kind contributions -

In-kind contributions consist of professional services. In-kind contributions are recorded at their fair value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to AAJC; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

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 AAJC 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.

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact AAJC's operations. The overall potential impact is unknown at this time.

New accounting pronouncements (not yet adopted) -

FASB issued ASU 2019-01, *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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

AAJC plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Certificates of deposit	\$ 735,141	\$ 452,076
Mutual funds	11,680	11,141
Common stocks	655,097	614,509
Limited partnerships	<u>-</u>	<u>3,767</u>
TOTAL INVESTMENTS	<u>\$ 1,401,918</u>	<u>\$ 1,081,493</u>

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

2. INVESTMENTS (Continued)

Included in investment income are the following as of December 31, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 36,199	\$ 32,970
Realized and unrealized gain	18,904	80,333
Investment expenses provided by external investment advisors	(4,526)	(4,395)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	\$ 50,577	\$ 108,908

3. CONTRIBUTIONS RECEIVABLE

As of December 31, 2020 and 2019, contributors to AAJC have made written promises to give, of which \$1,704,968 and \$2,388,666, remained due and outstanding, respectively. Contributions due in more than one year have been discounted using a rate of 5.50%, for the years ended December 31, 2020 and 2019, respectively.

Contributions are due as follows at December 31, 2020 and 2019:

	2020	2019
Less than one year	\$ 1,454,968	\$ 1,638,666
One-to-five years	250,000	750,000
Subtotal	1,704,968	2,388,666
Less: Allowance to discount balance to present value	(13,033)	(51,453)
CONTRIBUTIONS RECEIVABLE, NET	\$ 1,691,935	\$ 2,337,213

4. LOAN PAYABLE

On April 30, 2020, AAJC received loan proceeds in the amount of \$363,558 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. AAJC intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. AAJC intends to apply for forgiveness after completing the 24-week period. If forgiveness is granted, AAJC will record revenue from debt extinguishments during the period that forgiveness was approved.

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

Year Ending December 31,

2021	\$ 257,807
2022	105,751
	\$ 363,558

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

5. 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 AAJC. 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, 2020 and 2019, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

	2020	2019
Operating Reserve Fund	\$ 1,184,500	\$ 678,500

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
Civil Rights	\$ 8,021,240	\$ 3,615,903
Litigation Campaign	313,069	-
Immigration Rights	109,133	110,971
Accumulated investment earnings from endowment funds not yet authorized for spending	181,643	144,143
Endowments contributions 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	\$ 9,157,400	\$ 4,403,332

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:

	2020	2019
Purpose restrictions accomplished:		
Civil Rights	\$ 4,143,965	\$ 2,579,892
Immigration and Immigrant Rights	206,951	82,750
Litigation Campaign	58,864	43,650
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 4,409,780	\$ 2,706,292

7. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2020 and 2019, AAJC was the beneficiary of donated services which allowed AAJC to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the years ended December 31, 2020 and 2019.

	2020	2019
Donated Professional Fees	\$ 1,772,203	\$ -

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

7. IN-KIND CONTRIBUTIONS (Continued)

The following programs have benefited from these donated services:

	2020	2019
Census	\$ <u>1,772,203</u>	\$ <u>-</u>

8. 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, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 8,357,368	\$ 2,267,991
Investments	1,401,918	1,081,493
Contributions and pledges receivable	<u>1,968,163</u>	<u>2,666,224</u>
Subtotal financial assets available within one year	11,727,449	6,015,708
Less: Donor restricted funds	(9,157,400)	(4,403,332)
Less: Board designated funds	<u>(1,184,500)</u>	<u>(678,500)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>1,385,549</u>	\$ <u>933,876</u>

AAJC is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, AAJC must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of AAJC'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. Occasionally, the Board designates a portion of any operating surplus to its reserve, which was \$1,184,500 and \$678,500 as of December 31, 2020 and 2019, respectively. This fund established by the governing Board may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

9. LEASE COMMITMENT

During November 2015, AAJC entered into a ten year lease for office space at 1620 L Street, N.W., Washington, D.C. Monthly 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.

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.

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

9. LEASE COMMITMENT (Continued)

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

Year Ending December 31,

2021	\$	336,923
2022		344,529
2023		352,263
2024		360,183
2025		368,287
Thereafter		<u>281,904</u>
		<u>\$ 2,044,089</u>

Rent expense for the years ended December 31, 2020 and 2019 totaled \$339,754 and \$350,516, respectively, and is included in base office and administrative operations in the accompanying Statements of Functional Expenses.

As of December 31, 2020 and 2019, the deferred rent liability totaled \$282,996 and \$301,689, respectively.

10. 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, 2020 and 2019, contributions totaled \$48,348 and \$48,733, respectively.

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 is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, AAJC considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. AAJC has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

11. ENDOWMENT (Continued)

Additionally, in accordance with UPMIFA, AAJC 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, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 532,315	\$ 532,315
Accumulated investment earnings	<u>-</u>	<u>181,643</u>	<u>181,643</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 713,958</u>	<u>\$ 713,958</u>

Changes in endowment net assets for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ -</u>	<u>\$ 676,458</u>	<u>\$ 676,458</u>
Investment return:			
Net appreciation (realized and unrealized)	-	42,026	42,026
Investment fees	<u>-</u>	<u>(4,526)</u>	<u>(4,526)</u>
Total investment return	<u>-</u>	<u>37,500</u>	<u>37,500</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 713,958</u>	<u>\$ 713,958</u>

Endowment net asset composition by type of fund as of December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 532,315	\$ 532,315
Accumulated investment earnings	<u>-</u>	<u>144,143</u>	<u>144,143</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 676,458</u>	<u>\$ 676,458</u>

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

11. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 581,686	\$ 581,686
Investment return:			
Net appreciation (realized and unrealized)	-	99,167	99,167
Investment fees	-	(4,395)	(4,395)
Total investment return	-	94,772	94,772
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 676,458	\$ 676,458

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 a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur after the investment of new contributions for donor-restricted endowment funds and after continued appropriations for certain programs that were deemed prudent by the Board of Directors. As of December 31, 2020 and 2019, AAJC had no funds with deficiencies.

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.

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.

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019.

- *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.

The table below summarizes, by level within the fair value hierarchy, AAJC's investments as of December 31, 2020:

Asset Class:	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 735,141	\$ -	\$ 735,141
Mutual funds	11,680	-	-	11,680
Common stocks	<u>655,097</u>	<u>-</u>	<u>-</u>	<u>655,097</u>
TOTAL	<u>\$ 666,777</u>	<u>\$ 735,141</u>	<u>\$ -</u>	<u>\$ 1,401,918</u>

ASIAN AMERICANS ADVANCING JUSTICE, INC. - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

12. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, AAJC's investments as of December 31, 2019:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 452,076	\$ -	\$ 452,076
Mutual funds	11,141	-	-	11,141
Common stocks	614,509	-	-	614,509
Limited partnerships	<u>3,767</u>	<u>-</u>	<u>-</u>	<u>3,767</u>
TOTAL	<u>\$ 629,417</u>	<u>\$ 452,076</u>	<u>\$ -</u>	<u>\$ 1,081,493</u>

There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2020 and 2019. 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 6, 2021, the date the financial statements were issued.