

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statements of Financial Position, as of December 31, 2022 and 2021	4
EXHIBIT B - Statement of Activities and Changes in Net Assets, for the Year Ended December 31, 2022	5
EXHIBIT C - Statement of Activities and Changes in Net Assets, for the Year Ended December 31, 2021	6
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2022	7 - 8
EXHIBIT E - Statement of Functional Expenses, for the Year Ended December 31, 2021	9 - 10
EXHIBIT F - Statements of Cash Flows, for the Years Ended December 31, 2022 and 2021	11
NOTES TO FINANCIAL STATEMENTS	12 - 23



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Asian Americans Advancing Justice - AAJC (AAJC), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AAJC as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

May 1, 2023

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

		ASSETS	
		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	34,636,608	\$ 33,214,319
Investments		419,714	1,158,855
Contributions receivable		2,079,006	7,082,754
Pledges receivable		552,830	435,153
Prepaid expenses		<u>159,153</u>	<u>98,382</u>
Total current assets		<u>37,847,311</u>	<u>41,989,463</u>
FIXED ASSETS			
Furniture and equipment		41,491	56,798
Less: Accumulated depreciation		<u>(33,070)</u>	<u>(45,490)</u>
Net fixed assets		<u>8,421</u>	<u>11,308</u>
OTHER ASSETS			
Right of use asset		1,117,411	-
Investments - restricted		500,000	500,000
Contributions receivable, net of current portion		<u>1,143,803</u>	<u>222,153</u>
Total other assets		<u>2,761,214</u>	<u>722,153</u>
TOTAL ASSETS		<u>\$ 40,616,946</u>	<u>\$ 42,722,924</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Operating lease liability	\$	337,612	\$ -
Accounts payable and accrued liabilities		1,329,625	418,190
Grants payable		1,252,000	2,035,000
Deferred rent		<u>-</u>	<u>38,252</u>
Total current liabilities		<u>2,919,237</u>	<u>2,491,442</u>
LONG-TERM LIABILITIES			
Deferred rent, net of current portion		-	214,098
Operating lease liability, net		<u>963,113</u>	<u>-</u>
Total long-term liabilities		<u>963,113</u>	<u>214,098</u>
Total liabilities		<u>3,882,350</u>	<u>2,705,540</u>
NET ASSETS			
Without donor restrictions		17,655,099	16,169,895
With donor restrictions		<u>19,079,497</u>	<u>23,847,489</u>
Total net assets		<u>36,734,596</u>	<u>40,017,384</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 40,616,946</u>	<u>\$ 42,722,924</u>

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 2,247,645	\$ 8,092,415	\$ 10,340,060
Contributed services	3,229,357	-	3,229,357
Events	444,059	-	444,059
Investment income, net	282,285	(49,795)	232,490
Other income	120,605	-	120,605
Net assets released from donor restrictions	<u>12,810,612</u>	<u>(12,810,612)</u>	<u>-</u>
Total revenue and support	<u>19,134,563</u>	<u>(4,767,992)</u>	<u>14,366,571</u>
EXPENSES			
Program Services:			
Anti-Asian Violence and Race Relations	9,304,173	-	9,304,173
Community Partners	2,238,125	-	2,238,125
Voting Rights	938,153	-	938,153
Media	746,518	-	746,518
Immigration and Immigrant Rights	517,140	-	517,140
Asian American Education Project	504,993	-	504,993
Litigation	365,077	-	365,077
Census	219,712	-	219,712
Direct Lobbying	41,507	-	41,507
Grassroots Lobbying	<u>3,374</u>	<u>-</u>	<u>3,374</u>
Total program services	<u>14,878,772</u>	<u>-</u>	<u>14,878,772</u>
Supporting Services:			
Fundraising	754,388	-	754,388
Management and General	<u>758,788</u>	<u>-</u>	<u>758,788</u>
Total supporting services	<u>1,513,176</u>	<u>-</u>	<u>1,513,176</u>
Total expenses	<u>16,391,948</u>	<u>-</u>	<u>16,391,948</u>
Changes in net assets before other item	2,742,615	(4,767,992)	(2,025,377)
OTHER ITEM			
Transfer to Asian American Education Project	<u>(1,257,411)</u>	<u>-</u>	<u>(1,257,411)</u>
Changes in net assets	1,485,204	(4,767,992)	(3,282,788)
Net assets at beginning of year	<u>16,169,895</u>	<u>23,847,489</u>	<u>40,017,384</u>
NET ASSETS AT END OF YEAR	<u>\$ 17,655,099</u>	<u>\$ 19,079,497</u>	<u>\$ 36,734,596</u>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 13,999,235	\$ 24,440,217	\$ 38,439,452
Contributed services	5,315,111	-	5,315,111
Events	280,376	-	280,376
Other income	97,350	-	97,350
Investment income, net	34,552	51,696	86,248
Net assets released from donor restrictions	<u>9,801,824</u>	<u>(9,801,824)</u>	<u>-</u>
Total revenue and support	<u>29,528,448</u>	<u>14,690,089</u>	<u>44,218,537</u>
EXPENSES			
Program Services:			
Anti-Asian Violence and Race Relations	10,723,113	-	10,723,113
Community Partners	1,065,537	-	1,065,537
Voting Rights	679,405	-	679,405
Immigration and Immigrant Rights	465,065	-	465,065
Media	401,771	-	401,771
Asian American Education Project	321,979	-	321,979
Litigation	283,114	-	283,114
Census	130,435	-	130,435
Direct Lobbying	30,508	-	30,508
Grassroots Lobbying	<u>55</u>	<u>-</u>	<u>55</u>
Total program services	<u>14,100,982</u>	<u>-</u>	<u>14,100,982</u>
Supporting Services:			
Fundraising	742,736	-	742,736
Management and General	<u>529,475</u>	<u>-</u>	<u>529,475</u>
Total supporting services	<u>1,272,211</u>	<u>-</u>	<u>1,272,211</u>
Total expenses	<u>15,373,193</u>	<u>-</u>	<u>15,373,193</u>
Changes in net assets before other item	14,155,255	14,690,089	28,845,344
OTHER ITEM			
Extinguishment of debt	<u>363,558</u>	<u>-</u>	<u>363,558</u>
Changes in net assets	14,518,813	14,690,089	29,208,902
Net assets at beginning of year	<u>1,651,082</u>	<u>9,157,400</u>	<u>10,808,482</u>
NET ASSETS AT END OF YEAR	<u>\$ 16,169,895</u>	<u>\$ 23,847,489</u>	<u>\$ 40,017,384</u>

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services						
	Anti-Asian Violence and Race Relations	Community Partners	Voting Rights	Media	Immigration and Immigrant Rights	Asian American Education Project	Litigation
Grants	\$ 5,439,777	\$ 513,250	\$ 432,500	\$ 250,500	\$ -	\$ -	\$ -
Professional fees	3,308,258	151,941	360,798	71,407	95,484	468,229	22,780
Salaries and related expenses	475,699	1,304,541	117,266	353,720	362,510	13,231	288,040
Base office and administrative operations	52,148	163,806	19,018	39,381	39,254	1,801	40,890
Conferences, meetings and travel	22,937	44,070	709	9,759	13,044	11,801	9,005
Other office and administrative expenses	5,354	60,517	7,862	21,751	6,848	9,931	4,362
TOTAL	\$ 9,304,173	\$ 2,238,125	\$ 938,153	\$ 746,518	\$ 517,140	\$ 504,993	\$ 365,077

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services (Continued)			Supporting Services				
	Census	Direct Lobbying	Grassroots Lobbying	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Grants	\$ 31,500	\$ -	\$ -	\$ 6,667,527	\$ -	\$ -	\$ -	\$ 6,667,527
Professional fees	72,288	28,256	34	4,579,475	30,172	234,533	264,705	4,844,180
Salaries and related expenses	96,672	11,662	3,058	3,026,399	527,560	451,573	979,133	4,005,532
Base office and administrative operations	10,893	1,418	265	368,874	59,019	48,987	108,006	476,880
Conferences, meetings and travel	5,562	23	6	116,916	95,406	6,781	102,187	219,103
Other office and administrative expenses	2,797	148	11	119,581	42,231	16,914	59,145	178,726
TOTAL	\$ 219,712	\$ 41,507	\$ 3,374	\$ 14,878,772	\$ 754,388	\$ 758,788	\$ 1,513,176	\$ 16,391,948

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services						
	Anti-Asian Violence and Race Relations	Community Partners	Voting Rights	Immigration and Immigrant Rights	Media	Asian American Education Project	Litigation
Professional fees	\$ 5,398,037	\$ 27,039	\$ 92,256	\$ 24,900	\$ 161,818	\$ 254,874	\$ 3,033
Grants	4,985,400	24,825	452,600	-	1,500	-	-
Salaries and related expenses	288,839	853,911	114,007	372,206	202,847	54,424	226,278
Base office and administrative operations	44,147	126,680	18,134	56,816	32,094	11,033	39,387
Other office and administrative expenses	5,362	28,995	1,759	9,064	3,358	1,096	10,849
Conferences, meetings and travel	1,328	4,087	649	2,079	154	552	3,567
TOTAL	\$ 10,723,113	\$ 1,065,537	\$ 679,405	\$ 465,065	\$ 401,771	\$ 321,979	\$ 283,114

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services (Continued)			Supporting Services				
	Census	Direct Lobbying	Grassroots Lobbying	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Professional fees	\$ 16,354	\$ 2,588	\$ -	\$ 5,980,899	\$ 62,397	\$ 197,980	\$ 260,377	\$ 6,241,276
Grants	-	-	-	5,464,325	-	-	-	5,464,325
Salaries and related expenses	95,920	23,989	48	2,232,469	421,154	272,716	693,870	2,926,339
Base office and administrative operations	15,645	3,682	7	347,625	64,580	40,994	105,574	453,199
Other office and administrative expenses	2,192	243	-	62,918	122,842	15,929	138,771	201,689
Conferences, meetings and travel	324	6	-	12,746	71,763	1,856	73,619	86,365
TOTAL	\$ 130,435	\$ 30,508	\$ 55	\$ 14,100,982	\$ 742,736	\$ 529,475	\$ 1,272,211	\$ 15,373,193

ASIAN AMERICANS ADVANCING JUSTICE - AAJC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (3,282,788)	\$ 29,208,902
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,887	2,887
Realized and unrealized loss (gain)	66,223	(45,123)
Extinguishment of debt	-	(363,558)
Discount on long-term contributions receivable	(114,877)	5,813
Change in measurement of operating lease	183,314	-
Decrease (increase) in:		
Contributions receivable	4,196,975	(5,618,785)
Pledges receivable	(117,677)	(158,925)
Prepaid expenses	(60,771)	(35,746)
Increase (decrease) in:		
Accounts payable and accrued liabilities	911,435	68,946
Grants payable	(783,000)	2,035,000
Deferred rent	(252,350)	(30,646)
Net cash provided by operating activities	<u>749,371</u>	<u>25,068,765</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(885,347)	(408,611)
Proceeds from sales of investments	1,558,265	196,797
Net cash provided (used) by investing activities	<u>672,918</u>	<u>(211,814)</u>
Net increase in cash and cash equivalents	1,422,289	24,856,951
Cash and cash equivalents at beginning of year	<u>33,214,319</u>	<u>8,357,368</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 34,636,608</u>	<u>\$ 33,214,319</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Right-of Use-Asset	<u>\$ 1,402,353</u>	<u>\$ -</u>
Operating Lease Liability	<u>\$ 1,626,045</u>	<u>\$ -</u>

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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.

In 2021, AAJC agreed to serve as fiscal sponsor for Asian American Education Project (AAEP), which is co-directed by a former board member of AAJC. During the year ended December 31, 2022, AAEP was incorporated as a 501(c)(3) non-profit organization and at that time, AAJC released the balance of restricted contributions for AAEP totaling \$1,257,411 to the organization.

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.

New accounting pronouncements -

During the year ended December 31, 2022, AAJC adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

New accounting pronouncements (continued) -

The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

January 1 2022, AAJC adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosure of key information about leasing arrangements. AAJC applied the new standard at the date of initial application and also the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 8 for further details.

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.

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.

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 collectable. 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.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

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, 2022 and 2021, 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*.

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, 2022 and 2021.

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 -

Contributed services consist of professional services and are recognized at their estimated fair value if they require specialized skills that would need to be purchased if they were not contributed.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Contributed services (continued) -

Contributed professional services are valued at the estimated fair value based on their current rates for similar services. 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.

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 pronouncement (not yet adopted) -

ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for AAJC for the year ending December 31, 2023 but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

2. INVESTMENTS

Investments consisted of the following at December 31, 2022 and 2021:

	2022	2021
	Fair Value	Fair Value
Exchange traded funds	\$ 346,629	\$ -
Common stocks	319,681	713,591
Certificates of deposit	244,256	935,063
Mutual funds	9,148	10,201
TOTAL INVESTMENTS	\$ 919,714	\$ 1,658,855

Included in investments is the Ford Foundation Reserves restricted for use totaling \$500,000 as of December 31, 2022 and 2021.

Included in investment income are the following as of December 31, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 303,920	\$ 46,478
Realized and unrealized (loss) gain	(66,223)	45,123
Investment expenses provided by external investment advisors	(5,207)	(5,353)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	\$ 232,490	\$ 86,248

3. CONTRIBUTIONS RECEIVABLE

As of December 31, 2022 and 2021, contributors to AAJC have made written promises to give, of which \$3,344,906 and \$7,312,127, remained due and outstanding, respectively. Contributions due in more than one year have been discounted using rates of 7.50% and 3.25% for the years ended December 31, 2022 and 2021, respectively.

Contributions are due as follows at December 31, 2022 and 2021:

	2022	2021
Less than one year	\$ 2,079,006	\$ 7,082,754
One-to-five years	1,265,900	229,373
Subtotal	3,344,906	7,312,127
Less: Allowance to discount balance to present value	(122,097)	(7,220)
CONTRIBUTIONS RECEIVABLE, NET	\$ 3,222,809	\$ 7,304,907

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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 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 ten months of average operating costs, to be calculated each year after approval of the annual budget. As of December 31, 2022 and 2021, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

	2022	2021
Operating Reserve Fund	\$ <u>6,000,000</u>	\$ <u>2,645,500</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022 and 2021:

	2022	2021
Subject to expenditure for specified purpose:		
Civil Rights	\$ 16,707,221	\$ 15,847,038
Anti-Asian Violence	1,050,596	5,394,727
Litigation Campaign	600,111	596,964
Immigration Rights	5,710	30,804
Asian American Education Project	-	1,212,302
Accumulated investment earnings from endowment funds not yet authorized for spending	183,544	233,339
Endowments contributions to be invested in perpetuity:		
Ford Foundation Operating Reserves	500,000	500,000
Joyce Chiang Memorial Scholarship Fund	<u>32,315</u>	<u>32,315</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>19,079,497</u>	\$ <u>23,847,489</u>

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:

	2022	2021
Purpose restrictions accomplished:		
Civil Rights	\$ 6,661,314	\$ 4,671,258
Anti-Asian Violence	4,366,902	4,715,590
Asian American Education Project	1,757,302	332,736
Immigration and Immigrant Rights	<u>25,094</u>	<u>82,240</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>12,810,612</u>	\$ <u>9,801,824</u>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

6. CONTRIBUTED SERVICES

During the year ended December 31, 2021 and 2021, AAJC was the beneficiary of contributed services, which allowed AAJC to provide greater resources toward various programs. There were no donor-imposed restrictions associated with the contribution services during the years ended December 31, 2022 and 2021.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the years ended December 31, 2022 and 2021.

	2022	2021
Professional Fees	\$ <u>3,229,357</u>	\$ <u>5,315,111</u>

The following programs have benefited from these donated services:

	2022	2021
Anti-Asian Violence and Race Relations	\$ <u>3,229,357</u>	\$ <u>5,315,111</u>

7. 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, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 34,636,608	\$ 33,214,319
Investments	919,714	1,658,855
Contributions and pledges receivable	<u>3,775,639</u>	<u>7,740,060</u>
Subtotal financial assets available within one year	39,331,961	42,613,234
Less: Donor restricted funds	(19,079,497)	(23,847,489)
Less: Board designated funds	<u>(6,000,000)</u>	<u>(2,645,500)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR \$ 14,252,464 \$ 16,120,245**

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 \$6,000,000 and \$2,645,500 as of December 31, 2022 and 2021, 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.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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. 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.

Effective January 1 2022, AAJC adopted ASU 2019-01, *Leases* (Topic 842). AAJC elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. AAJC also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. AAJC adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, AAJC recorded an operating lease right-of-use asset totaling \$1,402,353 and an operating lease liability totaling \$1,626,045 at January 1, 2022. These implementation date amounts were determined by calculating the present value of all future rentals using an incremental borrowing rate of 1.37% as the discount rate.

The operating lease right-of-use asset totaled \$1,117,411 as of December 31, 2022 and the operating lease liability totaled \$1,300,725 as of December 31, 2022.

Lease cost for the office lease, including costs passed-through as occupancy expenses, totaled \$349,149 and \$346,956 for the years ended December 31, 2022 and 2021, respectively. These costs are included in base office and administrative operation expenses on the the Statement of Functional Expenses.

The following is a schedule of the future minimum lease payments due under the operating leases, net of imputed interest:

<u>Year Ending December 31,</u>		
2023	\$	354,020
2024		360,457
2025		368,563
2026		<u>250,298</u>
		1,333,338
Less: imputed interest		<u>(34,095)</u>
		1,299,243
Less: Current portion		<u>(337,612)</u>
LONG-TERM PORTION	\$	<u>963,113</u>

9. PENSION PLAN

AAJC maintains an IRC Section 403(b) retirement plan (the Plan) allowing employees to elect to defer compensation up to the maximum allowed under IRS regulations. Prior to January 1, 2022, after one year of employment, AAJC contributed 3% of an employee's annual salary into the Plan.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

9. PENSION PLAN (Continued)

Beginning January 1, 2022, AAJC amended the Plan to make employer contributions following a tiered structure, contributing from 3% to 7% determined by an employee's staff level and years of service. For the years ended December 31, 2022 and 2021, contributions totaled \$105,194 and \$48,700, respectively.

10. 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 appropriate 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.

Additionally, in accordance with UPMIFA, AAJC considers the following factors in making a determination to appropriated 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, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
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>183,544</u>	<u>183,544</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 715,859</u>	<u>\$ 715,859</u>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

10. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 765,654	\$ 765,654
Investment return:			
Net appreciation (realized and unrealized)	-	(44,588)	(44,588)
Investment fees	-	(5,207)	(5,207)
Total investment return	-	(49,795)	(49,795)
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 715,859	\$ 715,859

Endowment net asset composition by type of fund as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 532,315	\$ 532,315
Accumulated investment earnings	-	233,339	233,339
TOTAL ENDOWMENT FUNDS	\$ -	\$ 765,654	\$ 765,654

Changes in endowment net assets for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 713,958	\$ 713,958
Investment return:			
Net appreciation (realized and unrealized)	-	57,049	57,049
Investment fees	-	(5,353)	(5,353)
Total investment return	-	51,696	51,696
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 765,654	\$ 765,654

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, 2022 and 2021, AAJC had no funds with deficiencies.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

10. ENDOWMENT (Continued)

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.

11. 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.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

11. FAIR VALUE MEASUREMENT (Continued)

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, 2022 and 2021.

- *Exchange Traded Funds* - Valued at the daily closing price as reported by the fund. Funds held by AAJC are open-end and are registered with the SEC. These funds are required to publish their daily value and to transact at that price and 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.
- *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.

The table below summarizes, by level within the fair value hierarchy, AAJC's investments as of December 31, 2022:

Asset Class	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 346,629	\$ -	\$ -	\$ 346,629
Common stocks	319,681	-	-	319,681
Certificates of deposit	-	244,256	-	244,256
Mutual funds	<u>9,148</u>	<u>-</u>	<u>-</u>	<u>9,148</u>
TOTAL	<u>\$ 675,458</u>	<u>\$ 244,256</u>	<u>\$ -</u>	<u>\$ 919,714</u>

The table below summarizes, by level within the fair value hierarchy, AAJC's investments as of December 31, 2021:

Asset Class	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 935,063	\$ -	\$ 935,063
Common stocks	713,591	-	-	713,591
Mutual funds	<u>10,201</u>	<u>-</u>	<u>-</u>	<u>10,201</u>
TOTAL	<u>\$ 723,792</u>	<u>\$ 935,063</u>	<u>\$ -</u>	<u>\$ 1,658,855</u>

There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2022 and 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

12. SUBSEQUENT EVENTS

In preparing these financial statements, AAJC has evaluated events and transactions for potential recognition or disclosure through May 1, 2023, the date the financial statements were issued.