



**ALLIANCE FOR JUSTICE**

FINANCIAL STATEMENTS

DECEMBER 31, 2022





# ALLIANCE FOR JUSTICE

## FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

### CONTENTS

	PAGE
Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10





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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Alliance for Justice

### Opinion

We have audited the accompanying financial statements of Alliance for Justice (AFJ), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alliance for Justice as of December 31, 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 AFJ and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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





## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

*Calibre CPA Group, PLLC*

Bethesda, MD  
November 16, 2023

## ALLIANCE FOR JUSTICE

### STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,307,009	\$ 7,087,244
Accounts receivable net of allowance of \$1,000 at December 31, 2022 and 2021, respectively	214,176	21,718
Interest receivable	15,517	12,673
Contributions receivable	-	111,880
Grants receivable, current	2,293,300	580,862
Due from affiliates	266,326	35,963
Prepaid expenses	95,000	38,346
Total current assets	8,191,328	7,888,686
<b>Net property and equipment</b>		
Furniture and fixtures	632,036	572,209
Leasehold improvements	1,051,677	1,051,677
Less: accumulated depreciation	(1,031,605)	(885,525)
Net property and equipment	652,108	738,361
<b>Other assets</b>		
Grants receivable, net of current portion and discount	3,510,356	-
Investments	6,557,614	7,507,192
Right-of-use asset - operating lease	4,377,304	-
Security deposits	70,505	70,505
Total other assets	14,515,779	7,577,697
Total assets	\$ 23,359,215	\$ 16,204,744

See accompanying notes to financial statements.

## ALLIANCE FOR JUSTICE

### STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2022 AND 2021

	2022	2021
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 341,906	\$ 153,043
Accrued salaries and benefits	244,054	159,059
Deferred revenue	29,747	72,674
Refundable advance (PPP loan)	-	565,960
Deferred rent - current portion	-	35,216
Deferred lease incentive, current portion	-	97,518
Total current liabilities	615,707	1,083,470
<b>Other liabilities</b>		
Lease liability - operating	5,771,555	-
Deferred rent - long term	-	768,510
Deferred lease incentive - long term	-	625,742
Total other liabilities	5,771,555	1,394,252
Total liabilities	6,387,262	2,477,722
<b>Net assets</b>		
Without donor restrictions	9,473,012	11,223,385
With donor restrictions	7,498,941	2,503,637
Total net assets	16,971,953	13,727,022
Total liabilities and net assets	\$ 23,359,215	\$ 16,204,744

See accompanying notes to financial statements.

## ALLIANCE FOR JUSTICE

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>			
Grants	\$ 2,820,960	\$ 7,364,856	\$ 10,185,816
Contributions	1,000,715	14,998	1,015,713
Events, net of direct expenses	(92,977)	-	(92,977)
Contract revenue	623,009	-	623,009
Membership dues	177,223	-	177,223
Rental income	72,741	-	72,741
Other revenue	200	-	200
Investment income, net of investment expense	(992,614)	-	(992,614)
Net assets released from restrictions, satisfaction of program restrictions	<u>2,384,550</u>	<u>(2,384,550)</u>	<u>-</u>
Total revenue	<u>5,993,807</u>	<u>4,995,304</u>	<u>10,989,111</u>
<b>Expenses</b>			
Program expenses			
Justice	1,462,889	-	1,462,889
Membership and Outreach	441,445	-	441,445
Bolder Advocacy	2,544,428	-	2,544,428
Communications	<u>808,299</u>	<u>-</u>	<u>808,299</u>
Total program expenses	<u>5,257,061</u>	<u>-</u>	<u>5,257,061</u>
Support expenses			
Management and general	1,794,298	-	1,794,298
Fundraising	<u>692,821</u>	<u>-</u>	<u>692,821</u>
Total support expenses	<u>2,487,119</u>	<u>-</u>	<u>2,487,119</u>
Total expenses	<u>7,744,180</u>	<u>-</u>	<u>7,744,180</u>
<b>Change in net assets</b>	(1,750,373)	4,995,304	3,244,931
<b>Net assets</b>			
Beginning of year	<u>11,223,385</u>	<u>2,503,637</u>	<u>13,727,022</u>
End of year	<u>\$ 9,473,012</u>	<u>\$ 7,498,941</u>	<u>\$ 16,971,953</u>

See accompanying notes to financial statements.

## ALLIANCE FOR JUSTICE

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2021

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

See accompanying notes to financial statements.



# ALLIANCE FOR JUSTICE

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Justice	Program Services			Supporting Services		Total
		Membership and Outreach	Bolder Advocacy	Communications	Management and General	Fundraising	
Salaries, benefits and payroll taxes	\$ 704,203	\$ 341,780	\$ 1,738,352	\$ 527,848	\$ 1,251,641	\$ 514,691	\$ 5,078,515
Digital media	557	214	1,500	471	1,157	386	4,285
Books and periodicals	16,893	5,236	22,553	545	4,935	492	50,654
Consultants	58,776	11,954	360,582	108,262	197,548	23,231	760,353
Grants and awards	450,255	3,450	2,500	500	456,705	-	456,705
Travel	4,569	6,490	36,567	3,883	34,898	14,746	101,153
Meetings and conferences	15,178	-	-	-	-	-	15,178
Accounting and bookkeeping	9,607	3,528	24,694	7,761	21,960	6,350	73,900
Bank charges	-	-	-	6,009	13,265	-	19,274
Bad debts	-	-	50	-	-	-	50
Recruiting and hiring	5,496	5,068	9,535	3,365	5,572	1,857	30,893
Dues and licenses	6,286	1,053	12,128	11,982	5,971	2,021	39,441
Equipment rental	1,833	705	4,935	1,551	3,807	1,269	14,100
Insurance	362	139	4,716	306	753	250	6,526
Office supplies	2,953	818	7,410	4,047	5,432	2,146	22,806
Postage and delivery	154	59	1,922	179	320	1,050	3,684
Rent and utilities	145,768	45,749	229,613	118,257	166,241	99,965	805,593
Repairs and maintenance	406	156	1,094	344	845	281	3,126
Staff development	2,334	1,925	12,009	349	14,099	5,480	36,196
Depreciation and amortization	18,830	7,242	50,696	5,800	50,477	13,036	146,081
Miscellaneous	18,429	5,879	23,572	6,840	15,377	5,570	75,667
<b>Totals</b>	<b>\$ 1,462,889</b>	<b>\$ 441,445</b>	<b>\$ 2,544,428</b>	<b>\$ 808,299</b>	<b>\$ 1,794,298</b>	<b>\$ 692,821</b>	<b>\$ 7,744,180</b>

See accompanying notes to financial statements.

# ALLIANCE FOR JUSTICE

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Justice	Program Services			Supporting Services		Total
		Membership and Outreach	Bolder Advocacy	Total	Management and General	Fundraising	
Salaries, benefits and payroll taxes	\$ 623,874	\$ 127,072	\$ 1,765,757	\$ 2,516,703	\$ 603,232	\$ 359,560	\$ 3,479,495
Digital media	1,289	267	3,636	5,192	1,623	818	7,633
Books and periodicals	24,639	314	27,974	52,927	1,782	1,003	55,712
Consultants	43,963	18,041	267,957	329,961	34,453	14,168	378,582
Grants and awards	223,192	7,551	149,625	380,368	-	-	380,368
Travel	2,287	290	6,746	9,323	1,633	1,361	12,317
Meetings and conferences	3,343	832	10,218	14,393	3,285	1,937	19,615
Accounting and bookkeeping	13,474	2,203	39,848	55,525	11,655	6,975	74,155
Bank charges	3,251	641	9,646	13,538	3,213	1,845	18,596
Recruiting and hiring	38,803	5,956	104,761	149,520	34,730	24,625	208,875
Dues and licenses	2,101	415	6,829	9,345	2,463	1,270	13,078
Equipment rental	3,668	765	11,078	15,511	3,546	2,210	21,267
Insurance	745	121	6,374	7,240	605	395	8,240
Office supplies	1,153	200	3,402	4,755	5,916	741	11,412
Postage and delivery	570	119	1,511	2,200	666	340	3,206
Rent and utilities	145,158	29,566	410,842	585,566	140,355	83,660	809,581
Repairs and maintenance	6,635	1,456	19,423	27,514	6,407	4,036	37,957
Staff development	164	23	478	665	174	835	1,674
Contributed legal services	465,000	-	181,831	646,831	-	-	646,831
Depreciation and amortization	24,712	5,033	69,941	99,686	23,895	14,241	137,822
Miscellaneous	2,255	465	5,775	8,495	2,285	1,435	12,215
<b>Totals</b>	<b>\$ 1,630,276</b>	<b>\$ 201,330</b>	<b>\$ 3,103,652</b>	<b>\$ 4,935,258</b>	<b>\$ 881,918</b>	<b>\$ 521,455</b>	<b>\$ 6,338,631</b>

See accompanying notes to financial statements.

# ALLIANCE FOR JUSTICE

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,244,931	\$ 1,835,409
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	146,081	137,822
Amortization of deferred lease incentive	-	(97,519)
Depreciation (appreciation) in investments	1,102,535	(1,024,818)
Donated securities	(206,652)	(252,894)
Sale of donated securities	205,370	252,850
Change in assets and liabilities		
Accounts receivable	(192,458)	6,251
Interest receivable	(2,844)	19,122
Contributions receivable	111,880	835
Grants receivable	(5,222,794)	1,116,888
Due from affiliates	(230,363)	44,288
Prepaid expenses	(56,654)	8,139
Accounts payable and accrued expenses	188,863	98,848
Accrued leave payable	84,995	(30,922)
Deferred revenue	(42,927)	22,174
Right-of-use asset/liability	(1,394,251)	-
Deferred rent and leasehold incentives	695,556	(14,096)
Net cash provided by (used for) operating activities	<u>(1,568,732)</u>	<u>2,122,377</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(59,828)	(15,327)
Purchase of investments	(883,724)	(2,022,591)
Proceeds from sale of investments	732,049	2,124,123
Net cash provided by (used for) investing activities	<u>(211,503)</u>	<u>86,205</u>
<b>Cash flows from financing activities</b>		
Proceeds from Paycheck Protection Program loan	-	565,960
<b>Net change in cash and cash equivalents</b>	(1,780,235)	2,774,542
<b>Cash and cash equivalents</b>		
Beginning of year	<u>7,087,244</u>	<u>4,312,702</u>
End of year	<u>\$ 5,307,009</u>	<u>\$ 7,087,244</u>

See accompanying notes to financial statements.



## ALLIANCE FOR JUSTICE

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

#### NOTE 1. ORGANIZATION AND PROGRAMS

**Organization** - Alliance for Justice (AFJ) is incorporated under the laws of the District of Columbia as a not-for-profit, non-stock corporation. AFJ has been organized to operate exclusively for charitable and educational purposes and, in particular, to ensure that all Americans have the right to secure justice in the courts and to have their voices heard when government makes decisions that affect their lives. The main programs undertaken by AFJ are:

*Bolder Advocacy* - Bolder Advocacy (BA) promotes active engagement in the democratic process by providing nonprofits and foundations with the knowledge and confidence to advocate efficiently and effectively. For over 20 years, BA has offered a comprehensive program of thought-leadership, workshops, technical assistance, publications, and educational events to help nonprofits cost-effectively navigate the 501(c)(3) and (c)(4) rules and be more effective advocates for their communities. Through lobbying, regulatory efforts, and candidate education, BA strengthens the ability of thousands of nonprofit staff members and trustees to advocate confidently.

*Justice* - Through the various initiatives under Justice, AFJ works to ensure that the Nation's courts are staffed with highly-qualified, fair, and independent judges who will safeguard the rights of all. Our Judicial Nominations Project works to research nominees to the federal bench, providing detailed information to Congress, the media, and the public and educates the public about the importance and role of the federal courts. Our Building the Bench Project promotes the identification of professionally and demographically diverse and highly-qualified individuals for federal judgeships and AFJ's Access to Justice work protects and promotes the value of a vigorous civil justice system and monitors and exposes threats to the rule of law through rigorous research, comprehensive written reports and publications and information for the public.

*Membership and Outreach* - AFJ's Membership and Outreach manages the engagement and growth of its membership program of over 120 civil rights and public interest organizations and leads strategies elevating the importance of the courts through public education and mobilization; engaging AFJ's national network of member organizations, progressive groups, legal communities, and political influencers; and expanding the reach of Justice and Bolder Advocacy resources to arm partners, grassroots advocates, and diverse constituencies with the tools to advocate for a democracy that protects our constitutional rights.

*Communication* - AFJ's communications department is in the unique position of interfacing with all departments and providing both internal and external communications to a variety of audiences. The communications team is responsible for



## NOTE 1. ORGANIZATION AND PROGRAMS (CONTINUED)

sharing information with the public through our website; and traditional media, including press releases, statements, and blogs. AFJ also creates videos, graphics, and content that is shared through numerous digital media channels. AFJ's communications creates content and executes the sending of four regularly scheduled board emails, as well as petitions to drive action.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - AFJ prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

**Financial Statement Presentation** - The financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, AFJ is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* - These net assets are available to finance the general operations of AFJ. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of AFJ, the environment in which it operates, and the purposes specified in its organizing documents.

*Net assets with donor restrictions* - These net assets result from contributions and other inflows of assets, the use of which by AFJ is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual. AFJ had no perpetually restricted net assets with donor restrictions as of December 31, 2022 and 2021. Note 8 details the changes in net assets with donor restrictions that were temporarily restricted as of December 31, 2022 and 2021.

**Revenue Recognition** - Revenue is derived from both exchange transactions and contribution transactions. Revenue from exchange transactions is recognized when control of promised goods or services is transferred to our members and customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Except for goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time. Payments are generally required in advance and are reported as deferred revenue until the related revenue is recognized. Unconditional contributions are recognized upon receipt of cash or other assets, or when a donor promises to transfer cash or other assets in the future. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been substantially met.



## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Grants* - Most grant agreements are accounted for as contribution transactions. When an agreement includes both a barrier and either a right of return of assets to the resource provider or a right of release from obligation by the resource provider, the contribution is considered to be conditional. Amounts received under conditional transfers are reported as a liability (refundable advance) and recognized as contribution revenue only when the conditions are met.

*Contributions* - Contributions received are reported as increases in net assets without donor restrictions unless received with donor stipulations that require the assets be used for specific purposes or in specific time periods. All donor-restricted contributions are reported as an increase in net assets with donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

*Events* - Events revenue is comprised of an exchange element based on the fair value of direct benefits provided to donors, and a contribution element for the difference. The exchange element is recognized when the special event takes place. The contribution element is recognized immediately, unless there is a right of return if the special event does not take place, in which case the contribution element is recognized when the special event takes place.

*Contract Revenue* - Contract revenue arises from a service and consulting agreements entered into with customers. Revenue from these agreements is recognized when the service is provided.

*Membership Dues* - Membership dues entitle members to a bundle of goods and services that are considered a single performance obligation and the related revenue is recognized ratably over the membership period. Membership dues payments are required in advance and amounts not yet recognized as revenue are deferred to the applicable membership period.

*Donated Services* - Donated services are recognized if they create or enhance a nonfinancial asset, or if the services require specialized skills, are provided by individuals possessing those skills, and would have to be purchased if they were not contributed to us. Contribution revenue is recognized at the fair value of the nonfinancial asset created or enhanced, or at the fair value of the donated services, whichever is applicable. Revenue from donated services is included in contributions on the statements of activities.

**Cash and Cash Equivalents** - Cash and cash equivalents consist of amounts available for immediate withdrawal from bank accounts and all highly liquid monetary instruments whose maturity dates do not extend past three months.



## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Contributions, Grants, Accounts Receivable and Allowance for Doubtful Accounts** - All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional contributions and grants are recognized as revenue in the period the pledge is received. Conditional contributions and grants are recognized when the conditions on which they depend are substantially met. All contributions and grants receivable are expected to be collected.

**Property and Equipment** - AFJ capitalizes fixed assets with an original cost of \$2,500 or more. Leasehold improvements and furniture and equipment are recorded at cost. Donated equipment is reflected in the accompanying financial statements at its estimated value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the lease or the useful life of the asset.

**Investments** - Investments are recorded at market value. Unrealized gains and losses are included in investment income in the statements of activities and changes in net assets.

**Deferred Revenue** - Deferred revenue represents payments received for services that have not yet been performed or for membership for the upcoming year.

**Leases** - In its statements of financial position, AFJ records a right-of-use asset and lease liability, initially measured at the present value of total lease payments using a risk-free rate that approximates the remaining term of the lease. AFJ considers the likelihood of exercising renewal or termination clauses (if any) in measuring its right-of-use assets and lease liabilities. A single lease cost calculated so that the cost of the lease is allocated over the lease term on straight-line basis. Short-term leases (those with an initial term of twelve months or less and no purchase option) are expensed over their terms, with no corresponding right-of-use asset or lease liability recorded. AFJ does not separate non-lease components (if any) from lease components in determining the lease payments for leases of office equipment.

**Functional Allocation of Expenditures** - The costs of providing various programs and other activities of AFJ have been summarized on a functional basis in the accompanying financial statements. Costs that can be identified with a particular program or support function are charged directly to that program or function. Salaries and related costs and other allocable costs have been allocated among the programs and supporting services based upon management's best estimates of the proportion of these costs applicable to each program.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**New Accounting Pronouncement Adopted** - During the year ended December 31, 2022, AFJ adopted the provisions of Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This guidance is intended to increase transparency and comparability among lessees by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 requires lessees to report a right-of-use asset along with a lease liability.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842). The standard requires lessees to recognize the assets and liabilities that arise from leases in the statement of financial position/net assets available for benefits. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842) – *Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of net assets/net assets available for benefits in the period of adoption. AFJ adopted ASU 2016-02 and its related amendments as of January 1, 2022, which resulted in the recognition of operating assets totaling \$5,008,415, as well as operating lease liabilities totaling \$6,535,402. AFJ elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts or disclosures. The related policy elections made by AFJ can be found above in Note 2 and the additional lease disclosures can be found in Note 10. There was no cumulative effect adjustment to the opening balance of net assets/net assets available for benefits required.

AFJ elected to apply all practical expedients available under the ASU, allowing it to 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; 3) not reassess initial direct costs for any existing leases; and 4) risk-free interest rate for all underlying assets. AFJ also elected to apply the practical expedient to use hindsight in determining the lease term which in the year of implementation AFJ has determined to be the remaining lease term.

## NOTE 3. INCOME TAXES

**Income Taxes** - The Internal Revenue Service has determined that AFJ is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. AFJ did not engage in activities which might give rise to income tax during 2022 or 2021. Accordingly, no provision for income tax is made in the accompanying financial statements.

AFJ accounts for uncertainties in income taxes recognized under a prescribed threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in a tax return.



### NOTE 3. INCOME TAXES (CONTINUED)

AFJ performed an evaluation of uncertain tax positions for the year ended December 31, 2022, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of December 31, 2022, the statute of limitations for tax years 2019 through 2021 remains open with the U.S. Federal jurisdiction and the state and local jurisdictions in which AFJ files returns.

### NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of AFJ's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The table below represents AFJ's financial assets available to meet cash needs for general expenditures within one year of December 31, 2022 and 2021.

	2022	2021
Total assets at end of year	\$ 23,359,215	\$ 16,204,744
Less: nonfinancial assets		
Prepaid expenses	(95,000)	(38,346)
Security deposit	(70,505)	(70,505)
Right-of-use asset - operating lease	(4,377,304)	-
Net property and equipment	(652,108)	(738,361)
Total financial assets at end of year	(5,194,917)	(847,212)
Less: amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	(7,498,941)	(2,503,637)
Total financial assets available for general expenditures within one year	\$ 10,665,357	\$ 12,853,895

### NOTE 5. GRANTS RECEIVABLE

Grants receivable due within one year or less are reported as current assets. Grants receivable that are due after one year are reported at their net present value in other assets. Grants receivable at December 31, 2022 and 2021 are as follows:

	2022	2021
Receivable in less than one year	\$ 2,293,300	\$ 580,862
Receivable in one to five years	3,535,000	-
	5,828,300	580,862
Less: discounts to net present value	(24,644)	-
Total	\$ 5,803,656	\$ 580,862

The discount rate used on long-term promises to give was between 0.40% and 1.04% at December 31, 2022.

## NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

	2022		2021	
	Cost Basis	Fair Market Value	Cost Basis	Fair Market Value
Equity securities	\$ 3,220,848	\$ 4,083,278	\$ 2,997,363	\$ 4,785,457
Fixed income debt securities	1,101,168	1,044,830	1,180,258	1,227,882
Mutual funds - fixed income	443,917	375,483	372,675	386,318
Mutual funds - equity	674,045	551,467	591,105	605,029
Certificates of deposit	502,556	502,556	502,506	502,506
	<u>\$ 5,942,534</u>	<u>\$ 6,557,614</u>	<u>\$ 5,643,907</u>	<u>\$ 7,507,192</u>

Accounting standards provide the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that AFJ has the ability to access.
- Level 2 Inputs to the valuation methodology include other significant observable inputs including:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

## NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, AFJ's assets and liabilities at fair value as of December 31, 2022 and 2021:

Description	December 31, 2022 Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Equity securities	\$ 4,083,278	\$ 4,083,278	\$ -	\$ -
Fixed income debt securities	1,044,830	-	1,044,830	-
Mutual funds - fixed income	375,483	375,483	-	-
Mutual funds - equity	551,467	551,467	-	-
Certificates of deposit	<u>502,556</u>	<u>502,556</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,557,614</u>	<u>\$ 5,512,784</u>	<u>\$ 1,044,830</u>	<u>\$ -</u>
<b>Assets</b>				
Description	December 31, 2021 Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Equity securities	\$ 4,785,457	\$ 4,785,457	\$ -	\$ -
Fixed income debt securities	1,227,882	-	1,227,882	-
Mutual funds - fixed income	386,318	386,318	-	-
Mutual funds - equity	605,029	605,029	-	-
Certificates of deposit	<u>502,506</u>	<u>502,506</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,507,192</u>	<u>\$ 6,279,310</u>	<u>\$ 1,227,882</u>	<u>\$ -</u>

Following are the descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2022 and 2021.

Equity securities and mutual funds are valued using quoted prices of identical investments on the active markets they are traded on.

Certificates of deposit are valued at amortized cost which approximates fair value.

The fair value of fixed income debt securities was estimated using pricing models maximizing the use of observable inputs for similar securities. This included basing values on yields available on comparable securities of issuers with similar credit ratings.

The asset's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to their fair value measurement. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while AFJ believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## NOTE 7. CONTRACT BALANCES

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities reported in the statements of financial position. Contract assets consist entirely of accounts receivable, which are recognized only to the extent that it is probable that the AFJ will collect substantially all of the consideration to which it is entitled in exchange for the goods or services that will be or have been transferred. Contract liabilities consist entirely of deferred revenue that results when the AFJ receives advance payments from our customers before revenue is recognized.

Balances in these accounts as of the beginning and end of the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Membership dues receivable	\$ 500	\$ 4,500	\$ 13,969
Contract service receivable	<u>213,676</u>	<u>17,218</u>	<u>14,000</u>
	<u>\$ 214,176</u>	<u>\$ 21,718</u>	<u>\$ 27,969</u>
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Membership dues - deferred	<u>\$ 29,747</u>	<u>\$ 72,674</u>	<u>\$ 50,500</u>

## NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

A summary of temporarily restricted net assets with donor restrictions that are available for use for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Time restricted	<u>\$ 4,667,109</u>	<u>\$ 169,232</u>
Purpose restricted		
Bolder Advocacy	2,409,749	1,356,137
Justice	422,083	782,417
COVID	-	-
Institutional Strengthening	<u>-</u>	<u>195,851</u>
Total purpose restricted	<u>2,831,832</u>	<u>2,334,405</u>
Total	<u>\$ 7,498,941</u>	<u>\$ 2,503,637</u>

## NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

A summary of net assets released from donor restrictions for the years ended December 31, 2022 and 2021 was as follows:

	2022	2021
Time restricted	<u>\$ 117,478</u>	<u>\$ 924,800</u>
Purpose restricted		
Bolder Advocacy	1,180,888	1,586,488
Justice	890,333	586,025
COVID	-	100,000
Institutional Strengthening	<u>195,851</u>	<u>272,557</u>
Total purpose restricted	<u>2,267,072</u>	<u>2,545,070</u>
Total	<u>\$ 2,384,550</u>	<u>\$ 3,469,870</u>

## NOTE 9. RETIREMENT PLANS

AFJ maintains a 401(k) profit-sharing plan for all eligible employees. Employees may elect to contribute in accordance with Internal Revenue Service regulations. Although AFJ is not required to make contributions, it is AFJ's practice to make contributions up to 5% of compensation for each eligible participant. For the years ended December 31, 2022 and 2021, AFJ's contribution to the plan amounted to \$155,129 and \$144,258, respectively.

## NOTE 10. OPERATING LEASES

During the year ended December 31, 2017, AFJ negotiated a lease, effective January 2018, for office space in the District of Columbia under a non-cancelable agreement. This lease extended the previous lease for one hundred thirty-seven months and included a landlord provided improvement allowance and rent abatement.

AFJ has elected to use the risk-free rate as the discount rate of the lease. The rates are determined at the commencement date for the period comparable with that of the lease term. AFJ used the risk-free discount rate of 1.63% for the operating lease.

The maturity of the lease liability under AFJ's operating lease as of December 31, 2022 is as follows:

Year Ending December 31, 2023	\$ 886,356
2024	908,580
2025	931,356
2026	954,684
2027	978,564
2028 and thereafter	1,431,381
Less: effects of discounting	<u>(319,366)</u>
Lease liability recognized	<u>\$ 5,771,555</u>



## **NOTE 10. OPERATING LEASES (CONTINUED)**

Operating lease expense for office space for 2022 and 2021, was \$864,682 and \$845,225, respectively. The remaining lease term as of December 31, 2022, is 77 months. AFJ also leases other office spaces on a month-to-month basis.

AFJ has entered into several agreements to sublease a portion of the District of Columbia office space to unrelated third parties for varying periods ending in 2021. Sub-lease income was \$72,741 and \$64,955, for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, these leases were on a month-to-month basis.

## **NOTE 11. CONCENTRATIONS**

AFJ maintains its cash bank deposit accounts which at times may exceed the federally insured limits per bank. AFJ has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. Amounts in excess of deposit insurance limits were approximately \$4,143,000 as of December 31, 2022.

## **NOTE 12. CONTINGENCIES**

AFJ receives a significant portion of its revenue from grants. The ultimate determination of amounts received under these programs often is based on allowable costs reported to the donor. In some instances, the donor reserves the right to audit the program costs. Until the final settlement is reached with each donor, there exists a contingency to refund any amount received for costs deemed unallowable in an audit conducted by a donor.

## **NOTE 13. PAYCHECK PROTECTION PROGRAM LOAN**

In April of 2022, AFJ received a loan in the amount of \$565,960 under the Paycheck Protection Program (PPP) established as part of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (the Act). PPP loans and accrued interest were forgivable after a covered period (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, primarily payroll, benefits, rent and utilities. AFJ initially recorded the note payable as a refundable advance and subsequently recognized contribution income related to the debt forgiveness when the loan obligation was legally released. The amount of contribution income recognized during the year ended December 31, 2022, was \$565,960.



## **NOTE 14. RELATED PARTY TRANSACTIONS**

AFJ is affiliated with the Alliance for Justice Action Campaign (AFJAC), a 501(c)(4) organization incorporated in 2001. AFJAC shares office facilities with AFJ. During the years ended December 31, 2022 and 2021, AFJ charged AFJAC for administrative and payroll costs totaling approximately \$243,733 and \$43,048, respectively. At December 31, 2022 and 2021, AFJAC owed AFJ \$266,326 and \$35,963, respectively, for these administrative expenses. These amounts are included in “Due from Affiliate” in the accompanying financial statements. AFJ also made a contribution of \$425,000 and \$375,000 to AFJAC during the years ended December 31, 2022 and 2021, respectively.

## **NOTE 15. NON-CASH TRANSACTIONS**

During 2022 and 2021, AFJ received donations of stock valued at approximately \$206,000 and \$252,000, respectively. All of the donated stock was subsequently sold by AFJ.

## **NOTE 16. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 16, 2023, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.