

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Asian Americans Advancing Justice - AAJC (AAJC), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AAJC as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Friedman

April 1, 2016

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,701,724	\$ 3,106,152
Cash - restricted	-	500,000
Investments (Notes 2 and 12)	539,993	848,101
Grants receivable (Note 3)	808,504	1,974,814
Pledges receivable	252,712	124,457
Prepaid expenses	<u>146,880</u>	<u>60,712</u>
Total current assets	<u>4,449,813</u>	<u>6,614,236</u>
FIXED ASSETS		
Furniture and equipment	82,272	81,839
Less: Accumulated depreciation	<u>(51,646)</u>	<u>(76,083)</u>
Net fixed assets	<u>30,626</u>	<u>5,756</u>
OTHER ASSETS		
Investments - restricted (Notes 2 and 12)	500,000	-
Grants receivable, net of current portion (Note 3)	1,154,813	332,698
Security deposit	<u>24,700</u>	<u>20,556</u>
Total other assets	<u>1,679,513</u>	<u>353,254</u>
TOTAL ASSETS	<u>\$ 6,159,952</u>	<u>\$ 6,973,246</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 207,333	\$ 150,565
Deferred rent	<u>5,244</u>	<u>-</u>
Total current liabilities	<u>212,577</u>	<u>150,565</u>
LONG-TERM LIABILITIES		
Deferred rent, net of current portion	<u>85,653</u>	<u>-</u>
Total liabilities	<u>298,230</u>	<u>150,565</u>
NET ASSETS		
Unrestricted:		
Undesignated	469,792	397,134
Board designated (Note 7)	<u>550,000</u>	<u>550,000</u>
Total unrestricted net assets	1,019,792	947,134
Temporarily restricted (Note 4)	4,309,615	5,343,232
Permanently restricted (Note 6)	<u>532,315</u>	<u>532,315</u>
Total net assets	<u>5,861,722</u>	<u>6,822,681</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,159,952</u>	<u>\$ 6,973,246</u>

See accompanying notes to financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE				
Grants and contributions	\$ 174,530	\$ 1,833,938	\$ -	\$ 2,008,468
In-kind gifts (Note 10)	-	-	-	-
Investment (loss) income (Note 2)	(8,920)	-	-	(8,920)
Special event	393,522	-	-	393,522
Rental income (Note 8)	27,027	-	-	27,027
Other income	17,836	-	-	17,836
Net assets released from donor restrictions (Note 5)	<u>2,799,055</u>	<u>(2,799,055)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,403,050</u>	<u>(965,117)</u>	<u>-</u>	<u>2,437,933</u>
EXPENSES				
Program Services:				
Anti-Asian Violence and Race Relations	-	-	-	-
Broadband	842	-	-	842
Census	179,037	-	-	179,037
Community Partners	1,181,983	-	-	1,181,983
Immigration and Immigrant Rights	529,449	-	-	529,449
Litigation	458,522	-	-	458,522
Lobbying	3,574	-	-	3,574
Strategic Planning	22,609	-	-	22,609
Television Diversity	-	-	-	-
Voting Rights	<u>296,886</u>	<u>-</u>	<u>-</u>	<u>296,886</u>
Total program services	<u>2,672,902</u>	<u>-</u>	<u>-</u>	<u>2,672,902</u>
Supporting Services:				
Management and General	247,091	-	-	247,091
Fundraising	<u>410,399</u>	<u>-</u>	<u>-</u>	<u>410,399</u>
Total supporting services	<u>657,490</u>	<u>-</u>	<u>-</u>	<u>657,490</u>
Total expenses	<u>3,330,392</u>	<u>-</u>	<u>-</u>	<u>3,330,392</u>
Changes in net assets before other items	72,658	(965,117)	-	(892,459)
OTHER ITEMS				
De-obligations	<u>-</u>	<u>(68,500)</u>	<u>-</u>	<u>(68,500)</u>
Changes in net assets after other items	72,658	(1,033,617)	-	(960,959)
Net assets at beginning of year	<u>947,134</u>	<u>5,343,232</u>	<u>532,315</u>	<u>6,822,681</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,019,792</u>	<u>\$ 4,309,615</u>	<u>\$ 532,315</u>	<u>\$ 5,861,722</u>

See accompanying notes to financial statements.

2014			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
204,485	3,014,416	500,000	3,718,901
2,002,503	-	-	2,002,503
2,063	-	-	2,063
680,694	-	-	680,694
30,929	-	-	30,929
7,806	-	-	7,806
<u>2,343,792</u>	<u>(2,343,792)</u>	<u>-</u>	<u>-</u>
<u>5,272,272</u>	<u>670,624</u>	<u>500,000</u>	<u>6,442,896</u>
11,663	-	-	11,663
86,525	-	-	86,525
182,342	-	-	182,342
3,329,269	-	-	3,329,269
260,658	-	-	260,658
165,229	-	-	165,229
9,838	-	-	9,838
158,421	-	-	158,421
2,227	-	-	2,227
<u>409,859</u>	<u>-</u>	<u>-</u>	<u>409,859</u>
<u>4,616,031</u>	<u>-</u>	<u>-</u>	<u>4,616,031</u>
110,928	-	-	110,928
<u>471,794</u>	<u>-</u>	<u>-</u>	<u>471,794</u>
<u>582,722</u>	<u>-</u>	<u>-</u>	<u>582,722</u>
<u>5,198,753</u>	<u>-</u>	<u>-</u>	<u>5,198,753</u>
73,519	670,624	500,000	1,244,143
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
73,519	670,624	500,000	1,244,143
<u>873,615</u>	<u>4,672,608</u>	<u>32,315</u>	<u>5,578,538</u>
<u>\$ 947,134</u>	<u>\$ 5,343,232</u>	<u>\$ 532,315</u>	<u>\$ 6,822,681</u>

See accompanying notes to financial statements.

**ASIAN AMERICANS ADVANCING JUSTICE - AAJC
(FORMERLY, ASIAN AMERICAN JUSTICE CENTER)**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services					
	Broadband	Census	Community Partners	Immigration and Immigrant Rights	Litigation	Lobbying
Base office and administrative operations	\$ 78	\$ 27,965	\$ 124,818	\$ 46,219	\$ 72,174	\$ 559
Conferences, meetings and travel	169	2,499	162,622	37,296	19,316	73
Copying and printing	2	971	4,197	1,582	2,073	16
Grants	-	-	110,977	183,847	-	-
Other office and administrative expenses	1	3,218	22,378	4,819	8,954	74
Professional fees	257	12,013	177,006	37,784	65,461	221
Salaries and related expenses (Note 9)	335	132,371	579,985	217,902	290,544	2,631
TOTAL	\$ 842	\$ 179,037	\$ 1,181,983	\$ 529,449	\$ 458,522	\$ 3,574

ASIAN AMERICANS ADVANCING JUSTICE - AAJC
(FORMERLY, ASIAN AMERICAN JUSTICE CENTER)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services (Continued)			Supporting Services			Total Expenses
	Strategic Planning	Voting Rights	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Base office and administrative operations	\$ 353	\$ 46,588	\$ 318,754	\$ 37,361	\$ 46,420	\$ 83,781	\$ 402,535
Conferences, meetings and travel	235	5,600	227,810	4,106	80,240	84,346	312,156
Copying and printing	9	1,570	10,420	1,278	3,222	4,500	14,920
Grants	-	-	294,824	-	-	-	294,824
Other office and administrative expenses	27	4,787	44,258	5,345	23,743	29,088	73,346
Professional fees	20,338	19,012	332,092	29,359	46,738	76,097	408,189
Salaries and related expenses (Note 9)	1,647	219,329	1,444,744	169,642	210,036	379,678	1,824,422
TOTAL	\$ 22,609	\$ 296,886	\$ 2,672,902	\$ 247,091	\$ 410,399	\$ 657,490	\$ 3,330,392

**ASIAN AMERICANS ADVANCING JUSTICE - AAJC
(FORMERLY, ASIAN AMERICAN JUSTICE CENTER)**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Services							
	Anti-Asian Violence and Race Relations	Broadband	Census	Community Partners	Immigration and Immigrant Rights	Litigation	Lobbying	Strategic Planning
Base office and administrative operations	\$ 1,998	\$ 13,869	\$ 28,777	\$ 135,337	\$ 40,527	\$ 25,103	\$ 1,535	\$ 15,175
Conferences, meetings and travel	144	1,221	3,763	346,649	11,680	2,593	186	5,160
Copying and printing	42	359	798	4,275	1,023	692	48	441
Grants	-	-	-	65,000	-	-	-	-
In-kind expenses (Note 10)	-	-	-	2,002,503	-	-	-	-
Other office and administrative expenses	429	1,763	1,726	16,987	4,835	2,570	257	719
Professional fees	630	5,912	10,822	125,734	15,210	12,534	466	61,081
Salaries and related expenses (Note 9)	8,420	63,401	136,456	632,784	187,383	121,737	7,346	75,845
TOTAL	\$ 11,663	\$ 86,525	\$ 182,342	\$ 3,329,269	\$ 260,658	\$ 165,229	\$ 9,838	\$ 158,421

ASIAN AMERICANS ADVANCING JUSTICE - AAJC
(FORMERLY, ASIAN AMERICAN JUSTICE CENTER)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services (Continued)			Supporting Services			Total Expenses
	Television Diversity	Voting Rights	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Base office and administrative operations	\$ 191	\$ 57,956	\$ 320,468	\$ 16,949	\$ 57,283	\$ 74,232	\$ 394,700
Conferences, meetings and travel	15	3,679	375,090	582	70,140	70,722	445,812
Copying and printing	10	1,482	9,170	441	4,138	4,579	13,749
Grants	-	-	65,000	-	-	-	65,000
In-kind expenses (Note 10)	-	-	2,002,503	-	-	-	2,002,503
Other office and administrative expenses	11	9,251	38,548	1,775	19,446	21,221	59,769
Professional fees	819	66,190	299,398	11,371	57,636	69,007	368,405
Salaries and related expenses (Note 9)	1,181	271,301	1,505,854	79,810	263,151	342,961	1,848,815
TOTAL	\$ 2,227	\$ 409,859	\$ 4,616,031	\$ 110,928	\$ 471,794	\$ 582,722	\$ 5,198,753

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (960,959)	\$ 1,244,143
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	4,001	3,921
Unrealized loss (gain)	16,402	(184)
Permanently restricted contribution	-	(500,000)
Discount on long-term grants receivable	(61,623)	(10,813)
(Increase) decrease in:		
Grants receivable	405,818	(488,105)
Pledges receivable	(128,255)	(65,198)
Prepaid expenses	(86,169)	(1,998)
Security deposit	(4,144)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	56,769	(12,385)
Deferred rent	<u>62,026</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(696,134)</u>	<u>169,381</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(454,310)	(2,350,617)
Redemptions of certificates of deposit	<u>246,016</u>	<u>2,347,000</u>
Net cash used by investing activities	<u>(208,294)</u>	<u>(3,617)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contribution	<u>-</u>	<u>500,000</u>
Net cash provided by financing activities	<u>-</u>	<u>500,000</u>
Net (decrease) increase in cash and cash equivalents	(904,428)	665,764
Cash and cash equivalents at beginning of year	<u>3,606,152</u>	<u>2,940,388</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,701,724</u>	<u>\$ 3,606,152</u>
SUPPLEMENTAL INFORMATION:		
Fixed Assets Funded by Landlord	<u>\$ 28,871</u>	<u>\$ -</u>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

Basis of presentation -

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

Cash and cash equivalents -

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

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

Investments -

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

Grants and contributions -

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

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

Fixed assets -

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

Income taxes -

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

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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

Uncertain tax positions -

For the years ended December 31, 2015 and 2014, AAJC has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Grants receivable -

Grants receivable 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 grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Pledges receivable expected to be collected in the current year are recorded at their net realizable value, which approximates fair value. All grants and pledges receivable are considered by management to be fully collectible.

Net asset classification -

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

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

Use of estimates -

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

In-kind gifts -

AAJC recognizes In-kind gifts if the contributions enhance or create non-financial assets or requires specialized skills that the organization would otherwise pay for.

Functional allocation of expenses -

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

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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

Investment risks and uncertainties -

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

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

Fair value measurement -

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. INVESTMENTS

Investments consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Certificates of deposit	\$ 530,998	\$ 775,128
Mutual funds	84,001	72,973
Common stocks	413,755	-
Limited partnerships	<u>11,239</u>	<u>-</u>
TOTAL INVESTMENTS	<u>\$ 1,039,993</u>	<u>\$ 848,101</u>

Included in investment (loss) income are the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 7,482	\$ 1,879
Unrealized (loss) gain	<u>(16,402)</u>	<u>184</u>
TOTAL INVESTMENT (LOSS) INCOME	<u>\$ (8,920)</u>	<u>\$ 2,063</u>

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

3. GRANTS RECEIVABLE

As of December 31, 2015 and 2014, contributors to AAJC have made written promises to give totaling \$2,035,753 and \$2,318,325, respectively. Grants and contributions due in more than one year have been discounted using a rate of 3.50% and 3.25%, for the years ended December 31, 2015 and 2014, respectively.

Grants are due as follows at December 31, 2015 and 2014:

	2015	2014
Less than one year	\$ 808,504	\$ 1,974,814
One-to-five years	1,227,249	343,511
Subtotal	2,035,753	2,318,325
Less: Allowance to discount balance to present value	(72,436)	(10,813)
GRANTS RECEIVABLE, NET	\$ 1,963,317	\$ 2,307,512

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015 and 2014:

	2015	2014
Civil Rights	\$ 4,295,512	\$ 5,229,298
Immigration Rights	14,103	113,934
TEMPORARILY RESTRICTED NET ASSETS	\$ 4,309,615	\$ 5,343,232

5. NET ASSETS RELEASED FROM RESTRICTIONS

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

	2015	2014
Civil Rights	\$ 2,767,724	\$ 2,221,448
Immigration and Immigrant Rights	31,331	122,344
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 2,799,055	\$ 2,343,792

6. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted endowments in which the principal is invested in perpetuity and the income is expendable to support certain programs. Permanently restricted net assets consisted of the following at December 31, 2015 and 2014:

	2015	2014
Ford Foundation Operating Reserves	\$ 500,000	\$ 500,000
Joyce Chiang Memorial Scholarship Fund	32,315	32,315
TOTAL PERMANENTLY RESTRICTED NET ASSETS	\$ 532,315	\$ 532,315

ASIAN AMERICANS ADVANCING JUSTICE - AAJC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

7. BOARD DESIGNATED NET ASSETS

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

8. LEASE COMMITMENT

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

Rent expense for 2015 and 2014 was \$322,956 and \$317,709, respectively.

AAJC has subleased portions of its office space on a month-to-month basis. Total rental income received during the years ended December 31, 2015 and 2014 was \$27,027 and \$30,929, respectively.

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

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

<u>Year Ending December 31,</u>	
2016	\$ 82,807
2017	303,635
2018	310,443
2019	317,431
2020	324,970
Thereafter	<u>2,044,090</u>
	<u>\$ 3,383,376</u>

9. PENSION PLAN

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

For the years ended December 31, 2015 and 2014, contributions totaled \$38,991 and \$44,213, respectively.

10. IN-KIND GIFTS

During the years ended December 31, 2015 and 2014, AAJC was the beneficiary of donated goods and services, which allowed AAJC to provide greater resources toward various programs.

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

10. IN-KIND GIFTS (Continued)

To properly reflect total program expenses, the following donations have been included in revenue and expense for the years ended December 31, 2015 and 2014:

	2015	2014
Donated air time for public service announcements	\$ -	1,706,763
Donated production of newsmakers segment	-	290,040
Donated event expenses	-	5,700
	\$ -	\$ 2,002,503

11. ENDOWMENT

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

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

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

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

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

Endowment net asset composition by type of fund as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ (11,911)	\$ -	\$ 532,315	\$ 520,404

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

11. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 532,315	\$ 532,315
Investment income: Net depreciation (realized and unrealized)	<u>(11,911)</u>	<u>-</u>	<u>-</u>	<u>(11,911)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ (11,911)</u>	<u>\$ -</u>	<u>\$ 532,315</u>	<u>\$ 520,404</u>

Endowment net asset composition by type of fund as of December 31, 2014:

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

Changes in endowment net assets for the year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 32,315	\$ 32,315
Contributions	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,315</u>	<u>\$ 532,315</u>

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

	<u>2015</u>	<u>2014</u>
Permanently Restricted Net Assets:		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ <u>532,315</u>	\$ <u>532,315</u>
Total Endowment Funds Classified as Permanently Restricted Net Assets	<u>\$ 532,315</u>	<u>\$ 532,315</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

11. ENDOWMENT (Continued)

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$11,911 and \$0 as of December 31, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions.

12. FAIR VALUE MEASUREMENT

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

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Interests in hedge funds, limited partnerships, private equity funds* - These instruments do not have a readily determinable fair value. The fair values used are generally determined by the general partner or management of the entity and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

12. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, AAJC's investments as of December 31, 2015:

Asset Class:	Level 1	Level 2	Level 3	Total December 31, 2015
Certificates of deposit	\$ -	\$ 530,998	\$ -	\$ 530,998
Mutual funds	84,001	-	-	84,001
Common stocks	413,755	-	-	413,755
Limited partnerships	11,239	-	-	11,239
TOTAL	\$ 508,995	\$ 530,998	\$ -	\$ 1,039,993

The table below summarizes, by level within the fair value hierarchy, AAJC's investments as of December 31, 2014:

Asset Class:	Level 1	Level 2	Level 3	Total December 31, 2014
Certificates of deposit	\$ -	\$ 775,128	\$ -	\$ 775,128
Mutual funds	72,973	-	-	72,973
TOTAL	\$ 72,973	\$ 775,128	\$ -	\$ 848,101

13. SUBSEQUENT EVENTS

In preparing these financial statements, AAJC has evaluated events and transactions for potential recognition or disclosure through April 1, 2016, the date the financial statements were issued.