

**FINANCIAL STATEMENTS**



**FORMERLY, ASIAN AMERICAN JUSTICE CENTER**

**FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2013**

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

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# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Asian Americans Advancing Justice - AAJC  
(Formerly, Asian American Justice Center)  
Washington, D.C.

We have audited the accompanying financial statements of Asian Americans Advancing Justice - AAJC (Formerly, Asian American Justice Center) (AAJC), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

#### Opinion

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

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### **Report on Summarized Comparative Information**

We have previously audited AAJC's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

April 1, 2015

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

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,106,152	\$ 2,940,388
Restricted cash (Notes 6 and 10)	500,000	-
Investments (Notes 2 and 11)	848,101	844,301
Grants receivable (Note 3)	2,099,271	1,211,307
Prepaid expenses	<u>60,712</u>	<u>58,714</u>
Total current assets	<u>6,614,236</u>	<u>5,054,710</u>
<b>FIXED ASSETS</b>		
Furniture and equipment	81,839	81,839
Less: Accumulated depreciation	<u>(76,083)</u>	<u>(72,162)</u>
Net fixed assets	<u>5,756</u>	<u>9,677</u>
<b>OTHER ASSETS</b>		
Security deposit	20,556	20,556
Grants receivable, net of current portion (Note 3)	<u>332,698</u>	<u>656,547</u>
Total other assets	<u>353,254</u>	<u>677,103</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,973,246</u></b>	<b><u>\$ 5,741,490</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ <u>150,565</u>	\$ <u>162,952</u>
<b>NET ASSETS</b>		
Unrestricted	947,134	873,615
Temporarily restricted (Note 4)	5,343,232	4,672,608
Permanently restricted	<u>532,315</u>	<u>32,315</u>
Total net assets	<u>6,822,681</u>	<u>5,578,538</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,973,246</u></b>	<b><u>\$ 5,741,490</u></b>

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

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>			<u>2013</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>					
Grants and contributions	\$ 204,485	\$ 3,014,416	\$ 500,000	\$ 3,718,901	\$ 3,473,471
In-kind gifts (Note 9)	2,002,503	-	-	2,002,503	-
Investment income (Note 2)	2,063	-	-	2,063	1,220
Special event	680,694	-	-	680,694	443,995
Rental income (Note 7)	30,929	-	-	30,929	30,661
Other income	7,806	-	-	7,806	13,129
Net assets released from donor restrictions (Note 5)	<u>2,343,792</u>	<u>(2,343,792)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>5,272,272</u>	<u>670,624</u>	<u>500,000</u>	<u>6,442,896</u>	<u>3,962,476</u>
<b>EXPENSES</b>					
Program Services:					
Affirmative Action	-	-	-	-	5,719
Anti-Asian Violence and Race Relations	11,663	-	-	11,663	22,964
Broadband	86,525	-	-	86,525	115,015
Census	182,342	-	-	182,342	114,988
Community Partners	3,329,269	-	-	3,329,269	1,309,171
Immigration and Immigrant Rights	260,658	-	-	260,658	632,524
Litigation	165,229	-	-	165,229	91,510
Lobbying	9,838	-	-	9,838	125,454
Strategic Planning	158,421	-	-	158,421	123,456
Television Diversity	2,227	-	-	2,227	546
Voting Rights	<u>409,859</u>	<u>-</u>	<u>-</u>	<u>409,859</u>	<u>461,014</u>
Total program services	<u>4,616,031</u>	<u>-</u>	<u>-</u>	<u>4,616,031</u>	<u>3,002,361</u>
Supporting Services:					
Management and General	110,928	-	-	110,928	50,129
Fundraising	<u>471,794</u>	<u>-</u>	<u>-</u>	<u>471,794</u>	<u>486,412</u>
Total supporting services	<u>582,722</u>	<u>-</u>	<u>-</u>	<u>582,722</u>	<u>536,541</u>
Total expenses	<u>5,198,753</u>	<u>-</u>	<u>-</u>	<u>5,198,753</u>	<u>3,538,902</u>
Change in net assets	73,519	670,624	500,000	1,244,143	423,574
Net assets at beginning of year	<u>873,615</u>	<u>4,672,608</u>	<u>32,315</u>	<u>5,578,538</u>	<u>5,154,964</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 947,134</u></b>	<b><u>\$ 5,343,232</u></b>	<b><u>\$ 532,315</u></b>	<b><u>\$ 6,822,681</u></b>	<b><u>\$ 5,578,538</u></b>

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

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014								
	Program Services								
	Anti-Asian Violence and Race Relations	Broadband	Census	Community Partners	Immigration and Immigrant Rights	Litigation	Lobbying	Strategic Planning	Television Diversity
Base office and administrative operations	\$ 1,998	\$ 13,869	\$ 28,777	\$ 135,337	\$ 40,527	\$ 25,103	\$ 1,535	\$ 15,175	\$ 191
Conferences, meetings and travel	144	1,221	3,763	346,649	11,680	2,593	186	5,160	15
Copying and printing	42	359	798	4,275	1,023	692	48	441	10
Grants	-	-	-	65,000	-	-	-	-	-
In-kind expenses (Note 9)	-	-	-	2,002,503	-	-	-	-	-
Other office and administrative expenses	429	1,763	1,726	16,987	4,835	2,570	257	719	11
Professional fees	630	5,912	10,822	125,734	15,210	12,534	466	61,081	819
Salaries and related expenses (Note 8)	8,420	63,401	136,456	632,784	187,383	121,737	7,346	75,845	1,181
<b>TOTAL</b>	<b>\$ 11,663</b>	<b>\$ 86,525</b>	<b>\$ 182,342</b>	<b>\$ 3,329,269</b>	<b>\$ 260,658</b>	<b>\$ 165,229</b>	<b>\$ 9,838</b>	<b>\$ 158,421</b>	<b>\$ 2,227</b>

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, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014 (Continued)					2013	
	Program Services (Continued)		Supporting Services			Total Expenses	Total Expenses
	Voting Rights	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Base office and administrative operations	\$ 57,956	\$ 320,468	\$ 16,949	\$ 57,283	\$ 74,232	\$ 394,700	\$ 395,371
Conferences, meetings and travel	3,679	375,090	582	70,140	70,722	445,812	285,425
Copying and printing	1,482	9,170	441	4,138	4,579	13,749	31,861
Grants	-	65,000	-	-	-	65,000	283,242
In-kind expenses (Note 9)	-	2,002,503	-	-	-	2,002,503	-
Other office and administrative expenses	9,251	38,548	1,775	19,446	21,221	59,769	61,172
Professional fees	66,190	299,398	11,371	57,636	69,007	368,405	754,001
Salaries and related expenses (Note 8)	271,301	1,505,854	79,810	263,151	342,961	1,848,815	1,727,830
<b>TOTAL</b>	<b>\$ 409,859</b>	<b>\$ 4,616,031</b>	<b>\$ 110,928</b>	<b>\$ 471,794</b>	<b>\$ 582,722</b>	<b>\$ 5,198,753</b>	<b>\$ 3,538,902</b>

See accompanying notes to financial statements.



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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,244,143	\$ 423,574
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,921	2,351
Unrealized (gain) loss	(184)	204
Permanently restricted contribution	(500,000)	-
(Increase) decrease in:		
Grants receivable	(564,115)	104,630
Prepaid expenses	(1,998)	1,945
Decrease in:		
Accounts payable and accrued liabilities	<u>(12,386)</u>	<u>(219,315)</u>
Net cash provided by operating activities	<u>169,381</u>	<u>313,389</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,350,617)	(2,207,442)
Purchase of fixed assets	-	(5,988)
Proceeds from sale of investments	<u>2,347,000</u>	<u>2,030,001</u>
Net cash used by investing activities	<u>(3,617)</u>	<u>(183,429)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Permanently restricted contribution	<u>500,000</u>	<u>-</u>
Net cash provided by financing activities	<u>500,000</u>	<u>-</u>
Net increase in cash and cash equivalents	665,764	129,960
Cash and cash equivalents at beginning of year	<u>2,940,388</u>	<u>2,810,428</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 3,606,152</u></b>	<b><u>\$ 2,940,388</u></b>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

Asian Americans Advancing Justice - AAJC (Formerly, Asian American Justice Center) (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*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with AAJC's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

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 Statement of Activities and Change 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. The cost of maintenance and repairs is recorded as expenses are incurred.

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

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

**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 year ended December 31, 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.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Grants receivable -

Amounts to be received in the future are recorded as grants receivable in the Statement of Financial Position. All grants receivable are stated at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year unless otherwise stated by the donor. Accordingly, an allowance for doubtful accounts has not been established.

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 Statement of Activities and Change 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. Permanent restrictions were for the Joyce Chiang Memorial Scholarship Fund and operating reserves.

Use of estimates -

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

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

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

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

In-kind gifts -

In-kind gifts consist of donated air time for Public Service Announcements. In-kind gifts are recorded at their fair market value as of the date of the gift.

Functional allocation of expenses -

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

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.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2014:

	<u><b>Market Value</b></u>
Certificates of deposit	\$ 775,128
Mutual funds	<u>72,973</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 848,101</u></b>

Included in investment income are the following:

Interest and dividends	\$ 1,879
Unrealized gain	<u>184</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 2,063</u></b>

**3. GRANTS RECEIVABLE**

As of December 31, 2014, contributors to AAJC have made written promises to give totaling \$2,442,782. Grants and contributions due in more than one year have been recorded at the present value of the estimated cash flows, using the prime rate of 3.25% to discount the long-term receivable.

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

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

**3. GRANTS RECEIVABLE (Continued)**

Grants are due as follows at December 31, 2014:

Less than one year	\$ 2,099,271
One-to-five years	<u>343,511</u>
Subtotal	2,442,782
Less: Allowance to discount balance to present value	<u>(10,813)</u>
<b>GRANTS RECEIVABLE, NET</b>	<b><u>\$ 2,431,969</u></b>

**4. TEMPORARILY RESTRICTED NET ASSETS**

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

Civil Rights	\$ 5,229,298
Immigration Rights	<u>113,934</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 5,343,232</u></b>

**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:

Civil Rights	\$ 2,221,448
Immigration and Immigrant Rights	<u>122,344</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$ 2,343,792</u></b>

**6. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consisted of the following at December 31, 2014:

Ford Foundation Operating Reserves	\$ 500,000
Joyce Chiang Memorial Scholarship Fund	<u>32,315</u>
<b>TOTAL PERMANENTLY RESTRICTED NET ASSETS</b>	<b><u>\$ 532,315</u></b>

**7. LEASE COMMITMENT**

During November 2006, AAJC entered into a nine year lease for office space at 1140 Connecticut Avenue, N.W., Washington, D.C. The lease agreement contains a provision to increase annual rent by 2.5%. Rent expense for 2014 was \$317,709.

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

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

<b>Year Ending December 31, 2015</b>	<b><u>\$ 255,663</u></b>
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**ASIAN AMERICANS ADVANCING JUSTICE - AAJC  
(FORMERLY, ASIAN AMERICAN JUSTICE CENTER)**

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

**8. PENSION PLAN**

AAJC maintains an IRC Section 403(b) retirement plan allowing employees to elect to defer compensation up to the maximum allowed under IRS regulations. After one year of employment, AAJC contributes 3% of an employee's annual salary into its designated 403(b) plan. For the year ended December 31, 2014, contributions totaled \$44,213.

**9. IN-KIND GIFTS**

During the year ended December 31, 2014, AAJC was the beneficiary of donated goods and services which allowed AAJC to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2014.

Donated air time for public service announcements	\$ 1,706,763
Donated production of newsmakers segment	290,040
Donated event expenses	<u>5,700</u>
	<b><u>\$ 2,002,503</u></b>

**10. ENDOWMENT**

AAJC's endowment consists of donor-restricted endowment funds/s. 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, 2014:

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

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

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

**10. ENDOWMENT (Continued)**

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	-	-	500,000	500,000
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 532,315</b>	<b>\$ 532,315</b>

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

**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 \$ 532,315

**Total Endowment Funds Classified as Permanently Restricted Net Assets** **\$ 532,315**

**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 Statement 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.

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**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, 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.

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

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

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, AAJC has evaluated events and transactions for potential recognition or disclosure through April 1, 2015, the date the financial statements were issued.