

Avenues for Justice, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2019 and 2018



Avenues for Justice, Inc.

December 31, 2019 and 2018

Contents

Independent Auditor's Report.....	1
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Financial Statements

Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

Board of Directors
Avenues for Justice, Inc.
New York, New York

We have audited the accompanying financial statements of Avenues for Justice, Inc. which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, 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 audit to obtain reasonable assurance about whether the financial statements are free from 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.

Board of Directors
Avenues for Justice, Inc.
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avenues for Justice, Inc., as of December 31, 2019 and 2018, 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.

BKD, LLP

New York, New York
August 21, 2020

Avenues for Justice, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 226,226	\$ 468,038
Investments	1,376,415	1,177,873
Contributions receivable, due within one year	310,511	232,154
Grants receivable	40,000	-
Prepaid expenses and other assets	26,715	41,143
Total current assets	1,979,867	1,919,208
Security deposit	14,850	12,750
Property and equipment, net	408,479	376,833
Total assets	\$ 2,403,196	\$ 2,308,791
Liabilities and Net Assets		
Current Liabilities		
Accounts and accrued expenses payable	\$ 21,479	\$ 10,537
Accrued salaries and vacations payable	54,818	27,955
Deferred rent	7,866	-
Total current liabilities	84,163	38,492
Net Assets		
Without donor restrictions		
Undesignated	1,910,554	1,893,466
Invested in property and equipment	408,479	376,833
Total net assets without donor restrictions	2,319,033	2,270,299
Total liabilities and net assets	\$ 2,403,196	\$ 2,308,791

Avenues for Justice, Inc.
Statements of Activities
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Individuals	\$ 126,714	\$ -	\$ 126,714	\$ 125,519	\$ -	\$ 125,519
Foundations	980,515	-	980,515	873,200	40,000	913,200
Special events	\$ 600,076			\$ 639,682		
Less direct costs of special events	<u>(108,773)</u>			<u>(137,166)</u>		
Net revenues from special events	491,303	-	491,303	502,516	-	502,516
Government grants	61,000	-	61,000	42,000	-	42,000
Net investment return	94,001	-	94,001	(33,299)	-	(33,299)
In-kind contributions	20,880	-	20,880	34,800	-	34,800
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total revenues, gains and other support	<u>1,774,413</u>	<u>-</u>	<u>1,774,413</u>	<u>1,594,736</u>	<u>(10,000)</u>	<u>1,584,736</u>
Expenses						
Program services						
Court advocacy	969,131	-	969,131	848,610	-	848,610
Community services	<u>411,405</u>	<u>-</u>	<u>411,405</u>	<u>453,307</u>	<u>-</u>	<u>453,307</u>
Total program services	1,380,536	-	1,380,536	1,301,917	-	1,301,917
Management and general	236,581	-	236,581	230,464	-	230,464
Fundraising	<u>108,562</u>	<u>-</u>	<u>108,562</u>	<u>113,918</u>	<u>-</u>	<u>113,918</u>
Total expenses	<u>1,725,679</u>	<u>-</u>	<u>1,725,679</u>	<u>1,646,299</u>	<u>-</u>	<u>1,646,299</u>
Change in Net Assets	48,734	-	48,734	(51,563)	(10,000)	(61,563)
Net Assets, Beginning of Year	<u>2,270,299</u>	<u>-</u>	<u>2,270,299</u>	<u>2,321,862</u>	<u>10,000</u>	<u>2,331,862</u>
Net Assets, End of Year	<u>\$ 2,319,033</u>	<u>\$ -</u>	<u>\$ 2,319,033</u>	<u>\$ 2,270,299</u>	<u>\$ -</u>	<u>\$ 2,270,299</u>

Avenues for Justice, Inc.
Statement of Functional Expenses
Years Ended December 31, 2019 and 2018

	2019							
	Program Services			Supporting Services				
	Court Advocacy	Community Services	Total	Management and General	Fundraising	Direct Costs of Special Events	Total	Total Expenses
Salaries	\$ 524,798	\$ 160,433	\$ 685,231	\$ 59,168	\$ 4,810	\$ -	\$ 63,979	\$ 749,210
Employee health and retirement benefits	155,328	47,485	202,813	17,513	1,422	-	18,935	221,748
Payroll taxes	40,637	12,423	53,060	4,582	372	-	4,954	58,014
Total salaries and related expenses	720,764	220,341	941,105	81,263	6,604	-	87,867	1,028,972
Professional fees and contract service payments	7,569	-	7,569	20,470	74,750	-	95,220	102,789
Supplies	10,090	4,488	14,578	7,318	7,304	-	14,622	29,200
Rent	-	62,756	62,756	6,525	-	-	6,525	69,281
Telephone	17,883	-	17,883	1,987	-	-	1,987	19,870
Utilities	-	22,804	22,804	-	-	-	-	22,804
Postage	6,753	-	6,753	844	1,146	-	1,990	8,743
Travel and conferences	16,411	-	16,411	-	428	-	428	16,839
Direct assistance to clients	68,355	-	68,355	-	-	-	-	68,355
Bookkeeping and payroll services	-	-	-	76,779	-	-	76,779	76,779
Printing and publications	9,313	8,278	17,591	3,105	10,600	-	13,705	31,296
Insurance	10,576	22,915	33,491	1,763	5,167	-	6,930	40,421
Repairs and maintenance	67,232	4,059	71,291	-	-	-	-	71,291
Catering and facility rental	-	-	-	-	-	108,773	108,773	108,773
In-kind	14,626	4,471	19,097	1,649	134	-	1,783	20,880
Depreciation and amortization	17,511	61,293	78,804	8,756	-	-	8,756	87,560
Office expenses	-	-	-	21,457	-	-	21,457	21,457
Miscellaneous	2,048	-	2,048	4,665	2,429	-	7,094	9,142
Total expenses	969,131	411,405	1,380,536	236,581	108,562	108,773	453,916	1,834,452
Less expenses deducted from revenues on the statement of activities								
Direct costs of special events	-	-	-	-	-	(108,773)	(108,773)	(108,773)
Total expenses reported by function on the statement of activities	\$ 969,131	\$ 411,405	\$ 1,380,536	\$ 236,581	\$ 108,562	\$ -	\$ 345,143	\$ 1,725,679

Avenues for Justice, Inc.
Statement of Functional Expenses (continued)
Years Ended December 31, 2019 and 2018

	2018							
	Program Services			Supporting Services				
	Court Advocacy	Community Services	Total	Management and General	Fundraising	Direct Costs of Special Events	Total	Total Expenses
Salaries	\$ 449,490	\$ 194,000	\$ 643,490	\$ 59,947	\$ 22,399	\$ -	\$ 82,346	\$ 725,836
Employee health and retirement benefits	123,182	53,165	176,347	16,429	2,029	-	18,458	194,805
Payroll taxes	35,941	15,512	51,453	4,794	592	-	5,386	56,839
Total salaries and related expenses	608,613	262,677	871,290	81,170	25,020	-	106,190	977,480
Professional fees and contract service payments	5,994	-	5,994	22,925	49,995	-	72,920	78,914
Supplies	11,792	5,064	16,856	6,178	15,120	-	21,298	38,154
Rent	-	57,559	57,559	-	-	-	-	57,559
Telephone	22,332	-	22,332	2,482	-	-	2,482	24,814
Utilities	-	20,766	20,766	-	-	-	-	20,766
Postage	5,525	-	5,525	691	1,173	-	1,864	7,389
Travel and conferences	15,670	-	15,670	-	28	-	28	15,698
Direct assistance to clients	63,575	-	63,575	-	-	-	-	63,575
Bookkeeping and payroll services	-	-	-	70,800	-	-	70,800	70,800
Printing and publications	7,129	6,337	13,466	2,377	16,403	-	18,780	32,246
Insurance	8,076	17,498	25,574	1,346	5,817	-	7,163	32,737
Repairs and maintenance	58,341	7,273	65,614	-	-	-	-	65,614
Catering and facility rental	-	-	-	-	-	137,166	137,166	137,166
In-kind	22,005	9,498	31,503	2,935	362	-	3,297	34,800
Depreciation and amortization	17,609	61,635	79,244	8,805	-	-	8,805	88,049
Office expenses	-	-	-	16,871	-	-	16,871	16,871
Puerto Rico Disaster Relief	-	5,000	5,000	-	-	-	-	5,000
Bad debt	-	-	-	10,280	-	-	10,280	10,280
Miscellaneous	1,949	-	1,949	3,604	-	-	3,604	5,553
Total expenses	848,610	453,307	1,301,917	230,464	113,918	137,166	481,548	1,783,465
Less expenses deducted from revenues on the statement of activities								
Direct costs of special events	-	-	-	-	-	(137,166)	(137,166)	(137,166)
Total expenses reported by function on the statement of activities	<u>\$ 848,610</u>	<u>\$ 453,307</u>	<u>\$ 1,301,917</u>	<u>\$ 230,464</u>	<u>\$ 113,918</u>	<u>\$ -</u>	<u>\$ 344,382</u>	<u>\$ 1,646,299</u>

Avenues for Justice, Inc.
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ 48,734	\$ (61,563)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	87,560	88,049
Net realized and unrealized (gains) losses on investments	(53,974)	70,185
Changes in		
Contributions receivable	(78,357)	(124,680)
Grants receivable	(40,000)	-
Prepaid expenses and other assets	14,428	(14,397)
Security deposit	(2,100)	-
Accounts and accrued expenses payable	10,942	(9,262)
Accrued salaries and vacations payable	26,863	(1,410)
Deferred rent	7,866	-
	<u>21,962</u>	<u>(53,078)</u>
Investing Activities		
Purchase of property and equipment	(119,206)	(19,194)
Purchase of investments	(242,146)	(96,598)
Proceeds from sale of investments	97,578	156,378
	<u>(263,774)</u>	<u>40,586</u>
Net Decrease in Cash and Cash Equivalents	(241,812)	(12,492)
Cash and Cash Equivalents, Beginning of Year	468,038	480,530
Cash and Cash Equivalents, End of Year	\$ 226,226	\$ 468,038

Avenues for Justice, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Avenues for Justice, Inc. (AFJ) incorporated in 1978 is a progressive criminal diversion program serving over 600 youth each year from across New York City who have been charged with crimes or are at risk of arrest. Of the 600 youth that AFJ serves each year, on average 40 percent are court-mandated to AFJ's Alternative to Incarceration program, 30 percent are at-risk youth in need of our intensive services, and 30 percent are local youth needing referrals or short-term assistance. AFJ's purpose is to divert at-risk youths from a life of crime and incarceration by instilling in them an understanding and acceptance of their responsibility for the consequences of their actions. AFJ equips them with tools for education and employment, and through individual and group sessions, helps them gain a sense of their ability to control and direct their own lives and become positive law-abiding members of their community. AFJ is funded primarily by grants from the public/private sector and net income from special events.

AFJ is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Court Advocacy Program

AFJ provides them with individualized advocacy, speaking on behalf of youths charged with crimes in court, street supervision, crisis intervention, and referrals to other agencies. AFJ also provides many of these services to at-risk youth.

Community Services – The Robert Siegal Center and East Harlem Community Center

The Centers serve as community-based headquarters, serving youth throughout New York City with a focus on the centers' neighborhoods of the Lower East Side at 100 Avenue B and Harlem at 69 East 130th Street. Programs include client supervision, computer labs with digital literacy classes, on-site and online tutoring, job training with certification, art, street law and health classes, and education, recreation and referrals for drug rehabilitation, mental health and other needs.

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, 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.

Cash and Cash Equivalents

AFJ considers all liquid investments with original maturities of three months or less to be cash equivalents excluding those managed as part of the Organization's investment portfolio. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market accounts.

Investments and Net Investment Return

AFJ measures securities at fair value.

Avenues for Justice, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Investments have been classified as current based on the availability of these investments to fund current operations as needed.

Property and Equipment

Property and equipment costing in excess of \$1,000 with estimated useful lives of greater than one year are stated at cost, less accumulated depreciation and amortization. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the lesser of the term of the lease or their estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	40 years
Building improvements	20 years
Equipment	3-6 years
Leasehold improvements	4 years

Long-Lived Asset Impairment

AFJ evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2019 and 2018.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Operating fund net assets also includes funds budgeted for capital expansion and renovation projects in the Lower East Side and Harlem.

Avenues for Justice, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. AFJ did not have any net assets with donor restrictions in 2019 or 2018.

Income Taxes

AFJ is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, AFJ is subject to federal income tax on any unrelated business taxable income.

AFJ files tax returns in the U.S. federal jurisdiction.

Contributions

Contributions are provided to AFJ either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on AFJ overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor 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 statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Avenues for Justice, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Special Events

AFJ conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenue in the accompanying statement of activities.

In-Kind Contributions

In addition to receiving cash contributions, AFJ receives in-kind contribution of space. It is the policy of AFJ to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the years ended December 31, 2019 and 2018, \$20,880 and \$34,800 were received in in-kind contributions.

Rent Expense

Rent expense is recorded on the straight-line basis over the term of the lease.

Functional Expenses

The costs of providing AFJ's services have been summarized on a functional basis. The costs of providing services have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited based on actual expenditures, estimated time spent and other methods.

Note 2: Change in Accounting Principle

Topic 606 – Revenue from Contracts with Customers

On January 1, 2019, AFJ adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), using a modified retrospective method of adoption to all contracts with special event attendees at January 1, 2019.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised services to special event attendees in amounts that reflect the consideration to which the Fund expects to be entitled in exchange for the direct costs for the special event.

Avenues for Justice, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

The amount to which AFJ expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing services.

Adoption of ASU 2014-09 did not result in changes in presentation of financial statements or timing of revenue recognition, but it did result in related disclosures in the notes to the financial statements.

Note 3: Revenue from Contracts with Special Event Attendees

Special Events Revenue

Revenue from special events is reported at the amount that reflects the consideration to which the Fund expects to be entitled in exchange for the direct cost of the benefits received by the participant at the event.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Fund.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to donors at a single point in time and AFJ does not believe it is required to provide additional goods or services related to that sale.

Transaction Price

AFJ determines the transaction price based on standard charges for goods and services provided.

For the year ended December 31, 2019, AFJ recognized revenue of \$91,100 from goods and services that transfer to the attendee over time.

Note 4: Fair Value Measurements and Disclosures

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Avenues for Justice, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2019.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

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.

Avenues for Justice, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

	2019		Total
	Level 1	Level 2	
Equities			
Common Stock	\$ 10,514	\$ -	\$ 10,514
Preferred stock - large cap	13,178	-	13,178
Total equities	<u>23,692</u>	<u>-</u>	<u>23,692</u>
Mutual funds			
Small cap	11,172	-	11,172
Large cap	146,902	-	146,902
Bond	222,175	-	222,175
Foreign	45,354	-	45,354
Equity	35,963	-	35,963
Real assets	40,838	-	40,838
Alternatives	20,896	-	20,896
REITS	6,787	-	6,787
Large value	11,482	-	11,482
Natural resources	1,037	-	1,037
Total mutual funds	<u>542,606</u>	<u>-</u>	<u>542,606</u>
Certificate of deposit	<u>-</u>	<u>560,011</u>	<u>560,011</u>
Total investments reported on the fair value hierarchy	<u>\$ 566,298</u>	<u>\$ 560,011</u>	1,126,309
Cash and cash equivalents			<u>250,106</u>
Total investments			<u>\$ 1,376,415</u>

Avenues for Justice, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

	2018		Total
	Level 1	Level 2	
Equities			
Preferred stock - large cap	\$ 12,255	\$ -	\$ 12,255
Mutual funds			
Small cap	8,350	-	8,350
Large cap	114,216	-	114,216
Bond	207,652	-	207,652
Foreign	36,162	-	36,162
Equity	30,556	-	30,556
Real assets	38,024	-	38,024
Alternatives	19,328	-	19,328
REITS	5,373	-	5,373
Large value	9,601	-	9,601
Natural resources	1,370	-	1,370
Total mutual funds	470,632	-	470,632
Certificate of deposit	-	419,909	419,909
Total investments reported on the fair value hierarchy	\$ 482,887	\$ 419,909	902,796
Cash and cash equivalents			275,077
Total investments			\$ 1,177,873

Note 5: Property and Equipment

Property and equipment at December 31, 2019 and 2018 consist of:

	2019	2018
Land	\$ 20,000	\$ 20,000
Building	301,211	301,211
Building improvements	464,644	464,644
Equipment	145,672	135,915
Leasehold improvements	469,518	360,068
	1,401,045	1,281,838
Accumulated depreciation and amortization	(992,566)	(905,005)
	\$ 408,479	\$ 376,833

Avenues for Justice, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 6: Pension

AFJ had a 403(b) defined contribution retirement plan which covers all eligible full-time and part-time employees. In 2018, the plan was converted to a 401(k) plan. Pension expense was \$25,786 and \$41,586 for 2019 and 2018, respectively.

Note 7: Net Assets With Donor Restrictions

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	2019	2018
Satisfaction of purpose restrictions		
Computer Lab Renovation at Robert Siegal Center	\$ -	\$ 50,000

Note 8: Operating Lease

AFJ entered into a lease agreement for the East Harlem Community Center. The lease was renewed in June 2018 and extended the original lease beginning on December 1, 2018 and ending on November 30, 2023. Lease incentives received by AFJ such as free rent periods and escalating rent provisions are deferred and amortized on a straight-line basis over the term of the lease agreement and are recorded as a reduction of rent expense. Rent expense for the years ended December 31, 2019 and 2018 were \$69,281 and \$57,559, respectively.

Future minimum lease payments are as follows:

Year	Payment	
2020	\$ 62,256	
2021	59,154	
2022	67,336	
2023	63,981	
	\$ 252,727	

Note 9: Line of Credit

AFJ obtained a \$500,000 line of credit from First Republic Bank in March 2018 that is secured by all the investments of AFJ. Interest is accrued at the Variable Rate, which was 4.75 percent and 5.5 percent at December 31, 2019 and 2018, respectively. The line of credit was set to expire in April 2019 and was subsequently extended until April 2021. As of December 31, 2019 and 2018, there was no balance outstanding.

Avenues for Justice, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 10: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 226,226	\$ 468,038
Investments	1,376,415	1,177,873
Contributions receivable, due within one year	310,511	232,154
Grants receivable	<u>40,000</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,953,152</u>	<u>\$ 1,878,065</u>

AFJ manages its liquidity following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term expenditures and operating needs and maintaining sufficient liquidity to provide reasonable assurance that any long-term obligations will be discharged. AFJ monitors liquidity and cash flows on an ongoing basis to ensure an appropriate amount of cash and cash equivalents are available to meet current claim payment and expenditure needs. AFJ maintains cash balances to cover all current liabilities and invests in investments which can be easily converted to cash if necessary. AFJ also has a line of credit available for any unanticipated liquidity needs.

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 25 percent of all contributions were received from one donor in 2019. In 2018 AFJ did not have a concentration on their contributions from one or more donors.

Investments

AFJ invests in various investment securities. Investment securities are exposed to various risks such as interest rate, 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 statements of financial position.

Avenues for Justice, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 12: Subsequent Events

Subsequent events have been evaluated through August 21, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of AFJ. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time. Through the date of this report, management believes that there has not been a significant impact on AFJ's financial position as a result of COVID-19.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On April 26, 2020, Avenues for Justice received a loan in the amount of \$175,000 pursuant to the *Paycheck Protection Program*. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. Management believes that a significant portion of the loan will more than likely be forgiven; however, as of the date of this report any amount of forgiveness is unable to be determined.

Note 13: Future Changes in Accounting Principles

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. AFJ is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.