

# **Avenues for Justice, Inc.**

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

# Avenues for Justice, Inc.

December 31, 2021 and 2020

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## Independent Auditor's Report

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

### **Opinion**

We have audited the financial statements of Avenues for Justice, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Avenues for Justice, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

**FORVIS, LLP**

(Formerly **BKD**, LLP)

New York, New York  
August 16, 2022

**Avenues for Justice, Inc.**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 834,364	\$ 646,114
Investments	1,627,681	1,420,181
Contributions receivable, due within one year	164,056	234,641
Prepaid expenses and other assets	30,803	30,734
Total current assets	2,656,904	2,331,670
Security deposit	14,850	14,850
Property and equipment, net	242,205	325,790
Total assets	\$ 2,913,959	\$ 2,672,310
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts and accrued expenses payable	\$ 30,509	\$ 26,036
Accrued salaries and vacations payable	34,733	44,704
Total current liabilities	65,242	70,740
Deferred rent	11,491	7,866
Total liabilities	76,733	78,606
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	2,570,021	2,222,914
Invested in property and equipment	242,205	325,790
Total net assets without donor restrictions	2,812,226	2,548,704
With donor restrictions	25,000	45,000
Total net assets	2,837,226	2,593,704
Total liabilities and net assets	\$ 2,913,959	\$ 2,672,310

**Avenues for Justice, Inc.**  
**Statements of Activities**  
**Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Support</b>						
Individuals	\$ 486,708	\$ -	\$ 486,708	\$ 513,797	\$ 20,000	\$ 533,797
Foundations	1,109,790	25,000	1,134,790	1,193,120	25,000	1,218,120
Special events	\$ 267,607			\$ 167,991		
Less direct costs of special events	<u>(34,427)</u>			<u>(23,364)</u>		
Net revenues from special events	233,180	-	233,180	144,627	-	144,627
Government grants	268,872	-	268,872	227,500	-	227,500
Net investment return	44,377	-	44,377	1,823	-	1,823
In-kind contributions	32,554	-	32,554	30,380	-	30,380
Net assets released from restrictions	<u>45,000</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains and, other support	<u>2,220,481</u>	<u>(20,000)</u>	<u>2,200,481</u>	<u>2,111,247</u>	<u>45,000</u>	<u>2,156,247</u>
<b>Expenses</b>						
Program services						
Court advocacy	1,136,905	-	1,136,905	1,129,404	-	1,129,404
Community services	<u>518,756</u>	<u>-</u>	<u>518,756</u>	<u>426,512</u>	<u>-</u>	<u>426,512</u>
Total program services	1,655,661	-	1,655,661	1,555,916	-	1,555,916
Supportive services						
Management and general	211,048	-	211,048	253,678	-	253,678
Fundraising	<u>90,250</u>	<u>-</u>	<u>90,250</u>	<u>74,665</u>	<u>-</u>	<u>74,665</u>
Total expenses	<u>1,956,959</u>	<u>-</u>	<u>1,956,959</u>	<u>1,884,259</u>	<u>-</u>	<u>1,884,259</u>
<b>Change in Net Assets</b>	263,522	(20,000)	243,522	226,988	45,000	271,988
<b>Net Assets, Beginning of Year</b>	<u>2,548,704</u>	<u>45,000</u>	<u>2,593,704</u>	<u>2,321,716</u>	<u>-</u>	<u>2,321,716</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,812,226</u>	<u>\$ 25,000</u>	<u>\$ 2,837,226</u>	<u>\$ 2,548,704</u>	<u>\$ 45,000</u>	<u>\$ 2,593,704</u>

**Avenues for Justice, Inc.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2021 and 2020**

	2021							
	Program Services			Supporting Services				Total Expenses
	Court Advocacy	Community Services	Total	Management and General	Fundraising	Direct Costs of Special Events	Total	
Salaries	\$ 597,950	\$ 252,234	\$ 850,184	\$ 48,223	\$ -	\$ -	\$ 48,223	\$ 898,407
Employee health and retirement benefits	113,269	47,779	161,048	9,134	-	-	9,134	170,182
Payroll taxes	46,232	19,502	65,734	3,729	-	-	3,729	69,463
Total salaries and related expenses	757,451	319,515	1,076,966	61,086	-	-	61,086	1,138,052
Professional fees and contract service payments	67,126	-	67,126	15,355	70,500	-	85,855	152,981
Supplies	6,373	2,549	8,922	883	10,858	-	11,741	20,663
Rent	-	62,779	62,779	26,100	-	-	26,100	88,879
Telephone	27,645	-	27,645	3,072	-	-	3,072	30,717
Utilities	-	23,908	23,908	-	-	-	-	23,908
Postage	5,038	-	5,038	630	687	-	1,317	6,355
Travel and conferences	1,625	-	1,625	-	-	-	-	1,625
Direct assistance to clients	119,288	-	119,288	-	-	-	-	119,288
Bookkeeping and payroll services	-	-	-	69,051	-	-	69,051	69,051
Printing and publications	2,064	1,835	3,899	688	-	-	688	4,587
Insurance	13,517	29,287	42,804	2,253	5,400	-	7,653	50,457
Repairs and maintenance	95,897	4,979	100,876	-	-	-	-	100,876
Catering and facility rental	-	-	-	-	-	34,427	34,427	34,427
In-kind	21,667	9,140	30,807	1,747	-	-	1,747	32,554
Depreciation and amortization	18,504	64,764	83,268	9,252	-	-	9,252	92,520
Office expenses	-	-	-	17,201	-	-	17,201	17,201
Miscellaneous	710	-	710	3,730	2,805	-	6,535	7,245
Total expenses	1,136,905	518,756	1,655,661	211,048	90,250	34,427	335,725	1,991,386
Less expenses deducted from revenues on the statements of activities								
Direct costs of special events	-	-	-	-	-	(34,427)	(34,427)	(34,427)
Total expenses reported by function on the statements of activities	<u>\$ 1,136,905</u>	<u>\$ 518,756</u>	<u>\$ 1,655,661</u>	<u>\$ 211,048</u>	<u>\$ 90,250</u>	<u>\$ -</u>	<u>\$ 301,298</u>	<u>\$ 1,956,959</u>

**Avenues for Justice, Inc.**  
**Statements of Functional Expenses (Continued)**  
**Years Ended December 31, 2021 and 2020**

	2020							
	Program Services			Supporting Services				Total Expenses
	Court Advocacy	Community Services	Total	Management and General	Fundraising	Direct Costs of Special Events	Total	
Salaries	\$ 620,951	\$ 176,395	\$ 797,346	\$ 54,716	\$ -	\$ -	\$ 54,716	\$ 852,062
Employee health and retirement benefits	152,118	43,212	195,330	13,404	-	-	13,404	208,734
Payroll taxes	44,719	12,703	57,422	3,941	-	-	3,941	61,363
Total salaries and related expenses	817,788	232,310	1,050,098	72,061	-	-	72,061	1,122,159
Professional fees and contract service payments	35,063	-	35,063	28,479	62,920	-	91,399	126,462
Supplies	8,739	3,610	12,349	2,704	6,207	-	8,911	21,260
Rent	-	64,939	64,939	26,200	-	-	26,200	91,139
Telephone	27,153	-	27,153	3,017	-	-	3,017	30,170
Utilities	-	24,902	24,902	-	-	-	-	24,902
Postage	2,871	-	2,871	359	416	-	775	3,646
Travel and conferences	97	-	97	-	272	-	272	369
Direct assistance to clients	133,411	-	133,411	-	-	-	-	133,411
Bookkeeping and payroll services	-	-	-	66,450	-	-	66,450	66,450
Printing and publications	2,409	2,142	4,551	803	-	-	803	5,354
Insurance	11,275	24,429	35,704	1,879	4,850	-	6,729	42,433
Repairs and maintenance	49,274	2,986	52,260	-	-	-	-	52,260
Catering and facility rental	-	-	-	-	-	23,364	23,364	23,364
In-kind	22,140	6,289	28,429	1,951	-	-	1,951	30,380
Depreciation and amortization	18,544	64,905	83,449	9,272	-	-	9,272	92,721
Office expenses	-	-	-	38,111	-	-	38,111	38,111
Miscellaneous	640	-	640	2,392	-	-	2,392	3,032
Total expenses	1,129,404	426,512	1,555,916	253,678	74,665	23,364	351,707	1,907,623
Less expenses deducted from revenues on the statements of activities								
Direct costs of special events	-	-	-	-	-	(23,364)	(23,364)	(23,364)
Total expenses reported by function on the statements of activities	<u>\$ 1,129,404</u>	<u>\$ 426,512</u>	<u>\$ 1,555,916</u>	<u>\$ 253,678</u>	<u>\$ 74,665</u>	<u>\$ -</u>	<u>\$ 328,343</u>	<u>\$ 1,884,259</u>



**Avenues for Justice, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating Activities</b>		
Change in net assets	\$ 243,522	\$ 271,988
Items not requiring (providing) operating cash flows		
Depreciation and amortization	92,520	92,721
Net realized and unrealized (gains) losses on investments	(25,368)	25,996
Changes in		
Contributions receivable	70,585	75,870
Government grants receivable	-	40,000
Prepaid expenses and other assets	(69)	(4,019)
Accounts and accrued expenses payable	4,473	4,557
Accrued salaries and vacations payable	(9,971)	(10,114)
Deferred rent	3,625	2,683
Net cash provided by operating activities	379,317	499,682
<b>Investing Activities</b>		
Purchase of property and equipment	(8,935)	(10,032)
Purchase of investments	(186,559)	(243,799)
Proceeds from sale of investments	4,427	174,037
Net cash used in investing activities	(191,067)	(79,794)
<b>Net Increase in Cash and Cash Equivalents</b>	188,250	419,888
<b>Cash and Cash Equivalents, Beginning of Year</b>	646,114	226,226
<b>Cash and Cash Equivalents, End of Year</b>	\$ 834,364	\$ 646,114

# Avenues for Justice, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

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

As one of the first Alternative to Incarceration (ATI) programs for youth in the country, for 40+ years, Avenues for Justice, Inc. (AFJ) has diverted thousands of African American and Hispanic youth and young adults, ages 13 to 24, across New York City from a punitive criminal justice system to a supportive program designed to help them avoid future crime and lead successful lives. AFJ's key program is ongoing court advocacy to prevent court-involved youth from being incarcerated. AFJ then provides multiple programs for job training, educational success and mental health wellness to these Participants and to those at-risk of involvement in the criminal justice system. In 2021, only 5% of our court-involved Participants were reconvicted of a new crime within three years of enrolling in our program.

AFJ was incorporated in 1979 following several years of service led by Lower East Side residents, Robert Siegal and Angel Rodriguez, and has been continuously Hispanic led for over 40 years by Co-founder and Executive Director, Angel Rodriguez. 100% of AFJ's Participants and 77% of AFJ's staff are African American or Hispanic.

#### **Who We Serve**

AFJ serves youth and young adults across New York City, ages 13 to 24, in these categories:

1. **Court-Involved:** Includes Alternative to Incarceration (ATI), Diversion (short-term ATI for younger Participants in Family Court), and Re-entry.
2. **At-Risk:** AFJ's doors are always open to any youth in need for long-term engagement or short-term assistance and referrals.

**Program Locations:** AFJ serves youth across New York City both online and also onsite at Community Centers in underserved areas in New York City where many of Participants live, providing community-based safe spaces for services. Many of AFJ's Court Advocates are life-long residents of those very communities and know them well, including how to enlist local volunteers, businesses, and resources to support AFJ' Participants. In turn, the communities know and trust AFJ with their young people.

1. **Headquarters inside Manhattan Criminal Courthouse:** AFJ maintains headquarters inside the Manhattan Criminal Courthouse so that staff can respond quickly when youth and young adults enter for a court date.
2. **Robert Siegal Community Center – Lower East Side:** Our flagship site has served Participants continuously since the 1980s. In 2022, New York City Council and Community Board 3 co-named the block, "Avenues for Justice Way".
3. **Harlem Community Center:** In the 1990s, AFJ replicated its program to more easily serve Participants across Upper Manhattan, Harlem, and Washington Heights.
4. **Program can also be accessed via a hybrid in-person and virtual platform.**

# **Avenues for Justice, Inc.**

## **Notes to Financial Statements**

### **December 31, 2021 and 2020**

#### ***Programs***

**Court Advocacy:** By basing our headquarters inside the Manhattan Criminal Courthouse, staff can respond quickly when youth and young adults enter for a court date, assess their needs prior to trial and advocate to a judge that they be mandated to AFJ's services instead of detention or prison. Participants are then assigned to one of AFJ's Community Centers in Harlem or the Lower East Side for our wraparound HIRE UP services, which are also available online via a hybrid platform. Court Advocates stay on call 24/7 to mentor both the Participants and their families, and handle crises as they arise. The Court Advocate collaborates with each Participant to co-create a comprehensive Individual Action Plan. The Individual Action Plan does not address a crime. It addresses a person with a specific set of needs, risks and strengths and, therefore, is more likely to succeed in preventing future crime and changing behavior than a uniform approach. Further, when possible, the Individual Action Plan addresses and enlists the participant's family as well.

**Wraparound HIRE UP Services:** At AFJ's community centers, and also online, Participants access mentoring, case management, and workshops for digital literacy with certification, OSHA construction safety, job readiness and financial literacy led by Corporate partners, Legal Rights and Responsibilities to help them avoid re-arrests, mental health wellness that includes Art Therapy and both group and individual sessions, and communications training in social media, videography, and other media. AFJ also works with Participants to assist them with reenrolling and graduating from school, matching them up with our bank of 60 volunteers, including tutors.

#### ***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. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted primarily of money market accounts.

At December 31, 2021, AFJ's cash accounts exceeded federally insured limits by approximately \$366,000.

#### ***Investments and Net Investment Return***

AFJ measures securities at fair value.

# Avenues for Justice, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020.

### ***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. Undesignated 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, 2021 and 2020

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.

### 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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<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 statements 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, 2021 and 2020**

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.

As of December 31, 2021, AFJ had \$70,000 of conditional contributions pertaining to a contribution whose conditions had not yet been met to recruit a specific number of young people to AFJ's program.

#### ***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 statements 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, 2021 and 2020, \$32,554 and \$30,380, respectively, 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 statements of activities. Certain costs have been allocated among the programs and supporting services benefited based on actual expenditures, estimated time spent and other methods.

#### ***Revisions***

Certain immaterial revisions have been made to the 2020 presentation of deferred rent to reflect it as a long-term liability on the statement of financial position. In addition, the 2020 purchases and sales of investments have been adjusted to omit certain transactions on cash accounts. As a result, purchases and sales have both been reduced by \$1,847,465. These revisions had no effect on the change in net assets.

**Avenues for Justice, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 2: 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 AFJ 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 AFJ.

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 years ended December 31, 2021 and 2020, AFJ recognized revenue of \$45,000 and \$22,669, respectively, from goods and services that transfer to the attendee over time.

**Note 3: 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
- 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 years ended December 31, 2021 and 2020.

**Avenues for Justice, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**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.

**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, 2021 and 2020:

	<b>2021</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Mutual funds			
Small cap	\$ 4,252	\$ -	\$ 4,252
Large cap	67,212	-	67,212
Foreign	19,371	-	19,371
Emerging markets	5,881	-	5,881
Real assets	15,120	-	15,120
Alternatives	8,846	-	8,846
Hedge funds	66,830	-	66,830
REITS	2,404	-	2,404
Total mutual funds	189,916	-	189,916
Fixed income	-	251,347	251,347
Total investments reported on the fair value hierarchy	<u>\$ 189,916</u>	<u>\$ 251,347</u>	441,263
Cash and cash equivalents			<u>1,186,418</u>
Total investments			<u>\$ 1,627,681</u>



# Avenues for Justice, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

	<b>2020</b>		<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	
Mutual funds			
Small cap	\$ 3,774	\$ -	\$ 3,774
Large cap	49,243	-	49,243
Foreign	17,562	-	17,562
Emerging markets	5,752	-	5,752
Real assets	18,968	-	18,968
Alternatives	5,734	-	5,734
Hedge funds	55,204	-	55,204
REITS	3,336	-	3,336
Total mutual funds	159,573	-	159,573
Fixed income	-	258,074	258,074
Total investments reported on the fair value hierarchy	<u>\$ 159,573</u>	<u>\$ 258,074</u>	417,647
Cash and cash equivalents			<u>1,002,534</u>
Total investments			<u>\$ 1,420,181</u>

### Note 4: Property and Equipment

Property and equipment at December 31, 2021 and 2020 consist of:

	<b>2021</b>	<b>2020</b>
Land	\$ 20,000	\$ 20,000
Building	301,211	301,211
Building improvements	464,644	464,644
Equipment	164,639	155,704
Leasehold improvements	<u>469,518</u>	<u>469,518</u>
	1,420,012	1,411,077
Accumulated depreciation and amortization	<u>(1,177,807)</u>	<u>(1,085,287)</u>
	<u>\$ 242,205</u>	<u>\$ 325,790</u>

**Avenues for Justice, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 5: Net Assets with Donor Restrictions**

***Net Assets with Donor Restrictions***

Net assets with donor restrictions at December 31, 2021 and 2020 are restricted for the following purposes or periods:

	<b>2021</b>	<b>2020</b>
Subject to expenditure for specified purpose		
Long-term survey follow-up	\$ -	\$ 20,000
Subject to the passage of time	25,000	25,000
	\$ 25,000	\$ 45,000

***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.

	<b>2021</b>	<b>2020</b>
Long-term survey follow-up	\$ 20,000	\$ -
Time restrictions	25,000	-
	\$ 45,000	\$ -

**Note 6: Paycheck Protection Program (PPP) Loan**

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). AFJ and has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. Paycheck Protection Program (PPP) loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustments could be required to the recognition of revenue. On April 25, 2020 AFJ received a loan in the amount of \$175,000 pursuant to the PPP. On January 11, 2021, the SBA authorized full forgiveness of AFJ's first loan. The full amount of the loan was recognized into revenue during 2020.

# Avenues for Justice, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

On December 27, 2020, the *Consolidated Appropriations Act of 2021* was signed into law and, among other things, established a new “Second Draw” Paycheck Protection Program. On February 9, 2021, AFJ received a second PPP loan of \$195,772 pursuant to the Paycheck Protection Program Second Draw. On December 12, 2021, AFJ’s Second Draw PPP loan of \$195,772 was approved for full forgiveness and therefore was recognized into revenue during 2021.

### Note 7: Pension

AFJ has a 401(k) defined contribution retirement plan which covers all eligible full-time and part-time employees. Pension expense was \$22,185 and \$23,482 for 2021 and 2020, respectively.

### 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. AFJ also has a lease agreement in 2020 with a landlord that was agreed to on a month-to-month basis. Rent expense for the years ended December 31, 2021 and 2020 were \$88,879 and \$91,139, respectively.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Payment</u>
2022	\$ 67,336
2023	<u>63,981</u>
	<u>\$ 131,317</u>

### 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 3.25% at both December 31, 2021 and 2020. The line of credit was set to expire in April 2022 and was subsequently extended until April 2023. As of December 31, 2021 and 2020, there was no balance outstanding.

**Avenues for Justice, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**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, 2021 and 2020, comprise the following:

	<b>2021</b>	<b>2020</b>
Financial assets at year-end		
Cash and cash equivalents	\$ 834,364	\$ 646,114
Investments	1,627,681	1,420,181
Contributions receivable, due within one year	164,056	234,641
Total financial assets	2,626,101	2,300,936
Less funds with donor restrictions	(25,000)	(45,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,601,101	\$ 2,255,936

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, 30% and 33% of all contributions were received from one donor in 2021 and 2020, respectively.

***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.**  
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**Note 12: Subsequent Events**

Subsequent events have been evaluated through August 16, 2022, which is the date the financial statements were available to be issued.

**Note 13: Future Changes in Accounting Principles**

***Accounting for Leases***

The Financial Accounting Standards Board 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.