

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

**FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION**

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Asian Americans Advancing Justice - Asian Law Caucus

Report on the Financial Statements

We have audited the accompanying financial statements of Asian Americans Advancing Justice - Asian Law Caucus (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2020, and the related Statements of Activities, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Asian Americans Advancing Justice - Asian Law Caucus as of June 30, 2020, and the changes 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.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited Asian Americans Advancing Justice - Asian Law Caucus' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020, on our consideration of Asian Americans Advancing Justice - Asian Law Caucus' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Asian Americans Advancing Justice - Asian Law Caucus' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Asian Americans Advancing Justice - Asian Law Caucus' internal control over financial reporting and compliance.

Harrington Group

Oakland, California
November 19, 2020

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

STATEMENT OF FINANCIAL POSITION

For the year ended June 30, 2020

With comparative totals at June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
ASSETS				
Cash and cash equivalents (Note 2)	\$ 3,799,498	\$ 5,670,443	\$ 9,469,941	\$ 5,712,606
Grants and contracts receivable	277,210	306,286	583,496	257,061
Contributions and pledges receivable (Note 4)		2,155,720	2,155,720	2,263,443
Investments (Note 5)	946,522		946,522	845,743
Prepaid expenses	47,595		47,595	45,035
Property and equipment (Note 6)	1,238,454		1,238,454	1,265,613
	\$ 6,309,279	\$ 8,132,449	\$ 14,441,728	\$ 10,389,501
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 63,603	\$ -	\$ 63,603	\$ 83,902
Accrued liabilities (Note 7)	425,063		425,063	208,347
Capital lease obligations (Note 9)	1,094,965		1,094,965	1,102,376
Paycheck protection program loan (Note 10)	518,697		518,697	-
	2,102,328	-	2,102,328	1,394,625
NET ASSETS				
Without donor restrictions				
Undesignated	221,353		221,353	288,222
Board designated operating reserve (Note 2 and 3)	3,985,598		3,985,598	3,479,350
With donor restrictions (Note 12)		8,132,449	8,132,449	5,227,304
	4,206,951	8,132,449	12,339,400	8,994,876
TOTAL NET ASSETS	4,206,951	8,132,449	12,339,400	8,994,876
TOTAL LIABILITIES AND NET ASSETS	\$ 6,309,279	\$ 8,132,449	\$ 14,441,728	\$ 10,389,501

The accompanying notes are an integral part of these financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
REVENUE				
In-kind donations (Note 2)	\$ 13,781,804	\$ -	\$ 13,781,804	\$ 4,853,062
Grants		5,339,957	5,339,957	3,031,446
Government contract revenue	1,067,477	1,578,033	2,645,510	1,350,259
Contributions	462,894		462,894	554,780
Program fees	174,184		174,184	119,575
Special events - net of expenses of \$47,646	102,850		102,850	255,965
Miscellaneous income	83,750		83,750	19,497
Dividend and interest income	82,880		82,880	52,891
Gain on investments	27,259		27,259	38,856
Net assets released from restrictions (Note 12)	4,012,845	(4,012,845)	-	-
TOTAL REVENUE	19,795,943	2,905,145	22,701,088	10,276,331
EXPENSES				
Program services	18,368,831		18,368,831	9,089,133
General and administration	619,689		619,689	410,489
Fundraising	368,044		368,044	335,177
TOTAL EXPENSES	19,356,564	-	19,356,564	9,834,799
CHANGE IN NET ASSETS	439,379	2,905,145	3,344,524	441,532
NET ASSETS, BEGINNING OF YEAR	3,767,572	5,227,304	8,994,876	8,553,344
NET ASSETS, END OF YEAR	\$ 4,206,951	\$ 8,132,449	\$ 12,339,400	\$ 8,994,876

The accompanying notes are an integral part of these financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended June 30, 2020
 With comparative totals for the year ended June 30, 2019

	Program Services							Total Expenses	
	National Security and Civil Rights	Housing	Immigration	Other	Total Program Services	General and Administration	Fundraising	2020	2019
Salaries	\$ 253,246	\$ 244,318	\$ 685,920	\$ 1,236,307	\$ 2,419,791	\$ 142,342	\$ 284,681	\$ 2,846,814	\$ 2,580,846
Payroll taxes and employee benefits	11,253	17,950	66,275	338,965	434,443	25,556	51,111	511,110	414,802
Total personnel costs	264,499	262,268	752,195	1,575,272	2,854,234	167,898	335,792	3,357,924	2,995,648
In-kind expenses (Note 2)	185,315	8,781,930	2,933,471	1,867,081	13,767,797		14,007	13,781,804	4,853,062
Affiliate expenses				684,893	684,893			684,893	886,116
Subcontractors	44,913		61,690	65,000	171,603	364,235		535,838	141,385
Interest				209,759	209,759			209,759	206,577
Contract services	2,506	12,210	2,735	127,990	145,441	38,063	2,085	185,589	189,535
Telecommunications	1,514	6,348	1,832	123,465	133,159	7,850		141,009	57,762
Professional fees	1,430	298	2,105	73,819	77,652	574		78,226	51,432
Occupancy			34	76,341	76,375			76,375	101,590
Other	683	2,151	100	39,486	42,420	32,391		74,811	76,359
Office expenses	287	6,432	4,871	44,036	55,626	830	14,826	71,282	83,874
Depreciation				55,984	55,984			55,984	55,539
Travel	14,011	863	7,333	23,460	45,667	1,781	22	47,470	63,686
Conference, catering, and meals	1,737	85	2,030	17,131	20,983	4,075	915	25,973	26,772
Community outreach				8,886	8,886	2,492		11,378	27,224
Construction costs		312		8,869	9,181			9,181	481
Equipment rental and maintenance				9,171	9,171	(500)	397	9,068	17,757
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 516,895	\$ 9,072,897	\$ 3,768,396	\$ 5,010,643	\$ 18,368,831	\$ 619,689	\$ 368,044	\$ 19,356,564	
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 964,265	\$ 2,966,060	\$ 2,248,379	\$ 2,910,429	\$ 9,089,133	\$ 410,489	\$ 335,177		\$ 9,834,799

The accompanying notes are an integral part of these financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,344,524	\$ 441,532
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	55,984	55,539
Investment (income) loss	(81,413)	(38,856)
(Increase) decrease in operating assets:		
Grants and contracts receivable	(326,435)	482,768
Pledge receivable	107,723	731,486
Prepaid expenses	(2,560)	654
Increase (decrease) in operating liabilities:		
Accounts payable	(20,299)	(919,208)
Accrued liabilities	216,716	(6,877)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,294,240	747,038
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(28,825)	(28,022)
Purchase of investments	(320,132)	(308,652)
Proceeds from sale of investments	300,766	349,013
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(48,191)	12,339
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program loan	518,697	-
Principal payments on capital lease obligation	(7,411)	(6,237)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	511,286	(6,237)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,757,335	753,140
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,712,606	4,959,466
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,469,941	\$ 5,712,606
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflect interest paid related to the capital lease:	\$ 197,397	\$ 194,457

The accompanying notes are an integral part of these financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

1. Organization

Founded in 1972, Asian Americans Advancing Justice - Asian Law Caucus¹ (Advancing Justice - ALC) started as a storefront office operated by volunteer attorneys and law students who created the nation's first nonprofit law office serving the needs of the Asian and Pacific Islander ("API") community and has grown to over 45 staff. The mission of AAAJ - ALC is to promote, advance, and represent the legal and civil rights of API communities. Recognizing that social, economic, political, and racial inequalities continue to exist in the United States, Advancing Justice - ALC is committed to the pursuit of equality and justice for all sectors of our society, with a specific focus directed toward addressing the needs of low-income, immigrant, and underserved APIs.

Since a majority of APIs in America are immigrants and refugees, Advancing Justice - ALC strives to create informed and educated communities empowered to assert their rights and to participate actively in American society. This perspective is reflected in its broad strategy which incorporates a three-pronged approach of (1) impact work including litigation, policy advocacy, and communications, (2) direct legal services, and (3) community empowerment. The current programs are: immigrant rights, workers' rights, housing rights, criminal justice reform, national security and civil rights, and voting rights. Linguistically and culturally competent services are provided to members of the API community annually.

Since its founding, Advancing Justice - ALC has helped improve the lives of tens of thousands of Asian and Pacific Islander in the Bay Area, statewide in California and nationally. Advancing Justice - ALC has been involved in litigating several landmark cases – most notably, Fred Korematsu's coram nobis case that overturned his World War II-era conviction for violating the relocation order against Japanese Americans. This laid the groundwork for the redress law enacted in 1988. Other notable cases include: Chann v. Scott (discriminatory arrests of Chinatown youth), Chen v. Ocean Garment (the nation's first case against a garment manufacturer for subcontractor wage violations), Chow v. Meissner (naturalization for immigrants with disabilities), Kao v. Rohnert Park (police killing of Asian based on martial arts stereotype), Ni Hao Tu v. Chinese Mutual Assistance Association (financial elder abuse class action), Truong v. S.F. Housing Authority (challenging failure to protect Southeast Asian families from racial violence), and Yang v. Glickman (denial of veterans' classification to Hmong veterans of the Vietnam War).

AAAJ - ALC is an incubator for future community leaders; more than 1,000 individuals have served as staff, law clerks, board members, and volunteers, gaining valuable community and legal experience. They carry the lessons, skills, and experience into other fields of endeavor and across the country.

¹ The Asian Law Caucus, Inc. changed its name to the Asian Americans Advancing Justice – Asian Law Caucus ("AAAJ - ALC") on May 1, 2013, to affiliate with four other API-serving social justice organizations to build a more powerful platform for Asian American civil rights advocacy. The four other Advancing Justice affiliates are located in Los Angeles, Chicago, Atlanta, and Washington, D.C.

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

AAAJ - ALC has defined cash and cash equivalents as cash in banks and certificates of deposits with an original maturity of six months or less.

Grants and Contracts Receivable

Grants and contracts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Investments

AAAJ - ALC values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain or (loss) on investments. Short-term highly liquid money market deposits that are not used for operations are treated as investments.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

AAAJ - ALC is required to measure certain investments, pledged contributions, and non-cash contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Concentrations of Credit Risk

AAAJ - ALC places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. AAAJ - ALC has not incurred losses related to these investments.

AAAJ - ALC holds investments in the form of equities and U.S. Governmental debt securities. The Board of Directors routinely reviews market values of such investments and credit ratings of bond issuers.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,500 and the useful life is greater than one year.

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

All contributions are considered available for general programs unless specifically restricted by the donor. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Amounts received that are designated for future periods or restricted by the donor are reported as support with donor restrictions. Payments under cost-reimbursable grants received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred.

Program service revenue is recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration AAAJ - ALC expects to be entitled to in exchange for those goods and services. AAAJ - ALC considers several factors in determining that control transfers to the customer. These factors include that legal title transfers to the customer, a present right to payment exists, and the customer has assumed the risks and rewards of ownership at the time of shipment.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2020, AAAJ - ALC received donated legal services of \$13,767,797, recorded at fair value. The fair value of the legal services was based upon the number of hours contributed at the appropriate billing rates and has been recorded as an in-kind donation and in-kind expense.

Income Taxes

AAAJ - ALC is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by AAAJ - ALC in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. AAAJ - ALC's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

Costs of providing AAAJ - ALC's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. AAAJ - ALC uses full-time equivalents and usage of resources to allocate indirect costs.

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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. AAAJ - ALC has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The ASU is effective for fiscal years beginning after December 31, 2018. Retrospective application is permitted. AAAJ - ALC has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements for the year ended June 30, 2020 under a modified prospective basis. There is no effect on net assets in connection with AAAJ - ALC's implementation of ASU 2018-08.

Reclassification

Certain amounts from the June 30, 2019 financial statements have been reclassified to conform to the June 30, 2020 presentation.

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Comparative Totals

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AAAJ - ALC's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

3. Liquidity and Availability of Resources

AAAJ - ALC receives numerous grants, donations and earned income primarily from foundations, corporations, and local government which totaled \$8,725,395 in fiscal year June 30, 2020.

Of its \$14.4 million dollar in assets, \$5.02 million is available as liquid assets.

As of the end of fiscal year June 30, 2020, AAAJ - ALC maintained a 7.34 current ratio using only unencumbered liquid assets for the calculations.

In 2016, the Board of Directors of AAAJ - ALC established a Board-designated Operating Reserve to: (a) cover unanticipated operating shortfalls; (b) guard against financial insecurity during unforeseen, destabilizing events (such as substantial decrease of financial support, economic recession, natural catastrophe, etc.); and (c) take advantage of unplanned opportunities. The goal is six months' operating costs. At June 30, 2020, the Operating Reserve totaled \$3,985,598, which represents 5.6 months' projected operating costs for fiscal year 2020-2021.

Cash and cash equivalents	\$3,799,498
Investments	946,522
Grants and contracts receivable	<u>277,210</u>
Total financial assets at year-end	<u>\$5,023,230</u>

Financial assets available to meet expenditures over the next 12 months.

Total financial assets	\$5,023,230
Less: Accounts payable	(63,603)
Client's trust account	(175,669)
Accrued salaries and wages	(83,649)
Capital lease obligation	(196,014)
Paycheck protection program loan	<u>(518,697)</u>
Assets available to meet expenditures in the next 12 months	<u>\$3,985,598</u>

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

4. Contributions and Pledges Receivable

Contributions and pledges receivable from foundations and are recorded as support when pledged, unless designated as conditional. All pledges are valued at the estimated fair present value at June 30, 2020 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2020. A discount rate of 3.0% has been used to calculate the present value of pledges receivable. Total amount of pledges receivable at June 30, 2020 of \$2,155,720 is expected to be collected within one year.

5. Investments

Investments at June 30, 2020 consist of the following:

Fixed income funds	\$501,896
Equity funds	<u>444,626</u>
	<u>\$946,522</u>

6. Property and Equipment

Property and equipment at June 30, 2020 consist of the following:

Building	\$1,240,000
Leasehold improvements	361,253
Furniture and equipment	263,496
Computers	144,313
Construction in progress	<u>27,763</u>
	2,036,825
Less: accumulated depreciation	<u>(798,371)</u>
	<u>\$1,238,454</u>

Depreciation expense for the year ended June 30, 2020 was \$55,984.

7. Accrued Liabilities

Accrued liabilities at June 30, 2020 consist of the following:

Accrued vacation	\$165,745
Clients' trust accounts	175,669
Accrued salaries and wages	<u>83,649</u>
	<u>\$425,063</u>

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

8. Line of Credit

AAAJ - ALC has a revolving line of credit with a bank, secured by broad form-UCC. No amount was outstanding at June 30, 2020.

9. Capital Lease Obligations

AAAJ - ALC leases property under capital leases. Future minimum payments, by year, and in the aggregate, under these leases consist of the following:

<u>Year ending June 30,</u>	
2021	\$ 196,014
2022	196,014
2023	196,014
2024	196,014
2025	196,014
Thereafter	<u>2,910,369</u>
Total minimum lease payments	3,890,439
Less: portion representing interest	<u>(2,795,474)</u>
Present value of net minimum lease payments	<u>\$ 1,094,965</u>

The cost of property under capital leases at June 30, 2020 consists of the following:

Building	\$1,240,000
Less: accumulated depreciation	<u>(264,528)</u>
	<u>\$ 975,472</u>

10. Paycheck Protection Program Loan

In May 2020, AAAJ - ALC received loan proceeds in the amount of \$518,697 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are eligible for forgiveness for a covered period of up to twenty-four weeks, as long as the borrower uses the loan proceeds for eligible purposes (which includes payroll, benefits, rent and utilities) and maintains its full-time staff equivalency levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral period for loan payments of either (1) the date that SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. AAAJ - ALC intends to use the proceeds for purposes consistent with the PPP guidelines.

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

11. Commitments and Contingencies

Obligations Under Operating Leases

AAAJ - ALC leases property and equipment under operating lease with remaining terms of less than a year. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ending June 30,</u>	
2021	\$12,610
2022	12,862
2023	13,119
2024	<u>7,751</u>
	<u>\$46,342</u>

Rent expense under these operating leases for the year ended June 30, 2020 was \$21,430.

Contracts

AAAJ - ALC's government grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, AAAJ - ALC has no provisions for the possible disallowance of program costs on its financial statements.

COVID-19

In March 2020, due to the COVID-19 virus a global pandemic was declared that drastically changed the way that AAAJ - ALC serves its communities. As shelter-in-place orders were issued, AAAJ - ALC closed its office with requirements that employees work remotely and pivoted effectively to minimize as much as possible disruptions in its services.

Operations and HR

AAAJ - ALC's investment in infrastructure and key positions in human resources and administration have made it possible for AAAJ - ALC to more easily transition to remote working. Before the pandemic AAAJ - ALC upgraded its information technology systems and provided staff with necessary technology and equipment, as needed. AAAJ - ALC was also in the process of upgrading its financial systems. To accommodate the staff during shelter-in-place, AAAJ - ALC provided each staff member with a zoom account and other tools and support that staff needed to continue to work. AAAJ - ALC knows this situation is especially difficult and have encouraged the staff to reach out if they need to adjust schedules or workload.

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

11. Commitments and Contingencies, continued

Programs

Due to the limitations posed by the pandemic, each program reconsidered its strategies to reach diverse low-income clients and community members. As an organization, AAAJ - ALC is taking client calls by phone and videoconference and by appointment. AAAJ - ALC's legal services, advocacy, and community engagement had to change to remote form, including letters, digital/social media actions, and videos. Even with limitations on in-person engagement, AAAJ - ALC's work only increased during this time as AAAJ - ALC helped its communities face challenges in the following areas: low-wage workers accessing unemployment benefits, Know-Your-Rights and legal assistance on the eviction moratorium, health risks for elders in senior housing, immigration detention for vulnerable populations, accurate census counts, and increased anti-Asian hate incidents due to COVID-19.

Finance and Development

The management of AAAJ - ALC carefully monitors the situation and continues to evaluate its options as the economic downturn due to COVID-19 continues to impact the nonprofit sector. AAAJ - ALC entered this crisis with almost six months of an operating reserve. Immediately, the Management, in partnership with Finance and Development, analyzed and provided different financial scenarios--conservative, optimistic, and realistic—based on the information gathered from input from sustaining institutional funders and economic and fundraising trends. Anticipating the negative impacts on AAAJ - ALC's revenue, including the cancellation of the annual gala, AAAJ - ALC's key fundraising event, AAAJ - ALC adjusted down its individual giving and events income, incurring a loss of approximately \$200K from these revenue streams. Nonetheless, AAAJ - ALC focused on ensuring and maintaining its foundation grants and received commitments and rapid response funding for AAAJ - ALC's work at this time.

In addition, AAAJ - ALC applied for funding under the CARES Act, signed into law on March 27, 2020, and received funds from the CARES Act PPP. These funds are a loan that may be forgiven if the funds are used for payroll and other qualified expenses.

The continued, long-term impact of the COVID-19 virus on AAAJ - ALC cannot be foreseen at this time and is not reflected in these financial statements.

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

12. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 consist of the following:

General operations – time restricted	\$2,972,320
National security and civil rights	1,184,405
Affiliate work	1,170,200
Voting rights	1,058,282
Criminal justice reform	555,000
Employment and labor	439,167
Immigration	359,288
Housing and community development	226,013
Communications	<u>167,774</u>
	<u>\$8,132,449</u>

For the year ended June 30, 2020, net assets released from restrictions were \$4,012,845, of which \$2,932,553 was for purpose restrictions and \$1,080,292 was for time restrictions.

Net assets released from donor restrictions noted above includes multi-year pledges for which the full pledge amount has been recognized as revenue for the year ended June 30, 2020, as per generally accepted accounting principles requirements, whilst the related program expenses will be recognized as expenses in the subsequent fiscal years, and over the remaining grant period.

13. Employee Benefit Plan

AAAJ - ALC has an Internal Revenue Code Section 401(k) qualified defined contribution retirement plan covering all of its employees, subject to certain eligibility requirements. Pension plan expense for the year ended June 30, 2020 was \$40,239.

14. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2020 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income				
Intermediate-term bond	\$175,237	\$ -	\$ -	\$175,237
Corporate bond	164,292			164,292
Short-term bond	73,591			73,591
World bond	68,634			68,634
High yield bond	<u>20,142</u>	<u> </u>	<u> </u>	<u>20,142</u>
Total fixed income	<u>501,896</u>	<u> </u>	<u> </u>	<u>501,896</u>

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

14. Fair Value Measurements, continued

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds				
Large growth	194,079			194,079
Large value	148,902			148,902
Small blend	87,812			87,812
Large blend	<u>13,833</u>	<u> </u>	<u> </u>	<u>13,833</u>
Total equity funds	<u>444,626</u>	<u> </u>	<u> </u>	<u>444,626</u>
 Total mutual funds	<u>\$946,522</u>	<u>\$ </u>	<u>\$ </u>	<u>\$946,522</u>

The fair value of fixed income and equity funds have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The table below present transactions measured at fair value on a non-recurring basis during the year ended June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges – new	\$ -	\$ -	\$3,047,250	\$ 3,047,250
Contributed legal services	<u> </u>	<u>13,781,804</u>	<u> </u>	<u>13,781,804</u>
	<u>\$ </u>	<u>\$13,781,804</u>	<u>\$3,047,250</u>	<u>\$16,829,054</u>

The fair value of contributed legal services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair values of pledges-new are measured on a non-recurring basis, based on the value provided by the donor at the date of pledge and with consideration of their credit worthiness (Level 3 inputs).

15. Subsequent Events

Subsequent to year-end, AAAJ-ALC entered into union negotiations regarding salaries. Accordingly, personnel expenses are expected to increase in fiscal year 2020-2021.

Management has evaluated subsequent events through November 19, 2020, the date which the financial statements were available for issue. Except as noted above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

ADDITIONAL INFORMATION

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
Asian Americans Advancing Justice - Asian Law Caucus

We have audited in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Asian Americans Advancing Justice - Asian Law Caucus (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2020, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Asian Americans Advancing Justice - Asian Law Caucus' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Asian Americans Advancing Justice - Asian Law Caucus' internal control. Accordingly, we do not express an opinion on the effectiveness of Asian Americans Advancing Justice - Asian Law Caucus' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Asian Americans Advancing Justice - Asian Law Caucus' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

continued

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Oakland, California

November 19, 2020