

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

FINANCIAL STATEMENTS

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Asian Americans Advancing Justice - Asian Law Caucus and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Asian Americans Advancing Justice - Asian Law Caucus' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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, including omissions, 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.

INDEPENDENT AUDITORS' REPORT

continued

In performing an audit in accordance with generally accepted auditing standards, 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 Asian Americans Advancing Justice - Asian Law Caucus' 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 Asian Americans Advancing Justice - Asian Law Caucus' 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited Asian Americans Advancing Justice - Asian Law Caucus' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Oakland, California
December 11, 2023

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

STATEMENT OF FINANCIAL POSITION

June 30, 2023

With comparative totals at June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
ASSETS				
Cash and cash equivalents (Note 2)	\$ 1,473,592	\$ 9,011,488	\$ 10,485,080	\$ 14,091,781
Grants and contracts receivable	1,290,308	1,140,000	2,430,308	1,838,673
Contributions and pledges receivable, net (Note 4)		7,410,420	7,410,420	1,942,809
Prepaid expenses	127,482		127,482	142,355
Investments (Note 5)	9,718,202		9,718,202	5,912,974
Right-of-use assets - operating leases (Note 9)	218,296		218,296	-
Property and equipment (Note 6)	1,176,419		1,176,419	1,154,052
	\$ 14,004,299	\$ 17,561,908	\$ 31,566,207	\$ 25,082,644
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 438,651	\$ -	\$ 438,651	\$ 1,189,865
Accrued liabilities (Note 7)	442,245		442,245	444,531
Deferred revenue	102,500		102,500	110,000
Lease liability - operating leases (Note 9)	223,514		223,514	-
Lease liability - finance lease (Note 9)	1,063,480		1,063,480	1,075,756
	2,270,390	-	2,270,390	2,820,152
NET ASSETS				
Without donor restrictions				
Undesignated	5,135,836		5,135,836	3,344,489
Board designated operating reserve (Notes 2 and 3)	6,598,073		6,598,073	6,344,766
With donor restrictions (Note 11)		17,561,908	17,561,908	12,573,237
	11,733,909	17,561,908	29,295,817	22,262,492
TOTAL LIABILITIES AND NET ASSETS	\$ 14,004,299	\$ 17,561,908	\$ 31,566,207	\$ 25,082,644

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, 2023
 With comparative totals for the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
REVENUE				
Grants	\$ -	\$ 12,144,662	\$ 12,144,662	\$ 9,069,126
Government contract revenue	500,886	2,905,175	3,406,061	2,486,728
Contributed goods and legal services (Note 2)	2,640,572		2,640,572	6,950,830
Contributions	1,106,180		1,106,180	1,307,392
Special events	633,389		633,389	-
Investment income (loss)	618,138		618,138	(759,285)
Miscellaneous income (Note 2)	530,719		530,719	228
Program service fees	139,881		139,881	124,902
Paycheck protection program loan forgiveness			-	518,697
Net assets released from restrictions (Note 11)	10,061,166	(10,061,166)	-	-
TOTAL REVENUE	16,230,931	4,988,671	21,219,602	19,698,618
EXPENSES				
Program services	12,530,104		12,530,104	16,281,045
General and administration	732,990		732,990	578,164
Fundraising	923,183		923,183	663,804
TOTAL EXPENSES	14,186,277	-	14,186,277	17,523,013
CHANGE IN NET ASSETS	2,044,654	4,988,671	7,033,325	2,175,605
NET ASSETS, BEGINNING OF YEAR	9,689,255	12,573,237	22,262,492	20,086,887
NET ASSETS, END OF YEAR	\$ 11,733,909	\$ 17,561,908	\$ 29,295,817	\$ 22,262,492

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, 2023

With comparative totals for the year ended June 30, 2022

	Program Services				Total Program Services	General and Administration	Fundraising	Total Expenses	
	Criminal Justice	Employment & Labor	Immigration Core	Other				2023	2022
Salaries	\$ 421,311	\$ 556,497	\$ 756,529	\$ 2,374,395	\$ 4,108,732	\$ 491,356	\$ 444,530	\$ 5,044,618	\$ 4,816,530
Payroll taxes and employee benefits	89,144	117,747	160,071	502,389	869,351	103,964	94,056	1,067,371	928,232
Total personnel costs	510,455	674,244	916,600	2,876,784	4,978,083	595,320	538,586	6,111,989	5,744,762
Contributed goods and legal services (Note 2)	1,499,765	237,053	822,949	80,805	2,640,572			2,640,572	6,950,830
Subcontractors	5,000		67,142	1,317,262	1,389,404	17,000		1,406,404	2,542,923
Affiliate expenses				1,300,000	1,300,000			1,300,000	440,957
Contract services	2,688	53,128		921,752	977,568	48,334	28,594	1,054,496	624,420
Events					-	34,223	341,531	375,754	52,132
Interest				320,484	320,484			320,484	229,879
Telecommunications/information systems		36	25	248,319	248,380	7,771		256,151	264,605
Occupancy		200		186,131	186,331	210		186,541	168,590
Other	6,187	5,450	1,774	95,637	109,048	4,354		113,402	135,889
Professional fees	1,164	1,446	4,288	100,317	107,215			107,215	104,013
Travel	6,181	4,553	3,354	55,053	69,141	6,186		75,327	42,192
Depreciation				65,724	65,724			65,724	61,360
Conference, catering, and meals	535	1,373	360	56,942	59,210	2,202		61,412	18,846
Office expenses	2,579	1,641	942	34,575	39,737	2,374	14,472	56,583	62,010
Community outreach		1,167	660	26,328	28,155	15,016		43,171	36,956
Construction costs (non-capitalizable)				11,052	11,052			11,052	42,649
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 2,034,554	\$ 980,291	\$ 1,818,094	\$ 7,697,165	\$ 12,530,104	\$ 732,990	\$ 923,183	\$ 14,186,277	
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 1,982,704	\$ 918,628	\$ 1,769,822	\$ 11,609,891	\$ 16,281,045	\$ 578,164	\$ 663,804		\$ 17,523,013

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, 2023

With comparative totals for the year ended June 30, 2022

	2023	2022
CASH FLOWS (TO) FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 7,033,325	\$ 2,175,605
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	65,724	61,360
Investment loss (income)	(618,138)	759,285
Donated stocks	(18,420)	-
Amortization of right-of-use assets - operating leases	122,350	-
Reduction of lease liability - operating leases	(117,132)	-
Paycheck protection program loan forgiveness	-	(518,697)
(Increase) decrease in operating assets:		
Grants and contracts receivable	(591,635)	253,266
Contributions and pledges receivable	(5,467,611)	78,313
Prepaid expenses	14,873	(86,499)
Increase (decrease) in operating liabilities:		
Accounts payable	(751,214)	717,793
Accrued liabilities	(2,286)	(94,810)
Deferred revenue	(7,500)	110,000
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(337,664)	3,455,616
CASH FLOWS (TO) FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(88,091)	(15,805)
Purchase of investments	(26,088,070)	(933,599)
Proceeds from sale of investments	22,919,400	1,040,199
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(3,256,761)	90,795
CASH FLOWS (TO) FINANCING ACTIVITIES:		
Principal payments on finance lease liability	(12,276)	(10,421)
NET CASH (USED) BY FINANCING ACTIVITIES	(12,276)	(10,421)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,606,701)	3,535,990
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,091,781	10,555,791
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,485,080	\$ 14,091,781
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflect interest paid related to the finance lease	\$ 201,912	\$ 198,322
Right-of use asset/lease liability - operating lease from adoption of ASC 842	\$ 340,646	\$ -

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. Since then, the nation's first nonprofit law office serving the needs of the Asian and Pacific Islander ("API") community has grown to over 50 staff members. The mission of Advancing Justice - 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 API community members.

Since a majority of API residents in the U.S. 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 our 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 residents 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 community member 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).

Advancing Justice - ALC is an incubator for future community leaders, and 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 those 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 primarily 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 funds and U.S. governmental debt securities funds. The Board of Directors routinely reviews market values of such investments and credit ratings of bond issuers. Investments are exposed to various risks, such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investments securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investments, it is at least reasonably possible that change in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

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.

AAAJ - ALC derives revenue from government contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when AAAJ - ALC have incurred expenditures in compliance with specific contract or grant provisions and/or meet the performance requirements.

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, 2023, AAAJ - ALC received total donated services of \$2,640,572, of which \$2,633,297 was for donated legal services, recorded at fair value. The fair value of the legal services was based upon the number of hours contributed at the standard billing rates of the respective law firm. The remaining amount of \$7,275 was for gift cards. The fair value of the gift cards was based on the cash value of the gift cards. AAAJ - ALC does not monetize its contributed services, and the donated goods and services are used for programs.

AAAJ-ALC uses full-time equivalents and usage of resources to allocate indirect costs. For the year end June 30, 2023, AAAJ-ALC had total expenses of \$14,186,277, which was \$3,336,736 less than the total expenses of the prior year. The decrease in expenses is primarily due to the decrease in donated services received in the current year, which are recorded as income and as expense since these are services that the organization would have normally paid for.

Miscellaneous Income

Miscellaneous income, on the Statement of Activities, includes, one-time reimbursements of \$530,719 from Advancing Justice affiliates for a shared national project.

continued

2. **Summary of Significant Accounting Policies, continued**

Leases

AAAJ - ALC applies Accounting Standards Codification (“ASC”) 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. AAAJ - ALC defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. AAAJ - ALC has existing leases which are operating and finance leases. The operating leases are included as right-of-use (“ROU”) assets and lease liabilities in the Statement of Financial Position. The finance lease is included in property and equipment and lease liabilities in the Statement of Financial Position.

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.

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.

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement

AAAJ - ALC adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, which is effective for fiscal years beginning after December 15, 2021, and requires lessees to recognize leases on the Statement of Financial Position and disclose key information about leasing arrangements. AAAJ - ALC chose not to restate the comparative period (2022), as allowed by the standard. AAAJ - ALC also chose not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases, also allowed by the standard. As a result of implementing ASU No. 2016-02, AAAJ - ALC recognized ROU assets of \$340,646 and lease liabilities totaling \$340,646 in its Statement of Financial Position as of July 1, 2022. The discount rate used to record the ROU asset and lease liability at the transition date of July 1, 2022, was 1.43%. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended June 30, 2022.

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, 2022, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through December 11, 2023, the date which the financial statements were available for issue. No events or transactions have occurred during this period which would require recognition or disclosure in these financial statements.

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

AAAJ - ALC receives numerous grants, donations and earned income primarily from foundations, corporations, and the local government which totaled \$18,121,230 in fiscal year ended June 30, 2023.

Of its \$31.7 million dollars in assets, \$12.4 million is available as liquid assets.

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, 2023, the operating reserve totaled \$6,598,073 which represents 6 months projected operating costs for fiscal year 2022-2023.

Cash and cash equivalents	\$ 1,473,592
Investments	9,718,202
Grants and contracts receivable	<u>1,290,308</u>
Total unrestricted financial assets available to meet expenditures over the next 12 months	<u>\$12,482,102</u>

4. Contributions and Pledges Receivable

Contributions and pledges receivable are primarily 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, 2023 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2023. Total amount of pledges receivable at June 30, 2023 of \$7,410,420 is expected to be collected as follows:

<u>Year ending June 30,</u>	
2024	\$3,850,758
2025	1,850,000
2026	1,000,000
2027	<u>850,000</u>
	\$7,550,758
Less: unamortized discount on pledges receivable	<u>(140,338)</u>
Total contributions and pledges receivable, net	<u>\$7,410,420</u>

5. Investments

Investments at June 30, 2023 consist of the following:

Fixed income funds	\$5,468,741
Equity funds	<u>4,249,461</u>
	<u>\$9,718,202</u>

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

6. Property and Equipment

Property and equipment at June 30, 2023 consist of the following:

Building	\$1,240,000
Leasehold improvements	404,770
Furniture and equipment	276,600
Computers	219,008
Construction in progress	<u>27,763</u>
	2,168,141
Less: accumulated depreciation	<u>(991,722)</u>
	<u>\$1,176,419</u>

Depreciation expense for the year ended June 30, 2023 was \$65,724.

7. Accrued Liabilities

Accrued liabilities at June 30, 2023 consist of the following:

Accrued vacation	\$236,795
Clients' trust accounts	83,376
Accrued salaries and wages	<u>122,074</u>
	<u>\$442,245</u>

8. Line of Credit

AAAJ - ALC has a revolving line of credit with a bank, secured by broad form-UCC, in the amount of \$1,000,000, at an interest rate of 8.5%, due in February 2024. There was no outstanding balance on the line of credit at June 30, 2023.

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

9. Right-of-Use Assets and Lease Liabilities

Operating Leases

AAAJ-ALC evaluated current contracts to determine which met the criteria of a lease. The ROU asset represents AAAJ-ALC's right to use underlying assets for the lease term, and the lease liability represents AAAJ-ALC's obligation to make lease payments arising from this lease. The ROU asset and lease liabilities, which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. AAAJ-ALC uses the rate implicit in the lease, if it is determinable. When the rate implicit in the lease is not determinable, AAAJ-ALC uses a risk-free rate of return at the lease commencement date to determine the present value of the future lease payments. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised.

AAAJ-ALC's operating lease consists of rent and equipment leases. The discount rate applied to calculate the lease liabilities at the inception of the leases was 1.43%. The initial ROU assets and liabilities were both \$340,646. The lease expense will be recognized on a straight-line basis over the lease terms. The weighted average of the remaining lease terms and the weighted average discount rate for operating leases as of June 30, 2023 were 1.9 years and 1.43%, respectively.

Cash paid for the operating lease during the year was \$122,003.

Future minimum payments, by year and in the aggregate, under this lease with an initial or remaining term of one year or more, consist of the following:

<u>Year ending June 30,</u>	
2024	\$127,536
2025	93,850
2026	3,088
2027	3,088
2028	<u>727</u>
Total lease payments	228,289
Present value discount	<u>(4,775)</u>
Present value of net minimum lease payments	<u>\$223,514</u>

The asset at June 30, 2023 related to this operating lease, and on the statement of financial position, consists of the following:

ROU asset	\$ 340,646
Less: accumulated amortization	<u>(122,350)</u>
	<u>\$ 218,296</u>

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

9. Right-of-Use Assets and Lease Liabilities, continued

Finance Lease

AAAJ - ALC leases office space under finance lease which expires in April 2064. The weighted average of remaining lease terms and weighted average of discount rate for financing leases as of June 30, 2023 were 41 years and 1.43%, respectively.

Cash paid for the finance lease for the year ended June 30, 2023 was \$196,014, respectively. There were no non-cash financing transactions related to leasing during the year ended June 30, 2023.

Future minimum payments, by year, and in the aggregate, under these leases consist of the following:

<u>Year ending June 30,</u>	
2024	\$ 196,014
2025	196,014
2026	196,014
2027	196,014
2028	196,014
Thereafter	<u>2,322,342</u>
Total minimum lease payments	3,302,412
Less: portion representing interest	<u>(2,238,932)</u>
Present value of net minimum lease payments	<u>\$ 1,063,480</u>

The asset under the finance lease, included in property and equipment at June 30, 2023, consists of the following:

Building	\$1,240,000
Less: accumulated depreciation	<u>(332,163)</u>
	<u>\$ 907,837</u>

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

10. Commitments and Contingencies

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.

Paycheck Protection Program ("PPP") Loan

With regard AAAJ - ALC's PPP loan received in the prior year, the Small Business Administration ("SBA") reserves the right to review any loan in their discretion and the SBA will review any loan over \$2 million. Areas of review include eligibility, necessity, calculation of the loan amount, use of loan proceeds, and the calculation of the loan forgiveness amount. PPP loan documentation should be retained for six years after the date the loan is forgiven or repaid in full.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 consist of the following:

General operations – time restricted	\$10,472,860
Affiliate work	3,549,000
Special project	2,065,714
Immigration	700,306
Employment and labor	473,396
National security and civil rights	119,203
Voting rights	93,750
Communications	<u>87,679</u>
	<u>\$17,561,908</u>

For the year ended June 30, 2023, net assets released from restrictions were \$10,061,166, of which \$6,448,056 was for purpose restrictions and \$3,613,110 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, 2023, as per generally accepted accounting principles requirements, whilst the related program expenses will be recognized as expenses in the fiscal years incurred or over the remaining grant period.

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

12. 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, 2023 was \$254,651.

13. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2023 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income				
Corporate Investment	\$3,250,530			\$3,250,530
US Government	1,679,513	\$ -	\$ -	1,679,513
US Corporate High Yield	379,115			379,115
Real Assets	102,069			102,069
Emerging Markets	29,680			29,680
International	<u>27,834</u>	<u> </u>	<u> </u>	<u>27,834</u>
Total fixed income	<u>5,468,741</u>	<u> </u>	<u> </u>	<u>5,468,741</u>
Equity funds				
US Large Cap	1,407,005			1,407,005
US Mid Cap	1,102,814			1,102,814
International	861,968			861,968
Alternative and Other	479,667			479,667
US Small Cap	222,551			222,551
Emerging Markets	<u>175,456</u>	<u> </u>	<u> </u>	<u>175,456</u>
Total equity funds	<u>4,249,461</u>	<u> </u>	<u> </u>	<u>4,249,461</u>
Total mutual funds	<u>\$9,718,202</u>	<u>\$ </u>	<u>\$ </u>	<u>\$9,718,202</u>

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

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

13. Fair Value Measurements, continued

The table below present transactions measured at fair value on a non-recurring basis during the year ended June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges – new	\$ -	\$ -	\$7,550,758	\$7,550,758
Contributed legal services		2,633,297		2,633,297
Contributed goods		<u>7,275</u>		<u>7,275</u>
	<u>\$ -</u>	<u>\$2,640,572</u>	<u>\$7,550,758</u>	<u>\$10,191,330</u>

The fair value of contributed legal services and contributed goods have 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).