

**ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS**

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**FINANCIAL STATEMENTS  
and  
ADDITIONAL INFORMATION**

**JUNE 30, 2022**

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## INDEPENDENT AUDITORS' REPORT

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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, 2022, 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, 2022, 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.

### **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.

## INDEPENDENT AUDITORS' REPORT

continued

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### 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.

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' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## INDEPENDENT AUDITORS' REPORT

continued

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### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, 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

October 31, 2022

**ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS**

STATEMENT OF FINANCIAL POSITION

June 30, 2022

With comparative totals at June 30, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 4,301,353	\$ 9,790,428	\$ 14,091,781	\$ 10,555,791
Grants and contracts receivable	998,673	840,000	1,838,673	2,091,939
Contributions and pledges receivable (Note 4)		1,942,809	1,942,809	2,021,122
Prepaid expenses	142,355		142,355	55,856
Investments (Note 5)	5,912,974		5,912,974	6,778,859
Property and equipment (Note 6)	1,154,052		1,154,052	1,199,607
	<b>\$ 12,509,407</b>	<b>\$ 12,573,237</b>	<b>\$ 25,082,644</b>	<b>\$ 22,703,174</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,189,865	\$ -	\$ 1,189,865	\$ 472,072
Accrued liabilities (Note 7)	444,531		444,531	539,341
Deferred revenue	110,000		110,000	-
Capital lease obligations (Note 9)	1,075,756		1,075,756	1,086,177
Paycheck protection program loan (Note 10)			-	518,697
	<b>2,820,152</b>	<b>-</b>	<b>2,820,152</b>	<b>2,616,287</b>
<b>NET ASSETS</b>				
Without donor restrictions				
Undesignated	3,344,489		3,344,489	2,866,303
Board designated operating reserve (Notes 2 and 3)	6,344,766		6,344,766	6,001,875
With donor restrictions (Note 12)		12,573,237	12,573,237	11,218,709
	<b>9,689,255</b>	<b>12,573,237</b>	<b>22,262,492</b>	<b>20,086,887</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,509,407</b>	<b>\$ 12,573,237</b>	<b>\$ 25,082,644</b>	<b>\$ 22,703,174</b>

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, 2022  
With comparative totals for the year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>	<u>2021</u>
<b>REVENUE</b>				
Grants	\$ -	\$ 9,069,126	\$ 9,069,126	\$ 10,672,892
Contributed legal services (Note 2)	6,950,830		6,950,830	6,518,216
Government contract revenue	1,300,654	1,186,074	2,486,728	4,121,148
Contributions	1,307,392		1,307,392	3,340,608
Paycheck protection program loan forgiveness (Note 10)	518,697		518,697	-
Program fees	124,902		124,902	24,332
Miscellaneous income	228		228	31,696
Special events			-	178,728
Investment (loss) income	(759,285)		(759,285)	262,364
Net assets released from restrictions (Note 12)	8,900,672	(8,900,672)	-	-
<b>TOTAL REVENUE</b>	<u>18,344,090</u>	<u>1,354,528</u>	<u>19,698,618</u>	<u>25,149,984</u>
<b>EXPENSES</b>				
Program services	16,281,045		16,281,045	15,836,596
General and administration	578,164		578,164	1,008,957
Fundraising	663,804		663,804	556,944
<b>TOTAL EXPENSES</b>	<u>17,523,013</u>	<u>-</u>	<u>17,523,013</u>	<u>17,402,497</u>
<b>CHANGE IN NET ASSETS</b>	821,077	1,354,528	2,175,605	7,747,487
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>8,868,178</u>	<u>11,218,709</u>	<u>20,086,887</u>	<u>12,339,400</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 9,689,255</u>	<u>\$ 12,573,237</u>	<u>\$ 22,262,492</u>	<u>\$ 20,086,887</u>

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, 2022

With comparative totals for the year ended June 30, 2021

	Program Services				Total Program Services	General and Administration	Fundraising	Total Expenses	
	Criminal Justice	Voting Rights	Housing & Community Development	Other				2022	2021
Salaries	\$ 338,683	\$ 520,295	\$ 546,140	\$ 2,400,411	\$ 3,805,529	\$ 374,366	\$ 636,635	\$ 4,816,530	\$ 4,335,823
Payroll taxes and employee benefits	11,549	62,114	33,079	745,546	852,288	68,419	7,525	928,232	800,501
Total personnel costs	350,232	582,409	579,219	3,145,957	4,657,817	442,785	644,160	5,744,762	5,136,324
Contributed legal services (Note 2)	1,531,860	1,889,738	3,091,409	430,823	6,943,830		7,000	6,950,830	6,518,216
Subcontractors	10,000	77,000		2,455,923	2,542,923			2,542,923	922,913
Contract services	77,509	25,022	37,099	462,005	601,635	22,785		624,420	445,737
Affiliate expenses				440,957	440,957			440,957	3,382,568
Telecommunications/information systems	1,433	972	5,606	245,690	253,701	10,904		264,605	301,974
Interest				229,879	229,879			229,879	211,320
Occupancy	1,863	2,925	3,591	157,198	165,577	517	2,496	168,590	146,298
Other	390	2,602	6,515	101,277	110,784	25,105		135,889	62,629
Professional fees	515	1,030	1,777	98,491	101,813	2,200		104,013	102,287
Office expenses	1,399	633	19,592	22,641	44,265	17,745		62,010	66,265
Depreciation				61,360	61,360			61,360	66,266
Fundraising events					-	42,132	10,000	52,132	-
Construction costs		1,192		40,176	41,368	1,281		42,649	10,783
Travel	6,593	910	2,005	30,764	40,272	1,920		42,192	5,982
Community outreach	302	243	313	25,218	26,076	10,732	148	36,956	20,374
Conference, catering, and meals	608	194	1,622	16,364	18,788	58		18,846	2,561
<b>TOTAL 2022 FUNCTIONAL EXPENSES</b>	<b>\$ 1,982,704</b>	<b>\$ 2,584,870</b>	<b>\$ 3,748,748</b>	<b>\$ 7,964,723</b>	<b>\$ 16,281,045</b>	<b>\$ 578,164</b>	<b>\$ 663,804</b>	<b>\$ 17,523,013</b>	
<b>TOTAL 2021 FUNCTIONAL EXPENSES</b>	<b>\$ 627,245</b>	<b>\$ 4,224,693</b>	<b>\$ 2,159,756</b>	<b>\$ 8,824,902</b>	<b>\$ 15,836,596</b>	<b>\$ 1,008,957</b>	<b>\$ 556,944</b>		<b>\$ 17,402,497</b>

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, 2022

With comparative totals for the year ended June 30, 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,175,605	\$ 7,747,487
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	61,360	66,266
Investment loss (income)	971,059	(174,299)
Paycheck protection program loan forgiveness	(518,697)	-
(Increase) decrease in operating assets:		
Grants and contracts receivable	253,266	(1,508,443)
Pledge receivable	78,313	134,598
Prepaid expenses	(86,499)	(8,261)
Increase (decrease) in operating liabilities:		
Accounts payable	717,793	408,469
Accrued liabilities	(94,810)	114,278
Deferred revenue	110,000	-
	<u>3,667,390</u>	<u>6,780,095</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS (TO) INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(15,805)	(27,419)
Purchase of investments	(1,145,373)	(5,805,388)
Proceeds from sale of investments	1,040,199	147,350
	<u>(120,979)</u>	<u>(5,685,457)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS (TO) FINANCING ACTIVITIES:</b>		
Principal payments on capital lease obligation	(10,421)	(8,788)
	<u>(10,421)</u>	<u>(8,788)</u>
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,535,990	1,085,850
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>10,555,791</u>	<u>9,469,941</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 14,091,781</u>	<u>\$ 10,555,791</u>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Operating activities reflect interest paid related to the capital lease:	<u>\$ 198,322</u>	<u>\$ 198,710</u>

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

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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### 1. **Organization**

Founded in 1972, Asian Americans Advancing Justice - Asian Law Caucus<sup>1</sup> (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).

In response to the sharp increase in anti-Asian hate violence this past year, Advancing Justice - ALC continues to provide bystander intervention training in partnership with Right to Be to more than 15,000 community members in the Bay Area, empowering individuals and organizations to safely intervene in anti-Asian hate incidents. Statewide, Advancing Justice - ALC continues to collaborate with AAPI partners to fund community led safety solutions with support from California's API Equity Budget.

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.

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<sup>1</sup> 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

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### 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 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

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### 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.

#### **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

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### 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, 2022, AAAJ - ALC received the total donated services of \$6,950,830 which \$6,943,830 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 and has been recorded as an in-kind donation and in-kind expense. AAAJ - ALC does not monetize its contributed services and the services are used primarily for programs.

#### 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

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### 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 Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items, to increase transparency and comparability surrounding contributed nonfinancial assets through enhancements to presentation and disclosure. The ASU requires to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, include in disclosures a disaggregation of the amount of contributed nonfinancial assets by category, for each category, additional qualitative disclosures. The update does not change existing recognition and measurement requirements for contributed nonfinancial assets. The ASU is effective for fiscal years beginning after June 15, 2021. AAAJ - ALC financial statements for the year ended June 30, 2022 are presented in accordance with ASU 2020-07.

#### 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, 2021, from which the summarized information was derived.

#### Subsequent Events

Management has evaluated subsequent events through October 31, 2022, 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.

continued

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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### 3. Liquidity and Availability of Resources

AAAJ - ALC receives numerous grants, donations and earned income primarily from foundations, corporations, and local government which totaled \$12,988,148 (excludes PPP forgiveness) in fiscal year ended June 30, 2022.

Of its \$25.1 million dollars in assets, \$11.2 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, 2022, the Operating Reserve totaled \$6,344,766 which represents 6 months' projected operating costs for fiscal year 2022-2023.

Cash and cash equivalents	\$ 4,301,353
Investments	5,912,974
Grants and contracts receivable	<u>998,673</u>
Total unrestricted financial assets available to meet expenditures over the next 12 months	<u>\$11,213,000</u>

### 4. Contributions and Pledges Receivable

Contributions and pledges receivable from foundations are recorded as support when pledged, unless designated as conditional. All pledges are valued at the estimated fair present value at June 30, 2022 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2022. Total amount of pledges receivable at June 30, 2022 of \$1,942,809 is expected to be collected within two years.

### 5. Investments

Investments at June 30, 2022 consist of the following:

Fixed income funds	\$4,172,773
Equity funds	<u>1,740,201</u>
	<u>\$5,912,974</u>

continued

## ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

### NOTES TO FINANCIAL STATEMENTS

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#### 6. Property and Equipment

Property and equipment at June 30, 2022 consist of the following:

Building	\$1,240,000
Leasehold improvements	361,253
Furniture and equipment	264,096
Computers	186,938
Construction in progress	<u>27,763</u>
	2,080,050
Less: accumulated depreciation	<u>(925,998)</u>
	<u>\$1,154,052</u>

Depreciation expense for the year ended June 30, 2022 was \$61,360.

#### 7. Accrued Liabilities

Accrued liabilities at June 30, 2022 consist of the following:

Accrued vacation	\$240,604
Clients' trust accounts	93,378
Accrued salaries and wages	<u>110,549</u>
	<u>\$444,531</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 the interest rate of 6%, due in February 2023. There was no outstanding balance on the line of credit at June 30, 2022.

continued



## ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

### NOTES TO FINANCIAL STATEMENTS

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#### 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>	
2023	\$ 196,014
2024	196,014
2025	196,014
2026	196,014
2027	196,014
Thereafter	<u>2,518,356</u>
Total minimum lease payments	3,498,426
Less: portion representing interest	<u>(2,422,670)</u>
Present value of net minimum lease payments	<u>\$ 1,075,756</u>

The cost of property under capital leases at June 30, 2022 consists of the following:

Building	\$1,240,000
Less: accumulated depreciation	<u>(309,618)</u>
	<u>\$ 930,382</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.

On December 15, 2021, AAAJ - ALC received notification from the Small Business Administration ("SBA") informing them that their PPP loan forgiveness application was approved. As such, AAAJ - ALC recorded revenue related to the forgiveness in the fiscal year ended June 30, 2022.

The 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.

continued

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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### 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>	
2023	\$124,643
2024	119,790
2025	<u>85,645</u>
	<u>\$330,078</u>

Rent expense under these operating leases for the year ended June 30, 2022 was \$39,932.

#### 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

Since March 2020, the COVID-19 pandemic has changed the way that AAAJ - ALC serves its communities. We take staff, client, and community health concerns seriously, and strive to especially protect those coming to our offices. Public health guidance informed AAAJ - ALC's shift to much of its work via telephone and video-conferencing, and by office appointment, as needed. Most employees worked primarily remotely in this fiscal year, with certain legal and operations staff switching to two (2) or more days in office, and the office being open three (3) and then four (4) days per week to the public. Vaccination requirements, as well as masking and social distancing protocols continued to be implemented. We pivoted our services and operations to ensure continuity in our services for our clients.

#### Operations and HR

Our investment in infrastructure and key positions in human resources and administration made it possible to effectively transition to remote and hybrid work arrangements. We had upgraded our IT systems before the pandemic and are able to provide staff with the necessary technology, equipment, and organizational support to facilitate our outside of our offices, such as a Zoom account and other tools. We know this situation is especially difficult and have encouraged our staff to reach out if they need to adjust schedules or workload. At the same time, we have been upgrading our financial systems, enabling better information sharing and collaboration.

continued

11. **Commitments and Contingencies**, continued

**Programs**

Despite the limitations imposed by the pandemic, AAAJ - ALC continued our strategies to reach diverse low-income clients and community members. As an organization, we work with our clients over the phone and in video meetings, and are increasing in-person appointments and clinics in accordance with local health and safety measures. We have expanded our remote legal services, advocacy, and community engagement, including through letters, digital/social media actions, and videos. Amid the pandemic and ongoing health and economic insecurities in the communities we serve, we are helping low-wage workers access unemployment benefits, keeping people in their homes by fighting evictions, working with vulnerable immigrant populations in ICE detention to assert their civil and constitutional rights, empowering CA residents in redistricting processes and local and state elections, and advancing community-led solutions to anti-Asian hate violence and racism.

**Finance and Development**

At the outset of the COVID-19 pandemic, AAAJ - ALC immediately pivoted to monitor the impact on its financial stability and developed a range of financial scenarios based on economic and fundraising trends. In addition to applying for and receiving assistance through the CARES Act PPP, AAAJ - ALC implemented a robust fundraising strategy to ensure sustainability through the crisis. Through the course of the pandemic, we received an influx of resources from funders and donors responding to the anti-AAPI hate crisis due to COVID-19. For many donors, these contributions marked the first time they had intentionally given to an AAPI organization. Recognizing that a substantial portion of these resources are one-time donations, we adjusted expectations and set budget goals with a more conservative approach and continued to evaluate the impact of these resources on growth and sustainability. Acknowledging that our impact would not be possible without partners that serve a wide range of communities and focus on different issue areas, we worked with key funders and our partners in the Asian Americans Advancing Justice affiliation to redistribute resources to AAPI organizations. Through subgrants, we were able to help build their capacity and infrastructure, in order to strengthen the health of key partners who have historically been under-resourced.

## ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

### NOTES TO FINANCIAL STATEMENTS

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#### 12. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 consist of the following:

General operations – time restricted	\$ 9,351,152
Employment and labor	965,511
Immigration	905,446
National security and civil rights	197,334
Special project	539,190
Housing and community development	271,271
Communications	200,000
Voting rights	103,333
Criminal justice reform	40,000
	<u>\$12,573,237</u>

For the year ended June 30, 2022, net assets released from restrictions were \$8,900,672, of which \$3,660,670 was for purpose restrictions and \$5,240,002 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, 2022, 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.

#### 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, 2022 was \$243,994.

## ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

### NOTES TO FINANCIAL STATEMENTS

#### 14. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2022 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	\$2,129,413	\$ -	\$ -	\$2,129,413
Corporate bond	767,003			767,003
Short-term bond	521,859			521,859
World bond	601,691			601,691
High yield bond	<u>152,807</u>			<u>152,807</u>
Total fixed income	<u>4,172,773</u>	<u>-</u>	<u>-</u>	<u>4,172,773</u>
Equity funds				
Large growth	466,984			466,984
Large value	625,853			625,853
Small blend	289,064			289,064
Large blend	<u>358,300</u>			<u>358,300</u>
Total equity funds	<u>1,740,201</u>	<u>-</u>	<u>-</u>	<u>1,740,201</u>
Total mutual funds	<u>\$5,912,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,912,974</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).

The table below present transactions measured at fair value on a non-recurring basis during the year ended June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges – new	\$ -	\$ -	\$2,325,000	\$2,325,000
Contributed legal services		6,943,830		6,943,830
Contributed other services		<u>7,000</u>		<u>7,000</u>
	<u>\$ -</u>	<u>\$6,950,830</u>	<u>\$2,325,000</u>	<u>\$9,275,830</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).

**ADDITIONAL INFORMATION**

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**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***

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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, 2022, 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 October 31, 2022.

**Report on 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 or significant deficiencies may exist that have not been identified.

**Report on 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

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**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

October 31, 2022