

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

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**FINANCIAL STATEMENTS  
and  
ADDITIONAL INFORMATION**

**JUNE 30, 2014**

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Certified Public Accountants, LLP

## INDEPENDENT AUDITORS' REPORT

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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, 2014, 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 of 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 auditors consider 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, 2014, 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.

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## INDEPENDENT AUDITORS' REPORT

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### Other Matter

#### *Summarized Comparative Information*

We have previously audited Asian Americans Advancing Justice - Asian Law Caucus' 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 19, 2013. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2013, 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 October 22, 2014 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 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 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*

San Francisco, California  
October 22, 2014

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

STATEMENT OF FINANCIAL POSITION

June 30, 2014

With comparative totals at June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>				
Cash and cash equivalents (Note 2)	\$ 246,126	\$ 876,624	\$ 1,122,750	\$ 1,012,492
Grants receivable	179,989		179,989	79,514
Pledges receivable (Note 3)	50,194	400,000	450,194	971,284
Investments (Note 4)	366,897		366,897	271,623
Prepaid expenses	36,730		36,730	53,552
Property and equipment (Note 6)	1,410,185		1,410,185	1,419,703
<b>Total assets</b>	<u>\$ 2,290,121</u>	<u>\$ 1,276,624</u>	<u>\$ 3,566,745</u>	<u>\$ 3,808,168</u>
<b>Liabilities and net assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 236,532	\$ -	\$ 236,532	\$ 77,198
Accrued liabilities (Note 7)	139,084		139,084	159,435
Line of credit (Note 8)			-	-
Capital lease obligations (Note 9)	1,123,089		1,123,089	1,124,893
<b>Total liabilities</b>	<u>1,498,705</u>	<u>-</u>	<u>1,498,705</u>	<u>1,361,526</u>
<b>Net assets</b>				
Unrestricted	791,416		791,416	800,319
Temporarily restricted (Note 11)		1,276,624	1,276,624	1,646,323
<b>Total net assets</b>	<u>791,416</u>	<u>1,276,624</u>	<u>2,068,040</u>	<u>2,446,642</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,290,121</u>	<u>\$ 1,276,624</u>	<u>\$ 3,566,745</u>	<u>\$ 3,808,168</u>

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, 2014

With comparative totals for the year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014</u>	<u>2013</u>
<b>Revenue</b>				
Grants	\$ 156,848	\$ 1,180,000	\$ 1,336,848	\$ 1,567,515
In-kind donations (Note 2)	1,260,724		1,260,724	30,025
Government contract revenue (Note 13)	710,967		710,967	561,350
Contributions	219,872		219,872	280,023
Special events - net of expenses of \$122,715	146,919		146,919	148,026
Program fees	75,563		75,563	3,300
Gain (loss) on investments	8,781		8,781	(17,444)
Dividend and interest income	3,632		3,632	12,827
Miscellaneous income	1,088		1,088	2,265
Net assets released from program restrictions	1,549,699	(1,549,699)	-	-
<b>Total revenue</b>	<u>4,134,093</u>	<u>(369,699)</u>	<u>3,764,394</u>	<u>2,587,887</u>
<b>Expenses</b>				
Program services	3,640,961		3,640,961	2,459,764
General and administration	233,063		233,063	273,737
Fundraising	134,737		134,737	143,194
<b>Total expenses</b>	<u>4,008,761</u>	<u>-</u>	<u>4,008,761</u>	<u>2,876,695</u>
<b>Change in net assets before Korematsu Fiscal Sponsorship Distribution</b>	125,332	(369,699)	(244,367)	(288,808)
Korematsu Fiscal Sponsorship Distribution (Note 15)	134,235		134,235	-
<b>Change in net assets (Note 16)</b>	(8,903)	(369,699)	(378,602)	(288,808)
<b>Net assets, beginning of year</b>	<u>800,319</u>	<u>1,646,323</u>	<u>2,446,642</u>	<u>2,735,450</u>
<b>Net assets, end of year</b>	<u>\$ 791,416</u>	<u>\$ 1,276,624</u>	<u>\$ 2,068,040</u>	<u>\$ 2,446,642</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, 2014

With comparative totals for the year ended June 30, 2013

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
				2014	2013
Salaries	\$ 1,347,276	\$ 38,018	\$ 109,895	\$ 1,495,189	\$ 1,567,591
Employee benefits	163,086	4,353	5,064	172,503	197,704
Payroll Taxes	101,926	2,908	8,356	113,190	117,091
Total personnel costs	<u>1,612,288</u>	<u>45,279</u>	<u>123,315</u>	<u>1,780,882</u>	<u>1,882,386</u>
In-kind (Note 2)	1,260,724			1,260,724	30,025
Interest	27,320	161,348		188,668	150,588
Contract services	181,554			181,554	198,800
Subcontractors	122,743	6,173	600	129,516	101,097
Telecommunications	72,555	1,700	7	74,262	84,127
Travel	53,064	3,719	18	56,801	63,544
Professional fees	54,194			54,194	57,785
Depreciation	36,902	9,226		46,128	52,549
Community outreach	37,242	100		37,342	39,763
Occupancy	34,322			34,322	34,025
Printing and publications	24,129		4,169	28,298	66,348
Insurance	27,250			27,250	19,394
Postage	21,851		4,821	26,672	17,314
Equipment rental and maintenance	23,382			23,382	21,539
Office supplies	13,730			13,730	5,680
Other	4,034	5,424		9,458	7,095
Litigation	9,063	2		9,065	1,945
Dues and subscriptions	8,398			8,398	9,591
Conference, catering and meals	6,265		1,807	8,072	15,834
Affiliate expenses	6,718			6,718	7,894
Professional development	3,233	92		3,325	9,372
<b>Total 2014 functional expenses</b>	<b><u>\$ 3,640,961</u></b>	<b><u>\$ 233,063</u></b>	<b><u>\$ 134,737</u></b>	<b><u>\$ 4,008,761</u></b>	
Total 2013 functional expenses	<u>\$ 2,459,764</u>	<u>\$ 273,737</u>	<u>\$ 143,194</u>		<u>\$ 2,876,695</u>

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, 2014

With comparative totals for the year ended June 30, 2013

	2014	2013
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (378,602)	\$ (288,808)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,128	52,549
(Gain) loss on investments	(8,781)	17,444
Changes in operating assets and liabilities:		
(Increase) in grants receivable	(100,475)	(30,332)
Decrease in pledge receivable	521,090	336,484
Decrease (increase) in prepaid expenses	16,822	(10,849)
Increase (decrease) in accounts payable	159,334	(9,689)
(Decrease) increase in accrued liabilities	(20,351)	34,001
<b>Net cash provided by operating activities</b>	<b>235,165</b>	<b>100,800</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(36,610)	(1,903)
Purchase of investments	(444,410)	(141,637)
Proceeds from sale of investments	357,917	126,863
<b>Net cash (used) by investing activities</b>	<b>(123,103)</b>	<b>(16,677)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on capital lease obligation	(1,804)	(41,663)
<b>Net cash (used) by financing activities</b>	<b>(1,804)</b>	<b>(41,663)</b>
<b>Net increase in cash and cash equivalents</b>	<b>110,258</b>	<b>42,460</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,012,492</b>	<b>970,032</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,122,750</b>	<b>\$ 1,012,492</b>
<b>Supplemental disclosure:</b>		
Operating activities reflect interest paid related to the capital lease	<b>\$ 188,668</b>	<b>\$ 150,588</b>

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 Law Caucus, Inc. 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. Effective May 1, 2013, the Asian Law Caucus, Inc. changed its name to the Asian Americans Advancing Justice – Asian Law Caucus ("AAAJ - ALC"). 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, AAAJ - 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 the vast majority of APIs in America are immigrants and refugees, AAAJ - 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) community education and organizing, (2) provision of direct legal services, and (3) strategic impact litigation.

AAAJ - ALC's programs cover the following focus areas: immigrant rights; workers' rights; housing rights; criminal justice reform; voting rights; national security and civil rights; and civil rights education (through the Korematsu Institute for Civil Rights and Education). Language and culturally accessible services are provided to over 1,400 members of the API community annually.

Since its founding, AAAJ - ALC has helped improve the lives of tens of thousands of Asian and Pacific Islander residents of the Bay Area. AAAJ - ALC has been involved in litigating several landmark cases – most notably, the *Coram Nobis* case, which overturned the World War II conviction of Fred Korematsu 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 also an incubator for future leaders of our community; over 1,000 individuals have served as staff, law clerks, board members, and volunteers, gaining valuable community and legal experience. They have carried the lessons of their experience into virtually every field of endeavor and all across the country. AAAJ - ALC continues to inspire others through its work.

# 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.

#### **Accounting**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of AAAJ - ALC are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

**Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Temporarily Restricted.** AAAJ - ALC reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. AAAJ - ALC has temporarily restricted net assets of \$1,276,624 at June 30, 2014 (see Note 11).

**Permanently Restricted.** These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit AAAJ - ALC to expend all of the income (or other economic benefits) derived from the donated assets. AAAJ - ALC had no permanently restricted net assets at June 30, 2014.

#### **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.

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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

#### **Grants Receivable**

Grants 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.

#### **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 investments, pledged contributions and non-cash contributions at fair value. The specific techniques used to measure fair value for each element is described in the notes below that relate to each element.

#### **Concentration of Credit Risks**

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 short-term money market investments as well as U.S. Governmental debt securities. The Board of Directors routinely reviews market values of such investments and credit ratings of bond issuers.

continued

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

#### 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, 2014, AAAJ - ALC received \$1,260,724 contributions of donated materials and services.

During this fiscal year, AAAJ - ALC received significant pro bono support from various law firms on impact litigation cases. The firms and the donated value of their services are as follows:

Keker and Van Nest LLP	\$ 853,890
Covington and Burling LLP	270,444
Morrison and Foerster LLP	92,441
Sidley Austin LLP	<u>37,433</u>
	<u>\$1,254,208</u>

#### 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.

continued

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

#### 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, 2013 from which the summarized information was derived.

#### Reclassification

Certain amounts from the June 30, 2013 financial statements have been reclassified to conform to the June 30, 2014 presentation.

#### Subsequent Events

Management has evaluated subsequent events through October 22, 2014, the date which the financial statements were available.

### 3. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at the estimated fair present value at June 30, 2014 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2014. Total amount of pledges receivable is \$450,194 as of June 30, 2014 and are expected to be collected within one year.

### 4. Investments

Investments at June 30, 2014 consist of the mutual funds in the amount of \$366,897.

continued

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

### 5. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2014 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Mutual Funds</b>				
Fixed income				
Intermediate-term bond	\$ 66,491	\$ -	\$ -	\$ 66,491
Multisector bonds	51,992			51,992
Short-term bond	29,153			29,153
Bank loan	21,826			21,826
Corporate bond	<u>18,857</u>	<u>          </u>	<u>          </u>	<u>18,857</u>
	<u>188,319</u>	<u>          </u>	<u>          </u>	<u>188,319</u>
Alternate investment				
Non-traditional bond	54,794			54,794
Large blend	<u>36,283</u>	<u>          </u>	<u>          </u>	<u>36,283</u>
	<u>91,077</u>	<u>          </u>	<u>          </u>	<u>91,077</u>
Equity Funds				
Large value	45,575			45,575
Large growth	22,451			22,451
Large blend	<u>19,475</u>	<u>          </u>	<u>          </u>	<u>19,475</u>
	<u>87,501</u>	<u>          </u>	<u>          </u>	<u>87,501</u>
	<u>\$366,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$366,897</u>

The fair value of fixed income, alternate investment 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges – New	\$ -	\$ -	\$275,193	\$ 275,193
In-kind donations	<u>          </u>	<u>1,260,724</u>	<u>          </u>	<u>1,260,724</u>
	<u>\$ -</u>	<u>\$1,260,724</u>	<u>\$275,193</u>	<u>\$1,535,917</u>

The fair values of pledged contributions are measured on a non-recurring basis, based on the value provided by the donor at the date of pledge (Level 3 inputs).

The value of donated materials and services are measured on a non-recurring basis, based on comparable transactions.

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, 2014 consist of the following:

Building	\$1,240,000
Leasehold improvements	361,253
Furniture and equipment	220,241
Computers	77,214
Construction in progress	<u>27,763</u>
	1,926,471
Less: accumulated depreciation	<u>(516,286)</u>
	<u>\$1,410,185</u>

### 7. Accrued Liabilities

Accrued liabilities at June 30, 2014 consist of the following:

Accrued vacation	\$ 77,571
Clients' trust accounts	44,669
Other liabilities	<u>16,844</u>
	<u>\$139,084</u>

### 8. Line of Credit

AAAJ - ALC has a revolving line of credit with a bank in the amount of \$75,000, at an interest rate equal to the bank's prime rate plus 1.25%, currently at 4.5%, due June 5, 2015, secured by broad form-UCC. No amount was outstanding at June 30, 2014.

### 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 ended June 30,</u>	
2015	\$ 191,568
2016	191,568
2017	191,568
2018	191,568
2019	191,568
Thereafter	<u>4,003,519</u>
Total minimum lease payments	4,961,359
Less: portion representing interest	<u>(3,838,270)</u>
Present value of net minimum lease payments	<u>\$ 1,123,089</u>

continued

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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### 9. Capital Lease Obligations, continued

The cost of property under capital leases at June 30, 2014 consists of the following:

Building	\$1,240,000
Less: accumulated depreciation	<u>(129,258)</u>
	<u>\$1,110,742</u>

### 10. Commitments and Contingencies

#### Obligations Under Operating Leases

AAAJ - ALC leases various equipment under operating leases with various terms. 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 ended June 30,</u>	
2015	\$18,135
2016	18,135
2017	<u>2,258</u>
	<u>\$38,528</u>

Rent expense under operating leases for the year ended June 30, 2014 was \$23,382.

#### Contracts

AAAJ - ALC's 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.

### 11. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 consist of the following:

Employment, voting rights and general fund	\$ 658,333
Immigration and criminal justice reform	436,845
National security and civil rights	180,556
Fundraising	<u>890</u>
	<u>\$1,276,624</u>

continued



# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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### 11. Temporarily Restricted Net Assets, continued

For the year ended June 30, 2014, net assets released from program restrictions amounted to \$1,549,699.

The temporarily restricted net assets noted above also consists of multi-year pledges for which, the full pledge amount has been recognized as revenue for the year ended June 30, 2014, as per generally accepted accounting principles requirements, whilst the related program expenses will be recognized as expenses in the subsequent fiscal years, over the remaining grant period.

### 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, 2014 was \$3,608.

### 13. Government Contract Revenue

Government contract revenue for the year ended June 30, 2014 consists of the following:

City and County of San Francisco:

Office on the Aging	\$184,705
Mayor's Office of Housing	124,761
Office of Civic Engagement & Immigrant Affairs	81,299
Rent Board	20,000

City and County of San Francisco passed through Other Agencies:

SFILEN	104,557
Self Help for the Elderly	45,833
Chinese Progressive Association	45,346
Tenderloin Housing Clinic	25,000

State Bar of California:

Equal Access Fund Grant	37,801
IOLTA	20,411

Interior National Park 20,000

Others 1,254

\$710,967

continued

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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### 14. Revenue Sharing Agreement

As of October 30, 2013, AAAJ - ALC entered into a Revenue Sharing Agreement with three other nonprofit organizations with missions similar to AAAJ - ALC. Each member is to contribute annually the lesser of \$30,000 or 1% of the organizational annual budget. The Common Fund that will be created will be used to support the new affiliates or other agreed upon purposes.

### 15. Korematsu Fiscal Sponsorship

The Fred T. Korematsu Institute for Civil Rights and Education, a program of AAAJ - ALC advances pan-ethnic civil and human rights through education.

During the year, the Korematsu Institute left AAAJ - ALC and joined Community Initiatives, which is a non-profit agency which provides fiscal sponsorship and financial, human resources and grants management services. The remaining assets for the Korematsu Institute that were distributed to Community Initiatives amounted to \$134,235.

### 16. Change in Net Assets

During the year ended June 30, 2011, AAAJ - ALC received multi-year grants in the amount of \$3,237,774. In accordance with the principle of net assets accounting this amount was recorded as revenue for the year ended June 30, 2011. Of this amount, \$2,197,463 was temporarily restricted at June 30, 2011 to cover for expenses incurred subsequent years. The change in net assets of (\$378,602), (\$288,808) and (\$503,641) for the years ended June 30, 2014, 2013 and 2012 respectively were covered by the multi-year grants recorded as revenue for the year ended June 30, 2011. As of June 30, 2014, temporarily restricted net assets in the amount of \$1,276,624 are restricted for future expenditures and will be released once the restrictions are met.

**ADDITIONAL INFORMATION**

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Certified Public Accountants, LLP

**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 ("AAAJ - ALC"), which comprise the Statement of Financial Position as of June 30, 2014, 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 22, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered AAAJ - ALC's internal control over financial reporting (internal control) to determine the 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 AAAJ - ALC's internal control. Accordingly, we do not express an opinion on the effectiveness of AAAJ - ALC's 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 AAAJ - ALC'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 deficiencies, significant deficiencies, or material weaknesses. 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 AAAJ - ALC's financial statements are free of 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 determination of financial statement amounts. 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*.

**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 AAAJ - ALC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harrington Group*

San Francisco, California  
October 22, 2014

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