

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

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**FINANCIAL STATEMENTS  
and  
ADDITIONAL INFORMATION**

**JUNE 30, 2018**

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## 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, 2018, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asian Americans Advancing Justice - Asian Law Caucus as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT

continued

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### Other Matter

#### *Report on Summarized Comparative Information*

We have previously audited Asian Americans Advancing Justice - Asian Law Caucus' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of Asian Americans Advancing Justice - Asian Law Caucus' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Asian Americans Advancing Justice - Asian Law Caucus' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Asian Americans Advancing Justice - Asian Law Caucus' internal control over financial reporting and compliance.

*Harrington Group*

Oakland, California  
November 30, 2018

## ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

### STATEMENT OF FINANCIAL POSITION

June 30, 2018

With comparative totals at June 30, 2017

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 1,735,376	\$ 3,224,090	\$ 4,959,466	\$ 2,268,987
Grants and contracts receivable	739,829		739,829	258,789
Pledges receivable (Note 3)		2,994,929	2,994,929	656,534
Investments (Note 4)	847,248		847,248	819,952
Prepaid expenses	45,689		45,689	44,787
Property and equipment (Note 5)	1,293,130		1,293,130	1,327,755
	<b>\$ 4,661,272</b>	<b>\$ 6,219,019</b>	<b>\$ 10,880,291</b>	<b>\$ 5,376,804</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,003,110	\$ -	\$ 1,003,110	\$ 204,992
Accrued liabilities (Note 6)	215,224		215,224	184,513
Line of credit (Note 7)			-	-
Capital lease obligations (Note 8)	1,108,613		1,108,613	1,113,873
	<b>2,326,947</b>	<b>-</b>	<b>2,326,947</b>	<b>1,503,378</b>
<b>NET ASSETS</b>				
Unrestricted	2,334,325		2,334,325	1,046,669
Temporarily restricted (Note 10)		6,219,019	6,219,019	2,826,757
	<b>2,334,325</b>	<b>6,219,019</b>	<b>8,553,344</b>	<b>3,873,426</b>
	<b>\$ 4,661,272</b>	<b>\$ 6,219,019</b>	<b>\$ 10,880,291</b>	<b>\$ 5,376,804</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, 2018

With comparative totals for the year ended June 30, 2017

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2018</b>	<b>2017</b>
<b>REVENUE</b>				
Grants	\$ -	\$ 7,279,468	<b>\$ 7,279,468</b>	\$ 2,673,857
In-kind donations (Note 2)	2,779,851		<b>2,779,851</b>	3,536,439
Government contract revenue (Note 12)	1,198,986		<b>1,198,986</b>	998,748
Contributions	556,576		<b>556,576</b>	346,587
Special events - net of expenses of \$194,596	236,231		<b>236,231</b>	234,952
Program fees	61,269		<b>61,269</b>	20,825
Dividend and interest income	28,435		<b>28,435</b>	31,880
Miscellaneous income	14,614		<b>14,614</b>	48,480
Gain on investments	11,160		<b>11,160</b>	30,996
Advancing Justice conference revenues			-	116,250
Net assets released from restrictions	3,887,206	(3,887,206)	-	-
<b>TOTAL REVENUE</b>	<b>8,774,328</b>	<b>3,392,262</b>	<b>12,166,590</b>	<b>8,039,014</b>
<b>EXPENSES</b>				
Program services	6,775,719		<b>6,775,719</b>	6,656,111
General and administration	409,285		<b>409,285</b>	247,372
Fundraising	301,668		<b>301,668</b>	187,182
<b>TOTAL EXPENSES</b>	<b>7,486,672</b>	<b>-</b>	<b>7,486,672</b>	<b>7,090,665</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,287,656</b>	<b>3,392,262</b>	<b>4,679,918</b>	<b>948,349</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,046,669</b>	<b>2,826,757</b>	<b>3,873,426</b>	<b>2,925,077</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,334,325</b>	<b>\$ 6,219,019</b>	<b>\$ 8,553,344</b>	<b>\$ 3,873,426</b>

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, 2018

With comparative totals for the year ended June 30, 2017

	<b>Program</b>	<b>General and</b>		<b>Total Expenses</b>	
	<b>Services</b>	<b>Administration</b>		<b>Fundraising</b>	<b>2018</b>
Salaries	\$ 1,921,169	\$ 87,359	\$ 263,007	\$ 2,271,535	\$ 1,818,451
Payroll taxes and employee benefits	345,976	14,947	27,822	<b>388,745</b>	318,167
Total personnel costs	2,267,145	102,306	290,829	<b>2,660,280</b>	2,136,618
In-kind expenses (Note 2)	2,779,851			<b>2,779,851</b>	3,536,439
Affiliate expenses	816,293			<b>816,293</b>	40,980
Subcontractors	351,277			<b>351,277</b>	359,221
Interest	9,419	215,815	334	<b>225,568</b>	200,714
Contract services	119,509	50,948		<b>170,457</b>	278,690
Occupancy	74,358	2,679		<b>77,037</b>	61,719
Professional fees	66,349			<b>66,349</b>	55,653
Office expenses	33,450	21,391	10,171	<b>65,012</b>	60,032
Telecommunications	60,426	2,257		<b>62,683</b>	84,257
Travel	60,238	2,217	19	<b>62,474</b>	38,048
Depreciation	46,936			<b>46,936</b>	42,488
Community outreach	36,137	3,872		<b>40,009</b>	25,722
Conference, catering, and meals	19,455	7,224	315	<b>26,994</b>	16,132
Equipment rental and maintenance	18,001			<b>18,001</b>	20,437
Other	16,875	576		<b>17,451</b>	17,265
Advancing Justice conference expenses				-	116,250
<b>TOTAL 2018 FUNCTIONAL EXPENSES</b>	<b>\$ 6,775,719</b>	<b>\$ 409,285</b>	<b>\$ 301,668</b>	<b>\$ 7,486,672</b>	
<b>TOTAL 2017 FUNCTIONAL EXPENSES</b>	<b>\$ 6,656,111</b>	<b>\$ 247,372</b>	<b>\$ 187,182</b>		<b>\$ 7,090,665</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, 2018

With comparative totals for the year ended June 30, 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 4,679,918	\$ 948,349
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,936	42,488
(Gain) on investments	(11,160)	(30,996)
(Increase) decrease in operating assets:		
Grants and contracts receivable	(481,040)	(42,442)
Pledge receivable	(2,338,395)	(396,557)
Prepaid expenses	(902)	8,273
Increase (decrease) in operating liabilities:		
Accounts payable	798,118	117,062
Accrued liabilities	30,711	30,716
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,724,186</b>	<b>676,893</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(12,311)	(33,399)
Purchase of investments	(207,611)	(485,227)
Proceeds from sale of investments	191,475	574,996
<b>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(28,447)</b>	<b>56,370</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on capital lease obligation	(5,260)	(4,436)
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>	<b>(5,260)</b>	<b>(4,436)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,690,479	728,827
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,268,987</b>	<b>1,540,160</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 4,959,466</b>	<b>\$ 2,268,987</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Operating activities reflect interest paid related to the capital lease:	<b>\$ 193,393</b>	<b>\$ 192,589</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") to more closely align with four affiliates 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.

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 API's.

Since the vast majority of API's 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) 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, ASPIRE, and voting rights. Linguistically and culturally competent services are provided to over 1,000 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, Fred Korematsu's coram nobis case that overturned his World War II-era conviction for violating the relocation order against Japanese Americans. This laid the groundwork for the redress law enacted in 1988. Other notable cases include: Chann v. Scott (discriminatory arrests of Chinatown youth), Chen v. Ocean Garment (the nation's first case against a garment manufacturer for subcontractor wage violations), Chow v. Meissner (naturalization for immigrants with disabilities), Kao v. Rohnert Park (police killing of Asian based on martial arts stereotype), Ni Hao Tu v. Chinese Mutual Assistance Association (financial elder abuse class action), Truong v. S.F. Housing Authority (challenging failure to protect Southeast Asian families from racial violence), and Yang v. Glickman (denial of veterans' classification to Hmong veterans of the Vietnam War).

AAAJ - ALC is 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.

# 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 restrictions. AAAJ - ALC has temporarily restricted net assets of \$6,144,019 at June 30, 2018 (see Note 10).

**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, 2018.

#### **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.

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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

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

#### **Concentrations of Credit Risk**

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

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

#### **Property and Equipment**

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

continued

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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

#### **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, 2018, AAAJ - ALC received in-kind contributions of \$2,779,851 that consists of \$42,862 in donated materials and \$2,736,989 in donated services.

In-kind donations of \$2,779,851 includes the fair value of legal services of \$2,736,989 received for the year ended June 30, 2018. The fair value of the legal services was based upon the number of hours contributed at the appropriate billing rates and has been recorded as an in-kind donation and expense (see Note 14).

#### **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.

continued

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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

#### Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AAAJ - ALC's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

#### Subsequent Events

Management has evaluated subsequent events through November 30, 2018, the date which the financial statements were available for issue. No events or transactions have occurred during this period that would appear to require recognition or disclosure in the financial statements.

### 3. Pledges Receivable

Pledges receivable are from foundations and are recorded as support when pledged unless designated otherwise. All pledges are valued at the estimated fair present value at June 30, 2018 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2018. A discount rate of 3.0% has been used to calculate the present value of pledges receivable. Total amount of pledges receivable at June 30, 2018 of \$0 is expected to be collected as follows:

<u>Year ended June 30,</u>	
2019	\$1,732,793
2020	<u>1,300,000</u>
	3,032,793
Less: unamortized discount on pledges receivable	<u>(37,864)</u>
	<u>\$2,994,929</u>

### 4. Investments

Investments at June 30, 2018 consist of the following:

Fixed income funds	\$529,571
Equity funds	<u>317,677</u>
	<u>\$847,248</u>

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# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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### 5. Property and Equipment

Property and equipment at June 30, 2018 consist of the following:

Building	\$1,240,000
Leasehold improvements	361,253
Furniture and equipment	248,111
Computers	109,438
Construction in progress	<u>27,763</u>
	1,986,565
Less: accumulated depreciation	<u>(693,435)</u>
	<u>\$1,293,130</u>

Depreciation expense for the year ended June 30, 2018 was \$46,936.

### 6. Accrued Liabilities

Accrued liabilities at June 30, 2018 consist of the following:

Accrued vacation	\$122,172
Accrued salaries and wages	46,883
Clients' trust accounts	<u>46,169</u>
	<u>\$215,224</u>

### 7. Line of Credit

AAAJ - ALC has a revolving line of credit with a bank, secured by broad form-UCC. No amount was outstanding at June 30, 2018.

### 8. 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>	
2019	\$ 196,014
2020	196,014
2021	196,014
2022	196,014
2023	196,014
Thereafter	<u>3,302,412</u>
Total minimum lease payments	4,282,482
Less: portion representing interest	<u>(3,173,869)</u>
Present value of net minimum lease payments	<u>\$ 1,108,613</u>

continued

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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### 8. Capital Lease Obligations, continued

The cost of property under capital leases at June 30, 2018 consists of the following:

Building	\$1,240,000
Less: accumulated depreciation	<u>(219,438)</u>
	<u>\$1,020,562</u>

### 9. 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 ended June 30,</u>	
2019	\$12,100
2020	12,342
2021	12,589
2022	12,841
2023	<u>13,097</u>
	<u>\$62,969</u>

Rent expense under these operating leases for the year ended June 30, 2018 was \$23,001.

#### 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.

### 10. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 consist of the following:

Affiliate work	\$2,516,544
General operations	2,069,725
Immigration and criminal justice reform	636,446
National security and civil rights	557,016
Employment, voting rights, and general fund	348,039
Communications	88,125
Litigation	<u>3,124</u>
	<u>\$6,219,019</u>

continued

# ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

## NOTES TO FINANCIAL STATEMENTS

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### 10. Temporarily Restricted Net Assets, continued

For the year ended June 30, 2018, net assets released from purpose restrictions were \$3,887,206.

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, 2018, as per generally accepted accounting principles requirements, whilst the related program expenses will be recognized as expenses in the subsequent fiscal years, and over the remaining grant period.

### 11. 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, 2018 was \$30,615.

### 12. Government Contract Revenue

Government contract revenue for the year ended June 30, 2018 consists of the following:

City and County of San Francisco:	
Mayor's Office of Housing	\$ 430,820
Office on the Aging	210,416
Rent Board	20,000
City and County of San Francisco passed through other agencies:	
San Francisco Immigrant Legal and Education Network (SFILEN)	116,734
Chinese Progressive Association	110,271
State Bar of California:	
Equal Access Fund Grant	85,800
IOLTA	53,005
Central American Resource Center (CARECEN)	126,610
Northern CA Community Loan Fund (NCCLF)(NSSP)	45,000
Others	330
	<u>\$1,198,986</u>

### 13. 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.

continued



# 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, 2018 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	\$232,243	\$ -	\$ -	\$232,243
Corporate bond	153,426			153,426
World bond	78,929			78,929
Short-term bond	42,124			42,124
High yield bond	<u>22,849</u>			<u>22,849</u>
Total fixed income	<u>529,571</u>	<u>-</u>	<u>-</u>	<u>529,571</u>
Equity funds				
Large growth	144,211			144,211
Large value	109,832			109,832
Small blend	59,706			59,706
Large blend	<u>3,928</u>			<u>3,928</u>
Total equity funds	<u>317,677</u>	<u>-</u>	<u>-</u>	<u>317,677</u>
Total mutual funds	<u>\$847,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$847,248</u>

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

The table below present transactions measured at fair value on a non-recurring basis during the year ended June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges – new	\$ -	\$ -	\$4,742,660	\$4,742,660
Contributed legal services		2,736,989		2,736,989
Contributed goods		<u>42,862</u>		<u>42,862</u>
	<u>\$ -</u>	<u>\$2,779,851</u>	<u>\$4,742,660</u>	<u>\$7,522,511</u>

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

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 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 ("AAAJ - ALC"), which comprise the Statement of Financial Position as of June 30, 2018, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2018.

**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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether AAAJ - ALC's 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 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*.

**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  
November 30, 2018