



ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

**FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION**

JUNE 30, 2021

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CONTENTS

Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-18
Additional Information:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19-20

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Asian Americans Advancing Justice - Asian Law Caucus (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2021, 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited Asian Americans Advancing Justice - Asian Law Caucus' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 26, 2021, 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 26, 2021

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

STATEMENT OF FINANCIAL POSITION

June 30, 2021

With comparative totals at June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
ASSETS				
Cash and cash equivalents (Note 2)	\$ 2,877,219	\$ 7,678,572	\$ 10,555,791	\$ 9,469,941
Grants and contracts receivable	572,924	1,519,015	2,091,939	583,496
Contributions and pledges receivable (Note 4)		2,021,122	2,021,122	2,155,720
Investments (Note 5)	6,778,859		6,778,859	946,522
Prepaid expenses	55,856		55,856	47,595
Property and equipment (Note 6)	1,199,607		1,199,607	1,238,454
TOTAL ASSETS	\$ 11,484,465	\$ 11,218,709	\$ 22,703,174	\$ 14,441,728
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 472,072	\$ -	\$ 472,072	\$ 63,603
Accrued liabilities (Note 7)	539,341		539,341	425,063
Capital lease obligations (Note 9)	1,086,177		1,086,177	1,094,965
Paycheck protection program loan (Note 10)	518,697		518,697	518,697
TOTAL LIABILITIES	2,616,287	-	2,616,287	2,102,328
NET ASSETS				
Without donor restrictions				
Undesignated	2,866,303		2,866,303	221,353
Board designated operating reserve (Note 2 and 3)	6,001,875		6,001,875	3,985,598
With donor restrictions (Note 12)		11,218,709	11,218,709	8,132,449
TOTAL NET ASSETS	8,868,178	11,218,709	20,086,887	12,339,400
TOTAL LIABILITIES AND NET ASSETS	\$ 11,484,465	\$ 11,218,709	\$ 22,703,174	\$ 14,441,728

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, 2021

With comparative totals for the year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021</u>	<u>2020</u>
REVENUE				
Grants	\$ -	\$ 10,672,892	\$ 10,672,892	\$ 5,339,957
In-kind donations (Note 2)	6,518,216		6,518,216	13,781,804
Government contract revenue	1,481,192	2,639,956	4,121,148	2,645,510
Contributions	3,340,608		3,340,608	462,894
Gain on investments	230,407		230,407	27,259
Special events - net of expenses of \$42,220	178,728		178,728	102,850
Dividend and interest income	31,957		31,957	82,880
Miscellaneous income	31,696		31,696	83,750
Program fees	24,332		24,332	174,184
Net assets released from restrictions (Note 12)	10,226,588	(10,226,588)	-	-
TOTAL REVENUE	<u>22,063,724</u>	<u>3,086,260</u>	<u>25,149,984</u>	<u>22,701,088</u>
EXPENSES				
Program services	15,836,596		15,836,596	18,368,831
General and administration	1,008,957		1,008,957	619,689
Fundraising	556,944		556,944	368,044
TOTAL EXPENSES	<u>17,402,497</u>	<u>-</u>	<u>17,402,497</u>	<u>19,356,564</u>
CHANGE IN NET ASSETS	4,661,227	3,086,260	7,747,487	3,344,524
NET ASSETS, BEGINNING OF YEAR	<u>4,206,951</u>	<u>8,132,449</u>	<u>12,339,400</u>	<u>8,994,876</u>
NET ASSETS, END OF YEAR	<u>\$ 8,868,178</u>	<u>\$ 11,218,709</u>	<u>\$ 20,086,887</u>	<u>\$ 12,339,400</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, 2021
With comparative totals for the year ended June 30, 2020

	Program Services				Total Program Services	General and Administration	Fundraising	Total Expenses	
	National Security and Civil Rights	Housing	Immigration	Other				2021	2020
Salaries	\$ 388,503	\$ 492,100	\$ 867,056	\$ 1,797,636	\$ 3,545,295	\$ 338,134	\$ 452,394	\$ 4,335,823	\$ 2,846,814
Payroll taxes and employee benefits	71,766	90,903	160,166	332,067	654,902	62,031	83,568	800,501	511,110
Total personnel costs	460,269	583,003	1,027,222	2,129,703	4,200,197	400,165	535,962	5,136,324	3,357,924
In-kind expenses (Note 2)	129,711	3,601,262	1,057,838	1,726,405	6,515,216		3,000	6,518,216	13,781,804
Affiliate expenses				3,382,568	3,382,568			3,382,568	684,893
Subcontractors	27,000		64,560	285,000	376,560	546,353		922,913	535,838
Contract services	2,805	2,206		426,889	431,900	13,837		445,737	185,589
Telecommunications/Information systems		3,559	125	283,289	286,973	15,001		301,974	141,009
Interest				211,320	211,320			211,320	209,759
Occupancy	3,287	12,064	5,530	123,141	144,022	1,916	360	146,298	76,375
Professional fees	2,092	2,340	2,021	95,834	102,287			102,287	78,226
Depreciation				66,266	66,266			66,266	55,984
Office expenses	1,367	8,313	1,825	36,919	48,424	329	17,512	66,265	71,282
Other	65	10,398		24,128	34,591	28,038		62,629	74,811
Community outreach		160	119	16,762	17,041	3,223	110	20,374	11,378
Construction costs				10,783	10,783			10,783	9,181
Travel	649	764	452	4,117	5,982			5,982	47,470
Conference, catering, and meals		624	64	1,778	2,466	95		2,561	25,973
Equipment rental and maintenance					-			-	9,068
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 627,245	\$ 4,224,693	\$ 2,159,756	\$ 8,824,902	\$ 15,836,596	\$ 1,008,957	\$ 556,944	\$ 17,402,497	
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 516,895	\$ 9,072,897	\$ 3,768,396	\$ 5,010,643	\$ 18,368,831	\$ 619,689	\$ 368,044		\$ 19,356,564

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, 2021

With comparative totals for the year ended June 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 7,747,487	\$ 3,344,524
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	66,266	55,984
Investment (income) loss	(174,299)	(81,413)
(Increase) decrease in operating assets:		
Grants and contracts receivable	(1,508,443)	(326,435)
Pledge receivable	134,598	107,723
Prepaid expenses	(8,261)	(2,560)
Increase (decrease) in operating liabilities:		
Accounts payable	408,469	(20,299)
Accrued liabilities	114,278	216,716
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,780,095	3,294,240
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(27,419)	(28,825)
Purchase of investments	(5,805,388)	(320,132)
Proceeds from sale of investments	147,350	300,766
NET CASH (USED) BY INVESTING ACTIVITIES	(5,685,457)	(48,191)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program loan	-	518,697
Principal payments on capital lease obligation	(8,788)	(7,411)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(8,788)	511,286
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,085,850	3,757,335
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,469,941	5,712,606
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,555,791	\$ 9,469,941
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflect interest paid related to the capital lease:	\$ 198,710	\$ 197,397

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

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Founded in 1972, Asian Americans Advancing Justice - Asian Law Caucus¹ (Advancing Justice - ALC) started as a storefront office operated by volunteer attorneys and law students. Since then, the nation's first nonprofit law office serving the needs of the Asian and Pacific Islander ("API") community has grown to over 50 staff members. The mission of Advancing Justice - ALC is to promote, advance, and represent the legal and civil rights of API communities. Recognizing that social, economic, political, and racial inequalities continue to exist in the United States, Advancing Justice - ALC is committed to the pursuit of equality and justice for all sectors of our society, with a specific focus directed toward addressing the needs of low-income, immigrant, and underserved API community members.

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

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

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

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

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

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

Basis of Presentation

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

Net Assets

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

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

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

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

Grants and Contracts Receivable

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

Contributions and Pledges Receivable

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

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Investments

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

Fair Value Measurements

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

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

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

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

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

Concentrations of Credit Risk

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

AAAJ - ALC holds investments in the form of equities 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

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, 2021, AAAJ - ALC received donated legal services of \$6,518,216, recorded at fair value. The fair value of the legal services was based upon the number of hours contributed at the appropriate billing rates and has been recorded as an in-kind donation and in-kind expense.

Income Taxes

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

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

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

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, 2020, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 26, 2021, 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.

3. Liquidity and Availability of Resources

AAAJ - ALC receives numerous grants, donations and earned income primarily from foundations, corporations, and local government which totaled \$18,337,708 in fiscal year June 30, 2021.

Of its \$22.7 million dollar in assets, \$10.2 million is available as liquid assets.

As of the end of fiscal year June 30, 2021, AAAJ - ALC maintained a 8.52 current ratio using only unencumbered liquid assets for the calculations.

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

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, 2021, the Operating Reserve totaled \$6,001,875, which represents 6 months' projected operating costs for fiscal year 2021-2022.

Cash and cash equivalents	\$ 2,877,219
Investments	6,778,859
Grants and contracts receivable	<u>572,924</u>
Total unrestricted financial assets at year-end	<u>\$10,229,002</u>

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

Total unrestricted financial assets	\$10,229,002
Less: Accounts payable	(472,072)
Client's trust account	(179,869)
Accrued salaries and wages	(109,971)
Capital lease obligation	(196,014)
Paycheck protection program loan	<u>(518,697)</u>
Unrestricted assets available to meet expenditures in the next 12 months	<u>\$ 8,752,379</u>

4. Contributions and Pledges Receivable

Contributions and pledges receivable from foundations and are recorded as support when pledged, unless designated as conditional. All pledges are valued at the estimated fair present value at June 30, 2021 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2021. 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, 2021 of \$2,021,122 is expected to be collected within two years.

5. Investments

Investments at June 30, 2021 consist of the following:

Fixed income funds	\$4,469,476
Equity funds	<u>2,309,383</u>
	<u>\$6,778,859</u>

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

6. Property and Equipment

Property and equipment at June 30, 2021 consist of the following:

Building	\$1,240,000
Leasehold improvements	361,253
Furniture and equipment	263,496
Computers	171,732
Construction in progress	<u>27,763</u>
	2,064,244
Less: accumulated depreciation	<u>(864,637)</u>
	<u>\$1,199,607</u>

Depreciation expense for the year ended June 30, 2021 was \$66,266.

7. Accrued Liabilities

Accrued liabilities at June 30, 2021 consist of the following:

Accrued vacation	\$249,501
Clients' trust accounts	179,869
Accrued salaries and wages	<u>109,971</u>
	<u>\$539,341</u>

In Spring 2019, certain employees of ALC unionized and the bargaining process commenced with ALC regarding the terms of their employment. Following extensive negotiation of wages, benefits, and other terms and conditions of employment, a collective bargaining agreement was signed in May 2021, with a retroactive effective date of July 1, 2020 for wages adjustments.

8. Line of Credit

AAAJ - ALC has a revolving line of credit with a bank, secured by broad form-UCC, in the amount of \$500,000, at the interest rate of 3.75%, due February 2022. There was no outstanding balance on the line of credit at June 30, 2021.

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

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>	
2022	\$ 196,014
2023	196,014
2024	196,014
2025	196,014
2026	196,014
Thereafter	<u>2,714,337</u>
Total minimum lease payments	3,694,407
Less: portion representing interest	<u>(2,608,230)</u>
Present value of net minimum lease payments	<u>\$ 1,086,177</u>

The cost of property under capital leases at June 30, 2021 consists of the following:

Building	\$1,240,000
Less: accumulated depreciation	<u>(287,073)</u>
	<u>\$ 952,927</u>

10. Paycheck Protection Program Loan

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

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

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

11. Commitments and Contingencies

Obligations Under Operating Leases

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

<u>Year ending June 30,</u>	
2022	\$12,610
2023	12,862
2024	<u>13,119</u>
	<u>\$38,591</u>

Rent expense under these operating leases for the year ended June 30, 2021 was \$21,287.

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 global pandemic has drastically changed the way that Advancing Justice - Asian Law Caucus ("ALC") is serving our communities. As shelter-in-place orders were issued, Advancing Justice – ALC closed our office with requirements that employees work remotely. We also pivoted our operations to minimize disruptions in our services and our clients. Staff have continued to work remotely in Fiscal Year 2021-2022.

Operations and HR

Our investment in infrastructure and key positions in human resources and administration made it possible to effectively transition to remote arrangements. We had upgraded our IT systems before the pandemic and were able to provide staff with the necessary technology, equipment, and organizational support to facilitate 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.

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

11. Commitments and Contingencies, continued

Programs

Despite the limitations imposed by the second year of the pandemic, Advancing Justice - 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. Our legal services, advocacy, and community engagement has continued remotely, including through letters, digital/social media actions, and videos. Amid the challenges of remote work, we grew our services to communities, including 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

Advancing Justice – ALC management carefully monitors the pandemic and its impact on our work and communities, and continues to evaluate our options. Advancing Justice – ALC entered the pandemic with almost six months of an operating reserve. Immediately, management, in partnership with the Finance and Development teams, analyzed economic and fundraising trends, developed a range of financial scenarios based on this analysis and input from institutional funders, and executed a robust fundraising strategy.

While we adjusted our budget goals to a more conservative approach, we maintained our focus on fundraising from foundations, corporations, and individual supporters. In the recent fiscal year, supporters throughout California and nationally have increased their support for Advancing Justice - ALC in recognition of our work with communities to pull through COVID-19 and advance systemic solutions to racial injustice, economic insecurity, and attacks on our democratic processes and principles.

Advancing Justice - ALC also applied for assistance through the Coronavirus Aid, Relief, and Economic Security Act's Paycheck Protection Program. These funds are a loan that may be forgiven if the funds are used for payroll and other qualified expenses.

continued

ASIAN AMERICANS ADVANCING JUSTICE - ASIAN LAW CAUCUS

NOTES TO FINANCIAL STATEMENTS

12. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 consist of the following:

General operations – time restricted	\$ 5,668,580
Affiliate work	3,150,000
National security and civil rights	641,083
Employment and labor	373,784
Voting rights	373,472
Criminal justice reform	279,000
Immigration	256,776
Communications	215,000
Housing and community development	204,014
Special project	57,000
	<u>\$11,218,709</u>

For the year ended June 30, 2021, net assets released from restrictions were \$10,226,588, of which \$8,320,470 was for purpose restrictions and \$1,906,118 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, 2021, as per generally accepted accounting principles requirements, whilst the related program expenses will be recognized as expenses in the subsequent fiscal years, and over the remaining grant period.

13. Employee Benefit Plan

AAAJ - ALC has an Internal Revenue Code Section 401(k) qualified defined contribution retirement plan covering all of its employees, subject to certain eligibility requirements. Pension plan expense for the year ended June 30, 2021 was \$50,549.

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, 2021 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	\$2,371,688	\$ -	\$ -	\$2,371,688
Corporate bond	670,049			670,049
Short-term bond	566,656			566,656
World bond	675,997			675,997
High yield bond	185,086			185,086
Total fixed income	<u>4,469,476</u>	<u>-</u>	<u>-</u>	<u>4,469,476</u>
Equity funds				
Large growth	711,115			711,115
Large value	663,376			663,376
Small blend	403,730			403,730
Large blend	531,162			531,162
Total equity funds	<u>2,309,383</u>	<u>-</u>	<u>-</u>	<u>2,309,383</u>
Total mutual funds	<u>\$6,778,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,778,859</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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges – new	\$ -	\$ -	\$2,610,000	\$2,610,000
Contributed legal services		6,518,216		6,518,216
	<u>\$ -</u>	<u>\$6,518,216</u>	<u>\$2,610,000</u>	<u>\$9,128,216</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



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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Asian Americans Advancing Justice - Asian Law Caucus (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2021, 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 26, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

continued

Purpose of this Report

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

Harrington Group

Oakland, California

October 26, 2021