

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2011**

ASIAN AMERICAN JUSTICE CENTER

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2012, with Summarized Financial Information for 2011	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2012, with Summarized Financial Information for 2011	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2012, with Summarized Financial Information for 2011	6 - 7
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2012, with Summarized Financial Information for 2011	8
NOTES TO FINANCIAL STATEMENTS	9 - 13



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Asian American Justice Center
Washington, D.C.

We have audited the accompanying financial statements of the Asian American Justice Center (AAJC) (a non-profit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and change in net assets, 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.

Auditor's 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. 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 auditor's 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.

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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 AAJC as of December 31, 2012, and the change 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.

Report on Summarized Comparative Information

We have previously audited AAJC's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

Bethesda, Maryland
March 8, 2013

ASIAN AMERICAN JUSTICE CENTER
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

ASSETS		<u>2012</u>	<u>2011</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 2,810,428	\$ 2,813,016
Investments (Notes 2 and 7)		667,064	-
Grants and contributions receivable, current portion		1,972,484	3,074,097
Prepaid expenses		<u>60,659</u>	<u>60,975</u>
Total current assets		<u>5,510,635</u>	<u>5,948,088</u>
FIXED ASSETS			
Furniture and equipment		81,894	81,894
Less: Accumulated depreciation		<u>(75,854)</u>	<u>(72,226)</u>
Net fixed assets		<u>6,040</u>	<u>9,668</u>
OTHER ASSETS			
Other assets		20,556	20,556
Grants and contributions receivable, long-term portion		<u>-</u>	<u>968,523</u>
Total other assets		<u>20,556</u>	<u>989,079</u>
TOTAL ASSETS		<u>\$ 5,537,231</u>	<u>\$ 6,946,835</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ <u>382,267</u>	\$ <u>275,984</u>
NET ASSETS			
Unrestricted		740,284	710,447
Temporarily restricted (Note 3)		4,382,365	5,928,089
Permanently restricted		<u>32,315</u>	<u>32,315</u>
Total net assets		<u>5,154,964</u>	<u>6,670,851</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 5,537,231</u>	<u>\$ 6,946,835</u>

See accompanying notes to financial statements.

ASIAN AMERICAN JUSTICE CENTER

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE					
Contributions	\$ 94,625	\$ 2,416,110	\$ -	\$ 2,510,735	\$ 3,979,348
Investment income (Note 2)	771	-	-	771	2,463
Special event	359,969	-	-	359,969	477,810
Rental income (Note 5)	30,121	-	-	30,121	29,520
Other income	14,730	-	-	14,730	16,127
Net assets released from donor restrictions (Note 4)	<u>3,961,834</u>	<u>(3,961,834)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>4,462,050</u>	<u>(1,545,724)</u>	<u>-</u>	<u>2,916,326</u>	<u>4,505,268</u>
EXPENSES					
Program Services:					
Affirmative Action	10,331	-	-	10,331	351,271
Anti-Asian Violence and Race Relations	14,373	-	-	14,373	4,715
Census	168,549	-	-	168,549	226,642
Community Partners	1,229,919	-	-	1,229,919	815,410
Immigration and Immigrant Rights	380,705	-	-	380,705	561,709
Lobbying	13,157	-	-	13,157	72,829
Strategic Planning	261,702	-	-	261,702	290,791
Television Diversity	7,791	-	-	7,791	33,941
Voting Rights	1,356,591	-	-	1,356,591	489,769
Litigation	105,239	-	-	105,239	100,564
Broadband	<u>272,495</u>	<u>-</u>	<u>-</u>	<u>272,495</u>	<u>522,851</u>
Total program services	<u>3,820,852</u>	<u>-</u>	<u>-</u>	<u>3,820,852</u>	<u>3,470,492</u>
Supporting Services:					
Management and General	89,735	-	-	89,735	131,455
Fundraising	<u>521,626</u>	<u>-</u>	<u>-</u>	<u>521,626</u>	<u>532,799</u>
Total supporting services	<u>611,361</u>	<u>-</u>	<u>-</u>	<u>611,361</u>	<u>664,254</u>
Total expenses	<u>4,432,213</u>	<u>-</u>	<u>-</u>	<u>4,432,213</u>	<u>4,134,746</u>
Change in net assets	29,837	(1,545,724)	-	(1,515,887)	370,522
Net assets at beginning of year	<u>710,447</u>	<u>5,928,089</u>	<u>32,315</u>	<u>6,670,851</u>	<u>6,300,329</u>
NET ASSETS AT END OF YEAR	\$ <u>740,284</u>	\$ <u>4,382,365</u>	\$ <u>32,315</u>	\$ <u>5,154,964</u>	\$ <u>6,670,851</u>

See accompanying notes to financial statements.

ASIAN AMERICAN JUSTICE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	2012								
	Program Services								
	Anti-Asian Violence Affirmative Action	and Race Relations	Census	Community Partners	Immigration and Immigrant Rights	Lobbying	Strategic Planning	Television Diversity	Voting Rights
Base office and administrative operations	\$ 665	\$ 1,888	\$ 24,558	\$ 74,183	\$ 54,672	\$ 1,844	\$ 34,587	\$ 981	\$ 67,421
Conferences, meetings and travel	345	1,099	16,114	209,963	25,461	201	30,363	1,823	29,662
Copying and printing	19	77	901	2,768	2,357	57	1,274	25	3,698
Grants	-	-	-	143,835	-	-	-	-	375,000
Other office and administrative expenses	66	101	1,801	14,324	6,296	1,277	5,586	82	5,951
Professional fees	6,108	964	18,083	444,452	23,751	673	21,037	446	560,687
Salaries and related expenses	3,128	10,244	107,092	340,394	268,168	9,105	168,855	4,434	314,172
TOTAL	\$ 10,331	\$ 14,373	\$168,549	\$1,229,919	\$ 380,705	\$ 13,157	\$261,702	\$ 7,791	\$1,356,591

See accompanying notes to financial statements.

ASIAN AMERICAN JUSTICE CENTER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	2012 (Continued)					2011		
	Program Services (Continued)		Supporting Services			Total	Total	
	Litigation	Broadband	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Base office and administrative operations	\$ 15,360	\$ 33,669	\$ 309,828	\$ 13,124	\$ 63,323	\$ 76,447	\$ 386,275	\$ 389,857
Conferences, meetings and travel	3,119	5,442	323,592	3,199	96,819	100,018	423,610	439,629
Copying and printing	628	1,450	13,254	395	7,878	8,273	21,527	24,719
Grants	-	31,500	550,335	-	-	-	550,335	615,952
Other office and administrative expenses	2,306	2,314	40,104	2,219	22,392	24,611	64,715	73,482
Professional fees	6,583	37,352	1,120,136	10,893	54,630	65,523	1,185,659	890,850
Salaries and related expenses	77,243	160,768	1,463,603	59,905	276,584	336,489	1,800,092	1,700,257
TOTAL	\$ 105,239	\$ 272,495	\$ 3,820,852	\$ 89,735	\$ 521,626	\$ 611,361	\$ 4,432,213	\$ 4,134,746

See accompanying notes to financial statements.

ASIAN AMERICAN JUSTICE CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,515,887)	\$ 370,522
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,628	4,806
Unrealized loss	77	-
(Increase) decrease in:		
Grants and contributions receivable	2,070,136	(319,405)
Accounts receivable	-	2,166
Prepaid expenses	316	(21,638)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>106,283</u>	<u>66,236</u>
Net cash provided by operating activities	<u>664,553</u>	<u>102,687</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,402,641)	-
Proceeds from sale of investments	<u>735,500</u>	<u>-</u>
Net cash used by investing activities	<u>(667,141)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(2,588)	102,687
Cash and cash equivalents at beginning of year	<u>2,813,016</u>	<u>2,710,329</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,810,428</u>	<u>\$ 2,813,016</u>

See accompanying notes to financial statements.

ASIAN AMERICAN JUSTICE CENTER

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Asian American Justice Center (AAJC) is a 501(c)(3) non-profit organization, incorporated in Washington, D.C. AAJC works to advance civil and human rights for Asian Americans, and to build and promote a fair and equitable society for all. In accomplishing its mission, AAJC focuses its work to promote civic engagement, to forge strong and safe communities, and to create an inclusive society in communities on a local, regional, and national level. A nationally recognized voice on behalf of Asian Americans, AAJC focuses its expertise on anti-Asian violence prevention/race relations, broadband, census, health, immigrant rights, language access, and voting rights.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with AAJC's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Cash and cash equivalents -

AAJC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). AAJC maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of \$250,000.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

ASIAN AMERICAN JUSTICE CENTER

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

AAJC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. AAJC is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2012, AAJC has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of AAJC and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of AAJC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by AAJC. Permanent restrictions were for the Joyce Chiang Memorial Scholarship Fund.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

ASIAN AMERICAN JUSTICE CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair value measurement -

AAJC adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. AAJC accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. **INVESTMENTS**

Investments consisted of the following at December 31, 2012:

	<u>Market Value</u>
Certificates of deposit	\$ 594,106
Mutual funds	<u>72,958</u>
TOTAL INVESTMENTS	<u>\$ 667,064</u>

Included in investment income are the following:

Interest and dividends	\$ 848
Unrealized loss	<u>(77)</u>
TOTAL INVESTMENT INCOME	<u>\$ 771</u>

3. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2012:

Immigration Rights	\$ 263,574
Civil Rights	<u>4,118,791</u>
TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 4,382,365</u>

ASIAN AMERICAN JUSTICE CENTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

4. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

Immigration and Immigrant Rights	\$ 347,698
Civil Rights	3,549,136
Time	<u>65,000</u>

**TOTAL NET ASSETS RELEASED FROM
RESTRICTIONS** **\$ 3,961,834**

5. LEASE COMMITMENT

During November 2006, AAJC entered into a lease for office space at 1140 Connecticut Avenue, N.W., Washington, D.C. The lease agreement contains a provision to increase annual rent by 2.5%. Rent expense for 2012 was \$295,020.

AAJC has subleased portions of its office space on a month-to-month basis. Total rental income received during the year ended December 31, 2012 was \$30,121.

Approximate minimum lease payments required under the aforementioned lease are as follows:

<u>Year Ending December 31,</u>	
2013	\$ 293,000
2014	301,000
2015	<u>256,000</u>
	<u>\$ 850,000</u>

6. PENSION PLAN

AAJC maintains an IRC Section 403(b) retirement plan allowing employees to elect to defer compensation up to the maximum allowed under IRS regulations. After one year of employment, AAJC contributes 3% of an employee's annual salary into its designated 403(b) plan. For the year ended December 31, 2012, contributions totaled \$37,302.

7. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, AAJC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

ASIAN AMERICAN JUSTICE CENTER

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

7. FAIR VALUE MEASUREMENT (Continued)

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market AAJC has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2012.

- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

The table below summarizes, by level within the fair value hierarchy, AAJC's investments as of December 31, 2012:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2012</u>
Certificates of Deposit	\$ -	\$ 594,106	\$ -	\$ 594,106
Mutual funds	<u>72,958</u>	<u>-</u>	<u>-</u>	<u>72,958</u>
TOTAL	<u>\$ 72,958</u>	<u>\$ 594,106</u>	<u>\$ -</u>	<u>\$ 667,064</u>

8. SUBSEQUENT EVENTS

In preparing these financial statements, AAJC has evaluated events and transactions for potential recognition or disclosure through March 8, 2013, the date the financial statements were issued.