

**The National Coalition for Asian Pacific American Community Development**

Financial Statements  
and Independent Auditor's Report

December 31, 2022 and 2021

# **The National Coalition for Asian Pacific American Community Development**

Financial Statements  
December 31, 2022 and 2021

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
The National Coalition for Asian Pacific American Community Development

### ***Opinion***

We have audited the accompanying financial statements of The National Coalition for Asian Pacific American Community Development (CAPACD), which comprise the statements of financial position as of December 31, 2022 and 2021; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CAPACD as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CAPACD and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, CAPACD adopted Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases*, and all subsequent ASUs that modified ASC 842. CAPACD has applied the modified retrospective method to adopt this standard during the year ended December 31, 2022, and adjusted the presentation in the financial statements as permitted by ASC 842. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CAPACD's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CAPACD's internal control. Accordingly, no such opinion is expressed.

*Auditor's Responsibilities for the Audit of the Financial Statements (continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CAPACD's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Handwritten signature of Rogers + Company PLLC in black ink.

Vienna, Virginia  
July 18, 2023

# The National Coalition for Asian Pacific American Community Development

## Statements of Financial Position December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 4,905,468	\$ 4,403,013
Grants and contributions receivable, net	2,639,479	1,945,433
Prepaid expenses	30,760	34,479
Right-of-use assets – operating leases	122,372	-
Deposits	13,863	9,269
Total assets	<u>\$ 7,711,942</u>	<u>\$ 6,392,194</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 281,776	\$ 207,201
Subgrants payable	584,205	278,502
Refundable advances	-	19,283
Lease liabilities – operating leases	124,123	-
Total liabilities	<u>990,104</u>	<u>504,986</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	248,841	153,887
Board-designated fund	472,564	313,195
Total without donor restrictions	721,405	467,082
With donor restrictions	6,000,433	5,420,126
Total net assets	<u>6,721,838</u>	<u>5,887,208</u>
Total liabilities and net assets	<u>\$ 7,711,942</u>	<u>\$ 6,392,194</u>

See accompanying notes.

# The National Coalition for Asian Pacific American Community Development

## Statement of Activities For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Grants and contributions	\$ 543,638	\$ 6,293,338	\$ 6,836,976
Government grants	709,123	-	709,123
Membership dues	83,750	-	83,750
Registration fees	31,725	-	31,725
In-kind contributions	47,061	-	47,061
Interest income	12,305	-	12,305
Other income	6,651	-	6,651
Released from restrictions	5,713,031	(5,713,031)	-
Total revenue and support	7,147,284	580,307	7,727,591
<b>Expenses</b>			
Program services:			
Core programs and policy	6,106,999	-	6,106,999
Total program services	6,106,999	-	6,106,999
Supporting services:			
General and administrative	434,006	-	434,006
Fundraising	351,956	-	351,956
Total supporting services	785,962	-	785,962
Total expenses	6,892,961	-	6,892,961
<b>Change in Net Assets</b>	254,323	580,307	834,630
<b>Net Assets, beginning of year</b>	467,082	5,420,126	5,887,208
<b>Net Assets, end of year</b>	\$ 721,405	\$ 6,000,433	\$ 6,721,838

See accompanying notes.

# The National Coalition for Asian Pacific American Community Development

## Statement of Activities For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Grants and contributions	\$ 817,638	\$ 6,502,461	\$ 7,320,099
Government grants	953,304	-	953,304
Membership dues	81,200	-	81,200
In-kind contributions	5,904	-	5,904
Interest income	1,438	-	1,438
Other income	24,975	-	24,975
Released from restrictions	3,212,326	(3,212,326)	-
Total revenue and support	5,096,785	3,290,135	8,386,920
<b>Expenses</b>			
Program services:			
Core programs and policy	4,271,900	-	4,271,900
Total program services	4,271,900	-	4,271,900
Supporting services:			
General and administrative	474,375	-	474,375
Fundraising	196,622	-	196,622
Total supporting services	670,997	-	670,997
Total expenses	4,942,897	-	4,942,897
<b>Change in Net Assets</b>	153,888	3,290,135	3,444,023
<b>Net Assets, beginning of year</b>	313,194	2,129,991	2,443,185
<b>Net Assets, end of year</b>	\$ 467,082	\$ 5,420,126	\$ 5,887,208

See accompanying notes.



# The National Coalition for Asian Pacific American Community Development

## Statement of Functional Expenses For the Year Ended December 31, 2022

	Program Services	Supporting Services			
	Core Programs and Policy	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries, benefits, and taxes	\$ 1,631,386	\$ 236,117	\$ 249,329	\$ 485,446	\$ 2,116,832
Subgrants	3,015,707	-	-	-	3,015,707
Professional fees	692,420	126,382	54,630	181,012	873,432
Rent	103,701	16,802	15,872	32,674	136,375
Advertisements and sponsorships	14,236	58	771	829	15,065
Bank and payroll charges	3,583	40,472	318	40,790	44,373
Board meetings	27,412	3,978	4,196	8,174	35,586
Communication materials	2,957	50	327	377	3,334
Convention and event costs	346,025	-	11,271	11,271	357,296
Dues and subscriptions	11,514	75	1,914	1,989	13,503
Equipment	2,065	34	831	865	2,930
Equipment rental	2,646	384	405	789	3,435
Insurance	5,707	828	873	1,701	7,408
Office supplies	9,853	437	937	1,374	11,227
Postage and delivery	1,404	21	73	94	1,498
Telephone and internet	23,230	3,250	3,428	6,678	29,908
Travel and member meetings	189,457	2,737	3,934	6,671	196,128
Website maintenance and IT	22,858	2,259	2,719	4,978	27,836
Miscellaneous	838	122	128	250	1,088
<b>Total Expenses</b>	<b>\$ 6,106,999</b>	<b>\$ 434,006</b>	<b>\$ 351,956</b>	<b>\$ 785,962</b>	<b>\$ 6,892,961</b>

See accompanying notes.

**The National Coalition for Asian Pacific American Community Development**

Statement of Functional Expenses  
For the Year Ended December 31, 2021

	Program Services	Supporting Services			
	Core Programs and Policy	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries, benefits, and taxes	\$ 1,177,796	\$ 345,632	\$ 154,626	\$ 500,258	\$ 1,678,054
Subgrants	2,449,735	-	-	-	2,449,735
Professional fees	406,250	55,201	16,763	71,964	478,214
Rent	91,517	27,223	12,204	39,427	130,944
Advertisements and sponsorships	1,432	131	309	440	1,872
Bank and payroll charges	737	28,356	2,484	30,840	31,577
Communication materials	554	-	700	700	1,254
Convention and event costs	1,500	-	-	-	1,500
Dues and subscriptions	13,169	88	689	777	13,946
Equipment	13,115	2,273	1,019	3,292	16,407
Equipment rental	2,268	675	302	977	3,245
Insurance	5,206	1,549	694	2,243	7,449
Office supplies	5,743	1,634	894	2,528	8,271
Postage and delivery	979	142	532	674	1,653
Telephone and internet	20,532	6,078	2,725	8,803	29,335
Travel and member meetings	50,323	1,072	480	1,552	51,875
Website maintenance and IT	30,695	4,219	2,154	6,373	37,068
Miscellaneous	349	102	47	149	498
<b>Total Expenses</b>	<b>\$ 4,271,900</b>	<b>\$ 474,375</b>	<b>\$ 196,622</b>	<b>\$ 670,997</b>	<b>\$ 4,942,897</b>

*See accompanying notes.*

# The National Coalition for Asian Pacific American Community Development

## Statements of Cash Flows For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 834,630	\$ 3,444,023
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in discount on grants receivable	(10,194)	(14,563)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contributions receivable	(683,852)	(1,663,270)
Prepaid expenses	3,719	(14,837)
Right-of-use assets – operating leases	(122,372)	-
Deposits	(4,594)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	74,575	77,733
Subgrants payable	305,703	(220,480)
Refundable advances	(19,283)	(30,717)
Lease liabilities – operating leases	124,123	-
Net cash provided by operating activities	<u>502,455</u>	<u>1,577,889</u>
<b>Net Increase in Cash and Cash Equivalents</b>	502,455	1,577,889
<b>Cash and Cash Equivalents, beginning of year</b>	<u>4,403,013</u>	<u>2,825,124</u>
<b>Cash and Cash Equivalents, end of year</b>	<u><u>\$ 4,905,468</u></u>	<u><u>\$ 4,403,013</u></u>

*See accompanying notes.*

# **The National Coalition for Asian Pacific American Community Development**

Notes to Financial Statements  
December 31, 2022 and 2021

## **1. Nature of Operations**

The National Coalition for Asian Pacific American Community Development (CAPACD) is a nonprofit organization, incorporated in the District of Columbia with an office in Washington, D.C. and an office in Oakland, California. CAPACD's mission is to improve the quality of life for low-income Asian Americans and Pacific Islanders by promoting economic vitality, civic and political participation, and racial equity.

## **2. Summary of Significant Accounting Policies**

### Basis of Accounting and Presentation

CAPACD's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Included in net assets without donor restrictions were Board-designated funds restricted solely through the actions of the Board.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. CAPACD reports grants and contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

### Cash Equivalents

CAPACD considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase.

# **The National Coalition for Asian Pacific American Community Development**

Notes to Financial Statements  
December 31, 2022 and 2021

## **2. Summary of Significant Accounting Policies (continued)**

### Grants and Contributions Receivable

Grants receivable consist of amounts due to be reimbursed to CAPACD for expenses incurred under various grant agreements from both government and private sources. Contributions receivable represent unconditional amounts committed to CAPACD. Grants and contributions receivable are reflected at either net realizable value, or at net present value based on management's estimate of the risk adjusted rate of return. There was no allowance recognized as management believes all grants and contributions receivable are fully collectible at both December 31, 2022 and 2021.

### Property and Equipment

Property and equipment with a cost in excess of \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets, which range from three to five years. Expenditures for repairs and maintenance are expensed as incurred. All property and equipment were fully depreciated at both December 31, 2022 and 2021.

### Operating Leases

The Organization determines if an arrangement is a lease at inception. Operating lease is included in right-of-use ("ROU") assets, which represent CAPACD's right to use an underlying asset for the lease term, and lease liabilities represent CAPACD's obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As CAPACD's leases do not provide an implicit rate, CAPACD used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude lease incentives. CAPACD's lease terms may include options to extend or terminate the lease when it is reasonably certain that CAPACD will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

# **The National Coalition for Asian Pacific American Community Development**

## **Notes to Financial Statements December 31, 2022 and 2021**

### **2. Summary of Significant Accounting Policies (continued)**

#### **Subgrants Payable**

Subgrant expenses that have been incurred but not reimbursed at December 31, 2022 and 2021 are recorded as subgrants payable in the accompanying statements of financial position.

#### **Refundable Advances**

Amounts received from grantors prior to incurring qualifying expenditures are recorded as refundable advances in the accompanying statements of financial position.

#### **Revenue Recognition**

##### *Revenue Accounted for in Accordance with Contribution Accounting*

CAPACD recognizes grants and contributions when cash, securities, or other assets, or an unconditional promise to give, is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of CAPACD's revenue is derived from cost-reimbursable government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when CAPACD has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the accompanying statements of financial position.

##### *Revenue Accounted for as Contracts with Customers*

Revenue is recognized when CAPACD satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration CAPACD expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, CAPACD combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

# **The National Coalition for Asian Pacific American Community Development**

Notes to Financial Statements  
December 31, 2022 and 2021

## **2. Summary of Significant Accounting Policies (continued)**

### Revenue Recognition (continued)

#### *Revenue Accounted for as Contracts with Customers (continued)*

Specifically, for the various types of contracts, CAPACD recognizes revenue as follows:

Membership dues are comprised of an exchange element based on the benefits received and include a bundle of membership benefits that represent the performance obligations. CAPACD has concluded the performance obligation related to member benefits is satisfied throughout the membership period as member benefits are received and consumed simultaneously during the membership period. Such membership dues are recognized ratably over the applicable dues period, which is on a calendar year basis. Membership dues received that are applicable to the following year are deferred. There were no deferred membership dues at both December 31, 2022 and 2021.

Revenue from conference registrations is recognized at the time of the event, which is when the performance obligations are met.

### In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statements of activities as in-kind contributions. In-kind contributions consist of donated Board travel and pro-bono legal services that benefit both program and supporting services. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt. CAPACD also receives services donated by volunteers in carrying out its program services. These donated services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition.

### Subgrant Expenses

CAPACD provides funding to various organizations under subgrant agreements. Subgrantees are selected based on a pre-award risk assessment conducted by CAPACD and are continuously monitored through narrative reports and regular check-ins. Subgrantees submit invoices for actual expenses incurred, which are reimbursed to the subgrantee once approved by CAPACD. Subgrant expenses for the grants are recognized over time upon the successful submission of scheduled reports and performance milestones.

# **The National Coalition for Asian Pacific American Community Development**

Notes to Financial Statements  
December 31, 2022 and 2021

## **2. Summary of Significant Accounting Policies (continued)**

### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, Accounting Standards Codification (ASC) 842, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. CAPACD adopted ASC 842 during the year ended December 31, 2022, and adjusted the presentation in the financial statements as permitted by ASC 842. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

### Subsequent Events

In preparing these financial statements, CAPACD has evaluated events and transactions for potential recognition or disclosure through July 18, 2023, the date the financial statements were available to be issued.



## The National Coalition for Asian Pacific American Community Development

### Notes to Financial Statements December 31, 2022 and 2021

#### 3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	2022	2021
Cash and cash equivalents	\$ 4,905,468	\$ 4,403,013
Grants and contributions receivable	2,493,848	1,459,996
Total financial assets	7,399,316	5,863,009
Less: restricted for Board-designated fund	(472,564)	(313,195)
Less: restricted by donors	(6,000,433)	(5,420,126)
Total available for general expenditures	\$ 926,319	\$ 129,688

CAPACD strives to maintain liquid financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management periodically reviews CAPACD's liquid asset needs and adjusts the cash and cash equivalents balances as necessary.

As described in Note 7 to the financial statements, CAPACD also has a committed line of credit in the amount of \$300,000, which it could draw upon in the event of an unanticipated liquidity need. There was no outstanding balance on this line of credit at both December 31, 2022 and 2021.

The Board-designated fund is not subject to an annual spending rate. Although CAPACD does not intend to spend from this Board-designated fund, other than amounts appropriate for general expenditures as part of CAPACD's annual budget approval, these amounts could be made available through Board approval if necessary.

# The National Coalition for Asian Pacific American Community Development

## Notes to Financial Statements December 31, 2022 and 2021

### 4. Concentrations of Risk

#### Credit Risk

Financial instruments that potentially subject CAPACD to significant concentrations of credit risk consist of cash and cash equivalents. CAPACD maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). CAPACD has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

#### Revenue Risk

For the years ended December 31, 2022 and 2021, a substantial portion of CAPACD's revenue was generated from a small number of donors. For the year ended December 31, 2022, \$2,200,000 was received from two donors, and for the year ended December 31, 2021, \$3,300,000 was received from two donors. These contributions approximate 28% and 39% of CAPACD's total operating revenue and support for the years ended December 31, 2022 and 2021, respectively.

### 5. Grants and Contributions Receivable

Grants and contributions receivable consist of the following at December 31:

	2022	2021
Due in less than one year	\$ 2,493,848	\$ 1,459,996
Due in one to five years	150,000	500,000
Total grants and contributions receivable	2,643,848	1,959,996
Less: present value discount at 3%	(4,369)	(14,563)
Grants and contributions receivable, net	<u>\$ 2,639,479</u>	<u>\$ 1,945,433</u>

## The National Coalition for Asian Pacific American Community Development

### Notes to Financial Statements December 31, 2022 and 2021

#### 6. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31:

	2022	2021
Program restricted:		
Housing counseling	\$ 1,483,636	\$ 1,752,923
Asset building	802,103	193,512
Policy and civic engagement	611,455	526,286
Small business and creative placemaking	403,960	1,910,742
Community resilience fund	276,321	425,000
Membership	250,000	-
Organizing	175,332	-
Capacity building	-	611,663
Time restricted for future periods	1,997,626	-
Total net assets with donor restrictions	<u>\$ 6,000,433</u>	<u>\$ 5,420,126</u>

#### 7. Line of Credit

CAPACD maintains a \$300,000 revolving line of credit to finance short-term working capital needs. The line of credit is secured by cash held in accounts at the same financial institution. Amounts borrowed under this agreement bear interest at 6.05% per year. There was no outstanding balance on this line of credit at both December 31, 2022 and 2021.

#### 8. Commitments and Contingencies

##### Government Grants

Funds received from government agencies are subject to audit under the provisions of the grant agreements. The ultimate determination of amounts received under these grant agreements is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grant agreements are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

## The National Coalition for Asian Pacific American Community Development

### Notes to Financial Statements December 31, 2022 and 2021

#### 8. Commitments and Contingencies (continued)

##### Operating Leases

##### *Office Lease – Oakland, California*

CAPACD leases office space in Oakland, California under a noncancelable operating lease, which commenced on October 1, 2014 and was set to expire on September 30, 2019. In May 2019, the lease was extended through November 30, 2024. The terms of the lease call for base monthly payments of \$4,797 and annual rental increases of 3%.

Supplemental qualitative information related to this lease is as follows as of, and for the year ended December 31, 2022:

Operating lease cost	\$	62,969
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows	\$	61,218
Right-of-use assets obtained in exchange for lease obligations	\$	118,799
Weighted-average remaining lease term (in years)		1.9
Weighted-average discount rate		1.55%

Maturities of the lease liabilities under this lease are as follows for the years ending December 31:

2023	\$	63,055
2024		<u>59,386</u>
Total minimum lease payments		122,441
Less: discount to present value at 1.55%		<u>(1,891)</u>
Present value of operating lease liabilities	\$	<u><u>120,550</u></u>

## The National Coalition for Asian Pacific American Community Development

Notes to Financial Statements  
December 31, 2022 and 2021

### 8. Commitments and Contingencies (continued)

#### Operating Leases (continued)

##### *Office Leases – Washington, D.C.*

CAPACD leased office space in Washington, D.C. under a noncancelable operating lease, which commenced on August 1, 2008 and was set to expire on December 31, 2019. In December 2019, the lease was extended through December 31, 2020 at a monthly base rental fee of \$6,659. The lease was further extended through June 30, 2022, and the monthly base rental fee was reduced to \$5,855, as a result of CAPACD letting go of one of the offices.

On December 23, 2022, CAPACD entered into an agreement to lease new office space under a noncancelable operating lease in Washington, D.C., which commenced on January 17, 2023 and is set to expire on August 31, 2030. The terms of the lease call for base monthly payments of \$7,047 and annual rental increases of 4%, which does not include pro rata share of the building operating expenses and real estate taxes. The lease also includes a five-month rental abatement as an incentive to lease the space. In addition, the terms provide for a leasehold improvement allowance of \$14,096 to remodel and renovate the office space. ASC 842 will be applicable to this lease on the date of commencement.

Future minimum lease payments under this lease are as follows for the years ending December 31:

2023	\$	45,808
2024		87,951
2025		91,469
2026		95,127
2027		98,933
Thereafter		<u>284,087</u>
Total future minimum lease payments	\$	<u><u>703,375</u></u>

## The National Coalition for Asian Pacific American Community Development

### Notes to Financial Statements December 31, 2022 and 2021

#### 8. Commitments and Contingencies (continued)

##### Operating Leases (continued)

##### *Equipment Lease*

CAPACD also leases office equipment under the terms of an operating lease through October 15, 2025.

Supplemental qualitative information related to this lease is as follows as of, and for the year ended December 31, 2022:

Operating lease cost	\$	1,290
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows	\$	1,290
Right-of-use assets obtained in exchange for lease obligations	\$	3,573
Weighted-average remaining lease term (in years)		2.8
Weighted-average discount rate		1.55%

Maturities of the lease liabilities under this lease are as follows for the years ending December 31:

2023	\$	1,290
2024		1,290
2025		<u>1,075</u>
Total minimum lease payments		3,655
Less: discount to present value at 1.55%		<u>(82)</u>
Present value of operating lease liabilities	\$	<u><u>3,573</u></u>

Rent expense for all leases for the years ended December 31, 2022 and 2021 totaled \$136,375 and \$130,944, respectively.

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Notes to Financial Statements  
December 31, 2022 and 2021

## **8. Commitments and Contingencies (continued)**

### Hotel Agreements

CAPACD has entered into agreements with hotels for space for events to be held in the future. In the event that CAPACD cancels its agreements with the hotels, it can be held liable for certain cancellation fees and liquidated damages. Due to the COVID-19 pandemic, CAPACD cancelled hotel agreements for the 2020 events without incurring any cancellation fees. Deposits were applied to rebooking the hotels for future events. Management believes that the likelihood that CAPACD would pay any significant liquidated damages under the future hotel agreements is remote.

## **9. Retirement Plans**

CAPACD maintains a tax-deferred, 403(b) contribution plan (“the Plan”), which allows employees to contribute to the Plan through payroll deduction. CAPACD provides a matching contribution of up to 4% of gross wages. Contributions to the Plan during the years ended December 31, 2022 and 2021 totaled \$63,501 and \$43,400, respectively.

In addition, CAPACD maintains an arrangement whereby its employees can elect to contribute to a tax-sheltered annuity. From time to time, the Board in its sole discretion may make an employer contribution to the CAPACD simplified employee pension plan on behalf of CAPACD’s eligible employees. The amount of such employer contributions, if any, shall be determined by the Board and may vary from time to time.

## **10. Allocation of Expenses from Management and General Activities**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and depreciation, which are allocated on a square footage basis, as well as salaries, benefits, and taxes, professional fees, office expenses, and other overhead expenses, which are allocated on the basis of estimates of employee time and effort.

# **The National Coalition for Asian Pacific American Community Development**

## **Notes to Financial Statements December 31, 2022 and 2021**

### **11. Income Taxes**

CAPACD is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). For the years ended December 31, 2022 and 2021, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to CAPACD are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated CAPACD's tax positions and concluded that the financial statements do not include any uncertain tax positions.