

FINANCIAL STATEMENTS

**ASIAN AND PACIFIC ISLANDER
AMERICAN SCHOLARSHIP FUND**

FOR THE YEAR ENDED JUNE 30, 2010

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Asian and Pacific Islander American Scholarship Fund
Washington, D.C.

We have audited the accompanying statement of financial position of the Asian and Pacific Islander American Scholarship Fund (APIASF) as of June 30, 2010, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of APIASF's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of APIASF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of APIASF as of June 30, 2010, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

December 9, 2010

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ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,112,770
Investments (Notes 2 and 7)	1,223,940
Pledges receivable	1,201,365
Prepaid expenses	<u>2,383</u>

Total current assets	<u>4,540,458</u>
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FIXED ASSETS

Equipment	14,635
Furniture	33,339
Website	<u>24,411</u>

Less: Accumulated depreciation	<u>72,385</u> <u>(24,329)</u>
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Net fixed assets	<u>48,056</u>
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OTHER ASSETS

Deposits	<u>8,717</u>
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TOTAL ASSETS	<u>\$ 4,597,231</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 818,904
Deferred income - 2010 Gala	272,500
Accrued expenses	<u>70,322</u>

Total current liabilities	<u>1,161,726</u>
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NET ASSETS

Unrestricted	2,573,504
Temporarily restricted (Note 3)	<u>862,001</u>

Total net assets	<u>3,435,505</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,597,231</u>
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ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions and grants	\$ <u>1,669,040</u>	\$ <u>5,614,389</u>	\$ <u>7,283,429</u>
Special event revenue - Gala	418,880	-	418,880
Less: Cost of direct benefits	<u>(168,921)</u>	<u>-</u>	<u>(168,921)</u>
Net revenue from special events - Gala	<u>249,959</u>	<u>-</u>	<u>249,959</u>
Special event revenue - HES	271,272	-	271,272
Less: Cost of direct benefits	<u>(118,351)</u>	<u>-</u>	<u>(118,351)</u>
Net revenue from special events - HES	<u>152,921</u>	<u>-</u>	<u>152,921</u>
Investment income (Note 2)	2,480	60	2,540
In-kind contributions (Note 4)	16,275	-	16,275
Other revenue	15,111	1,756	16,867
Net assets released from donor restrictions (Note 3)	<u>10,327,772</u>	<u>(10,327,772)</u>	<u>-</u>
Total revenue	<u>12,433,558</u>	<u>(4,711,567)</u>	<u>7,721,991</u>
EXPENSES			
Program Services:			
Gates Millennium Scholarships	10,173,574	-	10,173,574
APIASF Scholarships	920,228	-	920,228
APIASF Programs/Non-Scholarships	<u>63,269</u>	<u>-</u>	<u>63,269</u>
Total program services	<u>11,157,071</u>	<u>-</u>	<u>11,157,071</u>
Supporting Services:			
Management and General	354,390	-	354,390
Fundraising	<u>286,894</u>	<u>-</u>	<u>286,894</u>
Total supporting services	<u>641,284</u>	<u>-</u>	<u>641,284</u>
Total expenses	<u>11,798,355</u>	<u>-</u>	<u>11,798,355</u>
Change in net assets	635,203	(4,711,567)	(4,076,364)
Net assets at beginning of year	<u>1,938,301</u>	<u>5,573,568</u>	<u>7,511,869</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,573,504</u>	<u>\$ 862,001</u>	<u>\$ 3,435,505</u>

See accompanying notes to financial statements.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services			Supporting Services			Total Expenses	
	Gates Millennium Scholarships	APIASF Scholarships	APIASF Programs/Non-Scholarships	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 418,480	\$ 108,594	\$ -	\$ 527,074	\$ 141,903	\$ 178,291	\$ 320,194	847,268
Payroll taxes	32,635	5,832	-	38,467	7,613	13,166	20,779	59,246
Employee benefits (Note 6)	34,703	6,717	-	41,420	9,978	11,191	21,169	62,589
Scholarships	9,392,367	747,500	-	10,139,867	-	-	-	10,139,867
Accounting and audit	7,870	-	-	7,870	15,123	-	15,123	22,993
Bank charges and merchant fees	2,750	-	-	2,750	2,205	38	2,243	4,993
Board meetings and travel	-	-	-	-	9,094	-	9,094	9,094
Consulting services	-	-	-	-	58,224	-	58,224	58,224
Depreciation	-	-	-	-	11,642	-	11,642	11,642
Equipment maintenance	8,661	1,728	-	10,389	1,728	2,304	4,032	14,421
Equipment rental	4,612	922	-	5,534	922	2,327	3,249	8,783
Event costs	8,937	89	17	9,043	1,482	-	1,482	10,525
Honorarium	22,000	-	-	22,000	-	-	-	22,000
Infrastructure updates	3,242	13,149	-	16,391	12,236	10,999	23,235	39,626
Insurance	2,648	794	-	3,442	794	1,059	1,853	5,295
IT consulting	15,958	4,343	70	20,371	5,988	6,227	12,215	32,586
Legal	12,169	-	-	12,169	20,073	-	20,073	32,242
Office expense	33,180	7,621	11	40,812	15,042	8,273	23,315	64,127
Outside services	6,137	679	-	6,816	3,204	21,209	24,413	31,229
Marketing	1,167	-	14,022	15,189	677	2,628	3,305	18,494
Postage and delivery	4,899	949	320	6,168	948	2,060	3,008	9,176
Printing and reproduction	-	1,952	-	1,952	1,951	2,603	4,554	6,506
Research project/CARE	-	-	42,491	42,491	-	-	-	42,491
Rent (Note 5)	69,623	13,925	-	83,548	13,925	18,566	32,491	116,039
Telecommunications	10,686	2,590	-	13,276	2,207	2,943	5,150	18,426
Travel	80,850	2,844	6,338	90,032	17,431	3,010	20,441	110,473
TOTAL	\$ 10,173,574	\$ 920,228	\$ 63,269	\$ 11,157,071	\$ 354,390	\$ 286,894	\$ 641,284	\$ 11,798,355

See accompanying notes to financial statements.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (4,076,364)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	11,642
Net depreciation of investments	1,967
Loss on disposal of fixed assets	2,199
(Increase) decrease in:	
Pledges receivable	(751,816)
Prepaid expenses	(2,383)
Increase (decrease) in:	
Accounts payable	206,436
Deferred income - 2010 Gala	272,500
Accrued expenses	<u>10,108</u>
Net cash used by operating activities	<u>(4,325,711)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(1,472)
Purchase of investments	(576,211)
Sale of investments	<u>248,755</u>
Net cash used by investing activities	<u>(328,928)</u>
Net decrease in cash and cash equivalents	(4,654,639)
Cash and cash equivalents at beginning of year	<u>6,767,409</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,112,770</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Asian and Pacific Islander American Scholarship Fund (APIASF) is a non-profit organization, incorporated in the District of Columbia. APIASF's vision is to see that all Asian and Pacific Islander American who wish to pursue higher education have the opportunity, regardless of their ethnicity, national origin, or financial means. APIASF's mission is to forge partnerships building a national Asian and Pacific Islander American scholarship organization that supports and encourages all Asian and Pacific Islander American students to pursue higher education, thereby developing future leaders who will contribute back to their communities and ultimately, strengthening America.

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*.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, APIASF has updated references to GAAP in its financial statements issued for the year ended June 30, 2010. The adoption of FASB ASC 105 did not impact APIASF's financial position or results of operations.

Cash and cash equivalents -

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

At times during the year, APIASF maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

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.

Pledges receivable -

Pledges receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$500 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 five to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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

Income taxes -

APIASF 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. APIASF 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 June 30, 2010, APIASF 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.

Deferred revenue -

Deferred revenue consists of Gala registrations. APIASF recognizes special event revenue when the related event has occurred.

Net asset classification -

The net assets are reported in two 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 APIASF 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 APIASF 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.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted 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. Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

In-kind contributions -

In-kind contributions consist of legal services performed. In-kind contributions are recorded at their fair market value as of the date of the gift.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Use of estimates -

The preparation of the 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.

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.

Risks and uncertainties -

APIASF invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurements -

APIASF adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. 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 measurements. APIASF 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 June 30, 2010:

	<u>Market Value</u>
Money market	\$ 151,224
Certificates of deposit	1,000,000
Mutual funds	<u>72,716</u>
TOTAL INVESTMENTS	<u>\$ 1,223,940</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

2. INVESTMENTS (Continued)

Included in investment income are the following at June 30, 2010:

Interest and dividends	\$ 4,507
Net depreciation of investments	<u>(1,967)</u>
TOTAL INVESTMENT INCOME	<u>\$ 2,540</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2010:

Gates Millennium Scholarships	\$ 179,757
APIASF Scholarships	458,000
APIASF Frances Sonn Name Fund	74,244
Time restricted	<u>150,000</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 862,001</u>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Gates Millennium Scholarships	\$ 9,517,003
APIASF Scholarships	747,500
Passage of time	<u>63,269</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 10,327,772</u>

4. IN-KIND CONTRIBUTIONS

During the year ended June 30, 2010, APIASF was the beneficiary of donated services, which allow APIASF to provide greater resources towards various programs. To properly reflect total program expenses, the following donations have been included in revenue and expenses for the year ended June 30, 2010:

Donated legal services	\$ 11,447
Donated IT services	<u>4,828</u>
TOTAL IN-KIND CONTRIBUTIONS	<u>\$ 16,275</u>

5. LEASE COMMITMENTS

APIASF leases office space in the District of Columbia under a ten-year agreement, which originated in August 2007.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

5. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments:

<u>Year Ended June 30,</u>	
2011	\$ 113,215
2012	116,328
2013	<u>9,716</u>
	<u>\$ 239,259</u>

Rent expense for the year ended June 30, 2010 was \$116,039.

6. RETIREMENT PLAN

APIASF has established a 401(k) tax-deferred retirement plan for the benefit of its employees. The plan covers all eligible employees, as defined. Plan participants may make voluntary salary reduction contributions up to the maximum amount allowed. Currently, APIASF does not contribute to the plan.

7. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, APIASF 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. 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 APIASF has the ability to access.

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

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded in the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category:				
Investments	<u>\$ 1,223,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,223,940</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

8. SUBSEQUENT EVENTS

In preparing these financial statements, APIASF has evaluated events and transactions for potential recognition or disclosure through December 9, 2010, the date the financial statements were issued.