

FINANCIAL STATEMENTS



**ASIAN AND PACIFIC ISLANDER
AMERICAN SCHOLARSHIP FUND**

FOR THE YEAR ENDED JUNE 30, 2012

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

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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, 2012, 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, 2012, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

October 26, 2012

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ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,828,343
Investments (Notes 2 and 6)	1,492,840
Pledges receivable	2,024,011
Prepaid expenses	<u>18,927</u>
Total current assets	<u>6,364,121</u>

FIXED ASSETS

Equipment	23,469
Furniture	33,339
Website	<u>24,411</u>
	81,219
Less: Accumulated depreciation	<u>(52,935)</u>
Net fixed assets	<u>28,284</u>

OTHER ASSETS

Deposits	<u>23,273</u>
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TOTAL ASSETS **\$ 6,415,678**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 154,724
Deferred income - 2012 Gala	51,500
Scholarships payable	<u>831,167</u>
Total current liabilities	<u>1,037,391</u>

LONG-TERM LIABILITIES

Deferred rent liability (Note 4)	<u>44,854</u>
Total liabilities	<u>1,082,245</u>

NET ASSETS

Unrestricted	3,294,244
Temporarily restricted (Note 3)	<u>2,039,189</u>
Total net assets	<u>5,333,433</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 6,415,678**

See accompanying notes to financial statements.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions and grants	\$ <u>1,495,950</u>	\$ <u>13,451,111</u>	\$ <u>14,947,061</u>
Special event revenue - Gala	510,045	-	510,045
Less: Cost of direct benefits	<u>(204,593)</u>	<u>-</u>	<u>(204,593)</u>
Net revenue from special events - Gala	<u>305,452</u>	<u>-</u>	<u>305,452</u>
Special event revenue - HES	135,916	-	135,916
Less: Cost of direct benefits	<u>(107,438)</u>	<u>-</u>	<u>(107,438)</u>
Net revenue from special events - HES	<u>28,478</u>	<u>-</u>	<u>28,478</u>
Investment income (Note 2)	2,372	5,296	7,668
In-kind	1,000	-	1,000
Other revenue	4,427	-	4,427
Net assets released from donor restrictions (Note 3)	<u>12,321,688</u>	<u>(12,321,688)</u>	<u>-</u>
Total revenue	<u>14,159,367</u>	<u>1,134,719</u>	<u>15,294,086</u>
EXPENSES			
Program Services:			
Gates Millennium Scholarships	12,022,389	-	12,022,389
APIASF Scholarships	1,065,683	-	1,065,683
APIASF Programs/Non-Scholarships	<u>73,632</u>	<u>-</u>	<u>73,632</u>
Total program services	<u>13,161,704</u>	<u>-</u>	<u>13,161,704</u>
Supporting Services:			
Management and General	409,009	-	409,009
Fundraising	<u>276,676</u>	<u>-</u>	<u>276,676</u>
Total supporting services	<u>685,685</u>	<u>-</u>	<u>685,685</u>
Total expenses	<u>13,847,389</u>	<u>-</u>	<u>13,847,389</u>
Change in net assets	311,978	1,134,719	1,446,697
Net assets at beginning of year	<u>2,982,266</u>	<u>904,470</u>	<u>3,886,736</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,294,244</u>	<u>\$ 2,039,189</u>	<u>\$ 5,333,433</u>

See accompanying notes to financial statements.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

	Program Services			
	Gates Millennium Scholarships	APIASF Scholarships	APIASF Programs/Non- Scholarships	Total Program Services
Salaries	\$ 444,622	\$ 110,559	\$ -	\$ 555,181
Payroll taxes	34,832	7,777	-	42,609
Employee benefits	51,711	9,408	-	61,119
Scholarships	11,136,056	897,500	-	12,033,556
Accounting and audit	10,553	-	-	10,553
Bank charges and merchant fees	2,957	-	-	2,957
Board meetings and travel	1,859	-	-	1,859
Consulting services	-	-	-	-
Depreciation	-	-	-	-
Donations/sponsorships	1,125	400	-	1,525
Equipment maintenance	2,171	434	-	2,605
Equipment rental	4,963	945	-	5,908
Event costs	52,415	-	-	52,415
Honorarium	23,100	-	-	23,100
Insurance	3,306	366	-	3,672
IT consulting	39,394	6,579	-	45,973
Legal	9,469	-	-	9,469
Marketing	470	-	-	470
Office expense	34,586	2,689	-	37,275
Outside services	16,056	3,461	73,632	93,149
Postage and delivery	6,564	1,158	-	7,722
Printing and reproduction	5,788	1,412	-	7,200
Rent (Note 4)	73,756	14,741	-	88,497
Telecommunications	16,809	4,198	-	21,007
Travel	49,827	4,056	-	53,883
TOTAL	\$ 12,022,389	\$ 1,065,683	\$ 73,632	\$ 13,161,704

See accompanying notes to financial statements.

Supporting Services			
Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 149,065	\$ 175,416	\$ 324,481	\$ 879,662
7,610	13,468	21,078	63,687
9,718	13,508	23,226	84,345
-	-	-	12,033,556
10,552	-	10,552	21,105
2,646	-	2,646	5,603
7,499	-	7,499	9,358
4,419	-	4,419	4,419
15,041	-	15,041	15,041
4,815	-	4,815	6,340
434	579	1,013	3,618
1,082	2,358	3,440	9,348
2,971	5,559	8,530	60,945
-	-	-	23,100
2,456	488	2,944	6,616
16,934	6,486	23,420	69,393
4,760	-	4,760	14,229
13,620	258	13,878	14,348
42,104	3,408	45,512	82,787
27,916	25,664	53,580	146,729
2,010	1,983	3,993	11,715
871	1,377	2,248	9,448
63,233	16,017	79,250	167,747
7,592	3,074	10,666	31,673
11,661	7,033	18,694	72,577
\$ 409,009	\$ 276,676	\$ 685,685	\$ 13,847,389

See accompanying notes to financial statements.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 1,446,697
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	15,041
Unrealized gain on investments	(826)
(Increase) decrease in:	
Pledges receivable	(1,007,919)
Prepaid expenses	379
Deposits	(14,556)
Increase (decrease) in:	
Accounts payable and accrued expenses	66,198
Deferred income - 2012 Gala	(183,500)
Scholarships payable	(445,833)
Deferred rent liability	<u>44,854</u>
Net cash used by operating activities	<u>(79,465)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net purchase of investments	<u>(7,643)</u>
Net cash used by investing activities	<u>(7,643)</u>
Net decrease in cash and cash equivalents	(87,108)
Cash and cash equivalents at beginning of year	<u>2,915,451</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,828,343</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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 Americans 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*.

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 and due within one year. Accordingly, an allowance for doubtful accounts has not been established.

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 five to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

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.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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

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, 2012, 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. 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.

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.

Scholarships payable -

APIASF awards scholarships to eligible persons. Scholarships are recorded in the year in which they are awarded.

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.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 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.

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, 2012:

	<u>Market Value</u>
Money market funds	\$ 912,031
Mutual funds	80,843
Certificates of deposit	<u>499,966</u>
TOTAL INVESTMENTS	<u>\$ 1,492,840</u>

Included in investment income are the following:

Interest and dividends	\$ 6,842
Unrealized gain	<u>826</u>
TOTAL INVESTMENT INCOME	<u>\$ 7,668</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2012:

Gates Millennium Scholarships	\$ 514,371
APIASF Scholarships	777,500
APIASF Frances Sonn Nam Fund	72,950
Time Restricted	546,868
APIASF College Scholarships	<u>127,500</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 2,039,189</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	\$ 11,136,056
APIASF Scholarships	889,500
APIASF Frances Sonn Name Fund	8,000
Passage of Time	<u>288,132</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 12,321,688</u>

4. LEASE COMMITMENTS

APIASF leases office space in the District of Columbia under a five-year agreement, which originated in April 2012 and expires in 2017. Under terms of the lease, the organization is to begin making monthly lease payments of \$14,556, with the lease payment increasing over the lease term to \$17,027 per month. APIASF also is receiving five months of free rent.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

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

<u>Year Ending June 30,</u>	
2013	\$ 169,836
2014	181,082
2015	188,329
2016	195,859
2017	203,672
Thereafter	<u>17,027</u>
	<u>\$ 955,805</u>

Rent expense for the year ended June 30, 2012 totaled \$167,747 and the deferred rent liability for the year totaled \$44,854.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

5. 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. APIASF may pay up to 2% of eligible compensation to the plan. For the year ended June 30, 2011, APIASF paid \$3,648 as a contribution to the plan.

6. 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 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. 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 June 30, 2012.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *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 sets forth by level, within the fair value hierarchy, APIASF's investments at fair value for the year ended June 30, 2012:

	Level 1	Level 2	Level 3	Total
Asset Category:				
Money market funds	\$ 912,031	\$ -	\$ -	\$ 912,031
Mutual funds	80,843	-	-	80,843
Certificates of deposit	-	499,966	-	499,966
TOTAL	\$ 992,874	\$ 499,966	\$ -	\$ 1,492,840

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. SUBSEQUENT EVENTS

In preparing these financial statements, APIASF has evaluated events and transactions for potential recognition or disclosure through October 26, 2012, the date the financial statements were issued.