

**ASIAN AND PACIFIC ISLANDER
AMERICAN SCHOLARSHIP FUND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30 2009
TOGETHER WITH AUDITOR'S REPORT**

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Independent Auditor's Report

To the Board of Directors
Asian and Pacific Islander American Scholarship Fund

We have audited the accompanying statement of financial position of the Asian and Pacific Islander American Scholarship Fund (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 the Asian and Pacific Islander American Scholarship Fund as of June 30, 2009, and the changes 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.

May + B. U. PC

May & Barnhard, PC
Bethesda, MD
October 2, 2009

CERTIFIED PUBLIC ACCOUNTANTS

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ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

	2009
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 6,767,409
Investments	898,451
Pledges receivable	449,549
Total Current Assets	8,115,409
PROPERTY AND EQUIPMENT	
Furniture	35,205
Equipment	15,667
Website	24,411
Allowance for depreciation	(14,858)
Total Property and Equipment	60,425
OTHER ASSETS	
Deposits	8,717
TOTAL ASSETS	\$ 8,184,551
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 612,468
Accrued expenses	60,214
Total Current Liabilities	672,682
NET ASSETS	
Unrestricted	1,938,301
Temporarily restricted	5,573,568
Total Net Assets	7,511,869
TOTAL LIABILITIES AND NET ASSETS	\$ 8,184,551

The accompanying notes are an integral part of this financial statement.

**ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

	Unrestricted	Temporarily Restricted	Total
SUPPORT & REVENUE			
Grants and contributions	\$ 812,894	\$ 15,068,447	\$ 15,881,341
Special event revenue	441,967	-	441,967
Less: Cost of direct benefits	(123,314)	-	(123,314)
Net revenue from special event	318,653	-	318,653
Donated goods and services revenue	241,228	-	241,228
Investment income	23,099	-	23,099
Other revenue	10,930	-	10,930
Net assets released from restrictions:			
Satisfaction of program requirement	10,528,410	(10,528,410)	-
Total Support & Revenue	11,935,214	4,540,037	16,475,251
EXPENSES AND LOSSES			
Gates/Millennium Scholarships	9,832,932	-	9,832,932
APIASF Scholarships	728,692	-	728,692
Total Program Services	10,561,624	-	10,561,624
Management and general	745,843	-	745,843
Fund-raising	367,656	-	367,656
Total Supporting Expenses	1,113,499	-	1,113,499
Total Expenses and Losses	11,675,123	-	11,675,123
CHANGE IN NET ASSETS	260,091	4,540,037	4,800,128
NET ASSETS, BEGINNING OF YEAR	1,678,210	1,033,531	2,711,741
NET ASSETS, END OF YEAR	\$ 1,938,301	\$ 5,573,568	\$ 7,511,869

The accompanying notes are an integral part of this financial statement.

**ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2009**

	Gates		Total Program	Management & General	Fund-raising	Total
	APIASF Scholarships	Millenium Scholarships				
Accounting & Audit	\$ -	\$ -	\$ -	\$ 23,097	\$ -	\$ 23,097
Bank charges & merchant fees	86	253	339	4,168	478	4,985
Board meetings and travel	-	-	-	4,285	-	4,285
Depreciation	478	587	1,065	6,366	767	8,198
Employee benefits	5,386	10,616	16,002	36,892	7,844	60,738
Equipment rental	115	310	425	9,769	1,099	11,293
Event Costs	-	-	-	8,035	88,283	96,318
Honorarium	-	-	-	3,350	-	3,350
Insurance	1,612	518	2,130	2,295	972	5,397
IT Consulting	322	793	1,115	19,223	2,342	22,680
Legal	-	-	-	42,407	67	42,474
Office expense	670	3,687	4,357	46,635	5,439	56,431
Outside services	-	22,090	22,090	192,795	45,957	260,842
Marketing	11,287	-	11,287	898	5,470	17,655
Payroll taxes	3,745	33,749	37,494	17,269	12,306	67,069
Postage and delivery	1,428	1,589	3,017	12,773	332	16,122
Printing and reproduction	922	-	922	6,507	17,727	25,156
Rent	2,641	7,796	10,437	89,514	8,847	108,798
Salaries	100,338	445,074	545,412	168,820	160,499	874,731
Scholarships	597,500	9,243,649	9,841,149	-	-	9,841,149
Telecommunications	512	1,399	1,911	14,287	720	16,918
Travel	1,650	60,822	62,472	36,458	8,507	107,437
Total expenses	\$ 728,692	\$ 9,832,932	\$ 10,561,624	\$ 745,843	\$ 367,656	\$ 11,675,123

The accompanying notes are an integral part of this financial statement.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2009</u>
Change in Net Assets	\$ 4,800,128
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	8,198
Change in assets and liabilities:	
Pledges receivable	436,251
Prepaid expenses	18,441
Accounts payable	590,519
Accrued expenses	46,454
Total adjustments	<u>1,099,863</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 5,899,991
 CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	235,945
Purchase of website	(24,411)
Purchase of equipment	(4,563)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>206,971</u>
 NET INCREASE (DECREASE) IN CASH	 6,106,962
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>660,447</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,767,409</u>

The accompanying notes are an integral part of this financial statement.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Asian and Pacific Islander American Scholarship Fund ("APIASF" and the "Organization") is a nonprofit organization, which was incorporated on September 30, 2003 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 that 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. APIASF's home office is located in the District of Columbia.

Funding

APIASF receives grants from foundations and donations from corporations and individuals. In addition, funds are received from the Gala Dinner and other special events.

APIASF administered the following programs:

Gates Millennium Scholars Program - to increase access, persistence, and preparation of Asian Pacific Islander American Students going to and completing undergraduate and graduate education programs. This program is administered by APIASF in close working relationship with the United Negro College Fund.

APIASF Scholarships - to provide for one-time, freshman year, scholarship awards to eligible Asian Pacific Islander American Students.

Basis of Presentation

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

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition

The Organization recognizes unconditional grants and contributions in the period they are pledged.

Pledges Receivable

Pledges receivable as of June 30, 2009 represents pledges received from seven different donors totaling \$449,549. The three largest pledges total \$375,000. All pledges are due within one year.

Donated Materials and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills are recorded at fair value in the period received.

Allowance for Uncollectible Pledges

APIASF uses the specific write-off method to determine uncollectible receivables which approximates the reserve method. Management believes that all receivables are collectible.

Property and Equipment

Expenditures for office furnishings and equipment are capitalized at cost using a capitalization threshold of \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven. Depreciation expense for the year ended June 30, 2009 was \$8,198.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash equivalents include amounts deposited at Wells Fargo Bank, NA. The accounts are invested in an overnight "Stagecoach" sweep account.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The Statement of Functional Expense shows the allocation of these expenses.

Use of Estimates

Financial statements prepared in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. The Organization is also required to make estimates and assumptions that affect reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

NOTE 2 - INCOME TAX STATUS

The Organization has received a preliminary determination letter that it qualifies as a public charity under Section 509(a) of the Internal Revenue Code and is generally exempt from federal income tax under Section 501(c)(3).

NOTE 3 - CONTRIBUTED SERVICES

Asian and Pacific Islander American Scholarship Fund is the beneficiary of donated strategic marketing and discounted legal services which provide the organization greater resources towards its programs and supporting services. For the year ended June 30, 2009, APIASF received \$241,228 of in-kind services.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 - RESTRICTION ON NET ASSETS

As of June 30 2009, temporarily restricted net assets are available for the following purposes:

GMS Scholarships	\$5,080,164
APIASF Scholarships	384,904
2009 and 2010 Galas	<u>108,500</u>
Total	<u>\$5,573,568</u>

NOTE 5 - CONDITIONAL PLEDGE

APIASF received a conditional promise to give from the Gates Millennium Scholarship program, through UNCF that administers the Scholarship program, in the amount of \$429,800 that is not recognized in these financial statements in accordance with accounting principles generally accepted for non-profit organizations.

NOTE 6 - INVESTMENTS

Investments are recorded at fair value and consisted of the following:

Certificate of Deposits	\$500,000
Wells Fargo Money Funds	<u>398,451</u>
	<u>\$ 898,451</u>

Investment income consisted of the following:

Interest Income	<u>\$ 23,099</u>
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The amounts classified as investments are intended to be held for investment purposes and are separately held in a Wells Fargo Institutional Securities LLC account. Investments are subject to the risk of loss in value.

NOTE 7 - RETIREMENT PLAN

The Organization has established a 403(b) 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 the employer does not contribute to the plan.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 - LEASE COMMITMENTS

Office Lease

In June, 2007, APIASF entered into an agreement to lease office space in the District of Columbia. The term of the lease is for the period from August 1, 2007 to July 31, 2012. The monthly rent is \$8,956 with a 2.7% annual increase. APIASF also pays its proportionate share of operating expenses and real estate taxes. APIASF paid a security deposit of \$8,817 under the lease. The lease contains an option to renew for five years as defined.

Future minimum lease payments are as follows:

Years ended June 30,	
2010	\$ 109,938
2011	112,962
2012	116,068
2013	<u>19,431</u>
Total	<u>\$358,399</u>

Rent expense for the year ended June 30, 2009 was \$108,799.

NOTE 9 - COMMITMENTS

As of June 30, 2009 the Organization has entered into contractual agreements for professional services and meeting functions. The total amount committed at June 30, 2009 was approximately \$33,000.

NOTE 10 - CONCENTRATIONS

Significant Contributors

APIASF receives grants and contributions to support the mission of the Organization. During fiscal year 2009, one donor contributed approximately \$14.8 million which represents 90% of total support and revenue.

Concentration of Credit Risk

As of June 30, 2009, the Organization had approximately \$6.8 million invested in an overnight sweep account with Wells Fargo Bank which is not insured. In addition, it had approximately \$399,000 invested in a money market fund at Wells Fargo Institutional Securities, LLC which could lose value.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 11 - RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2008, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position (FSP) FIN 48-3, “Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises.” FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), Accounting for Uncertainty in Income Taxes, to its annual financial statements for fiscal years beginning after December 15, 2008. The Organization has elected to defer the application of Interpretation 48 for the year ending December 31, 2008. The Organization evaluates its uncertain tax positions using the provisions of FASB Statement 5, Accounting for Contingencies. Accordingly, a loss contingency is recognized when it is probable that the liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

In February 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment to FASB Statement No. 115.” SFAS No. 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value options has been elected. SFAS No. 159 is effective for fiscal years beginning after November 15, 2008. The Organization is currently evaluating the impact of adopting this Statement, but does not anticipate it to result in a material change to its financial statements.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events are events or transactions, which occur after June 30, 2009 but before the issuance of the financial statements and auditor’s report, that can have a material effect on the financial statements and require adjustment or disclosure in the statements. The Organization has been evaluated through October 2, 2009, which is the date the financial statements were available to be issued. The Organization was determined to have no material subsequent events that must be disclosed in order to keep the financial statements from being misleading.