

FINANCIAL STATEMENTS



**ASIAN AND PACIFIC ISLANDER
AMERICAN SCHOLARSHIP FUND**

FOR THE YEAR ENDED JUNE 30, 2013

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Asian and Pacific Islander American Scholarship Fund (APIASF), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2013, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

December 31, 2013

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,641,652
Investments (Notes 2 and 6)	2,218,346
Pledges receivable	1,828,858
Prepaid expenses	<u>44,434</u>
Total current assets	<u>5,733,290</u>

FIXED ASSETS

Equipment	23,469
Furniture	33,339
Website	<u>24,411</u>
	81,219
Less: Accumulated depreciation	<u>(76,337)</u>
Net fixed assets	<u>4,882</u>

OTHER ASSETS

Deposits	<u>14,556</u>
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TOTAL ASSETS **\$ 5,752,728**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 152,651
Deferred income - Gala	12,060
Scholarships payable	<u>1,061,201</u>
Total current liabilities	<u>1,225,912</u>

LONG-TERM LIABILITIES

Deferred rent liability (Note 4)	<u>61,619</u>
Total liabilities	<u>1,287,531</u>

NET ASSETS

Unrestricted	3,135,836
Temporarily restricted (Note 3)	<u>1,329,361</u>
Total net assets	<u>4,465,197</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 5,752,728**

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions and grants	\$ <u>1,481,302</u>	\$ <u>13,300,706</u>	\$ <u>14,782,008</u>
Special event revenue - Gala	338,550	-	338,550
Less: Cost of direct benefits	<u>(192,097)</u>	<u>-</u>	<u>(192,097)</u>
Net revenue from special events - Gala	<u>146,453</u>	<u>-</u>	<u>146,453</u>
Special event revenue - HES	160,000	-	160,000
Less: Cost of direct benefits	<u>(150,434)</u>	<u>-</u>	<u>(150,434)</u>
Net revenue from special events - HES	<u>9,566</u>	<u>-</u>	<u>9,566</u>
Investment income (Note 2)	3,588	2,812	6,400
Other revenue	3,613	400	4,013
Net assets released from donor restrictions (Note 3)	<u>14,013,746</u>	<u>(14,013,746)</u>	<u>-</u>
Total revenue	<u>15,658,268</u>	<u>(709,828)</u>	<u>14,948,440</u>
EXPENSES			
Program Services:			
Gates Millennium Scholarships	13,182,122	-	13,182,122
APIASF Scholarships	1,573,789	-	1,573,789
APIASF Programs/Non-Scholarships	<u>385,764</u>	<u>-</u>	<u>385,764</u>
Total program services	<u>15,141,675</u>	<u>-</u>	<u>15,141,675</u>
Supporting Services:			
Management and General	389,876	-	389,876
Fundraising	<u>285,125</u>	<u>-</u>	<u>285,125</u>
Total supporting services	<u>675,001</u>	<u>-</u>	<u>675,001</u>
Total expenses	<u>15,816,676</u>	<u>-</u>	<u>15,816,676</u>
Change in net assets	(158,408)	(709,828)	(868,236)
Net assets at beginning of year	<u>3,294,244</u>	<u>2,039,189</u>	<u>5,333,433</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,135,836</u>	<u>\$ 1,329,361</u>	<u>\$ 4,465,197</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

	Program Services			Total Program Services
	Gates Millennium Scholarships	APIASF Scholarships	APIASF Programs/Non- Scholarships	
Scholarships	\$ 12,166,452	\$ 1,389,500	\$ -	\$ 13,555,952
Salaries, taxes and benefits (Note 5)	639,989	120,845	-	760,834
Outside services	26,761	27,243	365,425	419,429
Rent (Note 4)	103,057	20,460	-	123,517
Travel	85,180	1,854	2,197	89,231
Professional fees	48,454	6,927	9,995	65,376
Office expense	30,175	765	-	30,940
Printing and reproduction	9,784	630	6,553	16,967
Depreciation	-	-	-	-
Honorarium	23,100	-	-	23,100
Telecommunications	12,834	1,950	-	14,784
Event costs	13,799	-	1,530	15,329
Equipment rental and maintenance	9,675	1,845	-	11,520
Board meetings and travel	664	-	-	664
Postage and delivery	4,152	1,367	64	5,583
Insurance	3,250	373	-	3,623
Donations/sponsorships	1,703	-	-	1,703
Other	3,093	30	-	3,123
TOTAL	\$ 13,182,122	\$ 1,573,789	\$ 385,764	\$ 15,141,675

See accompanying notes to financial statements.

Supporting Services			
Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ -	\$ -	\$ -	\$ 13,555,952
162,565	219,703	382,268	1,143,102
52,386	2,439	54,825	474,254
41,906	21,458	63,364	186,881
15,147	20,727	35,874	125,105
37,355	8,289	45,644	111,020
19,747	2,820	22,567	53,507
6,140	1,822	7,962	24,929
23,402	-	23,402	23,402
-	-	-	23,100
3,417	2,017	5,434	20,218
4,882	-	4,882	20,211
2,017	3,678	5,695	17,215
7,654	405	8,059	8,723
776	1,270	2,046	7,629
2,380	497	2,877	6,500
2,104	-	2,104	3,807
7,998	-	7,998	11,121
\$ 389,876	\$ 285,125	\$ 675,001	\$ 15,816,676

See accompanying notes to financial statements.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (868,236)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	23,402
Unrealized loss on investments	1,103
Realized gain	(505)
Bad debt expense	5,000
(Increase) decrease in:	
Pledges receivable	190,153
Prepaid expenses	(25,507)
Deposits	8,717
Increase (decrease) in:	
Accounts payable and accrued expenses	(2,073)
Deferred income - Gala	(39,440)
Scholarships payable	230,034
Deferred rent liability	<u>16,765</u>
Net cash used by operating activities	<u>(460,587)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net purchase of investments	<u>(726,104)</u>
Net cash used by investing activities	<u>(726,104)</u>
Net decrease in cash and cash equivalents	(1,186,691)
Cash and cash equivalents at beginning of year	<u>2,828,343</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,641,652</u>

SCHEDULE OF NONCASH FINANCING TRANSACTIONS

Donated securities	<u>\$ 2,166</u>
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ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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.

APIASF manages three scholarship programs: APIASF's general scholarship, APIASF AANAPISI (Asian American and Native American Pacific Islander-Serving Institutions) scholarship and the Gates Millennium Scholars/Asian Pacific Islander Americans (GMS/APIA) funded by a grant from the Bill & Melinda Gates Foundation. Through these programs, APIASF has distributed more than \$70 million in college scholarships to more than 5,000 deserving Asian and American Pacific Islander (AAPI) students across the country and in the Pacific Islands.

APIASF continues to have the largest outreach nationwide to the AAPI communities providing scholarships to the most underserved individuals through its general and GMS/APIA programs. Realizing through evidenced-based research over 50% of AAPIs attend two-year institutions, one potential area of greatest impact APIASF has is with students attending two-year institutions. These campuses are defined by at least a 10% AAPI enrollment and a minimum threshold of low-income students and/or a lower than average educational and general expenditures per student. APIASF is decisively partnering with AANAPISI campuses to provide scholarships and over time aims to become the only national scholarship organization with linkages to all 153 AANAPISIs and the communities they serve.

In addition to scholarship support, APIASF has a comprehensive range of programs that include research and data collection, national higher education convenings, wrap-around services to maximize graduation rates and gainful employment, and communications strategies that will better inform policy leaders, campus administrators and the general public to help improve educational opportunities for AAPI students.

To ensure delivery of effective student support services and initiatives that meet the needs of our scholarship recipients, ongoing evaluations are conducted throughout the year by APIASF. Providing a safe space in which our Scholars are comfortable voicing their needs and experiences is a critical element to the foundation of programs being administered year-to-year. APIASF team members collaborate in scholar and social networks that provide sound research and best practices in supporting Asian American and Pacific Islanders students' academic, personal, social, cultural, and professional development and success.

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*.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

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.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year APIASF maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Restricted cash -

Restricted cash is limited in use to payment of the Gates Millennium Scholarships. Restricted cash at June 30, 2013 was \$175,093 and is included with cash and cash equivalents.

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. Depreciation expense for the year ended June 30, 2013 totaled \$23,402.

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 -

For the year ended June 30, 2013, APIASF has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has 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.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

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.

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.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

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 measurement -

APIASF adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value 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, 2013:

	<u>Market Value</u>
Money market funds	\$ 1,635,212
Mutual funds	83,310
Certificates of deposit	<u>499,824</u>
TOTAL INVESTMENTS	<u>\$ 2,218,346</u>

Included in investment income are the following:

Interest and dividends	\$ 6,998
Unrealized loss	(1,103)
Realized gain	<u>505</u>
TOTAL INVESTMENT INCOME	<u>\$ 6,400</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2013:

Gates Millennium Scholarships	\$ 175,098
APIASF Scholarships	760,928
APIASF Frances Sonn Nam Fund	70,230
Time Restricted	46,605
APIASF College Scholarships	<u>276,500</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,329,361</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

3. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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	\$ 12,166,453
APIASF Scholarships	1,105,000
APIASF Frances Sonn Name Fund	8,030
Passage of Time	500,263
APIASF Community College Scholarships	<u>234,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 14,013,746</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's monthly lease payment 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:

Year Ending June 30,

2014	\$ 181,082
2015	188,329
2016	195,859
2017	203,672
Thereafter	<u>17,027</u>
	<u>\$ 785,969</u>

Rent expense for the year ended June 30, 2013 totaled \$186,881 and the deferred rent liability for the year totaled \$61,619.

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, 2013, APIASF paid \$9,967 as a contribution to the plan.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

6. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, 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. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2013.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *Mutual funds* - 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, 2013:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	\$ 1,635,212	\$ -	\$ -	\$ 1,635,212
Mutual funds	83,310	-	-	83,310
Certificates of deposit	-	499,824	-	499,824
TOTAL	\$ 1,718,522	\$ 499,824	\$ -	\$ 2,218,346

7. SUBSEQUENT EVENTS

In preparing these financial statements, APIASF has evaluated events and transactions for potential recognition or disclosure through December 31, 2013, the date the financial statements were issued.