

FINANCIAL STATEMENTS



**ASIAN AND PACIFIC ISLANDER AMERICAN
SCHOLARSHIP FUND**

FOR THE YEAR ENDED JUNE 30, 2019

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

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CPAs & ADVISORS

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, 2019, 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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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, 2019, 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 & Friedman

March 20, 2020

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 7,441,223
Investments	2,223,826
Contributions and grants receivable	1,573,584
Prepaid expenses	<u>77,023</u>

Total current assets	<u>11,315,656</u>
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FIXED ASSETS, Net of Accumulated Depreciation of \$7,349	<u>668</u>
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OTHER ASSETS

Deposits	<u>14,556</u>
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TOTAL ASSETS	<u>\$ 11,330,880</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 131,377
Scholarships payable	1,710,275

Deferred income:	
GMS Scholarship	4,579,112
Gala	<u>146,795</u>

Total deferred income	<u>4,725,907</u>
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Total liabilities	<u>6,567,559</u>
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NET ASSETS

Without donor restrictions	1,761,797
With donor restrictions	<u>3,001,524</u>

Total net assets	<u>4,763,321</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,330,880</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 693,355	\$ 15,428,383	\$ 16,121,738
Special event revenue - Gala, net of cost of direct benefits in the amount of \$147,580	4	-	4
Investment income, net	39,159	5,762	44,921
In-kind donations	46,365	50,000	96,365
Other revenue	3,569	-	3,569
Net assets released from donor restrictions	<u>15,735,260</u>	<u>(15,735,260)</u>	<u>-</u>
Total revenue and support	<u>16,517,712</u>	<u>(251,115)</u>	<u>16,266,597</u>
EXPENSES			
Program Services:			
Gates Millennium Scholarships	12,473,719	-	12,473,719
APIASF Scholarships	2,188,205	-	2,188,205
APIASF Education and Information Programs	<u>1,550,374</u>	<u>-</u>	<u>1,550,374</u>
Total program services	<u>16,212,298</u>	<u>-</u>	<u>16,212,298</u>
Supporting Services:			
Management and General	738,679	-	738,679
Fundraising	<u>212,185</u>	<u>-</u>	<u>212,185</u>
Total supporting services	<u>950,864</u>	<u>-</u>	<u>950,864</u>
Total expenses	<u>17,163,162</u>	<u>-</u>	<u>17,163,162</u>
Change in net assets	(645,450)	(251,115)	(896,565)
Net assets at beginning of year	<u>2,407,247</u>	<u>3,252,639</u>	<u>5,659,886</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,761,797</u>	<u>\$ 3,001,524</u>	<u>\$ 4,763,321</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services			Total Expenses	
	Gates Millennium Scholarships	APIASF Scholarships	APIASF Education and Information Programs	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries, taxes and benefits	\$ 596,308	\$ 129,471	\$ 749,080	\$ 1,474,859	\$ 230,459	\$ 150,693	\$ 381,152	\$ 1,856,011
Scholarships	11,646,856	2,044,700	-	13,691,556	-	-	-	13,691,556
Professional fees	16,154	7,056	115,526	138,736	158,590	11,815	170,405	309,141
Board meetings and travel	-	-	-	-	5,800	-	5,800	5,800
Depreciation	-	-	-	-	1,603	-	1,603	1,603
Donations/sponsorships	-	-	-	-	4,000	-	4,000	4,000
Equipment rental and maintenance	5,575	2,282	5,563	13,420	1,369	4,007	5,376	18,796
Event costs	-	-	129,498	129,498	2,448	147,459	149,907	279,405
Honorarium	-	-	24,000	24,000	-	-	-	24,000
Insurance	3,086	-	-	3,086	3,086	-	3,086	6,172
Office expense	13,784	1,033	40,588	55,405	32,758	1,262	34,020	89,425
Outside services	32,114	787	262,389	295,290	167,596	1,397	168,993	464,283
Postage and delivery	1,544	1,342	5,306	8,192	2,883	155	3,038	11,230
Printing and reproduction	2,864	-	10,008	12,872	3,404	675	4,079	16,951
Rent	121,973	-	40,002	161,975	40,392	-	40,392	202,367
Telecommunications	9,891	1,131	1,656	12,678	3,436	1,982	5,418	18,096
Travel	23,570	403	166,758	190,731	22,089	953	23,042	213,773
In-kind donations	-	-	-	-	56,998	39,367	96,365	96,365
Other	-	-	-	-	1,768	-	1,768	1,768
Total	12,473,719	2,188,205	1,550,374	16,212,298	738,679	359,765	1,098,444	17,310,742
Less: Cost of Direct Benefit Gala	-	-	-	-	-	(147,580)	(147,580)	(147,580)
TOTAL EXPENSES NET OF COST OF DIRECT BENEFIT	\$ 12,473,719	\$ 2,188,205	\$ 1,550,374	\$ 16,212,298	\$ 738,679	\$ 212,185	\$ 950,864	\$ 17,163,162

See accompanying notes to financial statements.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (896,565)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,603
Unrealized gain on investments	(2,905)
Increase in:	
Contributions and grants receivable	(191,905)
Prepaid expenses	(1,197)
Increase (decrease) in:	
Accounts payable and accrued expenses	8,551
Scholarships payable	(11,111)
Deferred income-GMS Scholarship	4,579,112
Deferred income-Gala	<u>71,680</u>
Net cash provided by operating activities	<u>3,557,263</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net purchase of investments	<u>(41,993)</u>
Net cash used by investing activities	<u>(41,993)</u>
Net increase in cash and cash equivalents	3,515,270
Cash and cash equivalents at beginning of year	<u>3,925,953</u>
CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED CASH IN THE AMOUNT OF \$5,518,290 AT END OF YEAR	<u>\$ 7,441,223</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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: the Gates Millennium Scholars/Asian Pacific Islander Americans (GMS/APIA) funded by a grant from the Bill & Melinda Gates Foundation, APIASF AANAPISI (Asian American and Native American Pacific Islander-Serving Institutions) scholarship and APIASF's general scholarship. Through these programs, APIASF has distributed more than \$140 million in college scholarships to more than 7,500 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 undeserved individuals through its general, AANAPISI, 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. AANAPISI 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 AANAPISI 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 APIASF scholarship recipients, ongoing evaluations are conducted throughout the year by APIASF. Providing a safe space in which APIASF 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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU was adopted during the year ended June 30, 2019 and applied retrospectively.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

**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, and excluding money market funds held by investment managers in the amount of \$551,112 for the year ended June 30, 2019.

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, 2019 was \$5,518,290 and is included with cash and cash equivalents.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors in the accompanying Statement of Activities and Change in Net Assets.

Contributions and grants receivable -

Contributions and grants receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible 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, 2019 totaled \$1,603.

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, 2019, 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.

Deferred income -

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

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

Net asset classification -

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

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported 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 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 Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

In-kind donations -

In-kind donations consist of goods for auction, all benefiting APIASF's supporting services. In-kind donations are recorded at their fair market value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to APIASF; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services. In-kind donations that meet the criteria for recognition are included in revenue and expense for the year ended June 30, 2019.

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.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Use of estimates (continued) -

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. Expenses are allocated on a basis of actual time and effort.

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes.

Net assets previously classified as of June 30, 2018 as unrestricted net assets in the amount of \$2,407,247 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$3,252,639, are now classified as "net assets with donor restrictions".

New accounting pronouncements (not yet adopted) -

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

New accounting pronouncements (not yet adopted) (continued) -

The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. APIASF has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. APIASF has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

APIASF plans to adopt the new ASUs at the required implementation dates, and management is currently in the process of evaluating the adoption methods and the impact of the new standards on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following at June 30, 2019:

	<u>Fair Value</u>
Money market funds	\$ 551,112
Certificates of deposit	1,101,836
Mutual funds	<u>570,878</u>
TOTAL INVESTMENTS	<u>\$ 2,223,826</u>

Included in investment income are the following:

Interest and dividends, net of fees	\$ 42,016
Unrealized gain	<u>2,905</u>
TOTAL INVESTMENT INCOME	<u>\$ 44,921</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2019:

Subject to expenditure for specified purpose:	
Gates Millennium Scholarships	\$ 1,012,177
APIASF Scholarships	680,581
APIASF AANAPISI (Community College Scholarships)	383,950
APIASF Frances Sonn Nam Fund	73,525
APIASF Education and Information Programs	424,535
Subject to passage of time	<u>426,756</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 3,001,524</u>

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

Purpose restrictions accomplished:	
Gates Millennium Scholarships	\$ 11,646,856
APIASF Scholarships	1,484,450
APIASF AANAPISI (Community College Scholarships)	547,250
APIASF Frances Sonn Nam Fund	2,000
APIASF Education and Information Programs	1,550,374
Passage of time	<u>504,330</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 15,735,260</u>

4. LEASE COMMITMENTS

During the year ended June 30, 2018, APIASF leased office space in the District of Columbia under a five year agreement, which originated in April 2012 and expired July 31, 2017. Under terms of the lease, APIASF's base monthly lease payment was \$14,556, with the lease payment increasing over the lease term to \$17,027 per month.

During April 2017, APIASF entered into a new lease for the same office space, commencing August 1, 2017 and expiring June 15, 2020. Monthly rent at the beginning of the lease is \$17,708, increasing to \$19,152 in the final year of the lease.

During August 2019, APIASF entered into a lease that commences June 16, 2020 and expires June 16, 2031.

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

<u>Year Ending June 30,</u>	
2020	\$ 219,507
2021	235,170
2022	241,049
2023	247,059
2024	253,243
Thereafter	<u>1,959,183</u>
	<u>\$ 3,155,211</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

4. LEASE COMMITMENTS (Continued)

Rent expense for the year ended June 30, 2019 totaled \$202,367.

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. APIASF paid \$14,917 as a contribution to the Plan for the year ended June 30, 2019.

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 7,441,223
Investments	2,223,826
Contributions and grants receivable	<u>1,573,584</u>
Subtotal financial assets available within one year	11,238,633
Less: Donor restricted funds	(2,574,768)
Less: Restricted cash	<u>(5,518,290)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 3,145,575</u>

APIASF has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2019, APIASF had financial assets equal to approximately two months of operating expenses.

7. CONCENTRATION OF REVENUE

Approximately 69% of APIASF's revenue for the year ended June 30, 2019 was derived from grants awarded by one donor. APIASF has no reason to believe that relationships with this donor will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect APIASF's ability to finance ongoing operations.

8. 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.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

8. FAIR VALUE MEASUREMENT (Continued)

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, 2019.

- *Money market funds* - Valued at the daily closing price as reported by the fund. The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC), and are deemed to be actively traded.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by APIASF are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by APIASF are deemed to be actively traded.

The table below sets forth by level, within the fair value hierarchy, APIASF's investments at fair value for the year ended June 30, 2019:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 551,112	\$ -	\$ -	\$ 551,112
Certificates of deposit	-	1,101,836	-	1,101,836
Mutual funds	<u>570,878</u>	<u>-</u>	<u>-</u>	<u>570,878</u>
TOTAL	<u>\$ 1,121,990</u>	<u>\$ 1,101,836</u>	<u>\$ -</u>	<u>\$ 2,223,826</u>

There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

9. SUBSEQUENT EVENTS

In preparing these financial statements, APIASF has evaluated events and transactions for potential recognition or disclosure through March 20, 2020, the date the financial statements were issued.