

FINANCIAL STATEMENTS



**ASIAN AND PACIFIC ISLANDER AMERICAN
SCHOLARSHIP FUND**

FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, 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, 2021, 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 11, 2022

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 3,869,268
Investments	26,756,574
Contributions and grants receivable	2,818,131
Prepaid expenses	<u>130,132</u>
Total current assets	<u>33,574,105</u>

FIXED ASSETS, Net of Accumulated Depreciation and
Amortization of \$35,977275,890

OTHER ASSETS

Deposits	39,195
Right of use asset	2,230,943
Contributions and grants receivable, net of current portion and discount of \$18,498	<u>482,002</u>
Total other assets	<u>2,752,140</u>

TOTAL ASSETS

\$ 36,602,135

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Loan payable	\$ 261,153
Accounts payable and accrued expenses	83,458
Scholarships payable	1,566,113
Deferred income - virtual event	220,000
Operating lease liability	<u>234,193</u>
Total current liabilities	2,364,917

LONG-TERM LIABILITIES

Operating lease liability, net of current portion	<u>2,380,038</u>
Total liabilities	<u>4,744,955</u>

NET ASSETS

Without donor restrictions	26,646,737
With donor restrictions	<u>5,210,443</u>
Total net assets	<u>31,857,180</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 36,602,135

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 26,473,781	\$ 12,966,806	\$ 39,440,587
Investment income	539	-	539
In-kind donations	111,825	-	111,825
Other revenue	16,324	-	16,324
Net assets released from donor restrictions	<u>11,474,974</u>	<u>(11,474,974)</u>	<u>-</u>
Total revenue and support	<u>38,077,443</u>	<u>1,491,832</u>	<u>39,569,275</u>
EXPENSES			
Program Services:			
Gates Millennium Scholarships	7,359,221	-	7,359,221
APIASF Scholarships	3,361,010	-	3,361,010
APIASF Education and Information Programs	645,306	-	645,306
APIASF Research and Policy	<u>138,624</u>	<u>-</u>	<u>138,624</u>
Total program services	<u>11,504,161</u>	<u>-</u>	<u>11,504,161</u>
Supporting Services:			
Management and General	1,217,434	-	1,217,434
Fundraising	<u>513,239</u>	<u>-</u>	<u>513,239</u>
Total supporting services	<u>1,730,673</u>	<u>-</u>	<u>1,730,673</u>
Total expenses	<u>13,234,834</u>	<u>-</u>	<u>13,234,834</u>
Change in net assets	24,842,609	1,491,832	26,334,441
Net assets at beginning of year	<u>1,804,128</u>	<u>3,718,611</u>	<u>5,522,739</u>
NET ASSETS AT END OF YEAR	<u>\$ 26,646,737</u>	<u>\$ 5,210,443</u>	<u>\$ 31,857,180</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Supporting Services				Total Expenses
	Gates Millennium Scholarships	APIASF Scholarships	APIASF Education and Information Programs	APIASF Research and Policy	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, taxes and benefits	\$ 420,010	\$ 247,134	\$ 249,101	\$ -	\$ 916,245	\$ 481,785	\$ 479,644	\$ 961,429	\$ 1,877,674
Scholarships	6,864,052	3,098,978	-	-	9,963,030	-	-	-	9,963,030
Professional fees	17,658	4,731	97,935	-	120,324	83,082	18,012	101,094	221,418
Board meetings and travel	-	-	-	-	-	911	-	911	911
Depreciation and amortization	-	-	-	-	-	34,905	-	34,905	34,905
Donations/sponsorships	-	-	-	-	-	2,500	-	2,500	2,500
Equipment rental and maintenance	5,688	1,540	-	-	7,228	8,676	5,774	14,450	21,678
Event costs	-	-	131,611	-	131,611	-	-	-	131,611
Insurance	2,753	287	-	-	3,040	6,057	1,076	7,133	10,173
Office expense	27,075	1,622	7,959	350	37,006	87,112	4,025	91,137	128,143
Outside services	14,829	5,677	158,650	138,200	317,356	131,580	2,128	133,708	451,064
Postage and delivery	235	324	50	-	609	1,635	-	1,635	2,244
Printing and reproduction	197	-	-	-	197	7,029	-	7,029	7,226
Lease expense	4,191	-	-	-	4,191	246,727	-	246,727	250,918
Telecommunications	2,533	663	-	-	3,196	8,457	2,330	10,787	13,983
Travel	-	54	-	74	128	2,974	-	2,974	3,102
In-kind donations	-	-	-	-	-	111,825	-	111,825	111,825
Other	-	-	-	-	-	2,179	250	2,429	2,429
TOTAL	\$ 7,359,221	\$ 3,361,010	\$ 645,306	\$ 138,624	\$ 11,504,161	\$ 1,217,434	\$ 513,239	\$ 1,730,673	\$ 13,234,834

See accompanying notes to financial statements.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 26,334,441
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	34,905
Unrealized gain on investments	7
Change in discount on long-term receivables	19,112
Change in the measurement of operating lease	383,288
(Increase) decrease in:	
Contributions and grants receivable	(1,430,821)
Prepaid expenses	32,559
Deposits	14,556
(Decrease) increase in:	
Accounts payable and accrued expenses	(110,852)
Scholarships payable	(95,773)
Deferred income-virtual event	<u>77,500</u>
Net cash provided by operating activities	<u>25,258,922</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(156,982)
Net purchase of investments	<u>(25,000,522)</u>
Net cash used by investing activities	<u>(25,157,504)</u>
Net increase in cash and cash equivalents	101,418
Cash and cash equivalents at beginning of year	<u>3,767,850</u>
CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED CASH IN THE AMOUNT OF \$745,877 AT END OF YEAR	<u>\$ 3,869,268</u>

SCHEDULE OF NONCASH FINANCING TRANSACTIONS

Right of Use Asset, Net of Landlord Allowance in the Amount of \$152,425	<u>\$ 2,464,365</u>
Operating Lease Liability for Right of Use Asset	<u>\$ 2,616,790</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Asian and Pacific Islander American Scholarship Fund (APIASF), doing business as APIA Scholars, 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 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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

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

Basis of presentation (continued) -

Descriptions of the two net asset categories are 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.

New accounting pronouncements adopted -

During 2021, APIASF early adopted ASU 2019-01, Leases (Topic 842) which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. **APIASF** applied the new standard at the inception of a new lease and also adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See note 7 for further details.

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, excluding money market funds held by investment managers in the amount of \$26,007,436 for the year ended June 30, 2021. 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, 2021 was \$745,877 and is included with cash and cash equivalents.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends and unrealized gains are included in investment income in the accompanying Statement of Activities and Change in Net Assets.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

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

Contributions and grants receivable -

Contributions and grants receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$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. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Depreciation and amortization expense for the year ended June 30, 2021 totaled \$34,905.

Right-of-use-asset -

In accordance with FASB ASC 842, the right-of-use asset and related operating lease liability is amortized over the lease term on a straight-line basis. As stated in Note 7, amortization of the right-of-use asset is included in occupancy expense in the accompanying Statement of Functional Expense.

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, 2021, 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.

Revenue -

The majority of APIASF's activities are supported by contributions and grants from corporations, individuals and other private entities. These awards are for various activities performed by APIASF. Contributions and grants are recognized in the appropriate category of net assets in the period received. APIASF performs an analysis of the individual grant or contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

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

Revenue (continued) -

Contributions and grants qualifying as contributions that are unconditional and have 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. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions or grants qualifying as conditional contributions contain a right of return from obligation provision that limits APIASF on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. For contributions and grants treated as contributions, APIASF did not have any unrecognized conditional awards as of June 30, 2021.

Contributions or grants classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and are recorded as revenue at a point in time when the performance obligations are met. Transaction price is based on cost.

Amounts received for the gala are recorded as revenue when the related event has occurred.

Amounts received in advance for the gala are recorded as deferred revenue within the accompanying Statement of Financial Position.

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.

Expenses directly attributed to a specific functional area of APIASF are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of actual time and effort.

Investment risks and uncertainties -

APIASF invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

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

Investment risks and uncertainties (continued) -

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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact APIASF's operations. The overall potential impact is unknown at this time.

New accounting pronouncement not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

APIASF plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following at June 30, 2021:

	<u>Fair Value</u>
Money market funds	\$ 26,007,436
Mutual funds	<u>749,138</u>
TOTAL INVESTMENTS	<u>\$ 26,756,574</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. INVESTMENTS (Continued)

Included in investment income are the following:

Interest and dividends	\$ 546
Unrealized loss	<u>(7)</u>
TOTAL INVESTMENT INCOME	<u>\$ 539</u>

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of June 30, 2021 contributors to APIASF had made unconditional written promises to give, of which \$3,318,631 remained due and outstanding. Amounts due beyond one year of the Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 3.25%.

Following is a schedule of amounts due, by year, as of June 30, 2021:

Less than one year	\$ 2,818,131
One to five years	<u>500,500</u>
Total	3,318,631
Less: Allowance to discount balance to present value	<u>(18,498)</u>
CONTRIBUTIONS AND GRANTS RECEIVABLE	<u>\$ 3,300,133</u>

4. LOAN PAYABLE

On May 3, 2020, APIASF received loan proceeds in the amount of \$261,153 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. In accordance with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. APIASF received notification in September 2021 that it met the conditions for forgiveness in full of the loan by the Small Business Administration. APIASF will record revenue from debt extinguishments during the period that forgiveness was approved.

5. FIXED ASSETS

Fixed assets consisted of the following at June 30, 2021:

Furniture	\$ 94,673
Leasehold improvements	<u>217,194</u>
Total fixed assets	311,867
Less: Accumulated depreciation and amortization	<u>(35,977)</u>
NET FIXED ASSETS	<u>\$ 275,890</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2021:

Subject to expenditure for specified purpose:	
Gates Millennium Scholarships	\$ 704,371
APIASF Scholarships	2,107,866
APIASF AANAPISI (Community College Scholarships)	370,000
APIASF Education and Information Programs	1,719,257
IT Support	50,000
Subject to passage of time	<u>258,949</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 5,210,443</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	\$ 6,978,556
APIASF Scholarships	2,572,478
APIASF AANAPISI (Community College Scholarships)	522,500
APIASF Frances Sonn Nam Fund	4,000
APIASF Education and Information Programs	783,928
Passage of time	<u>613,512</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 11,474,974</u>

7. LEASES

During August 2019, APIASF entered into a lease for office space that commenced June 16, 2020 and expires June 16, 2031. In May of 2021 APIASF entered into a 36 month operating agreement for office equipment.

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. APIASF elected on July 1, 2020 to early implement the ASU and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. APIASF also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

APIASF adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, APIASF recorded a right-of-use asset in the amount of, \$2,464,365 net of the landlord allowance of \$152,425. APIASF recorded an operating lease liability in the amount of \$2,616,790 by calculating the present value using the 10-year Treasury bill rate effective at the commencement of each respective lease. The right-of-use asset and the operating lease liability are being amortized over the life of the lease agreement.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

7. LEASES (Continued)

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

Year Ending June 30,

2022	\$ 251,717
2023	257,727
2024	263,022
2025	259,601
2026	266,091
Thereafter	<u>1,433,492</u>
	<u>\$ 2,731,650</u>

Lease expense for the year ended June 30, 2021 totaled \$250,918.

8. 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 \$14,092 as a contribution to the Plan for the year ended June 30, 2021.

9. 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	\$ 3,869,268
Investments	26,756,574
Contributions and grants receivable to be received within one year	<u>2,818,131</u>
Subtotal financial assets available within one year	33,443,973
Less: Donor restricted funds	(4,901,494)
Less: Restricted cash	<u>(745,877)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 27,796,602</u>

APIASF has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2021, APIASF had financial assets equal to approximately 25 months of operating expenses.

10. 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).

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

10. FAIR VALUE MEASUREMENT (Continued)

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, 2021. There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end mutual funds that are registered with the Securities and Exchange Commission and are deemed to be actively traded.
- *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, 2021:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 26,007,436	\$ -	\$ -	\$ 26,007,436
Mutual funds	<u>749,138</u>	<u>-</u>	<u>-</u>	<u>749,138</u>
TOTAL	<u>\$ 26,756,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,756,574</u>

11. SUBSEQUENT EVENTS

In preparing these financial statements, APIASF has evaluated events and transactions for potential recognition or disclosure through March 11, 2022, the date the financial statements were issued.

Subsequent to year-end APIASF entered into a separation agreement with a former employee which includes a separation benefit payment of approximately \$192,000. The benefit is to be paid in two installments, the first at signing of the agreement and the second six months after the effective date.