

FINANCIAL STATEMENTS



**ASIAN AND PACIFIC ISLANDER AMERICAN
SCHOLARSHIP FUND**

**FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 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.

Opinion

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, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of APIASF as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of APIASF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about APIASF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 APIASF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about APIASF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited APIASF's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



February 1, 2023

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	4,992,133	\$ 3,869,268
Investments		26,775,330	26,756,574
Contributions and grants receivable, net of allowance for doubtful accounts of \$25,000 and zero as of June 30, 2022 and 2021, respectively		2,982,400	2,818,131
Prepaid expenses		<u>122,346</u>	<u>130,132</u>
Total current assets		<u>34,872,209</u>	<u>33,574,105</u>
FIXED ASSETS, Net of Accumulated Depreciation and Amortization of \$69,836 and \$35,977 as of June 30, 2022 and 2021, respectively		<u>242,031</u>	<u>275,890</u>
OTHER ASSETS			
Deposits		39,195	39,195
Right-of-use asset		2,006,653	2,230,943
Contributions and grants receivable, net of current portion and discount of \$38,012 and \$18,498 as of June 30, 2022 and 2021, respectively		<u>526,738</u>	<u>482,002</u>
Total other assets		<u>2,572,586</u>	<u>2,752,140</u>
TOTAL ASSETS	\$	<u>37,686,826</u>	\$ <u>36,602,135</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Loan payable	\$	-	\$ 261,153
Accounts payable and accrued expenses		240,762	83,458
Scholarships payable		1,983,086	1,566,113
Deferred event income		122,500	220,000
Operating lease liability		<u>241,995</u>	<u>234,193</u>
Total current liabilities		2,588,343	2,364,917
LONG-TERM LIABILITIES			
Operating lease liability, net of current portion		<u>2,139,034</u>	<u>2,380,038</u>
Total liabilities		<u>4,727,377</u>	<u>4,744,955</u>
NET ASSETS			
Without donor restrictions		26,509,303	26,646,737
With donor restrictions		<u>6,450,146</u>	<u>5,210,443</u>
Total net assets		<u>32,959,449</u>	<u>31,857,180</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>37,686,826</u>	\$ <u>36,602,135</u>

See accompanying notes to financial statements.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions and grants	\$ 1,991,671	\$ 11,344,575	\$ 13,336,246	\$ 39,440,587
Investment income	19,318	-	19,318	539
In-kind donations	98,000	-	98,000	111,825
Other revenue	-	-	-	16,324
Net assets released from donor restrictions	<u>10,104,872</u>	<u>(10,104,872)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>12,213,861</u>	<u>1,239,703</u>	<u>13,453,564</u>	<u>39,569,275</u>
EXPENSES				
Program Services:				
Gates Millennium Scholarships	5,762,587	-	5,762,587	7,359,221
APIASF Scholarships	2,598,840	-	2,598,840	3,361,010
APIASF Education and Information Programs	1,236,518	-	1,236,518	645,306
APIASF Research and Policy	<u>551,864</u>	<u>-</u>	<u>551,864</u>	<u>138,624</u>
Total program services	<u>10,149,809</u>	<u>-</u>	<u>10,149,809</u>	<u>11,504,161</u>
Supporting Services:				
Management and General	1,895,437	-	1,895,437	1,217,434
Fundraising	<u>567,202</u>	<u>-</u>	<u>567,202</u>	<u>513,239</u>
Total supporting services	<u>2,462,639</u>	<u>-</u>	<u>2,462,639</u>	<u>1,730,673</u>
Total expenses	<u>12,612,448</u>	<u>-</u>	<u>12,612,448</u>	<u>13,234,834</u>
Change in net assets before other item	(398,587)	1,239,703	841,116	26,334,441
OTHER ITEM				
Extinguishment of debt	<u>261,153</u>	<u>-</u>	<u>261,153</u>	<u>-</u>
Change in net assets	(137,434)	1,239,703	1,102,269	26,334,441
Net assets at beginning of year	<u>26,646,737</u>	<u>5,210,443</u>	<u>31,857,180</u>	<u>5,522,739</u>
NET ASSETS AT END OF YEAR	\$ <u>26,509,303</u>	\$ <u>6,450,146</u>	\$ <u>32,959,449</u>	\$ <u>31,857,180</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022							2021		
	Program Services				Supporting Services					
	Gates Millennium Scholarships	APIASF Scholarships	APIASF Education and Information Programs	APIASF Research and Policy	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries, taxes and benefits	\$ 197,751	\$ 229,489	\$ 839,734	\$ -	\$ 1,266,974	\$ 760,441	\$ 542,105	\$ 1,302,546	\$ 2,569,520	\$ 1,877,674
Scholarships	5,498,116	2,355,124	-	-	7,853,240	22,500	-	22,500	7,875,740	9,963,030
Professional fees	8,501	4,808	70,970	4,240	88,519	187,976	6,605	194,581	283,100	221,418
Board meetings and travel	-	-	-	-	-	59,987	-	59,987	59,987	911
Depreciation and amortization	-	-	-	-	-	33,859	-	33,859	33,859	34,905
Donations/sponsorships	-	-	2,500	-	2,500	15,000	-	15,000	17,500	2,500
Equipment rental and maintenance	1,467	-	-	-	1,467	11,626	-	11,626	13,093	21,678
Event costs	-	-	38,655	-	38,655	-	-	-	38,655	131,611
Honorarium	-	-	68,700	58,700	127,400	-	-	-	127,400	-
Insurance	1,627	-	-	-	1,627	10,984	-	10,984	12,611	10,173
Office expense	556	3,178	43,198	8,134	55,066	181,689	4,521	186,210	241,276	128,143
Outside services	4,441	4,590	120,940	457,250	587,221	243,933	497	244,430	831,651	451,064
Postage and delivery	-	439	149	109	697	2,246	79	2,325	3,022	2,244
Printing and reproduction	-	-	2,765	5,044	7,809	9,044	3,200	12,244	20,053	7,226
Lease expense	49,098	-	-	-	49,098	186,654	-	186,654	235,752	250,918
Telecommunications	1,030	372	-	-	1,402	10,103	520	10,623	12,025	13,983
Travel	-	840	48,907	18,387	68,134	34,599	9,675	44,274	112,408	3,102
In-kind donations	-	-	-	-	-	98,000	-	98,000	98,000	111,825
Other	-	-	-	-	-	26,796	-	26,796	26,796	2,429
TOTAL	\$ 5,762,587	\$ 2,598,840	\$ 1,236,518	\$ 551,864	\$10,149,809	\$ 1,895,437	\$ 567,202	\$ 2,462,639	\$ 12,612,448	\$ 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, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,102,269	\$ 26,334,441
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	33,859	34,905
Unrealized gain on investments	-	7
Change in allowance for doubtful accounts	25,000	-
Change in discount on long-term receivables	19,514	19,112
Change in measurement of operating lease	(8,912)	-
Extinguishment of debt	(261,153)	383,288
(Increase) decrease in:		
Contributions and grants receivable	(253,519)	(1,430,821)
Prepaid expenses	7,786	32,559
Deposits	-	14,556
Increase (decrease) in:		
Accounts payable and accrued expenses	157,304	(110,852)
Scholarships payable	416,973	(95,773)
Deferred event income	<u>(97,500)</u>	<u>77,500</u>
Net cash provided by operating activities	<u>1,141,621</u>	<u>25,258,922</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(156,982)
Net purchase of investments	<u>(18,756)</u>	<u>(25,000,522)</u>
Net cash used by investing activities	<u>(18,756)</u>	<u>(25,157,504)</u>
Net increase in cash and cash equivalents	1,122,865	101,418
Cash and cash equivalents at beginning of year	<u>3,869,268</u>	<u>3,767,850</u>
CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED CASH IN THE AMOUNT OF \$384,058 AND \$745,877 AT JUNE 30, 2022 AND 2021, RESPECTIVELY	<u>\$ 4,992,133</u>	<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>\$ -</u>	<u>\$ 2,464,365</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ -</u>	<u>\$ 2,616,790</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Based in Washington, D.C. and founded in 2003, APIA Scholars (legal name Asian Pacific Islander American Scholarship Fund or APIASF) is the nation's leading non-profit organization devoted to the academic, personal and professional success of Asian American Native Hawaiian Pacific Islander (AANHPI) students. APIA Scholars celebrates its Scholars whose unique stories, rich cultures, and diverse perspectives equip them to be the leaders of tomorrow. Through holistic college-to-career programs, scholarships, higher education research and policy, and partnerships, APIA Scholars carries out its mission to educate, elevate, and empower a diverse community of 25 million strong and growing.

APIA Scholar's revenue is primarily from donations by corporations, foundations, and individuals. APIA Scholar's activities fall under three major categories-Scholarships, Programs, and Research & Policy.

Scholarships - APIA Scholars administers scholarships funded by donations from corporations, foundations, and individuals.

Programs - APIA Scholars provides holistic college to career support and programs to promote student success, leadership, and development of our Scholars.

Research and Policy - APIA Scholars is building an infrastructure of knowledge to develop a policy agenda that brings systemic change for Asian American Native Hawaiian Pacific Islander (AANHPI) student success and informs broader research and policy conversations about postsecondary equity when it comes to AANHPI student demographics.

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.

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.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Basis of presentation (continued) -

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with APIASF's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

New accounting pronouncement adopted -

During the year ended June 30, 2022, APIASF adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which 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 was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

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, 2022 was \$384,058 and is included with cash and cash equivalents.

Investments -

Investments are recorded at their readily determinable fair value. Interest and dividends are included in investment income 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. 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 collectable. 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.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Fixed assets (continued) -

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, 2022 totaled \$33,859.

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 8, 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, 2022, 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 -

APIASF receives contributions and grants, including unconditional promises to give, from many sources. Contributions and grants are recognized in the appropriate category of net assets in the period received. APIASF performs an analysis of the individual contribution or grant to determine if the revenue streams follow the contribution rules, or if they should be recorded as an exchange transaction depending upon whether the transaction is 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. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. 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; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions and grants qualifying as conditional contributions contain a right of return and a barrier. Funds received in advance of the incurrence of qualifying expenditures are recorded as deferred revenue. APIASF did not have any unrecognized conditional awards as of June 30, 2022.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Revenue (continued) -

Contributions or grants classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers*, are recorded as revenue when performance obligations are met. APIASF has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue.

Amounts received for events are recorded as revenue when the related event has occurred. Transaction price is based on sales price. Amounts received in advance of events are recorded as deferred revenue within the accompanying Statement of Financial Position.

Contributed services and materials -

Contributed services and materials consist of airline vouchers and shipping costs. Goods donated for distribution for APIASF's programs are recorded at their fair market value as of the date of the gift. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by APIASF. 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.

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. 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.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

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, 2022:

	<u>Fair Value</u>
Mutual Funds	\$ <u>26,775,330</u>

Included in investment income are the following:

Interest and Dividends	\$ <u>19,318</u>
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3. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of June 30, 2022, contributors to APIASF had made unconditional written promises to give, of which \$3,572,150 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 4.75%.

Following is a schedule of amounts due, by year, as of June 30, 2022:

Less than one year	\$ 3,007,400
One to five years	<u>564,750</u>
Total	3,572,150
Less: Allowance to discount balance to present value	(38,012)
Less: Reserve for uncollectable grants	<u>(25,000)</u>
NET RECEIVABLES	\$ <u>3,509,138</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 called for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

4. LOAN PAYABLE (Continued)

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. During September 2021, APIASF received notification that it met the conditions for forgiveness in full of the loan by the Small Business Administration. Accordingly, APIASF has recorded revenue from debt extinguishment in the accompanying Statement of Activities and Change in Net Assets.

5. FIXED ASSETS

Fixed assets consisted of the following at June 30, 2022:

Furniture	\$ 94,673
Leasehold improvements	<u>217,194</u>
Total fixed assets	311,867
Less: Accumulated depreciation and amortization	<u>(69,836)</u>
NET FIXED ASSETS	<u>\$ 242,031</u>

6. IN-KIND CONTRIBUTIONS

During the year ended June 30, 2022, APIASF was the beneficiary of donated goods and services which allowed APIASF to provide greater resources toward various programs. There were no donor-imposed restrictions associated with the in-kind contributions during the year ended June 30, 2022.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended June 30, 2022.

Donated airline vouchers	\$ 80,000
Donated shipping services	<u>18,000</u>
TOTAL	<u>\$ 98,000</u>

The following programs or supporting services have benefited from these donated services:

Management and General	<u>\$ 98,000</u>
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7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2022:

Subject to expenditure for specified purpose:	
Gates Millennium Scholarships	\$ 398,070
APIASF Scholarships	3,231,089
APIASF AANAPISI (Community College Scholarships)	315,000
APIASF Education and Information Programs	2,165,931
Technology and Communications Initiative	250,000
Subject to passage of time	<u>90,056</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 6,450,146</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

7. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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	\$ 5,383,612
APIASF Scholarships	1,743,387
APIASF AANAPISI (Community College Scholarships)	592,624
APIASF Education and Information Programs	1,788,382
Technology and Communications Initiative	260,000
IT Support	50,000
Passage of time	<u>286,867</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 10,104,872</u>

8. LEASES

During August 2019, APIASF entered into a lease for office space that commenced June 16, 2020 and expires June 16, 2031. An amendment was signed in May 2022 to commence in fiscal year 2023 which added additional space and included a 12 month rent abatement. 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 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. The following is a schedule of the future minimum lease payments as of year-end:

<u>Year Ending June 30,</u>	
2023	\$ 257,727
2024	263,022
2025	259,601
2026	266,091
2027	272,710
Thereafter	<u>1,160,781</u>
	2,479,932
Less: imputed interest	(98,903)
Less: Current portion	<u>(241,995)</u>
	<u>\$ 2,139,034</u>

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

8. LEASES (Continued)

Lease expense for the year ended June 30, 2022 totaled \$235,752.

9. 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 \$20,522 as a contribution to the Plan for the year ended June 30, 2022.

10. 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	\$ 4,992,133
Investments	26,775,330
Contributions and grants receivable to be received within one year	<u>2,982,400</u>
Subtotal financial assets available within one year	34,749,863
Less: Donor restricted funds	(6,160,090)
Less: Restricted cash	<u>(384,058)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 28,205,715</u>

APIASF has a policy to structure its financial assets to be available and liquid as its obligations become due.

11. 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.

ASIAN AND PACIFIC ISLANDER AMERICAN SCHOLARSHIP FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

11. FAIR VALUE MEASUREMENT (Continued)

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, 2022. There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2022. 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual Funds	<u>\$ 26,775,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,775,330</u>

12. SUBSEQUENT EVENTS

In preparing these financial statements, APIASF has evaluated events and transactions for potential recognition or disclosure through February 1, 2023, the date the financial statements were issued.