



Financial Statements
With Independent Auditors' Report
And Supplementary Information

June 30, 2013 and 2012



ASIAN PACIFIC FUND
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Asian Pacific Fund
San Francisco, California

We have audited the accompanying financial statements of Asian Pacific Fund (a California nonprofit public benefit corporation) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asian Pacific Fund as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the Asian Pacific Fund restated amounts previously reported as of and for the year ended June 30, 2012 to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PMB Helin Donovan, LLP

PMB Helin Donovan, LLP
Walnut Creek, California
January 10, 2014

ASIAN PACIFIC FUND
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

| | 2013 | 2012 (restated) |
|---|----------------------|----------------------------|
| ASSETS | | |
| ASSETS | | |
| Cash and cash equivalents | \$ 259,580 | \$ 473,885 |
| Prepaid expenses and other assets | 40,052 | 6,798 |
| Pledges receivable, net | 3,424,653 | 3,991,000 |
| Investments | 7,497,022 | 5,812,935 |
| Investments held in charitable remainder trusts | 710,591 | 499,493 |
| Property and equipment, net | 12,087 | - |
| | <u>\$ 11,943,985</u> | <u>\$ 10,784,111</u> |
| Total assets | | |
| | <u>\$ 11,943,985</u> | <u>\$ 10,784,111</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 40,625 | \$ 48,186 |
| Scholarships and grants payable, net | 408,429 | 703,245 |
| Deferred revenue | 21,250 | 17,750 |
| Liabilities under charitable remainder trusts | 319,015 | 240,014 |
| Liabilities under split-interest agreements | 30,251 | 31,359 |
| | <u>819,570</u> | <u>1,040,554</u> |
| Total liabilities | | |
| | <u>819,570</u> | <u>1,040,554</u> |
| NET ASSETS | | |
| Unrestricted | (2,545) | (1,068,199) |
| Temporarily restricted | 890,661 | 858,963 |
| Permanently restricted | 10,236,299 | 9,952,793 |
| | <u>11,124,415</u> | <u>9,743,557</u> |
| Total net assets | | |
| | <u>11,124,415</u> | <u>9,743,557</u> |
| Total liabilities and net assets | | |
| | <u>\$ 11,943,985</u> | <u>\$ 10,784,111</u> |

The notes are an integral part of these financial statements.

ASIAN PACIFIC FUND
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | 2013 | | | 2012 (restated) | | | | |
|--|--------------|------------------------|------------------------|--------------------|----------------|------------------------|------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| REVENUES AND SUPPORT | | | | | | | | |
| Contributions | \$ 55,042 | \$ 89,783 | \$ 222,006 | \$ 366,831 | \$ - | \$ 500,005 | \$ 166,690 | \$ 666,695 |
| Foundation and corporate grants | 87,264 | 152,900 | 1,061,500 | 1,301,664 | - | 277,350 | 402,500 | 679,850 |
| Net realized and unrealized gains (losses) on investments | 16,768 | 389,242 | - | 406,010 | 24,563 | (56,418) | - | (31,855) |
| Fundraising and special event income | 176,879 | - | - | 176,879 | 253,145 | - | - | 253,145 |
| Interest and dividend income | 3,029 | 147,391 | - | 150,420 | 8,149 | 103,878 | - | 112,027 |
| Change in value of charitable remainder trusts | - | (66,793) | - | (66,793) | - | (7,112) | - | (7,112) |
| Net assets released from restrictions | 1,680,825 | (680,825) | (1,000,000) | - | 567,943 | (567,943) | - | - |
| Total revenues and support | 2,019,807 | 31,698 | 283,506 | 2,335,011 | 853,800 | 249,760 | 569,190 | 1,672,750 |
| EXPENSES | | | | | | | | |
| Program services | 752,421 | - | - | 752,421 | 942,409 | - | - | 942,409 |
| Management and general Fundraising and special event expense | 133,526 | - | - | 133,526 | 143,590 | - | - | 143,590 |
| Total expenses | 68,206 | - | - | 68,206 | 88,119 | - | - | 88,119 |
| | 954,153 | - | - | 954,153 | 1,174,118 | - | - | 1,174,118 |
| CHANGE IN NET ASSETS | 1,065,654 | 31,698 | 283,506 | 1,380,858 | (320,318) | 249,760 | 569,190 | 498,632 |
| NET ASSETS | | | | | | | | |
| Beginning of year | (1,068,199) | 858,963 | 9,952,793 | 9,743,557 | (747,881) | 609,203 | 9,383,603 | 9,244,925 |
| End of year | \$ (2,545) | \$ 890,661 | \$ 10,236,299 | \$ 11,124,415 | \$ (1,068,199) | \$ 858,963 | \$ 9,952,793 | \$ 9,743,557 |

The notes are an integral part of these financial statements.

ASIAN PACIFIC FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | 2013 | 2012 (restated) |
|---|--------------------|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,380,858 | \$ 498,632 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities | | |
| Depreciation | 1,146 | - |
| Net realized and unrealized gains on investments | (406,010) | 31,855 |
| Contributed securities | (248,465) | (9,268) |
| Accretion (amortization) of discount on pledges receivable | - | (99,242) |
| Change in value of charitable remainder trusts | (133,205) | 7,112 |
| Changes in operating assets and liabilities | | |
| Prepaid expenses and other assets | (33,254) | (457) |
| Pledges receivable, net | 566,347 | 702,986 |
| Accounts payable and accrued expenses | (7,561) | 4,152 |
| Scholarships and grants payable, net | (294,816) | 44,516 |
| Deferred revenue | 3,500 | 17,750 |
| | <u>828,540</u> | <u>1,198,036</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales of investments | 1,327,003 | 4,310,357 |
| Purchases of furniture and equipment | (13,233) | - |
| Purchases of investments | (2,356,615) | (5,585,419) |
| | <u>(1,042,845)</u> | <u>(1,275,062)</u> |
| Net cash used by investing activities | | |
| | <u>(1,042,845)</u> | <u>(1,275,062)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (214,305) | (77,026) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | <u>473,885</u> | <u>550,911</u> |
| End of year | <u>\$ 259,580</u> | <u>\$ 473,885</u> |

The notes are an integral part of these financial statements.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1 – ORGANIZATION

Asian Pacific Fund (Fund), is a California nonprofit public benefit corporation organized in 1993. The Fund is a community foundation established to improve the health and well-being of Asian Americans in the Bay Area through grants and services to agencies and collaboration with donors to fulfill their charitable goals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation – The financial statements have been prepared on the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when the related liability is incurred.

Description of net assets – The Fund reports information regarding its financial position and activities according to the following three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets – These are unconditional promises to give by a donor without any use or time restrictions. The Fund classifies all contributions, except as noted below, as unrestricted for financial statement presentation.

Temporarily restricted net assets – These are subject to donor-imposed restrictions that will be met with the passage of time. The Fund's temporarily restricted net assets consist primarily of contributions received under split-interest agreements wherein the Fund or a third party serves as the trustee and earnings on endowment funds that have not yet been appropriated.

Permanently restricted net assets – These are subject to donor-imposed restrictions that will be maintained in perpetuity. The investment income generated from these assets is temporarily restricted by law until appropriated by the Board of Directors in support of the Fund's programs and operations. The Fund's permanently restricted net assets consist of endowment funds held by the Fund as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Use of estimates – Preparation of financial statements, in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses and to disclose any material contingent amounts. Accordingly, actual results could differ from such estimates.

Cash and cash equivalents – Cash and cash equivalents include cash balances and highly liquid investments with original maturities of three months or less at acquisition which are not managed as part of long-term investment strategies and are not legally restricted. The balances held by banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash on deposit occasionally exceeds federally insured limits. The Fund has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Pledges receivable, net – Pledges receivable, net which are expected to be collected within one year are recorded at net realizable value. Pledges receivable, net which are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of these discounts is included in contributions revenue in the accompanying statement of activities. As of June 30, 2013 and 2012, one donor comprised approximately 59% and 82% of the net pledge receivable balance, respectively.

Investments – All debt securities and equity securities with readily determinable fair values are carried at fair value based on quoted market prices. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities are calculated on a cost basis. Dividend and interest income are accrued when earned.

Charitable remainder trusts – The Fund has been designated as the trustee for three irrevocable charitable remainder trusts, administered by Wells Fargo Bank. The trust agreements generally require the Fund to make annual payments to the trust beneficiaries based on stipulated payment rates ranging from 5% to 10%, applied to the fair value of the trust assets, as determined annually. Upon the death of the beneficiaries, or other termination of the trusts as may be defined in the individual agreements, the remaining trust assets will be distributed by the Fund to itself (and to other beneficiaries, as applicable), as stipulated in the trust agreements.

The fair value of the trust assets has been included in the Fund's statements of financial position. A corresponding liability, reported as liabilities under charitable remainder trusts in the accompanying statements of financial position, has been recorded to reflect the present value of required lifetime payments to the named income beneficiaries using discount rates ranging from 2% to 8%, for each of the years ended June 30, 2013 and 2012. Management calculates valuations annually by updating life expectancy of the income beneficiaries and investment values.

Liabilities under split-interest agreements represent the present value of the investments held in charitable remainder trusts owed to remainder beneficiaries other than the Fund, at the settlement of the trusts. These liabilities are calculated as a percentage of the present value of the investments held in charitable remainder trusts. Split-interest agreements are charitable remainder trust agreements that name the Fund and one or more other charity as remainder beneficiaries.

The difference between the fair value of the assets received and present value of the obligation to named beneficiaries under the agreements is recognized as contributions revenue in the year the agreement is signed. Realized and unrealized gains and losses, interest and dividend income from the investments and payments of the obligations are reflected as adjustments to obligations under split-interest agreements in the accompanying statements of financial position. Amortization of discounts and changes in actuarial assumptions are reflected in the statements of activities and changes in net assets as a change in value of charitable remainder trusts.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment – All acquisitions and major improvements of property and equipment in excess of \$1,000 are capitalized; maintenance and repairs which do not extend the useful life of the respective assets are expensed. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment. Estimated useful lives range from three to seven years.

Scholarships and grants payable – Grants and scholarships are recognized in the period the grant or scholarship is approved. Grants and scholarships payable that are expected to be paid in future years are recorded at the present value of expected future payments.

Deferred revenue – Deferred revenue consists of sponsorships received in advance for future events.

Fair value of financial instruments – Financial instruments included in the Fund's statements of financial position include cash and cash equivalents, pledges receivable, net, investments, investments held in charitable remainder trusts, accounts payable and accrued expenses, scholarships and grants payable, net, liabilities under charitable remainder trusts and liabilities under split-interest agreements. For cash and cash equivalents, pledges receivable, net, accounts payable and accrued expenses and scholarships and grants payable, net, the carrying amounts represent a reasonable estimate of the corresponding fair values. Investments, investments held in charitable remainder trusts, liabilities under charitable remainder trusts and liabilities under split-interest agreements are reflected in the accompanying statements of financial position at their estimated fair values using methodologies described below.

Fair value measurements – Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Fund considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability.

The three-level hierarchy for fair value measurements is defined as follows.

Level 1 – Valuation is based on observable inputs using quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Valuation is based on inputs from sources other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. This may include quoted prices for similar assets in an active market, quoted prices for similar assets in a market that is not active or valuation methods using models, interest rates and yield curves as observable inputs.

Level 3 – Valuation is based on unobservable inputs for the assets, reflecting the Fund's assumptions about the assumptions that a market participant would use in pricing the asset or liability, to the extent that observable inputs (Levels 1 and 2) are not available. Level 3 assets and liabilities include situations where there is little or no market activity for the asset or liabilities, and significant management judgment or estimates are required.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and investments held in charitable remainder trusts are measured on a recurring basis and are classified as Level 1 because they are valued using quoted prices in active markets. Liabilities under charitable remainder trusts and liabilities under split-interest agreements are measured on a recurring basis and are classified as Level 3 since observable inputs are minimal.

While the Fund believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such assets and liabilities existed, or had such assets and liabilities been liquidated, and these differences could be material to the financial statements.

Endowment funds – The Fund’s endowment funds are comprised of approximately ten individual funds established for scholarships and other purposes. The endowment funds are composed of both donor-restricted and donor-advised funds to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Directors of the Fund has interpreted UPMIFA, which was effective as of January 1, 2009 in the State of California, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Fund and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Fund
- The investment policies of the Fund

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Return objectives and risk parameters – The Fund has adopted investment and spending policies for endowment assets that attempt to achieve a growth in principal that will support a continuing rise in charitable distributions from its endowments, avoid a high degree of risk and ensure endowment funds will operate in perpetuity. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the Fund to unacceptable levels of risk.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy – Annually, the Investment Committee of the Fund approves the amount to expend from the investment accounts, which is currently calculated as 5% of the investment accounts' average fair market value over the past three years. In accordance with donor instructions, this amount is expendable for either general or specific purposes.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Fund to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$784,710 and \$900,968 as of June 30, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Temporarily restricted contributions are recorded to recognize donor-imposed or timing restrictions, including bequests and split interest agreements. Permanently restricted contributions are recorded where the donor has permanently restricted the gift. In the event that the Fund receives donated securities, the securities are liquidated shortly after receipt.

Major contributions – For the year ended June 30, 2013, one donor contributed amounts representing 54% of total contributions and 74% of foundation and corporate grants, respectively. For the year ended June 30, 2012, two donors contributed amounts representing 27% of total contributions and 61% of foundation and corporate grants, respectively.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Expense allocation – Expenses relating to more than one function are allocated to program service, management and general and fundraising costs based on employee time and expenses studies or other appropriate usage factors.

Grants and scholarships expense – Grant and scholarship expenditures are recognized in the period the grant or scholarship is approved provided the grant or scholarship is not subject to significant future conditions. Conditional grants and scholarships are recognized as grants and scholarships expense and as grants and scholarships payable in the period in which the grantee or student meets the terms of the conditions. Grants and scholarships are returned to the Fund if certain conditions are not met. Returned grants and scholarships are included as a reduction of grants and scholarship expense in the accompanying statements of activities.

Advertising costs – Advertising costs are expensed as incurred.

Income taxes – The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from California franchise taxes under Section 23701d of the Revenue and Taxation Code. In addition, the Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a).

The Fund has adopted the provisions related to accounting for uncertainty in income taxes, which defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Fund's management has considered its tax positions and believes that all of the positions taken by the Fund in its federal and state tax returns are more likely than not to be sustained upon examination. The Fund files tax returns in the U.S. federal and California jurisdictions. With few exceptions, the Fund is no longer subject to federal tax examinations by tax authorities for tax years before 2009.

NOTE 3 – RESTATEMENT OF FINANCIAL STATEMENTS

The Fund has restated its fiscal year 2012 financial statements from the amounts previously reported. The restatements include adjustment (a) to increase pledges receivable and (b) to increase contributions, resulting in an increase to temporarily restricted net assets of approximately \$200,000. The restatement adjustment is to correct for a pledge receivable that should have been recorded in June 2012.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3 – RESTATEMENT OF FINANCIAL STATEMENTS (continued)

The following is a summary of the restatement adjustment.

June 30, 2012 Summary

| Statement of Financial Position | As Reported | Adjustment | As Restated |
|--|----------------------|-------------------|----------------------|
| Current assets | \$ 480,683 | \$ - | \$ 480,683 |
| Pledges receivable, net | 3,791,000 | 200,000 | 3,991,000 |
| Investments | 6,312,428 | - | 6,312,428 |
| Total assets | \$ 10,584,111 | \$ 200,000 | \$ 10,784,111 |
| Total liabilities | \$ 1,040,554 | \$ - | \$ 1,040,554 |
| Net Assets | | | |
| Unrestricted | \$ (1,068,199) | \$ - | \$ (1,068,199) |
| Temporarily restricted | 658,963 | 200,000 | 858,963 |
| Permanently restricted | 9,952,793 | - | 9,952,793 |
| Total net assets | \$ 9,543,557 | \$ 200,000 | \$ 9,743,557 |

The major adjustment included.

- a. Increase in pledge receivable by \$200,000.
- b. Increase in temporarily restricted net assets by \$200,000.

Fiscal Year 2012 Statement of Activities

| | As Reported | Adjustment | As Restated |
|-----------------------------|--------------------|-------------------|--------------------|
| Revenue and support | \$ 1,472,750 | \$ 200,000 | \$ 1,672,750 |
| Expenses | | | |
| Program services | 942,409 | - | 942,409 |
| Management and general | 143,590 | - | 143,590 |
| Fundraising | 88,119 | - | 88,119 |
| Total expenses | 1,174,118 | - | 1,174,118 |
| Change in net assets | \$ 298,632 | \$ 200,000 | \$ 498,632 |

The major adjustment included.

- a. Increase in revenue and support by \$200,000.
- b. Increase in change in net assets by \$200,000.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 4 – PLEDGES RECEIVABLE, NET

The future cash flows of promises to give have been discounted to present value using a discount rate of 3% as of June 30, 2013 and 2012. No amounts have been recorded for uncollectible pledges, as management believes all amounts to be collectible. Pledges receivables, net, as of June 30, consist of the following.

| | <u>2013</u> | <u>2012 (restated)</u> |
|---|---------------------|----------------------------|
| Unconditional promise to give for endowment | \$ 3,421,274 | \$ 3,854,607 |
| Pledges receivable, net restricted for scholarships | - | 123,000 |
| Other | <u>20,000</u> | <u>30,014</u> |
| | 3,441,274 | 4,007,621 |
| Discount to present value | <u>(16,621)</u> | <u>(16,621)</u> |
| | <u>\$ 3,424,653</u> | <u>\$ 3,991,000</u> |

| | <u>2013</u> | <u>2012 (restated)</u> |
|------------------------------|---------------------|----------------------------|
| Due within one year | \$ 3,191,274 | \$ 3,662,287 |
| Due within two to five years | <u>250,000</u> | <u>345,334</u> |
| | 3,441,274 | 4,007,621 |
| Discount to present value | <u>(16,621)</u> | <u>(16,621)</u> |
| | <u>\$ 3,424,653</u> | <u>\$ 3,991,000</u> |

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

In accordance with the Fund's investment policies, procedures and responsibilities, investment assets are allocated across multiple classes and types of investments. The following tables present the cost and fair value by fair value hierarchy of investments on the accompanying statements of financial position, as of June 30.

| <u>2013</u> | <u>Cost</u> | <u>Fair Value (Level 1)</u> | <u>Unrealized Gain (Loss)</u> |
|-------------------------------|---------------------|-------------------------------------|-----------------------------------|
| Fixed income | | | |
| Corporate obligations | \$ 1,560,554 | \$ 1,566,509 | \$ 5,955 |
| Fixed income mutual funds | <u>1,128,942</u> | <u>1,116,153</u> | <u>(12,789)</u> |
| | 2,689,496 | 2,682,662 | (6,834) |
| U.S. equities | 2,235,744 | 2,551,949 | 316,205 |
| Non U.S. equities | 1,268,017 | 1,376,021 | 108,004 |
| Cash and cash equivalents | 521,855 | 521,855 | - |
| Real asset funds | 143,597 | 185,200 | 41,603 |
| Real estate investment trusts | <u>185,000</u> | <u>179,335</u> | <u>(5,665)</u> |
| | <u>\$ 7,043,709</u> | <u>\$ 7,497,022</u> | <u>\$ 453,313</u> |

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS *(continued)*

| <u>2012</u> | <u>Cost</u> | <u>Fair Value (Level 1)</u> | <u>Unrealized Gain (Loss)</u> |
|-------------------------------|---------------------|---------------------------------|-----------------------------------|
| Fixed income | | | |
| Corporate obligations | \$ 1,245,463 | \$ 1,280,544 | \$ 35,081 |
| Fixed income mutual funds | <u>581,795</u> | <u>608,185</u> | <u>26,390</u> |
| | 1,827,258 | 1,888,729 | 61,471 |
| U.S. equities | 1,455,629 | 1,499,257 | 43,628 |
| Cash and cash equivalents | 1,007,715 | 1,007,715 | - |
| Non U.S. equities | 910,112 | 914,170 | 4,058 |
| Real estate investment trusts | 217,534 | 274,479 | 56,945 |
| Real asset funds | <u>219,200</u> | <u>228,585</u> | <u>9,385</u> |
| | <u>\$ 5,637,448</u> | <u>\$ 5,812,935</u> | <u>\$ 175,487</u> |

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment, as of June 30, consists of the following.

| | <u>2013</u> | <u>2012</u> |
|--------------------------|------------------|-----------------|
| Furniture | \$ 11,980 | \$ 4,355 |
| Equipment | <u>40,488</u> | <u>34,881</u> |
| | 52,468 | 39,236 |
| Accumulated depreciation | <u>(40,381)</u> | <u>(39,236)</u> |
| | <u>\$ 12,087</u> | <u>\$ -</u> |

NOTE 7 – CHARITABLE REMAINDER TRUSTS AND FAIR VALUE DISCLOSURES

Investments held in charitable remainder trusts, as of June 30, consist of the following.

| | <u>2013</u> | <u>2012</u> |
|-------------------------------|-------------------|-------------------|
| Equities | \$ 372,297 | \$ 235,247 |
| Fixed income securities | 268,269 | 220,581 |
| Real estate investment trusts | 45,872 | 33,733 |
| Cash and cash equivalents | <u>24,153</u> | <u>9,932</u> |
| | <u>\$ 710,591</u> | <u>\$ 499,493</u> |

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 7 – CHARITABLE REMAINDER TRUSTS AND FAIR VALUE DISCLOSURES
(continued)

The following tables present the fair value of charitable remainder trusts assets and liabilities on the accompanying statements of financial position, as of June 30, by fair value hierarchy. There have been no changes in valuation techniques and related inputs during the years ended June 30, 2013 and 2012.

| <u>2013</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| Investments held in charitable remainder trusts | \$ 710,591 | \$ - | \$ - | \$ 710,591 |
| Liabilities under charitable remainder trusts | \$ - | \$ - | \$ (319,015) | \$ (319,015) |
| Liabilities under split-interest agreements | \$ - | \$ - | \$ (30,251) | \$ (30,251) |
| <u>2012</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Investments held in charitable remainder trusts | \$ 499,493 | \$ - | \$ - | \$ 499,493 |
| Liabilities under charitable remainder trusts | \$ - | \$ - | \$ (240,014) | \$ (240,014) |
| Liabilities under split-interest agreements | \$ - | \$ - | \$ (31,359) | \$ (31,359) |

The following tables provide a rollforward of the liabilities listed above measured at fair value using significant unobservable inputs (Level 3) during the years ended June 30.

| <u>Liabilities under charitable remainder trusts</u> | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Beginning balance | \$ 240,014 | \$ 267,425 |
| Increase (decrease) in value due to change in actuarial life expectancy | <u>79,001</u> | <u>(27,411)</u> |
| Ending balance | <u>\$ 319,015</u> | <u>\$ 240,014</u> |
| <u>Liabilities under split-interest agreements</u> | <u>2013</u> | <u>2012</u> |
| Beginning balance | \$ 31,359 | \$ 33,447 |
| Decrease in liabilities due to change in value of liabilities under charitable remainder trusts | <u>(1,108)</u> | <u>(2,088)</u> |
| Ending balance | <u>\$ 30,251</u> | <u>\$ 31,359</u> |

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 8 – SCHOLARSHIPS AND GRANTS PAYABLE

The Fund has commitments to various scholars to fund their education. A portion of scholarship expenses will be paid at various times in future years and are discounted at 2.8% as of June 30, 2013 and 2012. Scholarships due in future years are conditional upon students meeting criteria, such as full-time enrollment or meeting a minimum grade point average. Grant awards require the fulfillment of certain conditions as set forth in the grant agreements.

As of June 30, the Fund is liable for awarded scholarships and grants as follows.

| <u>2013</u> | <u>Scholarships</u> | <u>Grants</u> | <u>Total</u> |
|--|---------------------|-------------------|-------------------|
| Due in less than one year | \$ 132,977 | \$ 66,000 | \$ 198,977 |
| Due in two years | 109,750 | - | 109,750 |
| Due in three years | 75,500 | - | 75,500 |
| Due in four years | <u>34,000</u> | <u>-</u> | <u>34,000</u> |
| | 352,227 | 66,000 | 418,227 |
| Discount to reflect scholarships at present value | <u>(9,798)</u> | <u>-</u> | <u>(9,798)</u> |
| | <u>\$ 342,429</u> | <u>\$ 66,000</u> | <u>\$ 408,429</u> |
| | | | |
| <u>2012</u> | <u>Scholarships</u> | <u>Grants</u> | <u>Total</u> |
| Due in less than one year | \$ 224,993 | \$ 231,800 | \$ 456,793 |
| Due in two years | 124,750 | - | 124,750 |
| Due in three years | 86,500 | - | 86,500 |
| Due in four years | <u>45,000</u> | <u>-</u> | <u>45,000</u> |
| | 481,243 | 231,800 | 713,043 |
| Discount to reflect scholarships at present value | <u>(9,798)</u> | <u>-</u> | <u>(9,798)</u> |
| | <u>\$ 471,445</u> | <u>\$ 231,800</u> | <u>\$ 703,245</u> |

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, as of June 30, consists of the following.

| | <u>2013</u> | <u>2012</u> <u>(restated)</u> |
|--|-------------------|----------------------------------|
| Charitable remainder trusts | \$ 361,501 | \$ 428,294 |
| Donor advised funds | 254,884 | 173,823 |
| Health education and community programs | 117,706 | 162,963 |
| Endowment earnings | 156,570 | 74,916 |
| Scholarships, internships and education programs | <u>-</u> | <u>18,967</u> |
| | <u>\$ 890,661</u> | <u>\$ 858,963</u> |

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 10 – ENDOWMENT FUNDS

Endowment funds consist of both donor-restricted and donor-advised endowment funds as of June 30, 2013 and 2012. During the years ended June 30, 2013 and 2012, endowment net asset activity was as follows.

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total Net Endowment Assets</u> |
|---|---------------------|-------------------------------|-------------------------------|-----------------------------------|
| Endowment net assets, June 30, 2011 | <u>\$ (729,980)</u> | <u>\$ 132,876</u> | <u>\$ 9,383,603</u> | <u>\$ 8,786,499</u> |
| Contributions | <u>-</u> | <u>-</u> | <u>569,190</u> | <u>569,190</u> |
| Investment income (dividends and interest) | - | 99,650 | - | 99,650 |
| Net realized and unrealized losses | <u>-</u> | <u>(59,979)</u> | <u>-</u> | <u>(59,979)</u> |
| Total investment return | - | 39,671 | - | 39,671 |
| Appropriated for spending | - | (246,769) | - | (246,769) |
| Administration fees | <u>-</u> | <u>(21,850)</u> | <u>-</u> | <u>(21,850)</u> |
| Net endowment activity | <u>-</u> | <u>(228,948)</u> | <u>569,190</u> | <u>340,242</u> |
| Reclassification of deficient endowment fund activity | <u>(170,988)</u> | <u>170,988</u> | <u>-</u> | <u>-</u> |
| Endowment net assets, June 30, 2012 | <u>(900,968)</u> | <u>74,916</u> | <u>9,952,793</u> | <u>9,126,741</u> |
| Contributions | <u>-</u> | <u>-</u> | <u>1,283,506</u> | <u>1,283,506</u> |
| Investment income (dividends and interest) | - | 122,374 | - | 122,374 |
| Net realized and unrealized losses | <u>1,417</u> | <u>407,983</u> | <u>-</u> | <u>409,400</u> |
| Total investment return | 1,417 | 530,357 | - | 531,774 |
| Appropriated for spending | - | (311,507) | - | (311,507) |
| Released from restriction | - | - | (1,000,000) | (1,000,000) |
| Administration fees | <u>-</u> | <u>(22,355)</u> | <u>-</u> | <u>(22,355)</u> |
| Net endowment activity | <u>1,417</u> | <u>196,495</u> | <u>283,506</u> | <u>481,418</u> |
| Reclassification of deficient endowment fund activity | <u>114,841</u> | <u>(114,841)</u> | <u>-</u> | <u>-</u> |
| Endowment net assets, June 30, 2013 | <u>\$ (784,710)</u> | <u>\$ 156,570</u> | <u>\$10,236,299</u> | <u>\$ 9,608,159</u> |

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 11 – MANAGEMENT FEES

The Fund assesses a quarterly management fee on endowed funds of 0.25% of the investment accounts' fair market value at the end of each quarter.

NOTE 12 – COMMITMENTS

The Fund occupies its office facilities in San Francisco under an operating lease which expires in December 2017. Rent payments are payable monthly, and annually increase in January.

Future obligations to pay under the lease agreement for the years ended June 30 consists of the following.

| | |
|------|-----------|
| 2014 | \$ 54,478 |
| 2015 | 55,893 |
| 2016 | 57,308 |
| 2017 | 58,723 |
| 2018 | 29,715 |

Rent expense for the years ended June 30, 2013 and 2012 was \$28,330 and \$44,080, respectively.

NOTE 13 – CONDITIONAL PROMISE TO GIVE

In October 2010, a foundation donor agreed to match contributions and firm commitments made to the Fund on a one-for-one basis up to \$5,000,000, received from July 1, 2009 through December 31, 2014. At least 50% of matched contributions must be raised directly by board members or come directly from them. The maximum amount of matching is \$1,000,000 per calendar year, paid in \$250,000 increments. Total funds collected and matched will add to existing endowed funds or create one or more new endowment funds. Funds matched under this agreement and recorded as foundation and corporate grant revenue during the years ended June 30, 2013 and 2012 totaled \$1,000,000 and \$250,000, respectively.

NOTE 14 – SUBSEQUENT EVENTS

The Fund has evaluated subsequent events for potential recognition and/or disclosure through January 10, 2014, the date which the financial statements were available to be issued. No additional such events exist.

SUPPLEMENTARY INFORMATION

ASIAN PACIFIC FUND
SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(See notes to financial statements)

| | 2013 | | | | | | 2012 | | | | | |
|-------------------------------------|----------------------|---------------------------------|------------------------|------------------------|-------------|------------|----------------------|---------------------------------|------------------------|------------------------|-------------|--------------|
| | Program Services | | | Supporting Services | | | Program Services | | | Supporting Services | | |
| | Educational Programs | Grants and Services to Agencies | Program Services Total | Management and General | Fundraising | Total | Educational Programs | Grants and Services to Agencies | Program Services Total | Management and General | Fundraising | Total |
| EXPENSES | | | | | | | | | | | | |
| Salaries | \$ 64,028 | \$ 213,240 | \$ 277,268 | \$ 16,764 | \$ 13,500 | \$ 307,532 | \$ 52,771 | \$ 206,894 | \$ 259,665 | \$ 3,421 | \$ 30,476 | \$ 293,562 |
| Payroll taxes | 5,285 | 16,782 | 22,067 | 1,141 | 956 | 24,164 | 4,894 | 17,402 | 22,296 | 799 | 2,477 | 25,572 |
| Employee benefits | 4,525 | 13,342 | 17,867 | 1,700 | - | 19,567 | 5,223 | 13,792 | 19,015 | 3,411 | - | 22,426 |
| Total salaries and related expenses | 73,838 | 243,364 | 317,202 | 19,605 | 14,456 | 351,263 | 62,888 | 238,088 | 300,976 | 7,631 | 32,953 | 341,560 |
| Grants and scholarships | 64,665 | 223,078 | 287,743 | - | - | 287,743 | 208,872 | 279,708 | 488,580 | - | - | 488,580 |
| Travel and hospitality | 32,493 | 5,121 | 37,614 | 4,719 | 41,971 | 84,304 | 22,478 | 5,991 | 28,469 | 13,103 | 46,376 | 87,948 |
| Occupancy | 6,601 | 19,463 | 26,064 | 2,266 | - | 28,330 | 10,305 | 27,078 | 37,383 | 6,697 | - | 44,080 |
| Investment expenses | - | - | - | 47,141 | - | 47,141 | - | 244 | 244 | 38,908 | - | 39,152 |
| Accounting fees | - | 865 | 865 | 27,611 | - | 28,476 | - | - | - | 29,330 | - | 29,330 |
| Website development | - | 21,500 | 21,500 | - | - | 21,500 | - | - | - | 16,358 | - | 16,358 |
| Advertising and promotion | 1,780 | 33 | 1,813 | - | - | 1,813 | 29,829 | - | 29,829 | - | - | 29,829 |
| Printing and production | 13,718 | 2,110 | 15,828 | 241 | 6,315 | 22,384 | 14,784 | 3,666 | 18,450 | 1,863 | 4,486 | 24,799 |
| Professional fees | 12,451 | 400 | 12,851 | 13,013 | 685 | 26,549 | 5,250 | - | 5,250 | 16,621 | 685 | 22,556 |
| Supplies | 4,938 | 2,138 | 7,076 | 226 | 4,451 | 11,753 | 3,511 | 2,312 | 5,823 | 568 | 3,619 | 10,010 |
| Equipment rental and maintenance | 1,713 | 5,050 | 6,763 | 7,540 | - | 14,303 | 1,070 | 2,739 | 3,809 | 4,977 | - | 8,786 |
| Legal fees | - | 1,264 | 1,264 | 3,670 | - | 4,934 | - | 7,548 | 7,548 | - | - | 7,548 |
| Postage | 2,479 | 1,560 | 4,039 | 313 | 30 | 4,382 | 2,370 | 3,716 | 6,086 | 952 | - | 7,038 |
| Telephone | 1,637 | 4,827 | 6,464 | 562 | - | 7,026 | 1,543 | 4,076 | 5,619 | 1,008 | - | 6,627 |
| Dues, licenses and fees | 13 | 2,142 | 2,155 | 4,382 | - | 6,537 | 1 | 1,468 | 1,469 | 3,646 | - | 5,115 |
| Insurance | 731 | 2,155 | 2,886 | 251 | - | 3,137 | 789 | 2,085 | 2,874 | 516 | - | 3,390 |
| Other | 55 | 239 | 294 | 840 | 298 | 1,432 | - | - | - | 1,412 | - | 1,412 |
| Depreciation | - | - | - | 1,146 | - | 1,146 | - | - | - | - | - | - |
| Total expenses | \$ 217,112 | \$ 535,309 | \$ 752,421 | \$ 133,526 | \$ 68,206 | \$ 954,153 | \$ 363,690 | \$ 578,719 | \$ 942,409 | \$ 143,590 | \$ 88,119 | \$ 1,174,118 |