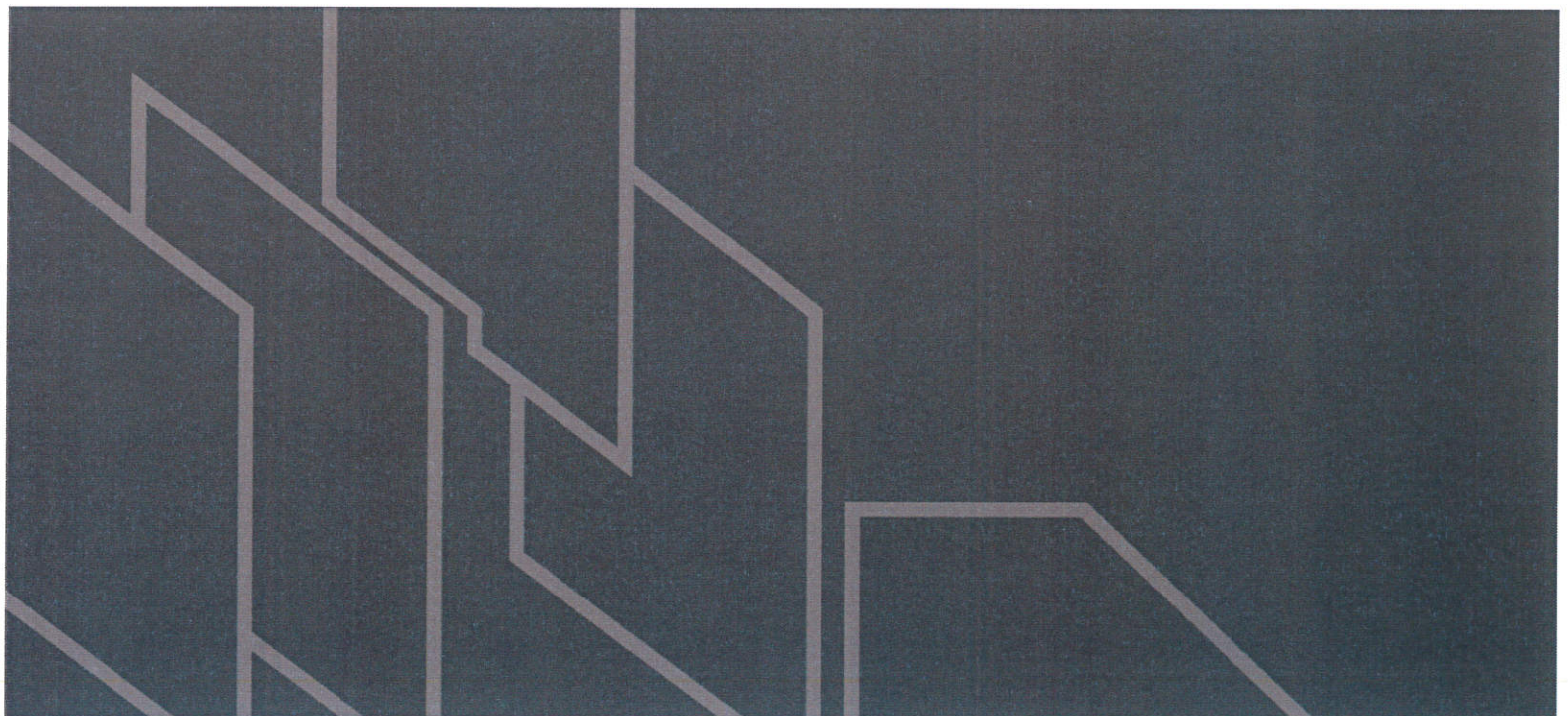




Certified Public Accountants
and Financial Advisors

Asian Pacific Fund
Financial Statements
December 31, 2017



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Asian Pacific Fund

Report on the Financial Statements

We have audited the accompanying financial statements of Asian Pacific Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the six month period 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.

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 December 31, 2017, and the changes in its net assets and its cash flows for the six month period then ended in accordance with accounting principles generally accepted in the United States of America.

SQUAR MILNER LLP

San Francisco, California
August 31, 2018

ASIAN PACIFIC FUND
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

Cash and cash equivalents	\$ 775,317
Prepaid expenses and other assets	31,722
Pledges receivable	88,000
Investments, at fair value	14,016,083
Investments held in charitable remainder trusts, at fair value	690,607
Property and equipment, net	<u>7,941</u>
 Total assets	 <u><u>\$ 15,609,670</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 40,286
Scholarships and grants payable, net	29,386
Liabilities to beneficiaries of charitable remainder trusts	248,356
Liabilities under split-interest agreements	<u>30,626</u>
 Total liabilities	 <u>348,654</u>
Net assets:	
Unrestricted:	
Undesignated net assets	76,209
Designated for donor advised funds	2,069,214
Underwater endowments	<u>(407,689)</u>
 Total unrestricted net assets	 1,737,734
 Temporarily restricted	 2,716,441
Permanently restricted	<u>10,806,841</u>
 Total net assets	 <u>15,261,016</u>
 Total liabilities and net assets	 <u><u>\$ 15,609,670</u></u>

ASIAN PACIFIC FUND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Six Months Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Contributions	\$ 435,445	\$ 83,623	\$ 5,854	\$ 524,922
Foundation and corporate grants	500,051	30,000	6,500	536,551
Total grants and contributions	935,496	113,623	12,354	1,061,473
Fundraising events income	256,953	-	-	256,953
Cost of direct benefits to donors	(136,166)	-	-	(136,166)
Fundraising events, net	120,787	-	-	120,787
Net realized and unrealized gains/(loss) on investments	55,871	537,229	-	593,100
Interest and dividend income	65,503	190,715	-	256,218
Change in value of split interest agreements	-	15,739	-	15,739
Net assets released from restrictions	276,851	(276,851)	-	-
Total revenues and support	1,454,508	580,455	12,354	2,047,317
EXPENSES				
Program services	586,018	-	-	586,018
Management and general	130,373	-	-	130,373
Fundraising	82,186	-	-	82,186
Total expenses	798,577	-	-	798,577
CHANGE IN NET ASSETS	655,931	580,455	12,354	1,248,740
NET ASSETS , beginning of period	1,081,803	2,135,986	10,794,487	14,012,276
NET ASSETS , end of period	<u>\$ 1,737,734</u>	<u>\$ 2,716,441</u>	<u>\$ 10,806,841</u>	<u>\$ 15,261,016</u>

ASIAN PACIFIC FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Six Months Ended December 31, 2017

	Program Services			Supporting Services		
	Educational Programs	Grants and Services to Agencies	Program Services Total	Management and General	Fundraising	Total
Expenses:						
Salaries	\$ 50,729	\$ 111,386	\$ 162,115	\$ 13,817	\$ 55,611	\$ 231,543
Payroll taxes	3,631	7,519	11,150	944	3,999	16,093
Employee benefits	4,583	7,825	12,408	1,767	4,546	18,721
Total salaries and related expenses	58,943	126,730	185,673	16,528	64,156	266,357
Grants and scholarships	88,668	247,185	335,853	-	-	335,853
Travel and hospitality	18,345	880	19,225	5,443	-	24,668
Investment expenses	-	-	-	41,307	-	41,307
Occupancy	7,895	13,479	21,374	2,888	7,830	32,092
Accounting fees	-	-	-	43,727	-	43,727
Professional fees	-	2,345	2,345	4,688	9,500	16,533
Supplies	772	1,443	2,215	3,632	-	5,847
Printing and production	2,480	1,949	4,429	408	-	4,837
Dues, licenses, and fees	-	-	-	76	-	76
Legal fees	-	6,085	6,085	2,180	-	8,265
Equipment rental and maintenance	1,727	2,948	4,675	2,345	-	7,020
Postage	434	741	1,175	589	700	2,464
Other	-	-	-	520	-	520
Telephone	507	865	1,372	688	-	2,060
Insurance	590	1,007	1,597	800	-	2,397
Depreciation	-	-	-	1,992	-	1,992
Website development	-	-	-	2,274	-	2,274
Advertising and promotion	-	-	-	288	-	288
Total expenses	\$ 180,361	\$ 405,657	\$ 586,018	\$ 130,373	\$ 82,186	\$ 798,577

ASIAN PACIFIC FUND
STATEMENT OF CASH FLOWS
For the Six Months Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,248,740
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,992
Net realized and unrealized gain on investments	(593,100)
Change in value of charitable remainder trusts and split-interest agreement	6,089
Contributions and grants restricted for endowments	(12,354)
Changes in operating assets and liabilities:	
Prepaid expenses and other assets	19,401
Pledges receivable	58,000
Accounts payable and accrued expenses	10,498
Scholarships and grants payable, net	<u>(38,835)</u>

Net cash provided by operating activities 700,431

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	(8,854)
Proceeds from sales of investments	914,203
Purchases of investments	<u>(1,202,460)</u>

Net cash used in investing activities (297,111)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments to beneficiaries of charitable remainder trusts	(21,828)
Proceeds from contributions and grants restricted for endowments	<u>12,354</u>

Net cash used in financing activities (9,474)

NET INCREASE IN CASH AND CASH EQUIVALENTS 393,846

Cash and cash equivalents - beginning of period 381,471

Cash and cash equivalents - end of period \$ 775,317

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

1. ORGANIZATION

The Asian Pacific Fund (the "Fund") is a California nonprofit public benefit corporation organized in 1993. The Fund's mission is to strengthen the Asian and Pacific Islander (API) community in the Bay Area by increasing philanthropy and supporting the organizations that serve our most vulnerable community members. Its core areas of focus are as follows: 1) Philanthropy: Increasing and mobilizing resources from donors, corporations and institutions to support the Bay Area's underserved APIs; 2) Community: Supporting a network of over 70 affiliate organizations who serve APIs across a wide range of needs including senior and youth services, health and well-being, counseling, legal services, advocacy, civic engagement, and arts and culture; 3) Leadership: Cultivating leadership by recognizing current and future API leaders who have achieved success and are role models for giving back and making a difference among our youth, in higher education and in philanthropy; and 4) Awareness: Shedding light on emerging issues as they impact APIs in the Bay Area.

After the fiscal year ended June 30, 2017 the Fund changed its fiscal year end to December 31.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

The Fund is required to report information regarding its financial position and activities in accordance with three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted

Those net assets and activities which represent the portion of expendable funds that have no use or time restrictions. The Board of Directors may designate a portion of these net assets for specified purposes. Underwater amounts from endowment funds are also reflected as a reduction of unrestricted net assets.

Temporarily Restricted

Those net assets and activities which are donor-restricted for (a) support for specific operating activities; (b) investment for a specified term; (c) use in a future period; or (d) acquisition of long-lived assets.

Permanently Restricted

Net assets that are subject to donor-imposed restrictions requiring that they be retained permanently by the Fund as donor restricted endowments. Some or all of the income and appreciation from such endowments, once appropriated for distribution, is available for general operations or specific programs as specified by the donor.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Pledges Receivable

The Fund records pledges receivable at net realizable value, net of allowance for uncollectible pledges. The allowance is based on estimated losses recorded to specific accounts. Pledges receivable 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. The Fund believes all of its pledges receivable at December 31, 2017 are collectible.

Investments

Investments are stated at fair value based on quoted market prices. The Fund has engaged professional investment advisors to manage its portfolio. The Board of Directors has provided the firms with guidelines consistent with a socially responsible prudent investment policy and the balanced nature of the Fund. Gains and losses that result from market fluctuations are recognized in the period in which such fluctuation occurs.

The Fund has several endowment funds and long-term donor advised funds that are pooled for investment purposes.

Charitable Remainder Trusts

The Fund has been designated as the trustee for three irrevocable charitable remainder trusts. 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.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Charitable Remainder Trusts (continued)

The fair value of charitable remainder trust assets has been included in the Fund's statement of financial position. A corresponding liability, reported as liabilities under charitable remainder trusts in the accompanying statement of financial position, has been recorded to reflect the present value of required lifetime payments to the named income beneficiaries using discount rate provided in Internal Revenue Service guidelines and actuarial tables of approximately 58% - 71% for the six months ended December 31, 2017. 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 charities 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 contribution 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.

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.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

The Fund carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement standards also require the Fund to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique. The Fund classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 – quoted prices in active markets for identical investments.

Level 2 – other significant observable inputs (including quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, etc.).

Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining fair value instruments).

Beneficial interest in charitable trusts are valued using the income approach and market inputs. The net present value of these assets was determined using an investment return rate of 5% - 10%, consistent with the composition of the asset portfolios, single or joint life expectations from the IRS Publication 1457 tables, and a net present value factor of 58% - 71% for the liability for lifetime payments to beneficiaries.

Endowment Funds

Interpretation of Relevant Law

The Board of Directors of the Fund has interpreted California's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result, the Fund classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. 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 the enacted version of UPMIFA.

In accordance with the State of California's enacted version of UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purposes of the Fund and the endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Fund
- (7) The investment policies of the Fund

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Endowment Funds (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 at least 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 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

The spending rate is set each year as part of the annual budget process for the subsequent fiscal year and is calculated every quarter as a percentage of the average endowed fund balance over the previous 36 months. In accordance with donor instructions, this amount is expendable for either general or specific purposes. Appropriations made from the endowment for the six months ended December 31, 2017 was \$242,166, inclusive of investment management fees and administration fees.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original endowment corpus (or become "underwater"). In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets amounted to \$407,689 as of December 31, 2017. These deficiencies resulted from poor performance of historically held investments during periods of unfavorable market fluctuations and continued spending in line with the Fund's spending policy.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Unconditional contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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. Investments received through gifts are recorded at fair value at the date of donation.

The majority of the contributions received by the Fund, including certain contributions received with donor recommendations for use of those contributions, are subject to the variance power acknowledged by the donor's signed agreement form or other forms of communications. This variance power provides the Fund the ability to modify the use of the contribution in a manner that differs from a donor's original recommendation. As a result of this variance power, such contributions are classified as unrestricted for financial statement reporting purposes.

Functional Expense

The costs of the Fund's various activities have been summarized on a functional basis in the accompanying statement of activities and changes in net assets and functional expenses. Expenses are allocated to program and supporting services based on the purpose of each expenditure, services provided for each program, and the respective usage of the Fund's assets. Expenses relating to more than one function are allocated to program service, management and general and fundraising costs based on employee time estimates or other appropriate usage factors.

Grants and Scholarships

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. Grants and scholarships payable that are expected to be paid in future years are recorded at the present value of expected future payments. 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 and changes in net assets.

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). However, income from activities not related to the Fund's tax-exempt purpose may be subject to taxation as unrelated business income.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Standards

In August 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. ASU 2016-14 requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Fund has not yet assessed the potential impact of this guidance on its financial statements.

3. PLEDGES RECEIVABLE, NET

Pledges receivable, net as of December 31, 2017, consists of the following:

Unconditional promise to give, due in one year	<u>\$ 88,000</u>
	<u><u>\$ 88,000</u></u>

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Fund's investment portfolio and investments by the fair value hierarchy levels at December 31, 2017, consists of the following:

	<u>Fair Value (Level 1)</u>	<u>Cost</u>	<u>Cumulative Unrealized Gains/(Losses)</u>
Equity Securities:			
US Large Cap Equity	\$ 3,926,640	\$ 3,019,610	\$ 907,030
EAFE Equity	2,532,199	2,181,555	350,644
Japanese Large Cap Equity	134,243	113,279	20,964
Global Equity	847,287	705,000	142,287
Fixed Income:			
Short Term	369,140	369,140	-
US Fixed Income	2,759,725	2,748,624	11,101
Non-US Fixed Income	1,048,421	1,049,582	(1,161)
Global Fixed Income	176,321	173,781	2,540
Balanced Mutual Funds:	1,016,515	1,021,694	(5,179)
Hedge Funds:			
Long Short Equity	237,180	226,000	11,180
European Equity	121,287	113,000	8,287
Managed Futures	248,578	251,000	(2,422)
Balanced	234,974	221,514	13,460
Nontraditional Bond Funds	363,573	354,629	8,944
	<u>\$ 14,016,083</u>	<u>\$ 12,548,408</u>	<u>\$ 1,467,675</u>

There have been no changes in valuation techniques and related inputs during the six months ended December 31, 2017.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

5. CHARITABLE REMAINDER TRUSTS AND FAIR VALUE DISCLOSURES

Investments held in charitable remainder trusts as of December 31, 2017, consist of the following:

Equities:	
US Large Cap Equity	\$ 223,930
EAFE Equity	150,896
Japanese Large Cap Equity	7,671
Global Equity	37,870
Fixed income securities:	
US Fixed Income	175,639
Non-US Fixed Income	79,765
Cash and cash equivalents:	
Cash and cash equivalents	<u>14,836</u>
	<u><u>\$ 690,607</u></u>

The following table presents the fair value of the charitable remainder trusts' assets and liabilities as of December 31, 2017 by fair value hierarchy. There have been no changes in valuation techniques and related inputs during the six months ended December 31, 2017.

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments held in charitable remainder trusts	\$ 690,607	\$ -	\$ 690,607
Liabilities under charitable remainder trusts	-	(248,356)	(248,356)
Liabilities under split-interest agreements	-	(30,626)	(30,626)

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

5. CHARITABLE REMAINDER TRUSTS AND FAIR VALUE DISCLOSURES (continued)

The following tables provide a roll forward of the liabilities listed above measured at fair value using significant unobservable inputs (Level 3) during the six months ended December 31, 2017.

Liabilities under charitable remainder trusts:	
Beginning balance	\$ 243,826
Payments to beneficiaries of charitable trusts	(21,828)
Increase in value due to change in actuarial life expectancy and fair value of investments	<u>26,358</u>
Ending balance	<u>\$ 248,356</u>
Liabilities under split-interest remainder trusts:	
Beginning balance	\$ 30,322
Increase in liabilities due to change in value of liabilities under charitable remainder trusts	<u>304</u>
Ending balance	<u>\$ 30,626</u>

6. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017, consist of the following:

Furniture	\$ 7,625
Equipment	<u>17,584</u>
	25,209
Accumulated depreciation	<u>(17,268)</u>
	<u>\$ 7,941</u>

Depreciation expense for the six months ended December 31, 2017 was \$1,992.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

7. SCHOLARSHIPS AND GRANTS PAYABLE

The Fund has commitments to various scholars to fund their education. Grant awards require the fulfillment of certain conditions as set forth in the grant agreements.

As of December 31, 2017, the Fund is liable for awarded scholarships in the amount of \$29,386, which were all due in less than one year. As of December 31, 2017, the Fund is not liable for any awarded grants.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017, consist of the following purpose:

Scholarship and education	\$ 429,605
Health and community	822,154
Charitable Remainder Trusts	411,800
Endowment earnings	<u>1,052,882</u>
	<u>\$ 2,716,441</u>

Net assets released from donor restrictions by incurring expenses satisfying the restrictions specified by donors for the six months ended December 31, 2017, were as follows:

Scholarship and education	\$ 30,849
Health and community	2,036
Charitable Remainder Trusts	1,800
Appropriations from endowment earnings	<u>242,166</u>
	<u>\$ 276,851</u>

During the six months ended December 31, 2017, the fund reversed prior year recorded liabilities for scholarship payables in the amount of \$1,000 which failed to meet qualifications. This amount was included as a reduction of grants and scholarship expense in the accompanying statement of activities and changes in net assets and was transferred back to temporarily restricted net assets.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

9. ENDOWMENT FUNDS

The Fund's endowment consists of several individual funds established for a variety of purposes. The Fund's endowment includes only donor-restricted endowments.

Permanently restricted net assets are available as of December 31, 2017 for the following purposes:

General operations	\$ 6,153,077
Scholarships, internships, and education programs	<u>4,653,764</u>
	<u>\$ 10,806,841</u>

During the six months ended December 31, 2017, 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, July 1, 2017	\$ (456,867)	\$ 614,100	\$ 10,794,487	\$ 10,951,720
Contributions	<u>-</u>	<u>-</u>	<u>12,354</u>	<u>12,354</u>
Investment income				
Net realized and unrealized gains	59,122	502,601	-	561,723
Interest and dividends	21,086	178,347	-	199,433
Investment management fees	(3,202)	(27,198)	-	(30,400)
Administration fees	(5,855)	(17,071)	-	(22,926)
Investment income, net	<u>71,151</u>	<u>636,679</u>	<u>-</u>	<u>707,830</u>
Appropriated for spending	<u>(21,973)</u>	<u>(197,897)</u>	<u>-</u>	<u>(219,870)</u>
Endowment net assets, December 31, 2017	<u>\$ (407,689)</u>	<u>\$ 1,052,882</u>	<u>\$ 10,806,841</u>	<u>\$ 11,452,034</u>

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10. LEASE COMMITMENT

The Fund occupies its office facilities in San Francisco under an operating lease which expires in December 2022. Rent payments are payable monthly and annually increase in January. Future obligations to pay under the lease agreement for the year ending December 31, 2018 total \$67,920. Rent expense for the six months ended December 31, 2017 was \$32,092.

The following is a schedule of minimum lease payments under the operating lease:

<u>Year Ending December 31,</u>	
2018	\$ 67,920
2019	69,618
2020	71,500
2021	73,495
2022	<u>75,702</u>
	<u>\$ 358,235</u>

11. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Fund to credit risk consist primarily of cash, cash equivalents, and investments. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). The Fund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments are managed by an investment advisor and in general are exposed to various risks, such as interest rate, credit and overall market volatility. To address the risk of investments, the Fund maintains a diversified portfolio subject to an investment policy that sets out performance criteria, investment guidelines, asset allocation guidelines, and requires review of the investment advisor's performance. This entire process is actively overseen by the Board of Directors. Investments are secured up to the limit set by the Securities Investor Protection Corporation ("SIPC"). As of December 31, 2017 the Fund held investments in excess of the SIPC insurance limits (currently \$500,000 per depositor).

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12. LIQUIDITY

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates a composition of assets to satisfy donor restrictions. However, as of December 31, 2017, unrestricted net assets include a deficit from underwater endowment balances of \$407,689, which reduces the net assets available for funding amounts and potentially encumbers permanently restricted net assets.

Additionally, included in unrestricted net assets are those net assets related to advised funds which are intended to be used by the Fund, as advised by the donor, for organizations in line with the mission of the Fund, and not intended to be used for the Fund's operations. As of December 31, 2017, advised funds net assets was \$2,069,214. As of December 31, 2017, unrestricted undesignated net assets less advised funds was \$76,209.

13. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events for potential recognition and/or disclosure through August 31, 2018, the date which the financial statements were available to be issued. The Fund determined that there were no material subsequent events that required recognition and/or disclosure.