



Certified Public Accountants
and Financial Advisors

ASIAN PACIFIC FUND

Financial Statements
December 31, 2018

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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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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, 2018, and the changes 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.

Emphasis of Matter

The Fund adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 3. Our opinion is not modified with respect to this matter.

SQUAR MILNER LLP

San Francisco, California

July 23, 2019

ASIAN PACIFIC FUND
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Cash and cash equivalents	\$ 685,202
Pledges receivable	16,500
Prepaid expenses and other assets	41,173
Investments, at fair value	13,352,000
Investments held in charitable remainder trusts, at fair value	611,101
Furniture and equipment, net	<u>5,769</u>
 Total assets	 <u><u>\$ 14,711,745</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 57,322
Scholarships and grants payable, net	33,479
Liabilities to beneficiaries of charitable remainder trusts	190,879
Liabilities under split-interest agreements	<u>26,968</u>
 Total liabilities	 <u>308,648</u>
 Net assets:	
Without donor restrictions	2,633,461
With donor restrictions	<u>11,769,636</u>
 Total net assets	 <u>14,403,097</u>
 Total liabilities and net assets	 <u><u>\$ 14,711,745</u></u>

ASIAN PACIFIC FUND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 559,576	\$ 324,459	\$ 884,035
Foundation and corporate grants	434,659	62,099	496,758
Investment return, net	(4,742)	(690,695)	(695,437)
Fundraising event income	542,311	-	542,311
Cost of direct benefits to donors	(148,275)	-	(148,275)
Other income	58	-	58
Change in value of split-interest agreements	-	(18,372)	(18,372)
Release of restricted net assets	1,017,709	(1,017,709)	-
Total revenues and support	<u>2,401,296</u>	<u>(1,340,218)</u>	<u>1,061,078</u>
Expenses:			
Program services	1,613,683	-	1,613,683
Management and general	192,070	-	192,070
Fundraising	113,244	-	113,244
Total expenses	<u>1,918,997</u>	<u>-</u>	<u>1,918,997</u>
Change in net assets	482,299	(1,340,218)	(857,919)
Net assets, beginning of year	<u>2,151,162</u>	<u>13,109,854</u>	<u>15,261,016</u>
Net assets, end of year	<u>\$ 2,633,461</u>	<u>\$ 11,769,636</u>	<u>\$ 14,403,097</u>

ASIAN PACIFIC FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services			Supporting Services		
	Educational Programs	Grants and Services to Agencies	Program Services Total	Management and General	Fundraising	Total
Expenses:						
Salaries	\$ 97,681	\$ 206,137	\$ 303,818	\$ 36,031	\$ 105,281	\$ 445,130
Payroll taxes	7,108	14,761	21,869	1,934	7,861	31,664
Employee benefits	9,924	16,943	26,867	13,653	-	40,520
Total salaries and related expenses	114,713	237,841	352,554	51,618	113,142	517,314
Grants and scholarships	242,616	897,654	1,140,270	-	-	1,140,270
Travel and hospitality	47,121	4,156	51,277	12,054	112,939	176,270
Bank charges	4	-	4	10,534	-	10,538
Occupancy	16,708	28,526	45,234	22,685	-	67,919
Accounting fees	-	-	-	64,827	-	64,827
Professional fees	-	2,230	2,230	8,767	4,730	15,727
Supplies	808	1,728	2,536	4,273	6,264	13,073
Printing and production	4,473	1,882	6,355	-	2,341	8,696
Dues, licenses, and fees	-	-	-	1,909	-	1,909
Equipment rental and maintenance	1,800	3,074	4,874	2,444	-	7,318
Legal fees	-	-	-	2,200	-	2,200
Postage	343	578	921	423	770	2,114
Depreciation	-	-	-	3,325	-	3,325
Other	-	-	-	480	12,561	13,041
Website development	-	-	-	2,470	-	2,470
Telephone	1,843	3,146	4,989	2,502	-	7,491
Insurance	901	1,538	2,439	1,223	-	3,662
Advertising and promotion	-	-	-	336	8,772	9,108
Total expenses	<u>431,330</u>	<u>1,182,353</u>	<u>\$ 1,613,683</u>	<u>\$ 192,070</u>	<u>\$ 261,519</u>	<u>\$ 2,067,272</u>
Less expenses netted against revenue	-	-	-	-	(148,275)	(148,275)
	<u>431,330</u>	<u>\$ 1,182,353</u>	<u>\$ 1,613,683</u>	<u>\$ 192,070</u>	<u>\$ 113,244</u>	<u>\$ 1,918,997</u>

ASIAN PACIFIC FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (857,919)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,325
Net realized and unrealized loss on investments	1,123,847
Change in value of charitable remainder trusts and split-interest agreement	63,795
Proceeds from contributions restricted for endowments	(16,271)
Donated securities	(27,460)
Changes in operating assets and liabilities:	
Prepaid expenses and other assets	(9,451)
Pledges receivable	71,500
Accounts payable and accrued expenses	17,038
Scholarships and grants payable, net	<u>2,427</u>
Net cash provided by operating activities	<u>370,831</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of furniture and equipment	(1,153)
Proceeds from sales of investments	9,443,560
Purchases of investments	<u>(9,874,200)</u>
Net cash used in investing activities	<u>(431,793)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments to beneficiaries of charitable remainder trusts	(45,424)
Proceeds from contributions restricted for endowments	<u>16,271</u>
Net cash used in financing activities	<u>(29,153)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(90,115)
Cash and cash equivalents - beginning of year	<u>775,317</u>
Cash and cash equivalents - end of year	<u><u>\$ 685,202</u></u>

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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.

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. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

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.

Net Assets With Donor Restrictions

Those net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when specified conditions are met.

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. Significant estimates include the fair value of investments, the fair value of split-interest assets and liabilities, and the functional allocation of expenses.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018 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. Cash equivalents held within the Fund's investment accounts are classified as investments.

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 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, or based on amounts fixed in the original trust agreement. 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 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 the discount rate provided in Internal Revenue Service guidelines and actuarial tables of approximately 60% - 72% for the year ended December 31, 2018. Management calculates valuations annually by updating life expectancy of the income beneficiaries and investment values.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Charitable Remainder Trusts (continued)

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.

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 interests 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 60% - 72% for the liability for lifetime payments to beneficiaries. Liabilities under the Fund's charitable remainder trusts are considered to be in Level 3 of the fair value hierarchy.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, for those endowment funds which do not have explicit donor stipulations to the contrary the Fund retain in perpetuity (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts donated to the endowment, and (3) additions to the endowment in accordance with donor directions. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by 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

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.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Endowment Funds (continued)

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 year ended December 31, 2018 were \$332,164, inclusive of 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 amounts required to be maintained by donors or by law (or become “underwater”). Management has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, funds with original gift values of \$7,813,611, fair values of \$7,241,509, and deficiencies of \$572,102 were reported in net assets with donor restrictions. 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.

During the year ended June 30, 2018, the Board of Directors appropriated \$214,520 from underwater funds. The Board of Directors reduced its spending from certain underwater endowments during the year to minimize the impact of unfavorable market fluctuations.

Contributions

Contributions are recorded as unrestricted or 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. Restricted contributions are recorded to recognize donor-imposed or timing restrictions, including bequests and split-interest agreements. 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.

Certain contributions received by the Fund include donor recommendations for use of those contributions and are subject to a variance power agreement approved by the donor. 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.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

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.

Each year, management considers whether the Fund has any uncertain tax positions that require recognition in the financial statements, including whether the Fund has engaged in any activities that could affect the Fund's income tax status or result in taxable income. Management believes that any positions the Fund has taken are supported by substantial authority and would more likely than not be sustained upon examination by the applicable taxing authority. Management has determined that the Fund does not have any material uncertain tax positions that require recognition or disclosure in the financial statements.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Standards

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958). These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The amendments should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional or unconditional. The new ASU does not apply to transfers of assets from governments to businesses.

ASU 2018-08 will be effective for the Fund's financial statements for the year ending December 31, 2019. The Fund is currently assessing the potential impact of this guidance on its financial statements.

3. NEWLY ADOPTED 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. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The new standard changed the following aspects of the Fund's financial statements:

- 1) The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- 2) The unrestricted net asset class has been renamed net assets without donor restrictions.
- 3) The financial statements include new disclosures about liquidity and availability of resources.
- 4) Net assets without donor restrictions increased and net assets with donor restrictions decreased by \$413,428 resulting from reclassification of underwater endowment funds.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet, comprise the following:

Cash	\$ 685,202
Pledges receivable	16,500
Investments, at fair value	13,352,000
Investments held in charitable remainder trusts, at fair value	611,101
	<u>14,664,803</u>
Add: Estimated endowment spending rate distributions	271,600
Add: Distributions from CRT (Lowe)	284,349
Less: Net assets with donor restrictions	(11,769,636)
Less: Investments held for donor advised funds	(2,207,530)
Less: CRT and split interest liabilities	(217,847)
Less: Net payables	(43,859)
	<u>(13,682,923)</u>
Financial assets available for general expenditures	<u>\$ 981,880</u>

The Fund's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purpose, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of the Fund's liquidity management plan, the Fund may invest cash in excess of daily requirements in short term investments, money market funds or mutual funds.

5. PLEDGES RECEIVABLE, NET

Pledges receivable, net as of December 31, 2018, consists of the following:

Unconditional promise to give, due in one year	<u>\$ 16,500</u>
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ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Fund's investment portfolio and investments by the fair value hierarchy levels at December 31, 2018, consists of the following:

	<u>Fair Value (Level 1)</u>	<u>Cost</u>	<u>Cumulative Unrealized Gains/(Losses)</u>
Cash and Cash Equivalents	\$ 181,589	\$ 181,589	\$ -
Equity Securities:			
US Large Cap Equity	3,936,723	4,267,892	(331,169)
EAFE Equity	1,744,253	1,965,317	(221,064)
Japanese Large Cap Equity	203,166	223,687	(20,521)
Global Equity	474,827	482,162	(7,335)
Fixed Income:			
US Fixed Income	3,895,050	3,978,325	(83,275)
Non-US Fixed Income	1,005,848	1,009,796	(3,948)
Global Fixed Income	110,756	113,876	(3,120)
Balanced Mutual Funds:	1,261,536	1,376,497	(114,961)
Hedge Funds:			
Long Short Equity	195,181	206,352	(11,171)
Multi-strategy	222,852	231,082	(8,230)
Major Markets	120,219	125,040	(4,821)
	<u>\$ 13,352,000</u>	<u>\$ 14,161,615</u>	<u>\$ (809,615)</u>

There have been no changes in valuation techniques and related inputs during the year ended December 31, 2018.

7. CHARITABLE REMAINDER TRUSTS AND FAIR VALUE DISCLOSURES

Investments held in charitable remainder trusts as of December 31, 2018, consist of the following:

Equities:	
US Large Cap Equity	\$ 216,651
EAFE Equity	100,218
Japanese Large Cap Equity	11,303
Global Equity	26,772
Fixed income securities:	
US Fixed Income	204,702
Non-US Fixed Income	43,929
Cash and cash equivalents:	
Cash and cash equivalents	<u>7,526</u>
	<u>\$ 611,101</u>

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

The following table presents the fair value of the charitable remainder trusts' assets and liabilities as of December 31, 2018 by fair value hierarchy. There have been no changes in valuation techniques and related inputs during the year ended December 31, 2018.

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments held in charitable remainder trusts	\$ 611,101	\$ -	\$ 611,101
Liabilities under charitable remainder trusts	-	(190,879)	(190,879)
Liabilities under split-interest agreements	-	(26,968)	(26,968)

The following tables provide a roll forward of the liabilities listed above measured at fair value using significant unobservable inputs (Level 3) during the year ended December 31, 2018.

Liabilities under charitable remainder trusts:	
Beginning balance	\$ 248,356
Payments to beneficiaries of charitable trusts	(45,424)
Decrease in value due to change in actuarial life expectancy and fair value of investments	<u>(12,053)</u>
Ending balance	<u>\$ 190,879</u>
Liabilities under split-interest remainder trusts:	
Beginning balance	\$ 30,626
Decrease in liabilities due to change in value of liabilities under charitable remainder trusts	<u>(3,658)</u>
Ending balance	<u>\$ 26,968</u>

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

8. FURNITURE AND EQUIPMENT

Furniture and equipment as of December 31, 2018, consist of the following:

Furniture	\$ 7,625
Equipment	<u>18,736</u>
	26,361
Accumulated depreciation	<u>(20,592)</u>
	<u>\$ 5,769</u>

Depreciation expense for the year ended December 31, 2018 was \$3,325.

9. 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, 2018, the Fund is liable for awarded scholarships in the amount of \$32,865, which were all due in less than one year. As of December 31, 2018, the Fund is liable for awarded grants in the amount of \$614.

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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:	
Financial Aid	\$ 142,017
Education Programs	362,838
Grant Making	406,514
Subject to passage of time:	
For future periods:	<u>393,428</u>
	<u>1,304,797</u>
 Endowments	
Subject to spending policy and appropriation	
Financial Aid	617,513
Education Programs	3,878,923
General Purpose	6,318,275
Underwater Endowments	<u>(572,102)</u>
	<u>10,242,609</u>
 Subject to appropriation and expenditure when specified event occurs:	
Restricted by donors for:	
Education Programs	<u>222,230</u>
 Total endowments	 <u>10,464,839</u>
 Total Net Assets with Donor Restrictions	 <u><u>\$ 11,769,636</u></u>

ASIAN PACIFIC FUND
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11. ENDOWMENTS

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

Endowment net assets comprises the following as of December 31, 2018:

Original donor gift amount and amounts required to be maintained in perpetuity by donor	\$ 10,814,711
Accumulated investment losses	<u>(349,872)</u>
	<u>\$ 10,464,839</u>

Changes in endowment net assets for the year ended December 31, 2018, are as follows:

Endowment net assets, beginning of year	\$ 11,452,034
Contributions	7,871
Investment return, net	(662,902)
Appropriations pursuant to spending policy	<u>(332,164)</u>
Endowment net assets, end of year	<u>\$ 10,464,839</u>

ASIAN PACIFIC FUND
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12. 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. Rent expense for the year ended December 31, 2018 was \$67,919.

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

<u>Year Ending December 31,</u>	
2019	\$ 69,618
2020	71,500
2021	73,495
2022	<u>75,702</u>
	<u>\$ 290,315</u>

13. 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, 2018 the Fund held investments in excess of the SIPC insurance limits (currently \$500,000 per depositor).

14. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events for potential recognition and/or disclosure through July 23, 2019, the date which the financial statements were available to be issued.

On February 18, 2019 the surviving beneficiary to a charitable remainder trust administered by the Fund passed away. In accordance with the trust agreement, the remaining trust assets of approximately \$300,000 were distributed to the Fund.