



Certified Public Accountants  
and Financial Advisors

**ASIAN PACIFIC FUND**  
Financial Statements  
December 31, 2019 and 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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses 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.

### Auditor's 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 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, 2019 and 2018, 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.

**SQUAR MILNER LLP**

*SQUAR MILNER LLP*

San Francisco, California  
August 4, 2020

**ASIAN PACIFIC FUND**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2019 and 2018**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 687,729	\$ 685,202
Pledges receivable	20,000	16,500
Prepaid expenses and other assets	36,539	41,173
Investments, at fair value	14,580,312	13,352,000
Investments held in charitable remainder trusts, at fair value	359,239	611,101
Furniture and equipment, net	3,048	5,769
Total assets	\$ 15,686,867	\$ 14,711,745
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 52,234	\$ 57,322
Scholarships and grants payable, net	21,709	33,479
Liabilities to beneficiaries of charitable remainder trusts	114,670	190,879
Liabilities under split-interest agreements	30,010	26,968
Total liabilities	218,623	308,648
Net assets:		
Without donor restrictions	2,224,818	2,633,461
With donor restrictions	13,243,426	11,769,636
Total net assets	15,468,244	14,403,097
Total liabilities and net assets	\$ 15,686,867	\$ 14,711,745

**ASIAN PACIFIC FUND**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended December 31, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions	\$ 527,038	\$ 51,165	\$ 578,203	\$ 559,576	\$ 324,459	\$ 884,035
Foundation and corporate grants	119,599	382,610	502,209	434,659	62,099	496,758
Investment return, net	174,697	2,065,081	2,239,778	(4,742)	(690,695)	(695,437)
Fundraising event income	418,110	-	418,110	542,311	-	542,311
Cost of direct benefits to donors	(110,958)	-	(110,958)	(148,275)	-	(148,275)
Other income	-	-	-	58	-	58
Change in value of split-interest agreements	-	123,223	123,223	-	(18,372)	(18,372)
Release of restricted net assets	1,148,289	(1,148,289)	-	1,017,709	(1,017,709)	-
Total revenues and support	2,276,775	1,473,790	3,750,565	2,401,296	(1,340,218)	1,061,078
Expenses:						
Program services	2,349,811	-	2,349,811	1,613,683	-	1,613,683
Management and general	203,886	-	203,886	192,070	-	192,070
Fundraising	131,721	-	131,721	113,244	-	113,244
Total expenses	2,685,418	-	2,685,418	1,918,997	-	1,918,997
Change in net assets	(408,643)	1,473,790	1,065,147	482,299	(1,340,218)	(857,919)
<b>Net assets, beginning of year</b>	2,633,461	11,769,636	14,403,097	2,151,162	13,109,854	15,261,016
<b>Net assets, end of year</b>	\$ 2,224,818	\$ 13,243,426	\$ 15,468,244	\$ 2,633,461	\$ 11,769,636	\$ 14,403,097

**ASIAN PACIFIC FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2019**

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Educational Programs</u>	<u>Grants and Services to Agencies</u>	<u>Program Services Total</u>	<u>Management and General</u>	<u>Fundraising</u>	
Expenses:						
Salaries	\$ 104,957	\$ 202,607	\$ 307,564	\$ 22,279	\$ 96,170	\$ 426,013
Employee benefits	9,293	14,883	24,176	12,445	-	36,621
Payroll taxes	7,487	14,083	21,570	1,412	7,185	30,167
Total salaries and related expenses	121,737	231,573	353,310	36,136	103,355	492,801
Grants and scholarships	165,939	1,695,605	1,861,544	-	-	1,861,544
Travel and hospitality	65,458	1,951	67,409	13,085	116,060	196,554
Rent	17,712	28,366	46,078	23,108	-	69,186
Accounting fees	-	-	-	58,190	-	58,190
Legal fees	-	-	-	22,293	-	22,293
Professional fees	660	5,056	5,716	11,876	3,650	21,242
Supplies	837	1,307	2,144	7,903	4,644	14,691
Bank charges	15	-	15	10,879	-	10,894
Printing and production	2,465	165	2,630	146	5,236	8,012
Equipment rental and maintenance	1,672	2,678	4,350	2,182	-	6,532
Telephone	1,524	2,441	3,965	1,989	-	5,954
Dues, licenses, and fees	-	-	-	4,114	-	4,114
Insurance	907	1,453	2,360	1,183	-	3,543
Depreciation	-	-	-	3,412	-	3,412
Employment fees	-	-	-	3,412	-	3,412
Bad debt expense	-	-	-	3,000	-	3,000
Postage	123	167	290	110	400	800
Advertising and promotion	-	-	-	380	-	380
Website development	-	-	-	233	-	233
Other	-	-	-	255	9,334	9,589
Total expenses	379,049	1,970,762	2,349,811	203,886	242,679	2,796,376
Less expenses netted against revenue	-	-	-	-	(110,958)	(110,958)
	<u>\$ 379,049</u>	<u>\$ 1,970,762</u>	<u>\$ 2,349,811</u>	<u>\$ 203,886</u>	<u>\$ 131,721</u>	<u>\$ 2,685,418</u>

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

	Program Services			Supporting Services		Total
	Educational Programs	Grants and Services to Agencies	Program Services Total	Management and General	Fundraising	
Expenses:						
Salaries	\$ 97,681	\$ 206,137	\$ 303,818	\$ 36,031	\$ 105,281	\$ 445,130
Employee benefits	9,924	16,943	26,867	13,653	-	40,520
Payroll taxes	7,108	14,761	21,869	1,934	7,861	31,664
<b>Total salaries and related expenses</b>	<b>114,713</b>	<b>237,841</b>	<b>352,554</b>	<b>51,618</b>	<b>113,142</b>	<b>517,314</b>
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
Rent	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
Bank charges	4	-	4	10,534	-	10,538
Advertising and promotion	-	-	-	336	8,772	9,108
Printing and production	4,473	1,882	6,355	-	2,341	8,696
Telephone	1,843	3,146	4,989	2,502	-	7,491
Equipment rental and maintenance	1,800	3,074	4,874	2,444	-	7,318
Insurance	901	1,538	2,439	1,223	-	3,662
Depreciation	-	-	-	3,325	-	3,325
Website development	-	-	-	2,470	-	2,470
Legal fees	-	-	-	2,200	-	2,200
Postage	343	578	921	423	770	2,114
Dues, licenses, and fees	-	-	-	1,909	-	1,909
Other	-	-	-	480	12,561	13,041
<b>Total expenses</b>	<b>431,330</b>	<b>1,182,353</b>	<b>1,613,683</b>	<b>192,070</b>	<b>261,519</b>	<b>2,067,272</b>
Less expenses netted against revenue	-	-	-	-	(148,275)	(148,275)
	<b>\$ 431,330</b>	<b>\$ 1,182,353</b>	<b>\$ 1,613,683</b>	<b>\$ 192,070</b>	<b>\$ 113,244</b>	<b>\$ 1,918,997</b>



**ASIAN PACIFIC FUND**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,065,147	\$ (857,919)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,412	3,325
Net realized and unrealized (gain) loss on investments	(1,867,366)	1,123,847
Change in value of charitable remainder trusts and split-interest agreement	(152,396)	63,795
Bad debt expense	3,000	-
Proceeds from contributions restricted for endowments	(10,750)	(16,271)
Donated securities	(204,214)	(27,460)
Changes in operating assets and liabilities:		
Pledges receivable	(3,500)	71,500
Prepaid expenses and other assets	4,634	(9,451)
Accounts payable and accrued expenses	(5,088)	17,038
Scholarships and grants payable, net	(11,770)	2,427
<b>Net cash (used in) provided by operating activities</b>	<u>(1,178,891)</u>	<u>370,831</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	(691)	(1,153)
Proceeds from sales of investments	6,405,984	9,443,560
Distributions from charitable remainder trust	301,917	-
Purchases of investments	(5,507,369)	(9,874,200)
<b>Net cash provided by (used in) investing activities</b>	<u>1,199,841</u>	<u>(431,793)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments to beneficiaries of charitable remainder trusts	(29,173)	(45,424)
Proceeds from contributions restricted for endowments	10,750	16,271
<b>Net cash used in financing activities</b>	<u>(18,423)</u>	<u>(29,153)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,527	(90,115)
<b>Cash and cash equivalents - beginning of year</b>	<u>685,202</u>	<u>775,317</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 687,729</u>	<u>\$ 685,202</u>

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**ASIAN PACIFIC FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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## **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.

Also classified as net assets without donor restrictions are donor-advised funds which may have been established to enable donors to make recommendations from time to time about the distributions from the funds. The donors’ advice in the grant-making process is considered by the Board of Directors in making grants from these resources.

#### *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 criteria are met.

### ***Use of Estimates***

Preparation of financial statements, in accordance with GAAP 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, liabilities to charitable remainder trust beneficiaries, and the functional allocation of expenses.

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**ASIAN PACIFIC FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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**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. Unconditional pledges receivable which are expected to be collected after one year are recorded at the net present value of their estimated future cash flows. Amortization of these discounts is included in contribution revenue in the accompanying statement of activities. At December 31, 2019 and 2018, all pledges receivable are unconditional and expected to be collected within one year. The Fund believes all of its pledges receivable at December 31, 2019 and 2018 are collectible; therefore there is no allowance for uncollectible pledges.

***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. Investment return is reported net of investment management fees on the statement of activities. For the years ended December 31, 2019 and 2018, investment management fees amounted to \$65,041 and \$66,431, respectively.

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 irrevocable charitable remainder trusts ("CRT"). 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 CRT assets has been included in the Fund's statements of financial position. A corresponding liability, reported as liabilities under CRT 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 the discount rate provided in Internal Revenue Service guidelines and actuarial tables of approximately 60% - 73% for the years ended December 31, 2019 and 2018. Management calculates valuations annually by updating life expectancy of the income beneficiaries and investment values.

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**ASIAN PACIFIC FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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**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 split-interest agreements.

During the year ended December 31, 2019, an irrevocable remainder trust terminated upon the death of the surviving beneficiary. As a result, the remaining trust assets of approximately \$300,000 were distributed to the Fund.

***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).

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**ASIAN PACIFIC FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Fair Value Measurements*** (continued)

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% - 73% 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.

***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.

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**ASIAN PACIFIC FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Endowment Funds*** (continued)

Return Objectives and Risk Parameters (continued)

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 endowments for the years ending December 31, 2019 and 2018 were \$525,987 and \$332,164, respectively, 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, 2019, funds with original gift values of \$1,373,666, fair values of \$1,087,522, and deficiencies of \$286,144 were reported in net assets with donor restrictions. 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.

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**ASIAN PACIFIC FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Contributions***

Contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Unconditional contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Conditional contributions are recognized as revenue in the period in which the Fund meets the terms of the conditions. 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 without donor restrictions for financial statements reporting purposes.

***Functional Expenses***

The costs of the Fund's various activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Expenses are allocated to program and supporting services based on the purpose of each expenditure, services provided for each function, 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 expenses 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 after one year 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.

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**ASIAN PACIFIC FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Income Taxes*** (continued)

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.

***Recently Issued Accounting Standards***

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02") for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. The new standard will be effective for the Fund for the year ending December 31, 2022, and early adoption is permitted. The Fund is currently evaluating the timing of its adoption and its impact on its financial statements.

**3. NEWLY ADOPTED ACCOUNTING STANDARDS**

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU clarified and improved the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The ASU assists 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 adoption of ASU 2018-08 did not have a material effect on the Fund's financial position or results of operations.



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**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 statement of financial position date comprise the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ 687,729	\$ 685,202
Pledges receivable	20,000	16,500
Investments, at fair value	14,580,312	13,352,000
Investments held in charitable remainder trusts, at fair value	<u>359,239</u>	<u>611,101</u>
	<u>15,647,280</u>	<u>14,664,803</u>
Add: Estimated endowment spending rate distributions	309,372	271,600
Add: Distributions from CRT	-	284,349
Less: Net assets with donor restrictions	(13,243,426)	(11,769,636)
Less: Investments held for donor advised funds	(1,624,155)	(2,207,530)
Less: CRT and split interest liabilities	<u>(144,680)</u>	<u>(217,847)</u>
	<u>(14,702,889)</u>	<u>(13,639,064)</u>
Financial assets available for general expenditures within one year	<u>\$ 944,391</u>	<u>\$ 1,025,739</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.

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**5. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

At December 31, 2019 and 2018, the Fund's investment portfolio and investments by the fair value hierarchy levels consists of the following:

	<u>2019</u>	<u>2018</u>
	<u>Fair Value</u>	<u>Fair Value</u>
	<u>(Level 1)</u>	<u>(Level 1)</u>
Cash and cash equivalents	\$ 164,801	\$ 181,589
Equity securities:		
US large cap equity	5,001,963	3,936,723
EAFE equity	1,779,816	1,744,253
Japanese large cap equity	127,781	203,166
European large cap equity	321,013	474,827
Fixed income:		
US fixed income	3,755,992	3,895,050
Non-US fixed income	1,685,250	1,005,848
Global fixed income	-	110,756
Balanced mutual funds:	1,146,357	1,261,536
Hedge funds:		
Long short equity	115,044	195,181
Multi-strategy	361,897	222,852
Event driven	120,398	-
Major markets	-	120,219
	<u>\$ 14,580,312</u>	<u>\$ 13,352,000</u>

There have been no changes in valuation techniques and related inputs during the years ended December 31, 2019 and 2018.

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**6. CHARITABLE REMAINDER TRUSTS AND FAIR VALUE DISCLOSURES**

At December 31, 2019 and 2018, investments held in CRT consist of the following:

	<u>2019</u>	<u>2018</u>
Equities:		
US Large cap equity	\$ 143,754	\$ 216,651
EAFE equity	51,783	100,218
European large cap equity	9,176	-
Japanese large cap equity	3,732	11,303
Global equity	-	26,772
Fixed income securities:		
US fixed income	107,573	204,702
Non-US fixed income	37,887	43,929
Cash and cash equivalents	<u>5,334</u>	<u>7,526</u>
	<u>\$ 359,239</u>	<u>\$ 611,101</u>

The following tables present the fair value of the CRT assets and liabilities by fair value hierarchy at December 31, 2019 and 2018. There have been no changes in valuation techniques and related inputs during the years ended December 31, 2019 and 2018.

	<u>2019</u>		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments held in CRT	\$ 359,239	\$ -	\$ 359,239
Liabilities under CRT	-	(114,670)	(114,670)
Liabilities under split-interest agreements	-	(30,010)	(30,010)
	<u>2018</u>		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments held in CRT	\$ 611,101	\$ -	\$ 611,101
Liabilities under CRT	-	(190,879)	(190,879)
Liabilities under split-interest agreements	-	(26,968)	(26,968)

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**6. 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).

	<u>2019</u>	<u>2018</u>
Liabilities under charitable remainder trusts:		
Beginning balance	\$ 190,879	\$ 248,356
Payments to beneficiaries of charitable remainder trusts	(29,173)	(45,424)
Decrease upon CRT termination	(80,977)	-
Increase (decrease) in value due to change in actuarial life expectancy and fair value of investments	<u>33,941</u>	<u>(12,053)</u>
Ending balance	<u>\$ 114,670</u>	<u>\$ 190,879</u>
Liabilities under split-interest agreements:		
Beginning balance	\$ 26,968	\$ 30,626
Increase (decrease) in liabilities due to change in value of liabilities under charitable remainder trusts	<u>3,042</u>	<u>(3,658)</u>
Ending balance	<u>\$ 30,010</u>	<u>\$ 26,968</u>

**7. FURNITURE AND EQUIPMENT, NET**

At December 31, 2019 and 2018, furniture and equipment, net consist of the following:

	<u>2019</u>	<u>2018</u>
Furniture	\$ 7,625	\$ 7,625
Equipment	<u>19,427</u>	<u>18,736</u>
	27,052	26,361
Accumulated depreciation	<u>(24,004)</u>	<u>(20,592)</u>
	<u>\$ 3,048</u>	<u>\$ 5,769</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$3,412 and \$3,325, respectively.

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**8. 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.

At December 31, 2019 and 2018, the Fund was liable for awarded scholarships in the amount of \$1,667 and \$32,865, respectively, which were all due in less than one year. As of December 31, 2019 and 2018, the Fund was liable for awarded grants in the amount of \$20,042 and \$614, respectively.

**9. NET ASSETS WITH DONOR RESTRICTIONS**

At December 31, 2019 and 2018, net assets with donor restrictions are restricted for the following purposes or periods:

	<b>2019</b>	<b>2018</b>
<b>Subject to passage of time:</b>		
Charitable remainder trusts	\$ 212,939	\$ 393,428
<b>Subject to expenditure for specified purpose:</b>		
Financial aid	135,700	142,017
Education programs	491,817	362,838
Grant making	491,902	406,514
	1,119,419	911,369
<b>Endowments:</b>		
Subject to spending policy and appropriation:		
Financial aid	627,263	617,513
Education programs	3,879,923	3,878,923
General purpose	6,318,275	6,318,275
Underwater endowments	(286,144)	(572,102)
	10,539,317	10,242,609
Subject to appropriation and expenditure when specified event occurs:		
Restricted by donors for:		
Financial aid	9,092	-
Education programs	636,938	-
General purpose	725,721	222,230
	1,371,751	222,230
Total endowments	11,911,068	10,464,839
Total net assets with donor restrictions	\$ 13,243,426	\$ 11,769,636

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**10. 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.

At December 31, 2019 and 2018, endowment net assets comprises the following:

	<u>2019</u>	<u>2018</u>
Original donor gift amount and amounts required to be maintained in perpetuity by donor	\$ 10,825,461	\$ 10,814,711
Accumulated investment gains (losses)	<u>1,085,607</u>	<u>(349,872)</u>
	<u>\$ 11,911,068</u>	<u>\$ 10,464,839</u>

During the years ended December 31, 2019 and 2018, changes in endowment net assets are as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 10,464,839	\$ 11,452,034
Contributions	10,750	7,871
Investment return, net	1,961,466	(662,902)
Appropriations pursuant to spending policy	<u>(525,987)</u>	<u>(332,164)</u>
Endowment net assets, end of year	<u>\$ 11,911,068</u>	<u>\$ 10,464,839</u>

**11. LEASE COMMITMENTS**

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 years ended December 31, 2019 and 2018 were \$69,186 and \$67,919, respectively.

During the year, the Fund also leased office equipment under non-cancelable leases which expires in October 2024.

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

<u>Year ending December 31,</u>	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2020	\$ 71,500	\$ 2,808	\$ 74,308
2021	73,495	2,808	76,303
2022	75,702	2,808	78,510
2023	-	2,808	2,808
2024	-	2,340	2,340
	<u>\$ 220,697</u>	<u>\$ 13,572</u>	<u>\$ 234,269</u>

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## **12. CONCENTRATIONS**

### ***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, 2019 and 2018 the Fund held investments in excess of the SIPC insurance limits (currently \$500,000 per depositor).

### ***Major Donor***

During the year ended December 31, 2018, 13% of contribution revenue was received from one donor.

### ***Major Grants and Scholarships Award Recipients***

During the year ended December 31, 2019, 43% of grants and scholarships was awarded to two recipients. During the year ended December 31, 2018, 14% of grants and scholarships was awarded to one recipient.

## **13. SUBSEQUENT EVENTS**

The Fund has evaluated subsequent events for potential recognition and/or disclosure through August 4, 2020, the date which the financial statements were available to be issued.

Subsequent to December 31, 2019, the COVID 19 outbreak caused severe disruptions to the U.S. economy, credit and capital markets and funding sources. In March 2020, the State of California ordered the closure of physical locations of every business except those identified in the "critical infrastructure sectors", for what may be an extended period of time. As a result the Fund closed its office and all employees were required to work remotely. The future potential impact of the outbreak includes, impairment of the Fund's ability to raise funds and mobilize volunteers, restriction of the Fund's ability to offer physical programs and events, and disruption of our employees' ability to perform their duties. The financial effect of the potential impact is unknown.

Additionally, subsequent to December 31, 2019, the Fund applied for and received a loan in the amount of \$75,191, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act Paycheck Protection Program. This loan may be forgiven partially or in total based on meeting certain requirements.