

Asian Pacific Fund

Financial Statements

December 31, 2020 and 2019

INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report	1
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements.....	8



INDEPENDENT AUDITORS' REPORT

The Board of Directors
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, 2020 and 2019, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asian Pacific Fund as of December 31, 2020 and 2019, 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.

BAKER TILLY US, LLP*Baker Tilly US, LLP*

San Francisco, California

September 13, 2021

ASIAN PACIFIC FUND
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 700,101	\$ 687,729
Pledges receivable	25,000	20,000
Prepaid expenses and other assets	43,073	36,539
Investments, at fair value	15,585,400	14,580,312
Investments held in charitable remainder trusts, at fair value	-	359,239
Furniture and equipment, net	712	3,048
Total assets	\$ 16,354,286	\$ 15,686,867
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 83,219	\$ 52,234
Scholarships and grants payable, net	40,000	21,709
Liabilities to beneficiaries of charitable remainder trusts	-	114,670
Liabilities under split-interest agreement	-	30,010
Paycheck Protection Program loan payable	75,191	-
Total liabilities	198,410	218,623
Net assets:		
Without donor restrictions	2,354,307	2,224,818
With donor restrictions	13,801,569	13,243,426
Total net assets	16,155,876	15,468,244
Total liabilities and net assets	\$ 16,354,286	\$ 15,686,867

ASIAN PACIFIC FUND
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions	\$ 415,456	\$ 230,896	\$ 646,352	\$ 527,038	\$ 51,165	\$ 578,203
Foundation and corporate grants	103,949	640,613	744,562	119,599	382,610	502,209
Investment return, net	100,358	1,324,409	1,424,767	174,697	2,065,081	2,239,778
Fundraising event income	333,261	-	333,261	418,110	-	418,110
Cost of direct benefits to donors	(17,253)	-	(17,253)	(110,958)	-	(110,958)
Other income	1,450	-	1,450	-	-	-
Change in value of split-interest agreement	-	94,529	94,529	-	123,223	123,223
Release of restricted net assets	1,732,304	(1,732,304)	-	1,148,289	(1,148,289)	-
Total revenues and support	<u>2,669,525</u>	<u>558,143</u>	<u>3,227,668</u>	<u>2,276,775</u>	<u>1,473,790</u>	<u>3,750,565</u>
Expenses:						
Program services	2,259,645	-	2,259,645	2,349,811	-	2,349,811
Management and general	159,916	-	159,916	203,886	-	203,886
Fundraising	120,475	-	120,475	131,721	-	131,721
Total expenses	<u>2,540,036</u>	<u>-</u>	<u>2,540,036</u>	<u>2,685,418</u>	<u>-</u>	<u>2,685,418</u>
Change in net assets	129,489	558,143	687,632	(408,643)	1,473,790	1,065,147
Net assets, beginning of year	<u>2,224,818</u>	<u>13,243,426</u>	<u>15,468,244</u>	<u>2,633,461</u>	<u>11,769,636</u>	<u>14,403,097</u>
Net assets, end of year	<u>\$ 2,354,307</u>	<u>\$ 13,801,569</u>	<u>\$ 16,155,876</u>	<u>\$ 2,224,818</u>	<u>\$ 13,243,426</u>	<u>\$ 15,468,244</u>

ASIAN PACIFIC FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services			Supporting Services		Total
	Educational Programs	Grants and Services to Agencies	Program Services Total	Management and General	Fundraising	
Expenses:						
Salaries	\$ 95,386	\$ 192,366	\$ 287,752	\$ 48,086	\$ 78,466	\$ 414,304
Payroll taxes	6,643	12,985	19,628	2,209	5,565	27,402
Employee benefits	8,236	15,991	24,227	2,332	8,356	34,915
Total salaries and related expenses	110,265	221,342	331,607	52,627	92,387	476,621
Grants and scholarships	180,001	1,650,089	1,830,090	-	-	1,830,090
Rent	17,711	34,389	52,100	4,913	17,970	74,983
Accounting fees	-	-	-	63,830	-	63,830
Travel and hospitality	32,120	600	32,720	2,862	17,655	53,237
Supplies	523	1,760	2,283	3,207	5,977	11,467
Professional fees	-	500	500	10,813	150	11,463
Bank charges	-	30	30	9,930	-	9,960
Telephone	1,283	2,490	3,773	356	1,301	5,430
Equipment rental and maintenance	1,239	2,405	3,644	344	1,257	5,245
Dues, licenses, and fees	220	-	220	4,960	-	5,180
Insurance	910	1,768	2,678	253	924	3,855
Depreciation	-	-	-	2,336	-	2,336
Employment fees	-	-	-	1,952	-	1,952
Website development	-	-	-	1,177	-	1,177
Advertising and promotion	-	-	-	721	-	721
Legal fees	-	-	-	297	-	297
Printing and production	-	-	-	147	-	147
Postage	-	-	-	(959)	7	(952)
Other	-	-	-	150	100	250
Total expenses	344,272	1,915,373	2,259,645	159,916	137,728	2,557,289
Less: Cost of direct benefit to donors	-	-	-	-	(17,253)	(17,253)
	<u>\$ 344,272</u>	<u>\$ 1,915,373</u>	<u>\$ 2,259,645</u>	<u>\$ 159,916</u>	<u>\$ 120,475</u>	<u>\$ 2,540,036</u>

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

	Program Services			Supporting Services		Total
	Educational Programs	Grants and Services to Agencies	Program Services Total	Management and General	Fundraising	
Expenses:						
Salaries	\$ 104,957	\$ 202,607	\$ 307,564	\$ 22,279	\$ 96,170	\$ 426,013
Payroll taxes	9,293	14,883	24,176	12,445	-	36,621
Employee benefits	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: Cost of direct benefit to donors	-	-	-	-	(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
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 687,632	\$ 1,065,147
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,336	3,412
Bad debt expense	-	3,000
Net realized and unrealized gains on investments	(1,156,376)	(1,867,366)
Proceeds from contributions restricted for endowments	(10,800)	(10,750)
Donated securities	(107,209)	(204,214)
Change in value of charitable remainder trusts and split-interest agreement	(94,529)	(152,396)
Changes in operating assets and liabilities:		
Pledges receivable	(5,000)	(3,500)
Prepaid expenses and other assets	(6,534)	4,634
Accounts payable and accrued expenses	30,985	(5,088)
Scholarships and grants payable, net	18,291	(11,770)
	(641,204)	(1,178,891)
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	3,401,607	6,405,984
Purchases of investments	(3,147,955)	(5,507,369)
Purchase of equipment	-	(691)
Distributions from charitable remainder trusts	364,086	301,917
	617,738	1,199,841
Net cash provided by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	75,191	-
Payments to beneficiaries of charitable remainder trusts	(50,153)	(29,173)
Proceeds from contributions restricted for endowments	10,800	10,750
	35,838	(18,423)
Net cash provided by (used in) investing activities		
Net increase in cash and cash equivalents	12,372	2,527
Cash and cash equivalents, beginning of year	687,729	685,202
Cash and cash equivalents, end of year	\$ 700,101	\$ 687,729

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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 statements of activities. At December 31, 2020 and 2019, all pledges receivables are unconditional and due within one year. The Fund believes all of its pledges receivables at December 31, 2020 and 2019 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 statements of activities. For the years ended December 31, 2020 and 2019, investment management fees amounted to \$69,280 and \$65,041, respectively.

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

Charitable Remainder Trusts

The Fund had been designated as the trustee for irrevocable charitable remainder trusts ("CRT"). The trust agreements required 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 the remaining trust assets were distributed by the Fund to itself (and to other beneficiaries, if applicable), as stipulated in the trust agreements.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Charitable Remainder Trusts (continued)

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, had 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 (approximately 62% - 73% for the year ended December 31, 2019). Management calculated valuations annually by updating life expectancy of the income beneficiaries and investment values. During the year ended December 31, 2020, the CRT stipulations were fulfilled and the remaining trust assets were distributed in accordance with the trust agreements.

Liabilities under split-interest agreements represented 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 were calculated as a percentage of the present value of the investments held in charitable remainder trusts.

The difference between the fair value of the assets received and the present value of the obligation to names 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, 2020, the last two CRTs terminated upon the death of the surviving beneficiary. As a result, the remaining trust assets of approximately \$360,000 were distributed to the Fund and another remainder beneficiary.

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.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

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 were 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 (approximately 62% - 73% for the year ended December 31, 2019) for the liability for lifetime payments to beneficiaries. Liabilities under the Fund’s charitable remainder trusts were 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

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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 endowments for the years ending December 31, 2020 and 2019 were \$532,197 and \$525,987, 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, 2020, funds with original gift values of \$872,424, fair values of \$630,706, and deficiencies of \$241,718 were reported in net assets with donor restrictions. 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. 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, 2020 and 2019

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 expense, 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.

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, 2020 and 2019

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

During February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) will be effective for the Fund for the year ending December 31, 2022. Early adoption is permitted. The Fund is currently evaluating the timing of its adoption of Topic 842 (as amended) and its impact on its financial statements.

During September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU 2020-07 will be effective for the Fund for the year ending December 31, 2022. Early adoption is permitted. The Fund is currently evaluating the effect that ASU 2020-07 will have on its financial statements.

Subsequent Events

The Fund has evaluated subsequent events for potential recognition and/or disclosure through September 13, 2021, the date which the financial statements were available to be issued (refer to Note 13).

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

3. 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash	\$ 700,101	\$ 687,729
Pledges receivable	25,000	20,000
Investments, at fair value	15,585,400	14,580,312
Investments held in charitable remainder trusts, at fair value	-	359,239
	<u>16,310,501</u>	<u>15,647,280</u>
Add: Estimated endowment spending rate distributions	306,609	309,372
Less: Net assets with donor restrictions	(13,801,569)	(13,243,426)
Less: Investments held for donor advised funds	(1,603,827)	(1,624,155)
Less: CRT and split interest liabilities	-	(144,680)
	<u>(15,098,787)</u>	<u>(14,702,889)</u>
Financial assets available for general expenditures	<u>\$ 1,211,714</u>	<u>\$ 944,391</u>

The Fund's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, 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.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2020 and 2019, the Fund's investment portfolio and investments by the fair value hierarchy levels consists of the following:

	<u>2020</u>	<u>2019</u>
	<u>Fair Value</u>	<u>Fair Value</u>
	<u>(Level 1)</u>	<u>(Level 1)</u>
Cash and cash equivalents	\$ 225,007	\$ 164,801
Equity securities:		
US large cap equity	5,373,153	5,001,963
EAFE equity	1,186,493	1,779,816
European large cap equity	501,826	321,013
Japanese large cap equity	222,948	127,781
Emerging market equity	286,625	-
Asia ex-Japan equity	71,183	-
Fixed income:		
US fixed income	3,893,710	3,755,992
Non-US fixed income	1,963,733	1,685,250
Balanced mutual funds	1,228,917	1,146,357
Hedge funds:		
Long short equity	123,955	115,044
Multi-strategy	247,398	361,897
Event driven	124,125	120,398
Non-traditional bond	136,327	-
	<u>\$ 15,585,400</u>	<u>\$ 14,580,312</u>

There have been no changes in valuation techniques and related inputs during the years ended December 31, 2020 and 2019.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

5. CHARITABLE REMAINDER TRUSTS AND FAIR VALUE DISCLOSURES

At December 31, 2019, investments held in charitable remainder trusts consists of the following:

Equities:	
US Large cap equity	\$ 143,754
EAFE equity	51,783
European large cap equity	9,176
Japanese large cap equity	3,732
Fixed income securities:	
US fixed income	107,573
Non-US fixed income	37,887
Cash and cash equivalents	<u>5,334</u>
	<u>\$ 359,239</u>

The following tables present the fair value of the charitable remainder trust assets and liabilities by fair value hierarchy at December 31, 2019. There were no changes in valuation techniques and related inputs during the years ended December 31, 2020 and 2019.

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments held in charitable remainder trusts	\$ 359,239	\$ -	\$ 359,239
Liabilities under charitable remainder trusts	-	(114,670)	(114,670)
Liabilities under split-interest agreements	-	(30,010)	(30,010)

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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 years ended December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Liabilities under charitable remainder trusts:		
Beginning balance	\$ 114,670	\$ 190,879
Payments to beneficiaries of charitable remainder trusts	-	(29,173)
Decrease upon charitable remainder trust termination	(114,670)	(80,977)
Increase in value due to change in actuarial life expectancy and fair value of investments	-	33,941
Ending balance	<u>\$ -</u>	<u>\$ 114,670</u>
Liability under split-interest remainder trusts:		
Beginning balance	\$ 30,010	\$ 26,968
Increase in liabilities due to change in value of liabilities under charitable remainder trust	17,435	3,042
Payment of split-interest remainder trust liability upon charitable remainder trust termination	<u>(47,445)</u>	<u>-</u>
Ending balance	<u>\$ -</u>	<u>\$ 30,010</u>

6. FURNITURE AND EQUIPMENT, NET

At December 31, 2020 and 2019, furniture and equipment, net consists of the following:

	<u>2020</u>	<u>2019</u>
Furniture	\$ 7,625	\$ 7,625
Equipment	<u>19,427</u>	<u>19,427</u>
	27,052	27,052
Accumulated depreciation	<u>(26,340)</u>	<u>(24,004)</u>
	<u>\$ 712</u>	<u>\$ 3,048</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$2,336 and \$3,412, respectively.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

7. SCHOLARSHIPS AND GRANTS PAYABLE

The Fund has commitments to various scholars to fund their education and to various grant recipients. At December 31, 2020 and 2019, the Fund was liable for awarded scholarships in the amount of \$5,000 and \$1,667, respectively, which were all due in less than one year. As of December 31, 2020 and 2019, the Fund was liable for awarded grants in the amount of \$35,000 and \$20,042, respectively.

8. PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Fund received loan proceeds in the amount of \$75,191 under the Paycheck Protection Program (“PPP”) which was established as part of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act and is administered through the Small Business Administration (“SBA”). The PPP provides loans to qualifying organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower’s loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

Future maturities under the loan are as follows:

<u>Year ending December 31,</u>		
2021	\$	41,677
2022		<u>33,514</u>
	\$	<u>75,191</u>

The Fund believes that it will meet the PPP’s loan forgiveness requirements, and therefore, applied for forgiveness in June 2021. In July 2021, the Fund received legal release from the SBA, and therefore, will record the amount forgiven, \$75,191, as forgiveness income in its statement of activities for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

9. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020 and 2019, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to passage of time:		
Charitable remainder trusts	\$ -	\$ 212,939
Subject to expenditure for specified purpose:		
Financial Aid	132,744	135,700
Education Programs	194,935	491,817
Grant Making	463,653	491,902
	<u>791,332</u>	<u>1,119,419</u>
Endowments:		
Subject to spending policy and appropriation:		
Financial Aid	636,063	627,263
Education Programs	3,881,923	3,879,923
General Purpose	6,682,361	6,318,275
Underwater Endowments	(241,718)	(286,144)
	<u>10,958,629</u>	<u>10,539,317</u>
Subject to appropriation and expenditure when specified event occurs:		
Restricted by donors for:		
Financial Aid	54,368	9,092
Education Programs	835,253	636,938
General Purpose	1,161,987	725,721
	<u>2,051,608</u>	<u>1,371,751</u>
Total endowments	<u>13,010,237</u>	<u>11,911,068</u>
Total net assets with donor restrictions	<u>\$ 13,801,569</u>	<u>\$ 13,243,426</u>

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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, 2020 and 2019, endowment net assets comprises the following:

	<u>2020</u>	<u>2019</u>
Original donor gift amount and amounts required to be maintained in perpetuity by donor	\$ 11,200,347	\$ 10,825,461
Accumulated investment gains	<u>1,809,890</u>	<u>1,085,607</u>
Endowment net assets, end of year	<u>\$ 13,010,237</u>	<u>\$ 11,911,068</u>

During the years ended December 31, 2020 and 2019, changes in endowment net assets are as follows:

Endowment net assets, beginning of year	\$ 11,911,068	\$ 10,464,839
Contributions	10,800	10,750
Investment return, net	1,256,480	1,961,466
Donor transfer into endowment	364,086	-
Appropriations pursuant to spending policy	<u>(532,197)</u>	<u>(525,987)</u>
Endowment net assets, end of year	<u>\$ 13,010,237</u>	<u>\$ 11,911,068</u>

Donor transfer into endowment represents a donor restricted fund which was reclassified to endowments based on donor instructions.

11. LEASE COMMITMENTS

The Fund occupies its office facilities in San Francisco, California under an operating lease which expires in December 2022. Rent payments are payable monthly and annually increase in January. During the year, the Fund also leased office equipment under non-cancelable leases which expires in October 2024. Rent expense for the years ended December 31, 2020 and 2019 was \$74,983 and \$69,186, respectively.

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>
2021	\$ 73,495	\$ 2,808	\$ 76,303
2022	75,702	2,808	78,510
2023	-	2,808	2,808
2024	<u>-</u>	<u>2,340</u>	<u>2,340</u>
	<u>\$ 149,197</u>	<u>\$ 10,764</u>	<u>\$ 159,961</u>

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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, 2020 and 2019, the Fund held investments in excess of the SIPC insurance limits (currently \$500,000 per depositor).

Major Donor

During the year ended December 31, 2020, 12% of contribution and grants 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.

13. SUBSEQUENT EVENTS

In July 2021, the Fund received legal release from the SBA in relation to its PPP loan (refer to Note 8).