

Asian Pacific Fund

Financial Statements

December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Asian Pacific Fund

Opinion

We have audited the financial statements of Asian Pacific Fund (the "Fund"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

BAKER TILLY US, LLP



San Francisco, California

September 27, 2022

ASIAN PACIFIC FUND
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 4,002,242	\$ 700,101
Pledges receivable	-	25,000
Prepaid expenses and other assets	45,019	43,073
Investments, at fair value	21,706,121	15,585,400
Furniture and equipment, net	15,864	712
Total assets	\$ 25,769,246	\$ 16,354,286
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 151,842	\$ 83,219
Scholarships and grants payable	-	40,000
Paycheck Protection Program loan payable	-	75,191
Total liabilities	151,842	198,410
Net assets:		
Without donor restrictions	8,779,204	2,354,307
With donor restrictions	16,838,200	13,801,569
Total net assets	25,617,404	16,155,876
Total liabilities and net assets	\$ 25,769,246	\$ 16,354,286

ASIAN PACIFIC FUND
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions	\$ 5,992,770	\$ 2,414,004	\$ 8,406,774	\$ 415,456	\$ 230,896	\$ 646,352
Foundation and corporate grants	1,289,691	5,069,441	6,359,132	103,949	640,613	744,562
Investment return, net	32,537	1,641,114	1,673,651	100,358	1,324,409	1,424,767
Fundraising event income	230,433	-	230,433	333,261	-	333,261
Cost of direct benefits to donors	(21,644)	-	(21,644)	(17,253)	-	(17,253)
Paycheck Protection Program loan forgiveness income	75,191	-	75,191	-	-	-
Other income	2,500	-	2,500	1,450	-	1,450
Change in value of charitable remainder trusts	-	-	-	-	94,529	94,529
Release of restricted net assets	6,087,928	(6,087,928)	-	1,732,304	(1,732,304)	-
Total revenues and support	13,689,406	3,036,631	16,726,037	2,669,525	558,143	3,227,668
Expenses:						
Program services	6,651,369	-	6,651,369	2,259,645	-	2,259,645
Management and general	445,270	-	445,270	159,916	-	159,916
Fundraising	167,870	-	167,870	120,475	-	120,475
Total expenses	7,264,509	-	7,264,509	2,540,036	-	2,540,036
Change in net assets	6,424,897	3,036,631	9,461,528	129,489	558,143	687,632
Net assets, beginning of year	2,354,307	13,801,569	16,155,876	2,224,818	13,243,426	15,468,244
Net assets, end of year	\$ 8,779,204	\$ 16,838,200	\$ 25,617,404	\$ 2,354,307	\$ 13,801,569	\$ 16,155,876

ASIAN PACIFIC FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services			Supporting Services		Total
	Educational Programs	Grants and Services to Agencies	Program Services Total	Management and General	Fundraising	
Expenses:						
Salaries	\$ 117,502	\$ 227,158	\$ 344,660	\$ 47,400	\$ 97,884	\$ 489,944
Payroll taxes	8,646	15,743	24,389	2,973	7,360	34,722
Employee benefits	10,071	16,016	26,087	2,941	9,040	38,068
Total salaries and related expenses	136,219	258,917	395,136	53,314	114,284	562,734
Grants and scholarships	181,533	4,843,243	5,024,776	-	-	5,024,776
Professional fees	5,213	881,125	886,338	213,213	150	1,099,701
Advertising, promotion, and campaigns	-	220,264	220,264	756	6,000	227,020
Bank charges	-	-	-	59,483	20,446	79,929
Rent	19,523	31,048	50,571	5,689	17,524	73,784
Travel and hospitality	17,558	15,810	33,368	12,642	27,463	73,473
Accounting fees	-	-	-	73,120	-	73,120
Supplies	760	5,246	6,006	16,859	545	23,410
Website development	-	6,500	6,500	38	-	6,538
Telephone	1,501	2,388	3,889	437	1,348	5,674
Insurance	1,096	1,743	2,839	319	984	4,142
Equipment rental and maintenance	858	1,365	2,223	250	770	3,243
Legal fees	-	-	-	2,823	-	2,823
Depreciation	-	-	-	2,251	-	2,251
Employment fees	-	-	-	1,565	-	1,565
Dues, licenses, and fees	-	-	-	1,480	-	1,480
Postage	-	132	132	475	-	607
Printing and production	-	-	-	86	-	86
Other	(29)	19,356	19,327	470	-	19,797
Total expenses	364,232	6,287,137	6,651,369	445,270	189,514	7,286,153
Less: Cost of direct benefit to donors	-	-	-	-	(21,644)	(21,644)
	<u>\$ 364,232</u>	<u>\$ 6,287,137</u>	<u>\$ 6,651,369</u>	<u>\$ 445,270</u>	<u>\$ 167,870</u>	<u>\$ 7,264,509</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
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,461,528	\$ 687,632
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,251	2,336
Net realized and unrealized gains on investments	(1,263,075)	(1,156,376)
Proceeds from contributions restricted for endowments	(3,403)	(10,800)
Change in value of charitable remainder trusts and split-interest agreement	-	(94,529)
Paycheck Protection Program loan forgiveness income	(75,191)	-
Changes in operating assets and liabilities:		
Pledges receivable	25,000	(5,000)
Prepaid expenses and other assets	(1,946)	(6,534)
Accounts payable and accrued expenses	68,623	30,985
Scholarships and grants payable, net	(40,000)	18,291
Net cash provided by (used in) operating activities	<u>8,173,787</u>	<u>(533,995)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	9,152,854	3,294,398
Purchases of investments	(14,010,500)	(3,147,955)
Purchase of equipment	(17,403)	-
Distributions from charitable remainder trusts	-	364,086
Net cash (used in) provided by investing activities	<u>(4,875,049)</u>	<u>510,529</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	75,191
Payments to beneficiaries of charitable remainder trusts	-	(50,153)
Proceeds from contributions restricted for endowments	3,403	10,800
Net cash provided by investing activities	<u>3,403</u>	<u>35,838</u>
Net increase in cash and cash equivalents	3,302,141	12,372
Cash and cash equivalents, beginning of year	<u>700,101</u>	<u>687,729</u>
Cash and cash equivalents, end of year	<u>\$ 4,002,242</u>	<u>\$ 700,101</u>

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and the functional allocation of expenses.

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. There were no outstanding pledges receivable at December 31, 2021. At December 31, 2020, all pledges receivables are unconditional and due within one year. All pledges receivables at December 31, 2020 were 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, 2021 and 2020, investment management fees amounted to \$75,192 and \$69,280, 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.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Charitable Remainder Trusts (continued)

During the year ended December 31, 2020, the last two CRTs terminated upon the death of the surviving beneficiary. As a result, the remaining CRT assets of approximately \$360,000 were distributed to the Fund and another remainder beneficiary.

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).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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, 2021 and 2020

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 endowments for the years ending December 31, 2021 and 2020 were \$534,612 and \$532,197, 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, 2021, a fund with an original gift value of \$873,424, fair value of \$678,761, and a deficiency of \$194,663 was reported in net assets with donor restrictions. At December 31, 2020, a fund with an original gift value of \$872,424, fair value of \$630,706, and a deficiency of \$241,718 was 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.

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.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 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.

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. The Fund is currently assessing the effect that Topic 842 (as amended) will have on its financial statements.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Standards (continued)

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. The Fund does not believe that the adoption of ASU 2020-07 will have a material effect on its financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Subsequent Events

The Fund has evaluated subsequent events for potential recognition and/or disclosure through September 27, 2022, the date which the financial statements were available to be issued.

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash	\$ 4,002,242	\$ 700,101
Pledges receivable	-	25,000
Investments, at fair value	<u>21,706,121</u>	<u>15,585,400</u>
Total financial assets	<u>25,708,363</u>	<u>16,310,501</u>
Add: Estimated endowment spending rate distributions	333,097	306,609
Less: Net assets with donor restrictions	(16,838,200)	(13,801,569)
Less: Investments held for donor advised funds	<u>(1,636,734)</u>	<u>(1,603,827)</u>
	<u>(18,141,837)</u>	<u>(15,098,787)</u>
Financial assets available for general expenditures within one year	<u>\$ 7,566,526</u>	<u>\$ 1,211,714</u>

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)

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.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2021 and 2020, the Fund's investment portfolio and investments by the fair value hierarchy levels consists of the following:

	<u>2021</u>	<u>2020</u>
	<u>Fair Value</u>	<u>Fair Value</u>
	<u>(Level 1)</u>	<u>(Level 1)</u>
Cash and cash equivalents	\$ 168,883	\$ 225,007
Equity securities:		
US large cap equity	6,125,929	5,373,153
EAFE equity	1,398,447	1,186,493
European large cap equity	836,609	501,826
Japanese large cap equity	404,505	222,948
Asia ex-Japan equity	256,519	71,183
Emerging market equity	-	286,625
Fixed income:		
US fixed income	8,402,008	3,893,710
Non-US fixed income	1,696,091	1,963,733
Global fixed income	627,704	-
Balanced mutual funds	1,141,955	1,228,917
Hedge funds:		
Multi-strategy	256,417	247,398
Non-traditional bond	134,217	136,327
Long short equity	133,582	123,955
Event driven	123,255	124,125
	<u>\$ 21,706,121</u>	<u>\$ 15,585,400</u>

There have been no changes in valuation techniques and related inputs during the years ended December 31, 2021 and 2020.

ASIAN PACIFIC FUND
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5. FURNITURE AND EQUIPMENT, NET

At December 31, 2021 and 2020, furniture and equipment, net consists of the following:

	<u>2021</u>	<u>2020</u>
Furniture	\$ 7,625	\$ 7,625
Equipment	<u>36,830</u>	<u>19,427</u>
	44,455	27,052
Accumulated depreciation	<u>(28,591)</u>	<u>(26,340)</u>
	<u>\$ 15,864</u>	<u>\$ 712</u>

6. SCHOLARSHIPS AND GRANTS PAYABLE

The Fund has commitments to various scholars to fund their education and to various grant recipients. At December 31, 2021 the Fund was not liable for any awarded scholarships or grants. As of December 31, 2020, the Fund was liable for awarded scholarships and grants, which were all due in less than one year, in the amount of \$5,000 and \$35,000, respectively.

7. 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.

The Fund applied for PPP forgiveness in June 2021. In July 2021, the Fund received legal release from the SBA, and accordingly, recorded 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, 2021 and 2020

8. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2021 and 2020, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Financial Aid	\$ 156,243	\$ 132,744
Educational Programs	250,715	194,935
Stand with Asian Americans	1,551,254	-
Grant Making	<u>803,020</u>	<u>463,653</u>
	<u>2,761,232</u>	<u>791,332</u>
Endowments:		
Subject to spending policy and appropriation:		
Financial Aid	638,581	636,063
Educational Programs	3,882,923	3,881,923
General Purpose	6,682,881	6,682,361
Underwater Endowments	<u>(194,663)</u>	<u>(241,718)</u>
	<u>11,009,722</u>	<u>10,958,629</u>
Subject to appropriation and expenditure when specified event occurs:		
Restricted by donors for:		
Financial Aid	106,935	54,368
Educational Programs	1,122,171	835,253
General Purpose	<u>1,838,140</u>	<u>1,161,987</u>
	<u>3,067,246</u>	<u>2,051,608</u>
Total endowments	<u>14,076,968</u>	<u>13,010,237</u>
Total net assets with donor restrictions	<u>\$ 16,838,200</u>	<u>\$ 13,801,569</u>

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

9. ENDOWMENTS

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

At December 31, 2021 and 2020, endowment net assets comprises the following:

	<u>2021</u>	<u>2020</u>
Original donor gift amount and amounts required to be maintained in perpetuity by donor	\$ 11,204,385	\$ 11,200,347
Accumulated investment gains	<u>2,872,583</u>	<u>1,809,890</u>
Endowment net assets, end of year	<u>\$ 14,076,968</u>	<u>\$ 13,010,237</u>

During the years ended December 31, 2021 and 2020, changes in endowment net assets are as follows:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 13,010,237	\$ 11,911,068
Contributions	3,403	10,800
Investment return, net	1,597,306	1,256,480
Donor transfer into endowment	634	364,086
Appropriations pursuant to spending policy	<u>(534,612)</u>	<u>(532,197)</u>
Endowment net assets, end of year	<u>\$ 14,076,968</u>	<u>\$ 13,010,237</u>

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

10. COMMITMENTS

Leases

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. The Fund also leases office equipment under non-cancelable leases which expires in October 2024. Rent expense for the years ended December 31, 2021 and 2020 was \$73,784 and \$74,983, respectively.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
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10. COMMITMENTS (continued)

Leases (continued)

At December 31, 2021, future minimum payments under these operating leases are as follows:

<u>Year ending December 31,</u>	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2022	\$ 75,702	\$ 2,808	\$ 78,510
2023	-	2,808	2,808
2024	-	2,340	2,340
	<u>\$ 75,702</u>	<u>\$ 7,956</u>	<u>\$ 83,658</u>

Other

In August 2021, the Fund entered into a contractual obligation with a certain vendor related to consulting services, payable in 5 monthly advance payments of \$65,000 through March 2022. At December 31, 2021, future minimum payments under this contractual obligation, due during the year ending December 31, 2022, amounted to \$195,000.

11. 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) set by the Federal Deposit Insurance Corporation (FDIC). 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, 2021 and 2020, the Fund held investments in excess of the SIPC insurance limits (currently \$500,000 per depositor).

Major Donors

During the year ended December 31, 2021, 33% of contribution and grants revenue was received from one donor. During the year ended December 31, 2020, 12% of contribution and grants revenue was received from one donor.

ASIAN PACIFIC FUND
NOTES TO FINANCIAL STATEMENTS
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11. CONCENTRATIONS (continued)

Major Grants and Scholarships Award Recipients

During the year ended December 31, 2021, 30% of grants and scholarships was awarded to one recipient.