

ASIAN AMERICAN FEDERATION, INC.

FINANCIAL STATEMENTS

and

INDEPENDENT AUDITOR'S REPORT

**For the Years Ended
June 30, 2008 and 2007**



PADILLA & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

ASIAN AMERICAN FEDERATION, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Asian American Federation, Inc.

We have audited the accompanying statements of financial position of Asian American Federation, Inc. as of June 30, 2008 and 2007, and the related statements of activities and changes in net assets, of functional expenses and of cash flows for the years then ended. These financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asian American Federation, Inc. as of June 30, 2008 and 2007, and the results of its operations and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Jamaica, New York
August 5, 2008

Padilla and Company, LLP

ASIAN AMERICAN FEDERATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2008 AND 2007

<u>ASSETS:</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents (Notes 2 and 3)	\$ 264,915	\$ 195,307
Receivables (Notes 2 and 4)	161,207	44,628
Prepaid expenses	12,687	10,632
Total Current Assets	438,809	250,567
Endowment fund investments (Note 5)	264,519	-
Cash restricted for endowment fund (Note 10)	-	200,000
Cash restricted for revolving loan fund (Note 10)	25,000	25,000
Equipment, furniture & leasehold improvements (Notes 2 and 6)	366	1,552
Other assets - security deposits	19,527	19,527
Total Assets	\$ 748,221	\$ 496,646
 <u>LIABILITIES AND NET ASSETS:</u>		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	\$ 262,428	\$ 39,720
Due to other agencies (Note 8)	31,737	28,578
Deferred income (Note 9)	5,000	92,500
Total Liabilities	299,165	160,798
 <u>NET ASSETS:</u>		
Unrestricted	110,492	57,724
Temporarily restricted		
Board designated funds (Note 12)	50,000	50,000
Interest income on endowment fund	5,650	3,124
Permanently restricted (Note 10)		
Endowment fund	282,914	200,000
Revolving loan fund	-	25,000
Total Net Assets	449,056	335,848
Total Liabilities and Net Assets	\$ 748,221	\$ 496,646

ASIAN AMERICAN FEDERATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008	2007
<u>Revenues, gains, and other support:</u>					
Benefits	\$ 628,288	\$ -	\$ -	\$ 628,288	\$ 751,775
Contributions	132,609	-	-	132,609	44,833
Contributions - Endowment (Note 10)	-	-	60,950	60,950	200,000
Fees	5,261	-	-	5,261	1,164
Grants-Corporation & Foundation	581,478	-	-	581,478	616,404
Income collected on behalf of other agencies (Note 17)	35,640	-	-	35,640	69,829
In-kind Contributions	-	-	-	-	940
Interest Income	2,720	-	-	2,720	3,001
Interest Income - Endowment Fund	5,000	3,004	-	8,004	3,124
Miscellaneous	3,081	-	-	3,081	230
Rent	9,462	-	-	9,462	1,342
Workplace Campaign	23,660	-	-	23,660	14,540
Total revenues, gains and other support	1,427,199	3,004	60,950	1,491,153	1,707,182
<u>Expenses:</u>					
Program Services:					
Agency services					
Expenses incurred on behalf of other agencies	35,640	-	-	35,640	69,829
Others	192,008	-	-	192,008	273,023
Research and Special Projects	279,338	-	-	279,338	320,934
Philanthropy & Community Fund	535,979	-	-	535,979	441,837
Total Program Services	1,042,965	-	-	1,042,965	1,105,623
Supporting services:					
Administration and general					
Fund Raising (Note 11)	119,009	478	-	119,487	119,286
Benefit Events	151,513	-	-	151,513	148,767
Others	60,944	-	-	60,944	77,841
Total expenses	1,374,431	478	-	1,374,909	1,451,517
Change in net assets	52,768	2,526	60,950	116,244	255,665
Unrealized loss on investments	-	-	(3,036)	(3,036)	-
	52,768	2,526	57,914	113,208	255,665
Net assets beginning of year	57,724	53,124	225,000	335,848	80,183
Net assets end of year	\$ 110,492	\$ 55,650	\$ 282,914	\$ 449,056	\$ 335,848

The accompanying notes are an integral part of the financial statements.

ASIAN AMERICAN FEDERATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 113,208	\$ 255,665
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	1,186	3,766
Decrease (increase) in receivable	(116,579)	47,851
Decrease (increase) in prepaid expenses	(2,055)	882
Increase (decrease) in accounts payable and accrued expenses	222,708	(62,250)
Increase (decrease) in due to other agencies	3,159	9,140
Increase (decrease) in deferred income	(87,500)	37,500
Decrease (increase) in endowment fund investments	(264,519)	-
Decrease (increase) in permanently restricted cash	200,000	(200,000)
Net cash provided by (used in) operating activities	<u>69,608</u>	<u>92,554</u>
Cash and cash equivalents at beginning of year	<u>195,307</u>	<u>102,753</u>
Cash and cash equivalents at end of year	<u><u>\$ 264,915</u></u>	<u><u>\$ 195,307</u></u>

ASIAN AMERICAN FEDERATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Program Services

	AGENCY SERVICES	RESEARCH & SPECIAL PROJECTS	PHILANTHROPY	TOTAL	ADMIN. & GENERAL	FUND RAISING	2008	2007
<u>Personnel Services:</u>								
Salaries	\$ 107,653	\$ 177,776	\$ 177,947	\$ 463,376	\$ 57,552	\$ 40,153	\$ 561,081	\$ 576,709
Employee Fringe Benefits	22,416	36,918	36,953	96,287	11,601	8,121	116,009	117,910
Total Personnel Services	130,069	214,694	214,900	559,663	69,153	48,274	677,090	694,619
<u>Other Than Personnel Services (OTPS):</u>								
Agency Support	14,803	-	250,000	264,803	-	-	264,803	254,263
Audit	-	-	-	-	6,500	-	6,500	6,300
Bank Charges	-	-	-	-	2,820	-	2,820	3,147
Benefit Events	-	-	-	-	-	151,513	151,513	148,767
Computer Expenses	341	574	574	1,489	180	125	1,794	13,709
Consultant Services	-	6,375	-	6,375	10,525	-	16,900	32,586
Depreciation and Amortization	225	380	380	985	119	83	1,187	3,766
Equipment	1,650	2,778	2,778	7,206	868	608	8,682	3,868
Equipment Rental	1,146	1,930	1,930	5,006	603	422	6,031	5,988
Expenses incurred on behalf of other agencies (Note 17)	35,640	-	-	35,640	-	-	35,640	69,829
In-kind Consultant	-	-	-	-	-	-	-	940
Insurance	-	-	-	-	5,155	-	5,155	4,593
Interest expenses	-	-	-	-	-	-	-	2,918
Meetings	710	1,195	1,195	3,100	373	261	3,734	13,450
Membership	-	235	-	235	1,150	-	1,385	2,000
Miscellaneous	722	1,216	1,216	3,154	380	266	3,800	10,060
Office Supplies	398	671	671	1,740	210	147	2,097	3,118
Postage and Messenger Services	581	979	979	2,539	306	214	3,059	3,048
Printing	703	3,477	8,910	13,090	1,015	1,015	15,120	10,334
Public Relations	14,420	-	6	14,426	1,174	-	15,600	6,527
Publications	-	-	-	-	439	-	439	477
Rent & Utilities	23,875	40,210	40,210	104,295	12,566	8,796	125,657	130,259
Repairs & Maintenance	-	-	3,668	3,668	4,117	-	7,785	10,015
Scholarship	-	-	5,000	5,000	-	-	5,000	5,000
Staff Development	-	-	-	-	-	-	-	897
Telephone	1,409	2,373	2,373	6,155	742	519	7,416	6,879
Travel	376	1,275	213	1,864	787	-	2,651	2,037
Worldnet & Website	580	976	976	2,532	305	214	3,051	2,123
TOTAL OTPS	97,579	64,644	321,079	483,302	50,334	164,183	697,819	756,898
Total Expenses	\$ 227,648	\$ 279,338	\$ 535,979	\$ 1,042,965	\$ 119,487	\$ 212,457	\$ 1,374,909	\$ 1,451,517

The accompanying notes are an integral part of the financial statements.

ASIAN AMERICAN FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. ORGANIZATION AND OPERATIONS

The Asian American Federation, Inc. is a nonprofit organization incorporated in 1989 under the laws of the State of New York. The Federation is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code and has been designated as a Not-for-Profit Corporation, which is not a private foundation.

The Asian American Federation's mission is to advance the civic voice and well-being of Asian Americans. The Federation collaboratively fosters philanthropy in the community, undertake research to inform policies, and to provide support to community service organizations.

The Federation is principally engaged in helping Asian American community agencies access resources and serve as a social policy advocate on behalf of the entire community. It is substantially funded through contributions and grants awarded by private foundations and corporations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of Accounting

The financial statements of the Federation have been prepared on the accrual basis and presented in conformity with generally accepted accounting principles for nonprofit organizations and accordingly reflect all significant receivables, payables, and other liabilities.

b) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Federation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

c) Revenue Recognition

Contribution

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily

ASIAN AMERICAN FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

c) Revenue Recognition (cont.)

or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grant Awards

Grant awards received for a specific purpose are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions. The unexpended funds are reported as deferred income.

d) Equipment, Furniture, and Leasehold Improvements

Property and equipment are recorded at cost and do not reflect changes in current market values. Assets purchased costing \$1,000 or more are capitalized. Donations of equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor restricted the donated asset to a specific purpose.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

e) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management in accordance with grant provisions or other equitable bases.

ASIAN AMERICAN FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Federation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g) Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months, excluding permanently restricted cash. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

h) Receivables

Receivables are stated at the amounts the Federation expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There are no doubtful accounts for the fiscal years ended June 30, 2008 and 2007.

3. CASH AND CASH EQUIVALENTS

These consist of the following:

	2008	2007
Operating Account (Chase Bank)	\$ 14,788	\$ 15,676
Regular Checking Account (Commerce Bank)	1,358	30,182
Payroll Account (Chase Bank / Commerce Bank)	114	434
High Yield Savings (Chase Bank)	245,343	-
Business Checking Account (Chase Bank)	3,312	144,921
Money funds (Smith Barney)	-	970
	264,915	192,183
Total unrestricted cash		
Money funds (Charles Schwab - interest on endowment fund)	-	3,124
	-	3,124
Total temporarily restricted cash		
Total cash and cash equivalents	\$ 264,915	\$ 195,307

ASIAN AMERICAN FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

4. RECEIVABLES

These consist of:

	2008	2007
Accounts Receivables		
Gala ticket sales, auction and donations	\$ 11,207	\$ 14,400
Grants:		
The Philanthropic Collaborative	50,000	20,228
United Way of New York City	100,000	10,000
Total	\$ 161,207	\$ 44,628

5. INVESTMENTS

Investments at fair value comprised of the following:

	Unrestricted	Permanently Restricted		Total
	Regular Account	Community Endowment Fund	AAFNY Endowment Fund	
Money funds	\$ 955	\$ 102,188	\$ 95,797	\$ 198,940
Close end funds	-	4,459	3,679	8,138
Mutual funds	-	27,814	27,013	54,827
Investment/interest income **	-	2,875	2,775	5,650
Unrealized gain (loss)				
Close end funds	-	(187)	(151)	(338)
Mutual funds	-	(1,385)	(1,313)	(2,698)
Total Investments	\$ 955	\$ 135,764	\$ 127,800	\$ 264,519

**** Temporarily restricted funds**

ASIAN AMERICAN FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

6. EQUIPMENT, FURNITURE & LEASEHOLD IMPROVEMENTS

These consist of:

	<u>2008</u>	<u>2007</u>
Office Equipment	\$ 80,358	\$ 80,358
Furniture and Fixtures	13,395	13,395
Leasehold Improvements	9,532	9,532
Total	103,285	103,285
Less: Accumulated Depreciation	(102,919)	(101,733)
Net Book Value	<u>\$ 366</u>	<u>\$ 1,552</u>

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenditures consist of the following:

	<u>2008</u>	<u>2007</u>
120 Wall Street Company LLC (Rent)	\$ 17,989	\$ 31,987
Padilla and Company, LLP	6,500	6,300
120 Wall Street Company LLC (Utilities)	2,506	1,419
Staples Credit Plan	-	14
Professional fee -IT Support	380	-
Credit charge from Chase Bank	53	-
Scholarship	5,000	-
Agency support	230,000	-
Total	<u>\$ 262,428</u>	<u>\$ 39,720</u>

ASIAN AMERICAN FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

8. DUE TO OTHER AGENCIES

These consist of monies received but are intended for use by start-up agencies where the Company acts as fiscal conduit:

	2008	2007
AsiaNextGen	\$ 28,750	\$ 25,891
Kyopo	300	-
Individual Research Grant from the Civil Liberty Public Education Fund	2,687	2,687
Total	\$ 31,737	\$ 28,578

9. DEFERRED INCOME

This balance represents grants received in the current fiscal year but intended for use for the following fiscal year:

	2008	2007
The Starr Foundation	\$ -	\$ 50,000
Time Warner	-	17,500
C.J. Huang Foundation	-	15,000
Frank Feinberg	5,000	10,000
Total	\$ 5,000	\$ 92,500

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net asset (High Yield Savings) of \$25,000 represents a grant from the Joyce Mertz Gilmore Foundation for a revolving loan fund for member agencies. In fiscal year 2007, the Federation established an endowment fund for the Asian American Community Fund which is now amounting to \$135,950 (FY'08 - \$10,950 and FY '07 - \$125,000). Likewise in fiscal year 2008, the board designated the \$25,000 revolving loan fund towards the Community Fund Endowment. Furthermore, a total of \$125,000 (FY'08 - \$50,000 and FY '07 - \$75,000) was received for the Federation's general endowment. The major contributors were as follows:

ASIAN AMERICAN FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

10. PERMANENTLY RESTRICTED NET ASSETS (cont.)

Name of Contributor	2008	2007
Paul D.C. Huang Fund	\$ 50,000	\$ 100,000
Albert Chin Fund	10,950	50,000
Tiger Baron Foundation	-	25,500
Yung Duk Kim, Ph.D.	-	10,000
Adam & Partners, LLC	-	7,000
Long Mountain Road Foundation	-	5,000
Others	-	2,500
	<u>\$ 60,950</u>	<u>\$ 200,000</u>

The total amount of endowment funds of \$282,914 (\$285,950 less unrealized loss on investments of \$3,036) and the interest income of \$5,650 were invested with Smith Barney (Note 5).

11. FUNDRAISING EXPENSES

For better financial statement presentation, fundraising expenses were identified and segregated from administrative expenses. Therefore, a separate column in the statement of functional expenses and a separate services line in the statement of activities were added. The fundraising expenses include the cost of the annual gala held on April 30, 2008 and May 8, 2007 for the fiscal years ended June 30, 2008 and 2007 respectively.

ASIAN AMERICAN FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

12. DESIGNATION OF TEMPORARILY RESTRICTED NET ASSETS

The Board of Directors has designated a portion of the Federation's net assets from last year's operating surplus for the purpose of establishing a reserve for the funding of future programs should there be a shortfall.

13. LEASE COMMITMENTS

The Federation currently has a fifteen-year operating lease agreement with the Wall Street Company for its office space located at 120 Wall Street, New York.

The term expires on July 31, 2012 and the annual rent is as follows:

August 01, 1997 – July 31, 2002	\$ 78,108.84
August 01, 2002 – July 31, 2007	92,106.84
August 01, 2007 – July 31, 2012	106,104.84

Rent and utilities during the year amounted to \$125,657. The scheduled rent increases over the lease term were amortized over the lease term on a straight-line basis.

14. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Federation to concentrations of credit risk consist principally of cash account in financial institutions, which from time to time, exceed the Federal depository insurance coverage limit. The Federation maintains its cash balances at various financial institutions in New York. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000.

15. RETIREMENT PLAN

The Federation sponsors a 403 (b) pension plan for the benefit of its employees who have rendered at least one year of service. The Federation contributes 3% of participants' annual salary. The employees have the option to contribute his or her share up to a maximum of \$10,500 annually. Contributions made for the years ended June 30, 2008 and 2007 amounted to \$16,252 and \$14,507, respectively.

**ASIAN AMERICAN FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

16. SUBSEQUENT EVENTS

No subsequent events of material nature came to our attention warranting adjustment or disclosure.

17. INCOME COLLECTED AND EXPENSES INCURRED ON BEHALF OF OTHER AGENCIES

Income collected on behalf of the other agencies represents donation received on behalf of the agencies enumerated below. These agencies are in the process of applying for a 501 (c) (3) tax exempt status. The Federation collected the donations and remitted it back to these agencies, which are the following:

Name of Agencies	2008	2007
South Asian Health Project	\$ 9,500	\$ 67,175
United East Athletic Association	-	2,045
Individual Research Grant from the Civil Liberty Public Education Fund	-	500
AsiaNextGen	26,140	109
	<u>\$ 35,640</u>	<u>\$ 69,829</u>

18. LINE OF CREDIT

The Federation has an existing line of credit of \$200,000 with Commerce Bank. The term is for 5 years commencing on November 9, 2006 and expiring on November 9, 2011. The Federation has not availed of this since fiscal year 2007.

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