
ASIAN PACIFIC ENVIRONMENTAL NETWORK

FINANCIAL STATEMENTS

December 31, 2017

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

ASIAN PACIFIC ENVIRONMENTAL NETWORK

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Asian Pacific Environmental Network
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Asian Pacific Environmental Network, which comprise the statement of financial position as of December 31, 2017, and the related statements of activity, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asian Pacific Environmental Network as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Asian Pacific Environmental Network's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in black ink that reads "Croody & Lameda CPAs LLP". The signature is written in a cursive, flowing style.

Oakland, California

July 27, 2018

ASIAN PACIFIC ENVIRONMENTAL NETWORK

Statement of Financial Position

December 31, 2017

(With Comparative Totals as of December 31, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,826,592	\$ 1,815,858
Accounts receivable	42,833	285,023
Pledges receivable	16,481	36,931
Grants receivable (Note 9)	1,372,839	1,076,167
Prepaid expenses	43,445	57,222
Total Current Assets	<u>3,302,190</u>	<u>3,271,201</u>
Grants receivable (Note 9)	808,194	1,379,241
Property and equipment, net (Note 3)	11,461	5,303
Deposits	46,562	46,512
Total Assets	<u>\$ 4,168,407</u>	<u>\$ 4,702,257</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 45,491	\$ 189,227
Accrued vacation	44,884	63,802
Deferred revenue	15,300	15,000
Deferred lease obligation	60,080	80,985
Total Liabilities	<u>165,755</u>	<u>349,014</u>
Commitments and Contingencies (Notes 4 and 5)		
Net Assets		
Unrestricted	190,966	321,404
Temporarily restricted (Note 6)	3,811,686	4,031,839
Total Net Assets	<u>4,002,652</u>	<u>4,353,243</u>
Total Liabilities and Net Assets	<u>\$ 4,168,407</u>	<u>\$ 4,702,257</u>

See Notes to the Financial Statements

ASIAN PACIFIC ENVIRONMENTAL NETWORK

**Statement of Activities
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
Support and Revenue				
Support				
Individual contributions	\$ 36,634	\$	\$ 36,634	\$ 136,992
Foundation and corporate grants	173,042	2,364,418	2,537,460	2,382,692
Government grants	78,786		78,786	41,123
Total Support	<u>288,462</u>	<u>2,364,418</u>	<u>2,652,880</u>	<u>2,560,807</u>
Revenue				
Fee for service	133,200		133,200	364,469
Interest and dividends	3,976		3,976	2,291
Other	3,887		3,887	4,676
Total Revenue	<u>141,063</u>	<u>-</u>	<u>141,063</u>	<u>371,436</u>
Net assets released from donor restrictions (Note 6)	<u>2,584,571</u>	<u>(2,584,571)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>3,014,096</u>	<u>(220,153)</u>	<u>2,793,943</u>	<u>2,932,243</u>
Expenses				
Program	2,566,935		2,566,935	2,270,439
Management and general	314,512		314,512	273,444
Fundraising	263,087		263,087	253,077
Total Expenses	<u>3,144,534</u>	<u>-</u>	<u>3,144,534</u>	<u>2,796,960</u>
Change in Net Assets	(130,438)	(220,153)	(350,591)	135,283
Net Assets, beginning of year	<u>321,404</u>	<u>4,031,839</u>	<u>4,353,243</u>	<u>4,217,960</u>
Net Assets, end of year	<u>\$ 190,966</u>	<u>\$ 3,811,686</u>	<u>\$ 4,002,652</u>	<u>\$ 4,353,243</u>

See Notes to the Financial Statements

ASIAN PACIFIC ENVIRONMENTAL NETWORK

**Statement of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (350,591)	\$ 135,283
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	3,401	1,889
Change in assets and liabilities:		
Accounts receivable	242,190	(254,342)
Pledges receivable	20,450	(26,754)
Grants receivable	274,375	389,909
Prepaid expenses	13,777	(24,520)
Deposits	(50)	(975)
Accounts payable and accrued expenses	(143,736)	155,711
Accrued vacation	(18,918)	31,128
Deferred revenue	300	(21,250)
Deferred lease obligation	(20,905)	(3,043)
Net cash provided (used) by operating activities	20,293	383,036
Cash flows from investing activities:		
Purchase of property and equipment	(9,559)	-
Net cash provided (used) by investing activities	(9,559)	-
Net change in cash and cash equivalents	10,734	383,036
Cash and cash equivalents, beginning of year	1,815,858	1,432,822
Cash and cash equivalents, end of year	\$ 1,826,592	\$ 1,815,858

See Notes to the Financial Statements

ASIAN PACIFIC ENVIRONMENTAL NETWORK

**Statement of Functional Expenses
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

	Program	Management and General	Fundraising	Total	
				2017	2016
Salaries	\$ 1,368,248	\$ 152,549	\$ 163,158	\$ 1,683,955	\$ 1,488,042
Retirement contributions	54,325	9,084	6,896	70,305	59,477
Other employee benefits	156,793	24,174	18,147	199,114	171,717
Payroll taxes	115,944	17,738	13,372	147,054	130,547
Total Personnel	<u>1,695,310</u>	<u>203,545</u>	<u>201,573</u>	<u>2,100,428</u>	<u>1,849,783</u>
Accounting	-	24,460	-	24,460	27,198
Legal	-	1,513	-	1,513	1,410
Other professional services	418,293	27,246	20,316	465,855	392,474
Supplies and office expenses	62,219	8,630	6,215	77,064	104,902
Occupancy	215,306	32,683	24,694	272,683	245,270
Travel and meals	44,102	821	853	45,776	46,443
Conferences, conventions, meetings	89,314	4,830	2,576	96,720	87,906
Depreciation	3,215	186	-	3,401	1,889
Insurance	4,064	4,022	432	8,518	8,366
Dues, licenses, service fees	19,646	3,373	2,384	25,403	17,518
Professional development	7,698	1,914	2,162	11,774	3,115
Contributions	5,095	1,289	62	6,446	8,089
Miscellaneous	2,673	-	1,820	4,493	2,597
Total Expenses	<u>\$ 2,566,935</u>	<u>\$ 314,512</u>	<u>\$ 263,087</u>	<u>\$ 3,144,534</u>	<u>\$ 2,796,960</u>

See Notes to the Financial Statements

ASIAN PACIFIC ENVIRONMENTAL NETWORK

Notes to the Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for the Year Ended December 31, 2016)

NOTE 1: NATURE OF ACTIVITIES

The Asian Pacific Environmental Network (The Organization) is a California nonprofit public benefit corporation established to unify and empower people – particularly Asian American and Pacific Islander communities – to learn about issues of environmental health and justice, sustainable development, civil rights, occupational safety and health, and other community issues.

The Organization's offices are located in Oakland and Richmond, California. Its activities are primarily supported by private grants and contributions from individuals and allied organizations.

The Organization's programs include:

Local Organizing: The program's work is focused on building and expanding a membership base of low income Asian Pacific Islander immigrant and refugee communities. Members and leaders guide aspects of the Organization's campaign and movement building work.

Statewide Policy and Civic Engagement: The Organization leads select campaigns, around policies of importance to its members and their communities. The Organization's civic engagement program educates and mobilizes Asian immigrant and refugee voters on non-partisan ballot issues.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying 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).

Basis of Presentation

The Organization presents 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. The three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or

ASIAN PACIFIC ENVIRONMENTAL NETWORK

Notes to the Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for the Year Ended December 31, 2016)

reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of December 31, 2017.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily 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.

Accounts, Pledges, and Grants Receivable

The Organization considers all accounts, pledges, and grants receivable to be fully collectible at December 31, 2017. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2017 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended December 31, 2017.

ASIAN PACIFIC ENVIRONMENTAL NETWORK

Notes to the Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for the Year Ended December 31, 2016)

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on December 31, 2017.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$5,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment 3-5 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

ASIAN PACIFIC ENVIRONMENTAL NETWORK

**Notes to the Financial Statements
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of July 27, 2018 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 28,539	\$ 20,321
Leasehold improvements	6,515	6,515
Less accumulated depreciation	<u>(23,593)</u>	<u>(21,533)</u>
Total	<u>\$ 11,461</u>	<u>\$ 5,303</u>

NOTE 4: COMMITMENTS

Operating Leases

The Organization is party to leases office spaces, copiers, and other office equipment with various expiration dates through August 2021. Future minimum lease payments are as follows for the years ended December 31:

2018	\$ 279,469
2019	219,379
2020	23,793
2021	<u>504</u>
Total	<u>\$ 523,145</u>

Rent for the years ended December 31, 2017 and 2016 was \$260,707 and \$238,403, respectively.

ASIAN PACIFIC ENVIRONMENTAL NETWORK

**Notes to the Financial Statements
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

NOTE 5: CONTINGENCIES

Compliance with Donor Restrictions

Grant awards require the fulfillment of certain conditions as set forth in the provisions of the grants. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

Sabbaticals

The Organization offers eligible employees up to three months paid sabbatical leave after five consecutive years of full-time employment (or prorated for regular part-time employees). Sabbatical benefits do not vest and leave is discretionary based on quality of job performance, likelihood of continued employment, overall intensity and nature of work responsibilities, and any other factors or special circumstances considered relevant by the Organization. As of December 31, 2017, the Organization's management has estimated that any costs to the Organization to implement this policy would not be significant, and therefore has not accrued the liability.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Oakland organizing	\$ 236,362	\$ 168,861
Richmond organizing	73,634	166,567
State	458,042	737,205
Civic engagement	75,250	50,250
Capacity building	81,917	102,000
Network	3,636	29,167
Communications	27,917	25,000
AYPAL	523,391	211,165
Policy	22,500	-
Future periods	<u>2,309,037</u>	<u>2,541,624</u>
Total	<u>\$ 3,811,686</u>	<u>\$ 4,031,839</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the years ended December 31:

	<u>2017</u>	<u>2016</u>
Oakland organizing	\$ 132,499	\$ 95,500
Richmond organizing	92,933	92,933
State	442,163	495,245
Civic engagement	50,000	6,250
Capacity building	70,333	28,000
Network	45,531	103,611

ASIAN PACIFIC ENVIRONMENTAL NETWORK

**Notes to the Financial Statements
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)**

Communications	29,583	-
AYPAL	280,076	133,494
Policy	37,500	-
Expiration of time restriction	<u>1,403,953</u>	<u>1,281,551</u>
Total	<u>\$ 2,584,571</u>	<u>\$ 2,236,584</u>

NOTE 7: RETIREMENT CONTRIBUTIONS

The Organization has a defined contribution plan as established under Internal Revenue Code Section 401(k) (the Plan). All regular full-time and regular part-time employees are eligible for participation and are immediately vested in the Plan. For each Plan year, the Organization contributes 5% of each eligible employee's salary. Contributions made by the Organization for 2017 and 2016 totaled \$70,305 and \$59,477, respectively.

NOTE 8: RELATED PARTY TRANSACTIONS

The Organization has a shared cost allocation agreement (the agreement) with a related 501(c)(4) organization, Asian Pacific Environmental Network Action. Under the agreement, the Organization shares personnel services and various overhead expenses with the related organization. The Organization is reimbursed for the portion of these expenses attributed to related party activities based on the agreement. The Executive Director of the Organization is a member and officer of the related organization's board of directors.

As of December 31, 2017 there was no outstanding receivable balance due from Asian Pacific Environmental Network Action.

NOTE 9: GRANTS RECEIVABLE

Grants receivable are recorded at their net realizable value and consist of the following at December 31, 2017:

Gross grants receivable	\$ 2,272,839
Less: Discount to present value at 2%	<u>(91,806)</u>
Total	<u>\$ 2,181,033</u>

Grants receivable at December 31, 2017 are expected to be realized in the following periods:

Less than one year	\$ 1,372,839
One to five years	<u>808,194</u>
Total	<u>\$ 2,181,033</u>

NOTE 10: CONDITIONAL PROMISES TO GIVE

In addition to the activity reflected on the Organizations statement of activity, the Organization received certain conditional promises to give based on program performance and reporting requirements. As of December 31, 2017, conditional promises to give totaled \$472,500. The Organization recognizes such promises to give as support once the related conditions are satisfied.

ASIAN PACIFIC ENVIRONMENTAL NETWORK

**Statement of Program Expenses
For the Year Ended December 31, 2017**

	Programs		Total
	APEN	AYPAL	
Salaries	\$ 1,240,904	\$ 127,344	\$ 1,368,248
Retirement contributions	54,325	-	54,325
Other employee benefits	142,789	14,004	156,793
Payroll taxes	105,069	10,875	115,944
Total Personnel	<u>1,543,087</u>	<u>152,223</u>	<u>1,695,310</u>
Other professional services	383,767	34,526	418,293
Supplies and office expenses	57,553	4,666	62,219
Occupancy	193,975	21,331	215,306
Travel and meals	40,627	3,475	44,102
Conferences, conventions, meetings	72,892	16,422	89,314
Depreciation	3,215	-	3,215
Insurance	3,873	191	4,064
Dues, licenses, service fees	19,308	338	19,646
Professional development	7,698	-	7,698
Contributions	5,095	-	5,095
Miscellaneous	2,642	31	2,673
Total Expenses	<u>\$ 2,333,732</u>	<u>\$ 233,203</u>	<u>\$ 2,566,935</u>

See Notes to the Financial Statements