

THE AMERICAN INDIA FOUNDATION

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

MARCH 31, 2012 AND 2011



LUZ AND CARR

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The American India Foundation

We have audited the accompanying statements of financial position of The American India Foundation (a not-for-profit organization) as of March 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 The American India Foundation as of March 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
August 8, 2012

THE AMERICAN INDIA FOUNDATION
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents (Notes 1c and 3)	\$1,766,259	\$2,056,652
Investments (Notes 1e, 1f and 4)	3,530,767	5,380,375
Unconditional promises to give (Notes 1d and 5)	661,686	46,791
Prepaid expenses and other assets	115,632	96,220
Accounts receivable - AIFT (Note 1b)	308,388	-
Property and equipment, net of accumulated depreciation (Notes 1g and 6)	<u>25,054</u>	<u>22,817</u>
Total Assets	<u><u>\$6,407,786</u></u>	<u><u>\$7,602,855</u></u>
Liabilities and Net Assets		
Liabilities		
Grants payable (Note 7)	\$ 38,680	\$ 308,759
Accounts payable and accrued expenses	75,032	58,718
Accounts payable - AIFT (Note 1b)	-	882,310
Refundable deposits held	<u>11,500</u>	<u>17,500</u>
Total Liabilities	<u>125,212</u>	<u>1,267,287</u>
Commitments (Note 8)		
Net Assets		
Unrestricted	2,554,220	1,952,266
Temporarily restricted (Note 2a)	3,128,354	3,783,302
Permanently restricted (Note 2b)	<u>600,000</u>	<u>600,000</u>
Total Net Assets	<u>6,282,574</u>	<u>6,335,568</u>
Total Liabilities and Net Assets	<u><u>\$6,407,786</u></u>	<u><u>\$7,602,855</u></u>

See notes to financial statements.

THE AMERICAN INDIA FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2012 AND 2011

	2012			2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in Net Assets								
Support and Revenue								
Contributions and grants	\$ 2,054,045	\$ 1,230,183	\$ -	\$3,284,228	\$ 2,474,601	\$ 1,205,229	\$ -	\$3,679,830
Benefit income	4,201,709	-	-	4,201,709	3,864,256	183,762	-	4,048,018
Less: Direct benefit expenses	(656,113)	-	-	(656,113)	(630,717)	-	-	(630,717)
Realized gain (loss) on investments	(5,723)	-	-	(5,723)	3,873	-	-	3,873
Unrealized gain (loss) on investments	(3,856)	-	-	(3,856)	61,539	-	-	61,539
Interest and dividend income	67,221	-	-	67,221	124,563	-	-	124,563
Other income	42,014	-	-	42,014	2,233	-	-	2,233
Gain on foreign currency exchange	8,427	-	-	8,427	7,112	-	-	7,112
Reversal of prior year grants payable (Note 7)	186,016	-	-	186,016	67,605	-	-	67,605
	<u>5,893,740</u>	<u>1,230,183</u>	<u>-</u>	<u>7,123,923</u>	<u>5,975,065</u>	<u>1,388,991</u>	<u>-</u>	<u>7,364,056</u>
Net assets released from restrictions:								
Satisfaction of time and program restrictions	<u>1,885,131</u>	<u>(1,885,131)</u>	<u>-</u>	<u>-</u>	<u>2,101,347</u>	<u>(2,101,347)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>7,778,871</u>	<u>(654,948)</u>	<u>-</u>	<u>7,123,923</u>	<u>8,076,412</u>	<u>(712,356)</u>	<u>-</u>	<u>7,364,056</u>
Expenses								
Program Services	<u>5,916,757</u>	<u>-</u>	<u>-</u>	<u>5,916,757</u>	<u>5,979,476</u>	<u>-</u>	<u>-</u>	<u>5,979,476</u>
Supporting Services								
Management and general	401,237	-	-	401,237	413,369	-	-	413,369
Fundraising	858,923	-	-	858,923	748,008	-	-	748,008
Total Supporting Services	<u>1,260,160</u>	<u>-</u>	<u>-</u>	<u>1,260,160</u>	<u>1,161,377</u>	<u>-</u>	<u>-</u>	<u>1,161,377</u>
Total Expenses	<u>7,176,917</u>	<u>-</u>	<u>-</u>	<u>7,176,917</u>	<u>7,140,853</u>	<u>-</u>	<u>-</u>	<u>7,140,853</u>
Increase (decrease) in net assets	601,954	(654,948)	-	(52,994)	935,559	(712,356)	-	223,203
Net assets, beginning of year	<u>1,952,266</u>	<u>3,783,302</u>	<u>600,000</u>	<u>6,335,568</u>	<u>1,016,707</u>	<u>4,495,658</u>	<u>600,000</u>	<u>6,112,365</u>
Net Assets, End of Year	<u>\$ 2,554,220</u>	<u>\$ 3,128,354</u>	<u>\$ 600,000</u>	<u>\$6,282,574</u>	<u>\$ 1,952,266</u>	<u>\$ 3,783,302</u>	<u>\$ 600,000</u>	<u>\$6,335,568</u>

See notes to financial statements.

THE AMERICAN INDIA FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2012 AND 2011

	2012	2011
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (52,994)	\$ 223,203
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	10,095	9,966
Reversal of prior year grants payable	(186,016)	(67,605)
Donated securities	(207,920)	(301,398)
Realized (gain) loss on investments	5,723	(3,873)
Unrealized (gain) loss on investments	3,856	(61,539)
Increase in:		
Unconditional promises to give	(614,895)	(9,478)
Prepaid expenses and other current assets	(19,412)	(414)
Accounts receivable - AIFT	(308,388)	-
Increase (decrease) in:		
Grants payable	(84,063)	(701,372)
Accounts payable and accrued expenses	16,314	4,774
Accounts payable - AIFT	(882,310)	882,310
Refundable deposits held	(6,000)	4,500
Net Cash Used By Operating Activities	(2,326,010)	(20,926)
 Cash Flows From Investing Activities		
Purchase of property and equipment	(12,332)	(7,211)
Purchases of investments	(120,249)	(1,895,494)
Proceeds from sale of investments	2,168,198	2,311,059
Net Cash Provided By Investing Activities	2,035,617	408,354
 Net increase (decrease) in cash and cash equivalents	(290,393)	387,428
Cash and cash equivalents, beginning of year	2,056,652	1,669,224
 Cash and Cash Equivalents, End of Year	\$1,766,259	\$2,056,652

See notes to financial statements.

THE AMERICAN INDIA FOUNDATION**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2012 AND 2011****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

The American India Foundation (“AIF” or “Organization”) is a not-for-profit organization formed to provide financial, technological, and managerial resources toward helping the people of India realize their full potential and strengthening the bonds between the United States of America and India.

b - Related Organization

In December 2003, AIF signed a memorandum of understanding (“MOU”) with The American India Foundation Trust (“the Trust” or “AIFT”) located in India. The Trust will carry out developmental activities with funds provided by AIF. AIF and the Trust do not share any common members on their respective Board of Directors, and accordingly, the transactions of the Trust have not been included in the accompanying financial statements.

Grants to the Trust from AIF, to support program related expenses, totaled \$2,034,218 and \$2,137,269 for the years ended March 31, 2012 and 2011, respectively. The balance receivable/(payable) from/to the Trust was \$308,388 and \$(882,310) at March 31, 2012 and 2011, respectively.

c - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, except for those short-term investments and cash managed by AIF’s investment managers as part of their long-term investment strategies.

d - Contributions and Unconditional Promises to Give

The Organization reports contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years’ experience and management’s analysis of specific promises made.

THE AMERICAN INDIA FOUNDATION**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2012 AND 2011****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****e - Investments**

The Organization reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Purchases and sales of investments reflected in the statement of cash flows are reported net of short-term investments with maturities of three months or less.

f - Fair Value Measurements

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets and liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the assumptions developed based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3 inputs.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. The investment managers use judgment in determining fair value of assets and liabilities. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

All of the Organization's investments are classified within Level 1 (prices in active markets for identical assets or liabilities) of the fair value hierarchy.

g - Property and Equipment

Property and equipment acquired are recorded at cost and are depreciated using the straight-line method over the estimated useful life of the related asset.

h - Financial Statement Presentation

The Organization 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.

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

i - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j - Income Taxes

The American India Foundation is a not-for-profit organization exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

Management evaluated all income tax positions, including the position that AIF is exempt from income taxes or not subject to income taxes on unrelated business income, and concluded that no disclosures relating to uncertain tax positions are required in the financial statements. The Organization's tax returns for years prior to 2008 are no longer subject to examination by taxing authorities.

k - Subsequent Events

The Organization has evaluated subsequent events through August 8, 2012, the date that the financial statements are considered available to be issued.

Note 2 - Restrictions on Assets

a - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes:

	<u>2012</u>	<u>2011</u>
Donor advised funds	\$1,075,986	\$1,805,375
Digital equalizer	810,197	1,069,725
Future periods	347,747	-
Gender program	404,074	-
Livelihood	354,957	658,188
Public health	39,674	197,084
Clinton Fellows	38,589	29,555
O3 program	34,348	-
Education	15,210	-
Operations	<u>7,572</u>	<u>23,375</u>
	<u>\$3,128,354</u>	<u>\$3,783,302</u>

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

Note 2 - Restrictions on Assets (continued)

b - Endowment Funds

The Organization's endowment consists of two funds established for general support. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York Prudent Management of Institutional Funds Act (NYPMIFA), the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Organization and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Organization;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization; and
- (viii) the investment policy of the Organization

The Organization's endowment funds consist of donor-restricted endowment funds and are classified as permanently restricted net assets.

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

Note 2 - Restrictions on Assets (continued)

b - Endowment Funds (continued)

Changes in the Organization's endowment funds for the years ended March 31, 2012 and 2011 are summarized as follows:

	<u>2012</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds, Beginning of Year	\$ -	\$600,000	\$600,000
Investment return:			
Investment income	13,399	-	13,399
Net realized and unrealized loss on investments	<u>(510)</u>	<u>-</u>	<u>(510)</u>
Total Investment Return	<u>12,889</u>	<u>-</u>	<u>12,889</u>
Appropriation of endowment assets to operations	<u>(12,889)</u>	<u>-</u>	<u>(12,889)</u>
Endowment Funds, End of Year	<u>\$ -</u>	<u>\$600,000</u>	<u>\$600,000</u>
	<u>2011</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds, Beginning of Year	\$ -	\$600,000	\$600,000
Investment return:			
Investment income	13,209	-	13,209
Net realized and unrealized gain on investments	<u>12,329</u>	<u>-</u>	<u>12,329</u>
Total Investment Return	<u>25,538</u>	<u>-</u>	<u>25,538</u>
Appropriation of endowment assets to operations	<u>(25,538)</u>	<u>-</u>	<u>(25,538)</u>
Endowment Funds, End of Year	<u>\$ -</u>	<u>\$600,000</u>	<u>\$600,000</u>

The primary investment objective of AIF is to preserve and protect its assets, by earning a total return for each fund appropriate to each fund's time horizon, liquidity needs, and risk tolerance. AIF seeks to eliminate any excess interest rate risk by limiting the type and the time horizons of its investments.

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

Note 2 - Restrictions on Assets (continued)

b - Endowment Funds (continued)

Asset Quality

Fixed income securities - The quality rating of bonds and notes must be "A" or better, as rated by Standard & Poor's and Moody's. The portfolio may consist of only transitional principal and interest obligations (no derivatives) with maturities of seven years or less.

Cash/Cash equivalents - The quality rating of commercial paper must be A-1, as rated by Standard & Poor's, P-1, as rated by Moody's, or better. The assets of any money market mutual funds must comply with rule 2a-7.

As with implementation of the new guidelines set by the Finance Committee, AIF has taken a conservative view of protecting capital and has been primarily investing in Money Markets, Treasuries and FDIC insured CD's.

The Organization has a policy of appropriating 100% of endowment earnings.

Note 3 - Concentration of Credit Risk

The Organization maintains cash and cash equivalent balances in financial institutions, which from time to time exceed the Federal Depository Insurance Corporation limit and subject the Organization to concentration of credit risk.

Note 4 - Investments

Investments, which are all classified as Level 1 in the fair value hierarchy, are reflected at fair value and consist of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit and auction instruments	\$ 886,000	\$ 898,610	\$1,532,000	\$1,553,427
Cash	1,941,892	1,941,892	2,734,724	2,734,724
Corporate bonds	700,771	689,725	203,364	211,868
Equities	5,303	540	109,630	110,077
Government and agencies bonds	-	-	300,000	300,277
Preferred Stock	-	-	500,000	470,002
	<u>\$3,533,966</u>	<u>\$3,530,767</u>	<u>\$5,379,718</u>	<u>\$5,380,375</u>

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

Note 5 - Unconditional Promises to Give

Unconditional promises to give at March 31, 2012 and 2011 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>		<u>2012</u>	<u>2011</u>
		<u>Future</u>	<u>Future</u>	<u>Total</u>	<u>Total</u>
		<u>Programs</u>	<u>Periods</u>		
Less than one year	\$166,076	\$147,863	\$ 85,532	\$399,471	\$46,791
One to five years	-	-	287,600	287,600	-
Less: Discount to present value	-	-	(25,385)	(25,385)	-
	<u>\$166,076</u>	<u>\$147,863</u>	<u>\$347,747</u>	<u>\$661,686</u>	<u>\$46,791</u>

Uncollectible promises are expected to be insignificant. Unconditional promises to give that are due in more than one year are discounted to net present value using a rate of 3%.

The Organization received a conditional pledge of up to \$350,000. The remaining balance of the award is approximately \$265,000 at March 31, 2012. Payment of the award is contingent upon future activities, accordingly this conditional award has not been recorded in the accompanying financial statements.

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2012</u>	<u>2011</u>
Furniture, fixtures and equipment	5-7 years	\$ 30,908	\$ 30,908
Computer equipment	3-5 years	<u>77,470</u>	<u>65,138</u>
		108,378	96,046
Less: Accumulated depreciation		<u>(83,324)</u>	<u>(73,229)</u>
		<u>\$ 25,054</u>	<u>\$ 22,817</u>

Depreciation expense for the years ended March 31, 2012 and 2011 was \$10,095 and \$9,966, respectively.

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

Note 7 - Grant Making Activities

AIF provides grants to reputable Indian non-governmental organizations (NGO's) that are executing development projects in India. The initial focus of the grant making activities was to provide relief and rehabilitation assistance to victims of the Gujarat earthquake. The grant making activities have since expanded to focus on accelerating social and economic development in all of India.

AIF entered into various Memorandums of Understanding ("MOU") with the NGO's. These organizations are responsible for carrying out developmental activities with funds provided by AIF, and, if applicable, with matching contributions provided by other organizations. The amounts due to the NGO's are generally payable in installments based on certain criteria and/or milestones achieved as contained within the MOU. If at any stage AIF is not satisfied with the quantity or quality of the work on the project, it can withhold payment. During the year, AIF reviewed its unpaid grants and modified agreements which did not meet the annual obligation of the MOU. These modifications are summarized by area below.

AIF awarded grants and incurred expenses in administrating such grants. The grants were awarded in the following areas:

	<u>2012</u>	<u>2011</u>
Grants awarded (including Donor Advised Fund Awards)		
Education	\$ 749,514	\$ 861,434
Livelihood	1,746,587	1,610,602
Public Health	239,379	420,696
	<u>2,735,480</u>	<u>2,892,732</u>
Less: Modified grant agreements		
Livelihood	(167,983)	(8,268)
Education	(5,239)	(34,155)
Public Health	(12,794)	-
Tsunami Relief	-	(25,182)
	<u>(186,016)</u>	<u>(67,605)</u>
Grants awarded to AIF Trust		
Clinton Fellows	7,961	66,096
Digital Equalizer	1,543,963	1,413,413
Education	214,903	305,151
Livelihood	162,128	315,835
Public Health	59,906	36,774
Awareness and Engagement	45,357	-
	<u>2,034,218</u>	<u>2,137,269</u>
	<u>\$4,583,682</u>	<u>\$4,962,396</u>

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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Note 7 - Grant Making Activities (continued)

The unpaid balances of these grants made prior to April 1 are reflected below as grants payable:

	<u>2012</u>	<u>2011</u>
Livelihood	\$ -	\$182,261
Education	-	5,239
Public Health	<u>38,680</u>	<u>121,259</u>
	<u>\$38,680</u>	<u>\$308,759</u>

New MOUs were written in which each installment to be paid to a NGO is contingent upon the NGO's compliance with the requirements. The contingent balance of these MOU's as of March 31, 2012, which has not been accrued, amounted to:

Livelihood	\$971,535
Education	198,575
Public Health	<u>48,957</u>
	<u>\$1,219,067</u>

Note 8 - Commitments

AIF has offices in California and New York. AIF's minimum annual obligation under the lease agreements is as follows:

<u>Year Ending March 31,</u>	
2013	\$216,291
2014	230,777
2015	184,960

Rent expense for the years ended March 31, 2012 and 2011 was \$216,247 and \$198,590, respectively.

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011

Note 9 - Functional Allocation of Expenses

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