

**THE AMERICAN INDIA FOUNDATION**

**FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**MARCH 31, 2008 AND 2007**

# THE AMERICAN INDIA FOUNDATION

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# LOTZ AND GARR

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## INDEPENDENT AUDITOR'S 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, 2008 and 2007, and the related statements of activities and cash flows for the year ended March 31, 2008 and the fifteen months ended March 31, 2007. 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, 2008 and 2007, and the changes in its net assets and its cash flows for the year ended March 31, 2008 and the fifteen months ended March 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

*Lotz + Carr, LLP*

New York, New York  
July 29, 2008

**THE AMERICAN INDIA FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1c and 3)	\$ 702,338	\$ 416,283
Investments (Notes 1e and 4)	7,808,870	6,791,903
Unconditional promises to give (Notes 1d and 5)	464,418	1,414,940
Prepaid expenses and other assets	205,113	71,932
Property and equipment, net of accumulated depreciation (Notes 1f and 6)	<u>4,135</u>	<u>6,840</u>
<b>Total Assets</b>	<u><u>\$9,184,874</u></u>	<u><u>\$8,701,898</u></u>
<b>Liabilities and Net Assets</b>		
Grants payable (Note 7)	\$3,494,058	\$2,488,571
Accounts payable and accrued expenses	52,413	48,122
Refundable deposits held	20,800	16,000
Total Liabilities	<u>3,567,271</u>	<u>2,552,693</u>
Commitments (Note 8)		
<b>Net Assets</b>		
Unrestricted	517,788	936,534
Temporarily restricted (Note 2a)	4,499,815	4,612,671
Permanently restricted (Note 2b)	600,000	600,000
Total Net Assets	<u>5,617,603</u>	<u>6,149,205</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$9,184,874</u></u>	<u><u>\$8,701,898</u></u>

See notes to financial statements.

THE AMERICAN INDIA FOUNDATION  
STATEMENTS OF ACTIVITIES

	Year Ended March 31, 2008			Fifteen Months Ended March 31, 2007 *			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Changes in Net Assets</b>							
Support and Revenue							
Contributions and grants	\$ 2,518,791	\$ 1,064,794	\$ -	\$ 2,632,531	\$ 2,225,851	\$ -	\$ 4,858,382
Benefit income	5,109,767	1,701,631	-	5,018,616	406,520	-	5,425,136
Less: Direct benefit expenses	(804,133)	-	-	(506,053)	-	-	(506,053)
Merchandise sales	-	-	-	121,916	-	-	121,916
Less: Cost of goods sold	-	-	-	(99,365)	-	-	(99,365)
Realized gain (loss) on investments	(2,439)	-	-	3,535	-	-	3,535
Unrealized gain on investments	6,945	-	-	6,443	-	-	6,443
Loss on foreign currency exchange	(220,000)	-	-	(58,186)	-	-	(58,186)
Interest and other income	379,235	-	-	328,393	-	-	328,393
	<u>6,988,166</u>	<u>2,766,425</u>	-	<u>7,447,830</u>	<u>2,632,371</u>	-	<u>10,080,201</u>
Net assets released from restrictions:							
Satisfaction of time and program restrictions	2,375,961	(2,375,961)	-	2,048,463	(2,048,463)	-	-
Change in terms of restricted grant	-	(503,320)	-	-	(50,565)	-	(50,555)
	<u>9,364,127</u>	<u>(112,856)</u>	-	<u>9,496,293</u>	<u>533,353</u>	-	<u>10,029,646</u>
<b>Expenses</b>							
Program Services	8,304,670	-	-	8,596,280	-	-	8,596,280
Supporting Services	481,192	-	-	469,890	-	-	469,890
Management and general	997,011	-	-	1,102,110	-	-	1,102,110
Fundraising	1,478,203	-	-	1,572,000	-	-	1,572,000
Total Supporting Services	<u>9,782,873</u>	-	-	<u>10,168,280</u>	-	-	<u>10,168,280</u>
Total Expenses	(418,746)	(112,856)	-	(671,987)	533,353	-	(138,634)
Increase (decrease) in net assets	936,534	4,612,671	600,000	1,608,521	4,079,318	600,000	6,287,839
Net assets at beginning of year	\$ 517,788	\$ 4,499,815	\$ 600,000	\$ 936,534	\$ 4,612,671	\$ 600,000	\$ 6,149,205
<b>Net Assets at End of Year</b>	<u>\$ 517,788</u>	<u>\$ 4,499,815</u>	<u>\$ 600,000</u>	<u>\$ 936,534</u>	<u>\$ 4,612,671</u>	<u>\$ 600,000</u>	<u>\$ 6,149,205</u>

\* Certain amounts have been reclassified for comparative purposes.

See notes to financial statements.

## THE AMERICAN INDIA FOUNDATION

## STATEMENTS OF CASH FLOWS

	Year Ended March 31, 2008	Fifteen Months Ended March 31, 2007
	<u>                    </u>	<u>                    </u>
<b>Cash Flows From Operating Activities</b>		
Decrease in net assets	\$ (531,602)	\$ (138,634)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,705	4,837
Equipment donated to AIF Trust	-	6,684
Donated securities	(1,139,090)	(145,002)
Realized (gain) loss on investments	2,439	(3,535)
Unrealized gain on investments	(6,945)	(6,443)
(Increase) decrease in:		
Unconditional promises to give	950,522	(213,995)
Prepaid expenses and other current assets	(133,181)	9,348
Increase (decrease) in:		
Grants payable	1,005,487	818,377
Accounts payable and accrued expenses	4,291	(107,454)
Refundable deposits held	4,800	6,000
Net Cash Provided By Operating Activities	<u>159,426</u>	<u>230,183</u>
 <b>Cash Flows From Investing Activities</b>		
Purchases of investments	(4,396,475)	(5,197,983)
Proceeds from sale of investments	4,523,104	2,697,528
Net Cash Provided (Used) By Investing Activities	<u>126,629</u>	<u>(2,500,455)</u>
 Net increase (decrease) in cash and cash equivalents	286,055	(2,270,272)
Cash and cash equivalents at beginning of year	<u>416,283</u>	<u>2,686,555</u>
 <b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 702,338</u>	<u>\$ 416,283</u>

See notes to financial statements.

**THE AMERICAN INDIA FOUNDATION****NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2008 AND MARCH 31, 2007****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

The American India Foundation ("AIF") 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") 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.

In 2005, AIF assisted a fledgling non-profit organization named League of Artisans ("LOA"), whose mission was to create a unifying platform to build sustainable business enterprises in the craft sector in India, by making it a program of AIF. Within 18 months, LOA had grown sufficiently strong to stand alone, and in January 2007, AIF donated the net balance earned from this activity to LOA. LOA is now operating independently.

**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, 2008 AND MARCH 31, 2007**

**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. Interest, 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. Investment income restricted by the donor is reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the income is recognized.

f - 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.

g - 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.

h - 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.

i - 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.

j - Change in Fiscal Year

The Board of Directors approved a change in the Organization's year end from December 31 to March 31. Accordingly, these statements reflect activity for the year ended March 31, 2008 and fifteen months ended March 31, 2007.



**THE AMERICAN INDIA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2008 AND MARCH 31, 2007**

**Note 2 - Restrictions on Assets**

a - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes:

	<u>March 31,</u> <u>2008</u>	<u>March 31,</u> <u>2007</u>
Donor advised funds	\$1,967,927	\$ 755,595
Livelihood	694,207	793,363
Public Health	655,213	1,808,094
Future periods	615,191	213,500
Digital equalizer	485,676	-
Development	56,808	150,821
Tsunami Relief	24,793	819,144
Gujarat Earthquake Fund	-	72,154
	<u>\$4,499,815</u>	<u>\$4,612,671</u>

b - Permanently Restricted Net Assets

Permanently restricted net assets consist of two endowments totaling \$600,000. The investment income generated from the endowments is unrestricted and can be used for general purposes.

**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 are reflected at fair value and consist of the following:

	<u>March 31, 2008</u>		<u>March 31, 2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Municipal bonds	\$2,501,932	\$2,512,023	\$3,981,327	\$3,962,212
Agencies bonds	548,050	552,284	198,050	199,688
Corporate bonds	517,883	520,005	623,476	609,099
Mortgage backed securities	116,486	107,468	161,655	152,636
Equities	265,000	270,280	-	-
Preferred Stock	500,000	450,280	-	-
Mutual funds	677,126	674,517	-	-
Certificates of deposit and auction instruments	1,170,638	1,169,803	1,822,010	1,815,483
Cash	<u>1,552,210</u>	<u>1,552,210</u>	<u>52,785</u>	<u>52,785</u>
	<u>\$7,849,325</u>	<u>\$7,808,870</u>	<u>\$6,839,303</u>	<u>\$6,791,903</u>

**THE AMERICAN INDIA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2008 AND MARCH 31, 2007**

**Note 5 - Unconditional Promises to Give**

Unconditional promises to give are designated as follows:

	<u>Unrestricted</u>	<u>Restricted for Future Programs and Periods</u>	<u>2008 Total</u>	<u>2007 Total</u>
Due within one year	\$ 269,418	\$ 110,000	\$379,418	\$1,414,940
Due from one to five years	-	85,000	85,000	-
March 31, 2008 Total	<u>\$ 269,418</u>	<u>\$ 195,000</u>	<u>\$464,418</u>	
March 31, 2007 Total		<u>\$ 1,075,390</u>		<u>\$1,414,940</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 5%.

**Note 6 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2008</u>	<u>2007</u>
Furniture, fixtures and equipment	5-7 years	\$11,557	\$11,557
Computer equipment	3-5 years	<u>39,819</u>	<u>39,819</u>
		51,376	51,376
Less: Accumulated depreciation		<u>(47,241)</u>	<u>(44,536)</u>
		<u>\$ 4,135</u>	<u>\$ 6,840</u>

Depreciation expense for the year ended March 31, 2008 and fifteen month period ending March 31, 2007 was \$2,705 and \$4,837, respectively.

**THE AMERICAN INDIA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2008 AND MARCH 31, 2007**

**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 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.

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

	<u>2008</u>	<u>2007</u>
Public Health	\$1,561,629	\$2,492,310
Education	1,773,387	1,689,461
Livelihood	1,619,392	1,239,401
Gujarat Earthquake Fund	20,214	333,248
Tsunami Relief	756,164	331,318
Other	<u>155,595</u>	<u>379,125</u>
	<u>5,886,381</u>	<u>6,464,863</u>
Grants awarded to AIF Trust		
Service Corps	133,346	44,717
Digital Equalizer	961,418	582,009
Donor Education	4,540	8,522
Public Health	83,962	37,252
Education	43,150	78,053
Livelihood	69,938	58,910
Tsunami Relief	28,647	17,643
AIF Trust administrative and other expenses	<u>378,110</u>	<u>395,129</u>
	<u>1,703,111</u>	<u>1,222,235</u>
	<u>\$7,589,492</u>	<u>\$7,687,098</u>

**THE AMERICAN INDIA FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2008 AND MARCH 31, 2007**

**Note 7 - Grant Making Activities (continued)**

The unpaid balances of these grants are reflected as grants payable:

	<u>2008</u>	<u>2007</u>
Livelihood	\$1,627,355	\$ 997,458
Education	733,721	495,761
Tsunami Relief	462,902	336,658
Public Health	489,077	340,747
Gujarat Earthquake Fund	<u>181,003</u>	<u>317,947</u>
	<u>\$3,494,058</u>	<u>\$2,488,571</u>

**Note 8 - Commitments**

AIF relocated its offices in California and New York, in October 2007 and April 2008, respectively. AIF's minimum annual obligation under the new lease agreements is as follows:

Year ending March 31, 2009	\$205,256
“ “ “ “ 2010	211,116
“ “ “ “ 2011	196,765
“ “ “ “ 2012	161,723
“ “ “ “ 2013	166,575
Thereafter, through March 31, 2015	364,532

Rent expense for the year ended March 31, 2008 and fifteen month period ending March 31, 2007 was \$94,691 and \$116,884, respectively.

**Note 9 - Functional Allocation of Expenses**

The cost of providing the various programs 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.

**ADDITIONAL INFORMATION**

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## INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of  
The American India Foundation

Our report on our audits of the basic financial statements of The American India Foundation for year ended March 31, 2008 and fifteen months ended March 31, 2007 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for year ended March 31, 2008 with comparative totals for the fifteen months ended March 31, 2007 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lutz + Carr, LLP*

New York, New York  
July 29, 2008

THE AMERICAN INDIA FOUNDATION  
 SCHEDULE OF FUNCTIONAL EXPENSES  
 YEAR ENDED MARCH 31, 2008 WITH  
 COMPARATIVE TOTALS FOR FIFTEEN MONTHS ENDED MARCH 31, 2007

	Service Corps	Program Services			Grant Making	Total	Support Services		Year Ended March 31, 2008 Total Expenses	Fifteen Months Ended March 31, 2007* Total Expenses
		Digital Equalizer	Donor Education	League of Artisans			Management and General	Fundraising		
Salaries	\$ 58,935	\$ 74,227	\$ 17,559	\$ -	\$ 158,578	\$ 309,299	\$ 122,642	\$ 393,069	\$ 825,010	\$ 816,173
Fringe and employee benefits	14,039	9,461	3,464	-	35,753	62,717	65,938	85,769	214,424	185,634
Slipends	270	7,036	-	-	2,214	9,520	-	-	9,520	29,779
Grants (Note 7)	-	-	-	-	5,886,381	5,886,381	-	-	5,886,381	6,464,863
Grants to AIF Trust for programs and administration (Notes 1b and 7)	133,346	961,418	4,540	-	603,807	1,703,111	-	-	1,703,111	1,222,235
Consulting	18,194	27,512	-	-	15,050	60,756	110,560	23,612	194,928	312,626
Professional services	-	-	-	-	-	-	26,118	-	26,118	27,025
Office supplies	4,340	2,676	2,210	-	5,486	14,724	7,022	13,676	35,422	86,325
Equipment, repairs and maintenance	857	1,466	857	-	1,287	4,457	8,605	25,398	38,460	24,434
Printing and postage	3,901	3,854	5,864	-	18,040	31,659	5,886	34,524	72,069	144,744
Insurance	7,462	340	340	-	511	8,653	8,217	2,073	18,943	21,799
Occupancy	15,312	18,587	14,508	-	20,282	68,689	11,544	74,885	155,118	200,945
Training	-	-	-	-	-	-	-	2,305	2,305	7,328
Travel and lodging	55,890	22,905	41,877	-	16,060	136,732	9,003	22,560	168,295	172,286
Indirect benefit expenses	-	-	-	-	-	-	-	309,522	309,522	359,437
Dues and fees	-	-	-	-	-	-	1,910	60	1,970	806
Depreciation	-	-	-	-	-	-	2,705	-	2,705	4,837
Promotional and development	3,562	2,223	1,457	-	650	7,892	2,212	8,943	19,047	61,709
Bad debt	-	-	-	-	-	-	68,550	-	68,550	-
Miscellaneous	-	80	-	-	-	80	30,280	615	30,975	25,095
<b>Total Expenses, March 31, 2008</b>	<b>\$316,108</b>	<b>\$1,131,775</b>	<b>\$ 92,676</b>	<b>\$ -</b>	<b>\$6,764,111</b>	<b>\$8,304,670</b>	<b>\$ 481,192</b>	<b>\$ 997,011</b>	<b>\$9,782,873</b>	<b>\$10,168,280</b>
<b>Total Expenses, March 31, 2007</b>	<b>\$187,068</b>	<b>\$ 720,214</b>	<b>\$ 86,235</b>	<b>\$512,064</b>	<b>\$7,090,699</b>	<b>\$8,596,280</b>	<b>\$ 469,890</b>	<b>\$1,102,110</b>	<b>\$1,572,000</b>	

\* Certain amounts have been reclassified for comparative purposes.

See independent auditor's report on additional information.