

THE AMERICAN INDIA FOUNDATION

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

DECEMBER 31, 2004

THE AMERICAN INDIA FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The American India Foundation

We have audited the accompanying statement of financial position of The American India Foundation (a not-for-profit organization), as of December 31, 2004, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 audit provides 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 December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Lutz + Carr, LLP

New York, New York
March 23, 2005

THE AMERICAN INDIA FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2004

Assets

Cash and cash equivalents (Notes 1c and 3)	\$2,906,918
Investments (Notes 1e and 4)	3,492,608
Unconditional promises to give (Notes 1d and 5)	524,316
Prepaid expenses and other current assets	21,661
Property and equipment (net of accumulated depreciation) (Notes 1f and 6)	<u>20,742</u>

Total Assets\$6,966,245**Liabilities and Net Assets**

Grants payable (Note 7)	\$1,563,122
Agency funds payable (Note 8)	25,291
Accounts payable and accrued expenses	115,549
Refundable deposits held	<u>12,500</u>

Total Liabilities1,716,462**Commitments (Note 10)****Net Assets**

Unrestricted	2,388,478
Temporarily restricted (Note 2a)	2,261,305
Permanently restricted (Note 2b)	600,000
Total Net Assets	<u><u>5,249,783</u></u>

Total Liabilities and Net Assets\$6,966,245

See notes to financial statements.

THE AMERICAN INDIA FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Changes in Net Assets				
Support and Revenue				
Contributions and grants	\$1,739,704	\$ 1,860,710	\$ -	\$3,600,414
Benefit income	2,181,021	-	-	2,181,021
Less: Direct benefit expenses	(262,708)	-	-	(262,708)
Donated services and facilities (Note 9)	212,906	-	-	212,906
Realized loss on investments	(6,743)	-	-	(6,743)
Unrealized loss on investments	(3,918)	-	-	(3,918)
Interest and other income	73,604	-	-	73,604
	<u>3,933,866</u>	<u>1,860,710</u>	<u>-</u>	<u>5,794,576</u>
Net assets released from restrictions:				
Satisfaction of time and program restrictions	1,622,980	(1,622,980)	-	-
Return of grants	<u>-</u>	<u>(141,300)</u>	<u>-</u>	<u>(141,300)</u>
Total Support and Revenue	<u>5,556,846</u>	<u>96,430</u>	<u>-</u>	<u>5,653,276</u>
Expenses				
Program Services	<u>4,308,615</u>	<u>-</u>	<u>-</u>	<u>4,308,615</u>
Supporting Services				
Management and general	423,701	-	-	423,701
Fundraising	670,881	-	-	670,881
Total Supporting Services	<u>1,094,582</u>	<u>-</u>	<u>-</u>	<u>1,094,582</u>
Total Expenses	<u>5,403,197</u>	<u>-</u>	<u>-</u>	<u>5,403,197</u>
Increase in net assets	<u>153,649</u>	<u>96,430</u>	<u>-</u>	<u>250,079</u>
Net assets, at beginning of year, as previously reported	2,360,481	2,039,223	600,000	4,999,704
Prior period adjustment (Note 12)	<u>(125,652)</u>	<u>125,652</u>	<u>-</u>	<u>-</u>
Net assets, at beginning of year, as restated	<u>2,234,829</u>	<u>2,164,875</u>	<u>600,000</u>	<u>4,999,704</u>
Net Assets at End of Year	<u>\$2,388,478</u>	<u>\$ 2,261,305</u>	<u>\$ 600,000</u>	<u>\$5,249,783</u>

See notes to financial statements.

THE AMERICAN INDIA FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2004

Cash Flows From Operating Activities

Increase in net assets	\$ 250,079
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	13,672
Donated securities	(346,370)
Realized loss on investments	6,743
Unrealized loss on investments	3,918
Decrease in:	
Unconditional promises to give	(468,071)
Prepaid expenses and other current assets	(21,661)
Increase (decrease) in:	
Grants payable	1,182,154
Agency funds	(215,605)
Accounts payable and accrued expenses	106,167
Refundable deposits held	2,500
Net Cash Provided By Operating Activities	513,526

Cash Flows From Investing Activities

Purchases of property and equipment	(3,158)
Purchases of investments	(1,724,196)
Proceeds from sale of investments	1,623,309
Net Cash Used By Investing Activities	(104,045)

Net increase in cash and cash equivalents	409,481
Cash and cash equivalents, beginning of year	2,497,437

Cash and Cash Equivalents, End of Year	\$2,906,918
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THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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 (US) 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.

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.

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.

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.

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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

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 presents its consolidated financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

Note 2 - Restrictions on Assets

a - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes:

Livelihood	\$1,000,000
Gujarat Earthquake Fund	55,223
Donor advised funds	806,319
Tsunami Relief	118,366
Donor Education	95,351
Grant making	95,351
General and administrative	<u>90,695</u>
	<u>\$2,261,305</u>

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 2 - Restrictions on Assets (continued)

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>Cost</u>	<u>Fair Value</u>
Marketable equity securities	\$ 296,342	\$ 292,608
Municipal bonds	1,150,000	1,150,000
Money market and auction instruments	<u>2,050,000</u>	<u>2,050,000</u>
	<u>\$3,496,342</u>	<u>\$3,492,608</u>

Note 5 - Unconditional Promises to Give

Unconditional promises to give due within one year and are designated as follows:

	<u>Unrestricted</u>	<u>Restricted for Future Programs and Periods</u>	<u>Total</u>
Due within one year	\$333,613	\$100,000	\$433,613
Due from one to five years	-	<u>100,000</u>	<u>100,000</u>
	<u>333,613</u>	200,000	533,613
Less: Discount	-	<u>(9,297)</u>	<u>(9,297)</u>
	<u>\$333,613</u>	<u>\$190,703</u>	<u>\$524,316</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%.

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>Amount</u>
Furniture, fixtures and equipment	5-7 years	\$ 7,282
Computer equipment	3-5 years	<u>50,314</u>
		57,596
Less: Accumulated depreciation		<u>(36,854)</u>
		<u>\$ 20,742</u>

Depreciation expense for the year ended December 31, 2004 was \$13,672.

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 (MOUs) 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 administering such grants. The grants were awarded in the following areas:

Education	\$ 891,892
Gujarat Earthquake Fund	1,230,077
Livelihood	1,365,101
Other grants	<u>198,085</u>
	<u>\$3,685,155</u>

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 7 - Grant Making Activities (continued)

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

Education	\$ 173,852
Gujarat Earthquake Fund	739,363
Livelihood	<u>649,907</u>
	<u>\$1,563,122</u>

Note 8 - Agency Funds

During 2003, AIF received the monies designated for specific NGOs in connection with the rehabilitation of India. As of December 31, 2004, AIF had not transferred all of these monies to the NGOs. Accordingly, such amounts totaling \$25,291, have been included in agency funds payable in the accompanying statement of financial position.

Note 9 - Donated Services and Facilities

Donated services and facilities consist of the following:

Rent - New York	\$100,000
Legal fees	64,906
Rent - California	<u>48,000</u>
	<u>\$212,906</u>

AIF occupied office space in New York City for which no rent was paid. AIF also utilizes a portion of an office located in California at no cost.

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 10 - Commitments

a - In December 2004, AIF entered into a new one year lease beginning January 2005, for the rental of office space located in New Delhi, India. The future minimum rental obligation under the new lease is approximately \$6,300. Rent expense for the office space was \$7,436 in 2004.

AIF also has a lease for the rental of housing for the service corp fellows during their stay in New Delhi, India. The future minimum rental obligation for the nine months ending September 30, 2005 is approximately \$4,000. Rent expense for housing was \$3,715 in 2004.

b - On February 11, 2004, AIF signed a four-year agreement with the United Nations Foundation (UNF) to use its best efforts to raise at least \$1 million in support of the livelihoods component of a UNESCO sponsored project, "India World Heritage Biodiversity and Alternative Livelihoods Program". At December 31, 2004, the UNESCO project had yet to be finalized and submitted for approval to AIF's Board of Directors. Therefore, this commitment has not been accrued in these financial statements.

Note 11 - 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.

Note 12 - Prior Period Adjustment

Net assets at December 31, 2003 were restated to reflect a reclassification of \$125,652 from temporarily restricted net assets to unrestricted net assets. This had no impact on the total net assets as of December 31, 2003.

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 audit of the basic financial statements of The American India Foundation for 2004 appears on page 1. We conducted our audit in accordance with U.S. generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of Functional Expenses and Combined Statement of Activities with American India Foundation Trust for the year ended December 31, 2004 are presented for purposes of additional analysis and are 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
March 23, 2005

THE AMERICAN INDIA FOUNDATION
 SCHEDULE OF FUNCTIONAL EXPENSES
 YEAR ENDED DECEMBER 31, 2004

	Program Services				Support Services			Total Expenses
	Service Corps	Digital Equalizer	Donor Education	Grant Making	Management and General	Fundraising	Total	
Salaries	\$ 67,162	\$ 34,288	\$ 17,940	\$ 63,433	\$ 97,846	\$ 114,100	\$ 211,946	\$ 394,769
Fringe and employee benefits	13,937	2,078	-	-	28,649	85,366	114,017	130,032
Stipends	31,915	-	-	-	-	-	-	31,915
Consulting	6,868	55,150	1,872	20,048	10,282	8,060	18,332	102,270
Professional services	-	-	-	-	89,101	-	89,101	89,101
Office supplies	1,370	7,783	3,683	711	28,011	1,963	29,974	43,521
Equipment, repairs and maintenance	430	85,013	138	1,290	7,932	2,469	10,401	97,272
Printing and postage	6,571	377	3,295	677	11,441	31,766	43,207	54,127
Insurance	9,699	-	-	-	665	-	665	10,364
Occupancy	17,589	14,652	25,329	20,966	78,552	38,406	116,958	195,494
Training	-	1,226	-	-	30,822	36,787	67,609	68,835
Travel and lodging	34,482	8,313	25,493	37,716	15,862	8,001	23,863	129,867
Indirect benefit expenses	-	-	-	-	-	317,517	317,517	317,517
Dues and fees	-	836	143	-	6,516	6,546	13,062	14,041
Grants	33,115	106,000	13,971	3,532,069	-	-	-	3,685,155
Depreciation	-	-	-	-	13,672	-	13,672	13,672
Miscellaneous	-	-	987	-	4,350	19,908	24,258	25,245
Total Expenses	\$223,118	\$315,716	\$ 92,851	\$3,676,930	\$ 423,701	\$ 670,881	\$1,094,582	\$5,403,197

See independent auditor's report on additional information.

THE AMERICAN INDIA FOUNDATION

COMBINED STATEMENT OF ACTIVITIES WITH THE AMERICAN INDIA
FOUNDATION TRUST

YEAR ENDED DECEMBER 31, 2004

	<u>The American India Foundation</u>	<u>The American India Foundation Trust</u>	<u>Eliminations</u>	<u>Combined Total</u>
Support and Revenue				
Contributions and grants	\$3,600,414	\$ 237,473	\$ (147,651)	\$3,690,236
Benefit income	2,181,021	-	-	2,181,021
Less: Direct benefit expenses	(262,708)	-	-	(262,708)
Donated services and facilities	212,906	-	-	212,906
Realized loss on investments	(6,743)	-	-	(6,743)
Unrealized loss on investments	(3,918)	-	-	(3,918)
Gain on foreign currency exchange	-	5,057	565	5,622
Interest and other income	73,604	2,121	-	75,725
	<u>5,794,576</u>	<u>244,651</u>	<u>(147,086)</u>	<u>5,892,141</u>
Return of grants	(141,300)	-	-	(141,300)
Total Support and Revenue	<u>5,653,276</u>	<u>244,651</u>	<u>(147,086)</u>	<u>5,750,841</u>
Expenses				
Program Services	4,308,615	112,939	(147,086)	4,274,468
Supporting Services				
Management and general	423,701	30,069	-	453,770
Fundraising	670,881	-	-	670,881
Total Supporting Services	<u>1,094,582</u>	<u>30,069</u>	<u>-</u>	<u>1,124,651</u>
Total Expenses	<u>5,403,197</u>	<u>143,008</u>	<u>(147,086)</u>	<u>5,399,119</u>
Increase in net assets	<u>\$ 250,079</u>	<u>\$ 101,643</u>	<u>\$ -</u>	<u>\$ 351,722</u>

See independent auditor's report on additional information.