

FILIPINO-AMERICAN DEVELOPMENT FOUNDATION

**Financial Statements and Independent Auditor's Re-issue Report for the
Years ended December 31, 2006 & 2005**

FILIPINO-AMERICAN DEVELOPMENT FOUNDATION

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005:	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4
Statements of cash flow	5
Notes to financial statements	6-8

INDEPENDENT AUDITOR'S REPORT

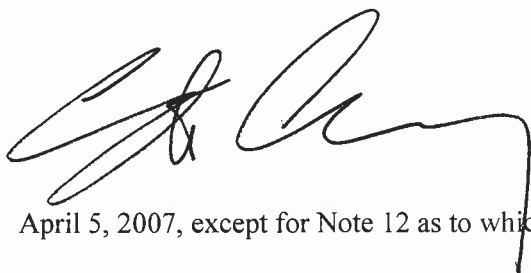
The Board of Directors
Filipino-American Development Foundation

I have audited the accompanying Statements of Financial Position of the Filipino-American Development Foundation (FADF) as of December 31, 2006 and 2005 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of FADF's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted the audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance as to 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. I believe that my audits provide a reasonable basis for my opinion.

As discussed in Note 12 to the financial statements, certain errors resulting in presentation of the Government grant revenues as of June 30, 2006 were discovered by management of the organization during the audit. Accordingly, the 2006 Government revenues have been adjusted to correct the presentation and there is net impact to the Statement of Activities resulting a smaller net income for 2006.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of FADF at December 31, 2006 and 2005, 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.



April 5, 2007, except for Note 12 as to which the date is March 3, 2009

FILIPINO-AMERICAN DEVELOPMENT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31,

	2006	2005
ASSETS		
Current Assets		
Cash	\$ 23,408	\$ 31,785
Accounts receivable	29,786	278,285
Prepaid expense	952	952
Total Current Assets	54,146	311,022
Property and Equipment, at cost		
Leasehold improvement	1,158,605	546,299
Furniture and equipment	25,497	8,009
Capital improvement - soft cost	-	197,200
Less accumulated depreciation	(5,372)	(5,372)
Net Property and Equipment	1,178,730	746,136
TOTAL ASSETS	\$ 1,232,876	\$ 1,057,158
LIABILITIES AND NET ASSETS		
Current Liabilities		
Account payable	\$ 12,912	\$ 12,912
Total Current Liabilities	12,912	12,912
TOTAL LIABILITIES	12,912	12,912
Net Assets		
Temporarily restricted	56,536	345,716
Unrestricted	1,163,428	698,530
TOTAL LIABILITIES AND NET ASSETS	\$ 1,232,876	\$ 1,057,158

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

**FILIPINO-AMERICAN DEVELOPMENT FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006</u>	<u>2005</u>
REVENUES AND SUPPORTS				
Grants	\$ 70,392	\$ 30,000	\$ 100,392	\$ 89,470
Government grant	264,492	243,163	507,655	417,754
Contributions	92,420	-	92,420	443,138
In-kind contributions	49,000	-	49,000	49,920
Program service fees	-	-	-	14,028
Rental income	6,387	-	6,387	-
Other income	28,603	-	28,603	-
Miscellaneous income	4,151	-	4,151	2,213
Net assets released from restrictions	562,343	(562,343)	-	-
Total Revenues and Support	<u>1,077,788</u>	<u>(289,180)</u>	<u>788,608</u>	<u>1,016,523</u>
EXPENSES				
Program services	323,732	-	323,732	152,680
General and administrative	51,339	-	51,339	34,419
Fundraising	1,676	-	1,676	4,129
In-kind expense	49,000	-	49,000	49,920
Fiscal sponsors	187,143	-	187,143	97,439
Total Expenses	<u>612,890</u>	<u>-</u>	<u>612,890</u>	<u>338,587</u>
CHANGE IN NET ASSETS	464,898	(289,180)	175,718	677,936
NET ASSETS, beginning of year	<u>698,530</u>	<u>345,716</u>	<u>1,044,246</u>	<u>366,310</u>
NET ASSETS, end of year	<u>\$ 1,163,428</u>	<u>\$ 56,536</u>	<u>\$ 1,219,964</u>	<u>\$ 1,044,246</u>

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

FILIPINO-AMERICAN DEVELOPMENT FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

	Program Services						Fiscal Sponsor			Supporting Services			2005 Total
	Bahay	Apibis	Computer Lab	Cultural	Bayanihan Community Center	Galing Bata After School	Total Program Services	General & Administrative		Fundraising	Total Supporting Services	2006 Total	
								Administrative	Fundraising				
Salaries and wages	\$ 32,000	\$ -	\$ 8,000	\$ 11,168	\$ 32,300	\$ 102,767	\$ 186,235	\$ 107,869	\$ -	\$ -	\$ 107,869	\$ 294,104	\$ 73,600
Payroll taxes & employee benefits	2,448	-	612	854	2,471	7,862	14,247	8,254	7,089	-	15,343	29,590	13,799
Payroll fees	-	-	-	-	-	-	-	-	1,113	-	1,113	4,000	1,060
Accounting fees	-	-	-	-	-	-	-	-	4,000	-	4,000	4,000	4,500
Activity expenses	-	654	-	2,311	305	3,917	7,187	9,376	-	250	9,626	16,813	36,720
Advertising	-	-	200	3,117	-	-	3,317	-	-	500	500	3,817	-
Bank charges	-	-	-	-	-	-	-	-	191	-	191	191	218
Books, subscriptions, reference	-	-	-	-	147	-	147	-	-	-	147	147	-
Building permit	-	-	-	-	772	-	772	-	-	-	772	772	811
Consultant fees	-	12,344	-	-	3,000	26,666	63,434	16,625	-	-	16,625	80,059	29,884
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	1,081
Donated materials & supplies	-	-	-	-	-	-	-	1,000	-	-	1,000	1,000	-
Equipment, rental, & maintenance	-	-	-	-	369	-	369	3,919	-	-	3,919	4,288	-
Food	-	-	-	-	-	-	-	1,683	-	-	1,683	1,683	-
Insurance	8,667	-	-	684	5,255	-	5,939	-	17,508	-	17,508	23,447	8,318
Intern wages	-	-	-	-	-	-	8,667	-	3,935	-	3,935	3,935	-
Janitorial services	-	-	-	-	-	-	-	-	-	-	-	-	76
Meals - program	-	-	-	-	175	-	175	-	-	-	-	175	135
Membership dues	-	-	-	-	-	-	-	-	115	-	115	215	123
Miscellaneous	-	-	-	-	-	-	-	-	-	100	100	27,240	818
Office supplies	-	-	1,063	13,807	1,460	1,742	18,072	9,168	-	-	9,168	191	-
Other costs and taxes	-	-	-	-	181	-	181	-	10	-	10	-	-
Postage & shipping	-	-	-	-	-	-	-	-	-	-	-	-	1,383
Printing & publications	-	-	-	4,483	-	-	4,483	-	1,153	626	1,779	6,262	6,110
Professional fees	-	-	-	2,220	5,000	50	7,270	-	-	-	-	7,270	5,000
Rent & facility rental	-	-	-	-	-	1,932	1,932	14,898	5,800	200	20,898	22,830	4,500
Seminar/training	-	-	-	-	-	-	-	-	-	-	-	-	40
Staff development	-	-	-	-	-	900	900	1,000	-	-	1,000	1,900	-
Telephone & telecommunication	-	-	-	-	-	-	-	-	4,559	-	4,559	4,559	2,206
Travels	-	-	-	-	-	-	-	-	-	-	-	405	-
Utilities	-	-	-	405	-	-	405	-	5,866	-	5,866	5,866	646
Youth stipends	-	-	-	-	-	-	-	13,351	-	-	13,351	13,351	-
Total	\$ 43,115	\$ 12,998	\$ 25,866	\$ 44,482	\$ 51,435	\$ 145,836	\$ 323,732	\$ 187,143	\$ 51,339	\$ 1,676	\$ 240,158	\$ 563,890	\$ 191,228

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

**FILIPINO-AMERICAN DEVELOPMENT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase or decrease in net assets	\$ 175,718	\$ 677,936
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	-	1,081
Changes in operating assets and liabilities		
(Increase) or Decrease in accounts receivable	248,499	(108,426)
(Increase) or Decrease in accounts receivable - FCC	-	(1,182)
(Increase) or Decrease prepaid assets	-	2,342
Increase or (Decrease) in account payable	-	1,586
	<u>424,217</u>	<u>579,999</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Building	(612,306)	(546,299)
Capital improvement	179,712	(48,161)
	<u>(432,594)</u>	<u>(594,460)</u>
Net cash provided (used) by investing activities		
Net increase (decrease) in cash	(8,377)	(14,461)
CASH, beginning of year	<u>31,785</u>	<u>46,246</u>
CASH, at end of year	<u>\$ 23,408</u>	<u>\$ 31,785</u>

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

**FILIPINO-AMERICAN DEVELOPMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Filipino-American Development Foundation (FADF) is a non-profit community-based organization with on-going programs in the areas of affordable housing advocacy, promotion of Filipino business entrepreneurship, and cultural and historical education. FADF is a 501c3 federally tax exempt organization in June 1997. FADF's mission is to strengthen the social, physical and economic well being of the Filipino-American community and the South of Market community with special attention to the underserved segments of the community. It will accomplish this by: 1) Increasing awareness and knowledge about the Filipino-American community through participation in educational and cultural programs. 2) Increasing access to a wide range of economic, health and social services through collaboration with existing programs and the development of culturally appropriate services. 3) Providing a community space to strengthen community ties, to facilitate the sharing of resources and expertise among service providers, and to build leadership skills and increase capacity in the community to effectively educate and develop community assets.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying financial statements were prepared using the accrual basis of accounting, whereby expenditures were recorded when the liability was incurred and revenues were recorded when earned.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment is stated at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range as follows:

Furniture & fixture	7 years
Computer and office equipment	5 years

	<u>2006</u>	<u>2005</u>
Capital improvement - soft cost	\$ 1,158,605	\$ 197,200
Equipment	23,367	5,879
Furniture & fixture	2,130	2,130
Less accumulated depreciation	<u>(5,372)</u>	<u>(5,372)</u>
	<u>\$ 1,178,730</u>	<u>\$ 199,837</u>

**FILIPINO-AMERICAN DEVELOPMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005**

NOTE 4 - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 5 - INCOME TAX STATUS

FADF is a tax exempt organization under the provision of the Internal Revenue Code, 501(c)(3), and The California Revenue and Taxation Code Section 23701(d).

NOTE 6 - OPERATING LEASE

The lease is a nine-month lease commencing January 5, 2003 and was ended on February to September 2003. FADF is currently on a month to month lease and total rent for December 31, 2006 and 2005 is \$22,830 and \$4,500 respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2006 and 2005 were comprised of the following:

<u>Account</u>	<u>Balance as of 12/31/2005</u>	<u>Income</u>	<u>Released</u>	<u>Balance as of 12/31/2006</u>
Government Grants	\$ 261,643	\$ 243,163	\$ 495,306	\$ 9,500
Consumer Protection Fund	40,000	-	20,000	20,000
AT&T	15,000	-	15,000	-
Evelyn and Walter Haas, Jr. Fund	29,073	30,000	32,037	27,036
	<u>\$ 345,716</u>	<u>\$ 273,163</u>	<u>\$ 562,343</u>	<u>\$ 56,536</u>

**FILIPINO-AMERICAN DEVELOPMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 and 2005**

NOTE 8 - RISK AND UNCERTAINTY

In the normal course of the business, the primary risk encountered by the Organization is the volatility and uncertainty associated with contribution and grant funding. The principle source of the Organization's support is from private foundation and individuals.

NOTE 9 - CONTRIBUTED SERVICES

Contributed services are provided by volunteers. These services are part of the Organization's activities and would have to be performed by salaried personnel if the services were not contributed. The Organization maintains records of these services and estimates their value based on the cost of comparable services.

The value of contributed services is recorded in the financial statements as part of contributions of services and also as labor in-kind expenses amounted to \$49,000 for 2006 and \$49,920 for 2005.

NOTE 10 - GOVERNMENT GRANT AWARD

Government awards consist of funds received from the Mayor's Office of Community Development of San Francisco for specific projects. The government grant revenue is considered as exchange transaction where each party receives and sacrifices something of approximately equal value when received, then the government grant revenue is recognized to the extent the related costs are incurred. During fiscal year 2006, total expenditures of government grant revenue totaled \$415,105.

NOTE 11 - FISCAL AGENT

During the fiscal year ended 2006, FADF also acted as fiscal agent for two local community non-profit groups which have their own Board of Directors and management team. Their revenues and expenses are not reflected as part of FADF's financial during 2006 and 2005.

NOTE 12 – RESTATEMENT AND ADJUSTMENT OF INCOME OF FINANCIAL STATEMENTS FOR 2006

Government grant revenues have been restated for FY 2006. During fiscal year 2006, certain government grant was recognized as current year revenue incorrectly which result a higher net income in 2006 by \$277,102.