

THE AMERICAN INDIA FOUNDATION

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

MARCH 31, 2007 AND DECEMBER 31, 2005

THE AMERICAN INDIA FOUNDATION

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-10
Additional Information	
Independent Auditor's Report on Additional Information	12
Schedule of Functional Expenses	13

LOTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND STREET NEW YORK, N.Y. 10017
212-697-2299 FAX: 212-949-1768

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, 2007 and December 31, 2005, and the related statements of activities and cash flows for the fifteen months ended March 31, 2007 and the year ended December 31, 2005. 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, 2007 and December 31, 2005, and the changes in its net assets and its cash flows for the fifteen months ended March 31, 2007 and the year ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

Lotz + Carr, LLP

New York, New York
July 31, 2007

THE AMERICAN INDIA FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	<u>March 31, 2007</u>	<u>December 31, 2005</u>
Assets		
Cash and cash equivalents (Notes 1c and 3)	\$ 416,283	\$2,686,555
Investments (Notes 1e and 4)	6,791,903	4,136,468
Unconditional promises to give (Notes 1d and 5)	1,414,940	1,200,945
Prepaid expenses and other assets	71,932	81,280
Property and equipment (net of accumulated depreciation) (Notes 1f and 6)	<u>6,840</u>	<u>18,361</u>
Total Assets	<u><u>\$8,701,898</u></u>	<u><u>\$8,123,609</u></u>
Liabilities and Net Assets		
Grants payable (Note 7)	\$2,488,571	\$1,670,194
Accounts payable and accrued expenses	48,122	155,576
Refundable deposits held	<u>16,000</u>	<u>10,000</u>
Total Liabilities	<u><u>2,552,693</u></u>	<u><u>1,835,770</u></u>
Commitments (Note 9)		
Net Assets		
Unrestricted	936,534	1,608,521
Temporarily restricted (Note 2a)	4,612,671	4,079,318
Permanently restricted (Note 2b)	<u>600,000</u>	<u>600,000</u>
Total Net Assets	<u><u>6,149,205</u></u>	<u><u>6,287,839</u></u>
Total Liabilities and Net Assets	<u><u>\$8,701,898</u></u>	<u><u>\$8,123,609</u></u>

See notes to financial statements.

THE AMERICAN INDIA FOUNDATION
STATEMENTS OF ACTIVITIES

	Fifteen Months Ended March 31, 2007			Year Ended December 31, 2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in Net Assets							
Support and Revenue							
Contributions and grants	\$ 2,632,531	\$ 2,225,851	\$ -	\$ 2,943,432	\$ 2,894,958	\$ -	\$ 5,838,390
Benefit income	5,018,616	406,520	-	2,010,413	-	-	2,010,413
Less: Direct benefit expenses	(506,053)	-	-	(282,106)	-	-	(282,106)
Donated services and facilities (Note 8)	-	-	-	159,861	-	-	159,861
Merchandise sales	121,916	-	-	-	-	-	-
Less: Cost of goods sold	(99,365)	-	-	-	-	-	-
Realized gain (loss) on investments	3,535	-	-	(6,570)	-	-	(6,570)
Unrealized gain (loss) on investments	6,443	-	-	(50,107)	-	-	(50,107)
Gain (loss) on foreign currency exchange	(58,186)	-	-	32,934	-	-	32,934
Interest and other income	328,393	-	-	210,945	-	-	210,945
	7,447,830	2,632,371	-	5,018,802	2,894,958	-	7,913,760
Net assets released from restrictions:							
Satisfaction of time and program restrictions	2,048,463	(2,048,463)	-	1,076,945	(1,076,945)	-	-
Change in terms of restricted grant	-	(50,555)	-	-	-	-	-
Total Support and Revenue	9,496,293	533,353	-	6,095,747	1,818,013	-	7,913,760
Expenses							
Program Services	8,285,835	-	-	5,510,413	-	-	5,510,413
Supporting Services	739,350	-	-	491,287	-	-	491,287
Management and general Fundraising	1,143,095	-	-	874,004	-	-	874,004
Total Supporting Services	1,882,445	-	-	1,365,291	-	-	1,365,291
Total Expenses	10,168,280	-	-	6,875,704	-	-	6,875,704
Increase (decrease) in net assets	(671,987)	533,353	-	(779,957)	1,818,013	-	1,038,056
Net assets at beginning of year	1,608,521	4,079,318	600,000	2,388,478	2,261,305	600,000	5,249,783
Net Assets at End of Year	\$ 936,534	\$ 4,612,671	\$ 600,000	\$ 1,608,521	\$ 4,079,318	\$ 600,000	\$6,287,839

See notes to financial statements.

THE AMERICAN INDIA FOUNDATION

STATEMENTS OF CASH FLOWS

	Fifteen Months Ended March 31, 2007	Year Ended December 31, 2005
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (138,634)	\$ 1,038,056
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,837	8,625
Equipment donated to AIF Trust	6,684	-
Donated securities	(145,002)	(85,974)
Realized (gain) loss on investments	(3,535)	6,570
Unrealized (gain) loss on investments	(6,443)	50,107
(Increase) decrease in:		
Unconditional promises to give	(213,995)	(676,629)
Prepaid expenses and other current assets	9,348	(57,598)
Increase (decrease) in:		
Grants payable	818,377	107,072
Accounts payable and accrued expenses	(107,454)	38,006
Refundable deposits held	6,000	(2,500)
Agency funds	-	(25,291)
Net Cash Provided By Operating Activities	<u>230,183</u>	<u>400,444</u>
Cash Flows From Investing Activities		
Purchases of investments	(5,197,983)	(3,616,813)
Proceeds from sale of investments	2,697,528	3,002,250
Purchases of property and equipment	-	(6,244)
Net Cash Used By Investing Activities	<u>(2,500,455)</u>	<u>(620,807)</u>
Net decrease in cash and cash equivalents	(2,270,272)	(220,363)
Cash and cash equivalents at beginning of year	<u>2,686,555</u>	<u>2,906,918</u>
Cash and Cash Equivalents at End of Year	<u>\$ 416,283</u>	<u>\$ 2,686,555</u>

See notes to financial statements.

THE AMERICAN INDIA FOUNDATION**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2007 AND DECEMBER 31, 2005****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, 2007 AND DECEMBER 31, 2005

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 from December 31 to March 31. Accordingly, these statements reflect activity for the fifteen months ended March 31, 2007 and year ended December 31, 2005.

THE AMERICAN INDIA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007 AND DECEMBER 31, 2005

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>2007</u>	<u>December 31,</u> <u>2005</u>
Public Health	\$1,808,094	\$1,269,698
Tsunami Relief	819,144	1,179,880
Livelihood	793,363	834,314
Donor advised funds	755,595	296,889
Future periods	213,500	5,000
Grant making	150,821	50,000
Gujarat Earthquake Fund	72,154	72,154
League of Artisans	-	216,233
Digital equalizer	-	100,000
Donor Education	-	50,000
Other	-	5,150
	<u>\$4,612,671</u>	<u>\$4,079,318</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, 2007</u>		<u>December 31, 2005</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Corporate bonds	\$ 623,476	\$ 609,099	\$ 732,346	\$ 713,836
Mortgage backed securities	161,655	152,636	214,443	205,425
Municipal bonds	3,981,327	3,962,212	1,781,478	1,758,780
Government and agencies bonds	198,050	199,688	-	-
Certificates of deposit and auction instruments	1,822,010	1,815,483	1,422,010	1,418,394
Cash	52,785	52,785	40,033	40,033
	<u>\$6,839,303</u>	<u>\$6,791,903</u>	<u>\$4,190,310</u>	<u>\$4,136,468</u>

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007 AND DECEMBER 31, 2005

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>March 31, 2007 Total</u>	<u>December 31, 2005 Total</u>
Due within one year	\$339,550	\$1,075,390	\$1,414,940	\$ 712,312
Due from one to five years	-	-	-	528,035
	<u>339,550</u>	<u>1,075,390</u>	<u>1,414,940</u>	<u>1,240,347</u>
Less: Discount	-	-	-	<u>(39,402)</u>
March 31, 2007 Total	<u>\$339,550</u>	<u>\$1,075,390</u>	<u>\$1,414,940</u>	
December 31, 2005 Total	<u>\$ -</u>	<u>\$1,200,945</u>		<u>\$1,200,945</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>March 31, 2007</u>	<u>December 31, 2005</u>
Furniture, fixtures and equipment	5-7 years	\$11,557	\$ 7,282
Computer equipment	3-5 years	<u>39,819</u>	<u>56,558</u>
		51,376	63,840
Less: Accumulated depreciation		<u>(44,536)</u>	<u>(45,479)</u>
		<u>\$ 6,840</u>	<u>\$18,361</u>

Depreciation expense for the fifteen month period ending March 31, 2007 and the year ended December 31, 2005 was \$4,837 and \$8,625, respectively.

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007 AND DECEMBER 31, 2005

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:

	Fifteen Months Ended March 31, 2007	Year Ended December 31, 2005
Public Health	\$2,492,310	\$ -
Education	1,767,515	1,766,061
Livelihood	1,298,311	1,718,935
Gujarat Earthquake Fund	333,248	19,349
Tsunami Relief	348,961	840,835
Digital equalizer	582,009	478,096
League of Artisans	289,024	-
Other grants	<u>577,350</u>	<u>153,448</u>
	<u>\$7,688,728</u>	<u>\$4,976,724</u>

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

	March 31, 2007	December 31, 2005
Education	\$ 495,761	\$ 525,639
Gujarat Earthquake Fund	317,947	279,770
Livelihood	997,458	413,462
Tsunami Relief	336,658	451,323
Public Health	<u>340,747</u>	<u>-</u>
	<u>\$2,488,571</u>	<u>\$1,670,194</u>

THE AMERICAN INDIA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007 AND DECEMBER 31, 2005

Note 8 - Donated Services and Facilities

The Organization received donated legal services and facilities valued at \$159,861 during the year ended December 31, 2005.

Note 9 - Commitments

AIF extended its lease for the rental of office space located in New York for one year through June 30, 2007. The future minimum rental obligation under the new lease is approximately \$15,000. Rent expense for the office space was \$70,000 for the fifteen months ending March 31, 2007 and \$20,835 for the year ended December 31, 2005.

AIF also has a two year lease for the rental of office space located in California. The future minimum rental obligation under the lease is approximately \$13,000. Rent expense for the office space was \$38,178 for the fifteen months ending March 31, 2007 and \$10,060 for the year ended December 31, 2005.

Note 10 - 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

LUtz AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND STREET NEW YORK, N.Y. 10017
212-697-2299 FAX: 212-949-1768

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 fifteen months ended March 31, 2007 and year ended December 31, 2005 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 fifteen months ended March 31, 2007 with comparative totals for the year ended December 31, 2005 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 31, 2007

THE AMERICAN INDIA FOUNDATION
 SCHEDULE OF FUNCTIONAL EXPENSES
 FIFTEEN MONTHS ENDED MARCH 31, 2007 WITH
 COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2005

	Program Services						Support Services			Fifteen Months Ended	Year Ended
	Service Corps	Digital Equalizer	Donor Education	League of Artisans	Grant Making	Total	Management and General	Fundraising	Total	March 31, 2007	December 31, 2005
Salaries	\$ 49,161	\$ 87,260	\$ 9,655	\$ 16,955	\$ 136,955	\$ 299,986	\$ 157,952	\$ 358,235	\$ 516,187	\$ 816,173	\$ 482,365
Fringe and employee benefits	12,096	8,738	2,636	4,393	30,943	58,806	59,184	67,844	127,028	185,894	103,005
Stipends	8,172	7,890	-	550	11,842	28,454	-	1,325	1,325	29,779	6,407
Grants	44,716	582,008	8,522	289,025	6,452,382	7,376,653	269,460	40,985	310,445	7,687,098	4,976,724
Consulting	10,528	3,502	3,692	50,030	56,120	123,872	88,229	100,525	188,754	312,626	105,328
Professional services	-	-	-	-	-	-	27,025	-	27,025	27,025	108,988
Office supplies	2,292	2,151	1,770	39,502	8,020	53,735	11,457	21,133	32,590	86,325	30,614
Equipment, repairs and maintenance	685	384	658	301	1,167	3,195	15,476	5,763	21,239	24,434	58,940
Printing and postage	2,792	3,223	4,551	61,083	10,746	82,395	4,545	57,804	62,349	144,744	88,266
Insurance	11,180	88	88	37	223	11,616	9,675	508	10,183	21,799	25,128
Occupancy	9,237	10,640	9,243	34,310	24,018	87,448	40,303	73,194	113,497	200,945	132,353
Training	-	-	-	-	-	-	4,173	3,155	7,328	7,328	66,066
Travel and lodging	36,159	14,169	36,268	9,687	27,979	124,262	21,771	26,253	48,024	172,286	126,649
Indirect benefit expenses	-	-	-	-	-	-	-	359,437	359,437	359,437	397,380
Dues and fees	-	-	-	-	219	219	587	-	587	806	37,307
Depreciation	-	-	-	-	-	-	4,837	-	4,837	4,837	8,625
Promotional and development	50	-	9,152	4,448	19,620	33,270	1,962	26,477	28,439	61,709	120,164
Miscellaneous	-	161	-	1,743	20	1,924	22,714	457	23,171	25,095	21,395
Total Expenses, March 31, 2007	\$187,068	\$720,214	\$ 86,235	\$512,064	\$6,780,254	\$8,285,835	\$ 739,350	\$1,143,095	\$1,882,445	\$10,168,280	
Total Expenses, December 31, 2005	\$130,667	\$594,566	\$195,216	\$ 43,035	\$4,546,929	\$5,510,413	\$ 491,287	\$ 874,004	\$1,365,291	\$6,875,704	