

Report from Our Accountant (cont.)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Asian-American Institute for Research and Education (the Organization) pursues scientific research in the public interest in the fields of biomedical engineering and orthopedics. The Organization publishes results of its research timely in trade publications and treatises made available to the general public. The Organization's support comes primarily from individual donors' contributions and corporate grants.

The Organization is a nonprofit, non-stock Pennsylvania corporation and a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code. It is exempt from federal and state income taxes.

Basis of Accounting

The Organization uses the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. In accordance with the modified cash basis of accounting, the Organization records revenue when collected and certain expenditures as expenses when paid instead of when earned or incurred. The Organization records investments at cost and does not recognize any change in the fair market value of the investments.

Public Support and Revenue

The Organization records individual donor contributions and corporate grants for research when received. The Organization treats such public support as funds available for unrestricted use if such support is unconditional or if donor restrictions expire within the current year. The Organization reports all donor-restricted contributions as increases in temporarily restricted net assets, and it reclassifies temporarily restricted net assets to unrestricted net assets when the restriction expires. The Organization records a contribution of an investment, if any, at the investment's fair market value as of the date of receipt.

Cash Equivalents

The Organization considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Functional Expenses

The Organization summarizes the costs of providing its programs and activities on a functional basis in the statement of revenue collected, expenses paid and changes in net assets. Accordingly, the Organization allocates certain costs among the program services and supporting services benefited.

Donated Services

The Organization receives some amount of donated services from unpaid volunteers. The Organization does not record any such services as contributions because of the use of the modified cash basis of accounting and such services do not meet the criteria for recognition under Statement of Financial Accounting Standards No. 116.

Accounting Estimates

At times, management may make estimates and assumptions that affect certain reported amounts and disclosures when
45 preparing financial statements. Accordingly, actual results may differ from those estimates.