

China Institute



FOUNDED 1926

Audited Financial Statements

June 30, 2020

Independent Auditor's Report

To the Board of Trustees of
China Institute in America

Report on the Financial Statements

We have audited the accompanying financial statements of China Institute in America (the "Institute"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

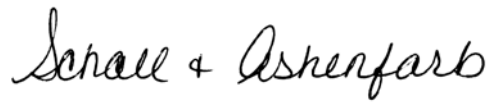
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of China Institute in America as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Institute's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 28, 2020

CHINA INSTITUTE IN AMERICA
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2020
(With comparative totals at June 30, 2019)

	6/30/20	6/30/19
Assets		
Cash and cash equivalents	\$3,549,110	\$3,467,657
Contributions receivable	141,627	1,404,573
Prepaid expenses and other assets	55,873	2,658
Investments (Note 3 and 10)	5,003,321	5,918,931
Security deposits	25,000	25,000
Restricted cash (Note 4)	711,341	711,341
Cash restricted for endowment	0	460,000
Fixed assets, net (Note 5)	27,353,564	25,531,176
Donated artwork held for auction	162,476	162,476
Total assets	\$37,002,312	\$37,683,812
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$1,705,868	\$547,374
Deferred revenue	214,603	147,141
Conditional grant	1,600,000	1,600,000
Security deposits	62,300	120,000
Paycheck Protection Program Loan (Note 6)	545,500	0
Loans payable (Note 7)	8,172,310	8,374,272
Total liabilities	12,300,581	10,788,787
Commitments and contingencies (Note 8)		
Net assets:		
Without donor restrictions	18,050,709	20,674,443
With donor restrictions (Notes 9 and 10)	6,651,022	6,220,582
Total net assets	24,701,731	26,895,025
Total liabilities and net assets	\$37,002,312	\$37,683,812

The attached notes and auditor's report are an integral part of these financial statements.

CHINA INSTITUTE IN AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

(With comparative totals for the year ended June 30, 2019)

	With Donor Restrictions			Total 6/30/20	Total 6/30/19
	Without Donor Restrictions	Donor Restricted Support	Donor Restricted Endowment		
Public support and revenue:					
Public support:					
Contributions	\$695,377	\$40,000	\$201,100	\$241,100	\$936,477
Government grants	335,578			0	335,578
Special event income (net of expenses with a direct benefit to donors) (Note 12)	666,581			0	666,581
Membership dues	44,701			0	44,701
In-kind donations	6,876			0	6,876
Total public support	1,749,113	40,000	201,100	241,100	1,990,213
Revenues:					
Tuition fees	750,408			0	750,408
Gallery catalogue and book sales	11,209			0	11,209
Rental income	76,406			0	76,406
Investment income (Note 3)	276,836		198,770	198,770	475,606
Other income	2			0	2
Total revenues	1,114,861	0	198,770	198,770	1,313,631
Net assets released from restrictions:					
Satisfaction of program and time restrictions	9,430	(9,430)		(9,430)	0
Total public support and revenue	2,873,404	30,570	399,870	430,440	3,303,844
Expenses:					
Program services	2,846,944				2,846,944
Supporting services:					
Management and general	1,218,753				1,218,753
Fundraising	717,007				717,007
Total supporting services	1,935,760	0	0	0	1,935,760
Total operating expenses	4,782,704	0	0	0	4,782,704
Change in net assets from operations	(1,909,300)	30,570	399,870	430,440	(1,478,860)
Non-operating activity:					
Depreciation	714,434			0	714,434
Total change in net assets	(2,623,734)	30,570	399,870	430,440	(2,193,294)
Net assets - beginning of year	20,674,443	2,981,995	3,238,587	6,220,582	26,895,025
Net assets - end of year	\$18,050,709	\$3,012,565	\$3,638,457	\$6,651,022	\$26,895,025

*Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements.

CHINA INSTITUTE IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With comparative totals for the year ended June 30, 2019)

	Program Services			Supporting Services			Total Expenses 6/30/20	Total Expenses 6/30/19	
	Education Program	Gallery Program	Public Programs	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	1,143,648	\$307,207	\$241,354	\$1,692,209	\$349,736	\$521,039	\$870,775	\$2,562,984	\$2,618,053
Payroll taxes and employee benefits	266,295	71,532	56,199	394,026	81,435	121,323	202,758	596,784	701,828
Instructor/teacher/temporary intern payments	83,550			83,550			0	83,550	99,564
Consultants and professional	57,979	1,653	8,437	68,069	123,264	7,094	130,358	198,427	176,875
Printing and publications	24,344			24,344			0	24,344	73,277
Supplies, postage and shipping	38,734	3,201	1,633	43,568	15,284	6,466	21,750	65,318	83,994
Travel and lodging	4,251	5,765	8,539	18,555	6,292	10,055	16,347	34,902	83,489
Telecommunications	16,079	1,328	677	18,084	6,343	2,684	9,027	27,111	20,331
Advertising and staff training				0	40,627		40,627	40,627	35,607
Food and beverages	3,262	422	2,538	6,222	6,509	109,619	116,128	122,350	29,272
Gallery design and installation		2,412		2,412			0	2,412	1,586
Crating, shipping and art insurance				0			0	0	0
Space rental and venue costs	8,482			8,482			0	8,482	149,524
Building charges and utilities	312,850	25,851	13,189	351,890	123,451	52,229	175,680	527,570	459,704
Building services, equipment rental and maintenance	33,410	2,761	1,409	37,580	13,183	5,578	18,761	56,341	105,989
Property and liability insurance	31,345	2,590	1,321	35,256	12,369	5,233	17,602	52,858	50,410
Events expense	28,493	681	3,011	32,185	1,350	20,785	22,135	54,320	156,244
Bank charges, interest and credit card fees				0	12,697		12,697	12,697	12,697
Bad debt expense				0	426,002		426,002	426,002	45,000
Depreciation	423,659	35,007	17,861	476,527	167,178	70,729	237,907	714,434	713,774
Other expenses	29,200		1,312	30,512	211		211	30,723	13,280
Total expenses	2,505,581	460,410	357,480	3,323,471	1,385,931	932,834	2,318,765	5,642,236	5,630,498
Less: depreciation	(423,659)	(35,007)	(17,861)	(476,527)	(167,178)	(70,729)	(237,907)	(714,434)	(713,774)
Less: direct special event expenses netted with revenue				0		(145,098)	(145,098)	(145,098)	(250,049)
Total expenses for statement of activities	\$2,081,922	\$425,403	\$339,619	\$2,846,944	\$1,218,753	\$717,007	\$1,935,760	\$4,782,704	\$4,666,675

The attached notes and auditor's report are an integral part of these financial statements.

CHINA INSTITUTE IN AMERICA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

(With comparative totals for the year ended June 30, 2019)

	6/30/20	6/30/19
Cash flows from operating activities:		
Change in net assets	(\$2,193,294)	(\$670,278)
Adjustments to reconcile change in net assets to net cash flows provided/(used for) by operating activities:		
Depreciation	714,434	713,774
Amortization of debt issuance costs	12,697	12,697
Debt issuance costs	0	(30,000)
Realized and unrealized gain on investments	(345,781)	(245,150)
Contributions restricted for endowment	(201,100)	(215,000)
Changes in assets and liabilities:		
Contributions receivable	1,262,946	(806,712)
Prepaid expenses and other assets	(53,215)	(1,878)
Accounts payable and accrued expenses	1,158,494	(109,144)
Deferred revenue	67,462	12,033
Security deposits held	(57,700)	0
Paycheck Protection Program loan payable	545,500	0
Total adjustments	3,103,737	(669,380)
Net cash flows provided by/(used for) operating activities	910,443	(1,339,658)
Cash flows from investing activities:		
Purchase of fixed assets	(2,536,822)	(927,775)
Purchases of investments	(897,666)	(632,529)
Proceeds from sales of investments	2,360,157	755,506
Net cash flows used for investing activities	(1,074,331)	(804,798)
Cash flows from financing activities:		
Repayments of loans payable	(214,659)	(134,638)
Net cash flow used for financing activities	(214,659)	(134,638)
Net decrease in cash and cash equivalents	(378,547)	(2,279,094)
Cash and cash equivalents - beginning of year	3,927,657	6,206,751
Cash and cash equivalents - end of year	\$3,549,110	\$3,927,657
Cash and cash equivalents:		
Cash and cash equivalents	\$3,549,110	\$3,467,657
Cash restricted for endowment	0	460,000
	\$3,549,110	\$3,927,657
Supplemental disclosure of cash flow information:		
Total interest paid	\$302,776	\$335,497
Total income taxes paid	\$0	\$0

The attached notes and auditor's report are an integral part of these financial statements.

CHINA INSTITUTE IN AMERICA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1 - Nature of Entity

China Institute in America (the “Institute”) offers a series of programs relating to China and Chinese culture, including art, education, music, film history, contemporary affairs, business, travel and language. The Institute also presents classes, workshops and events for adults, corporate executives, teachers, families and children.

Incorporated in 1944 in the State of New York, the Institute has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Institute have been prepared on the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred, rather than when received or paid.

Effective July 1, 2019 the Institute adopted the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “Topic 606”). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective July 1, 2019, the Institute adopted (“ASU”) No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“Topic 605”). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the Institute evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the Institute applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

The Institute evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the Institute to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way the Institute recognizes revenue.

b. Basis of Presentation

The Institute reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represent those resources for which there are no restrictions by donors as to their use.
- *Net Assets With Donor Restrictions* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity.

c. Revenue Recognition

The Institute has adopted Topic 606 using the modified retrospective method applied to all contracts after July 1, 2019 and continues to use legacy GAAP for all contracts before July 1, 2019.

The Institute has the following types of revenue that fall under Topic 606: tuition fees, gallery catalogue and book sales, and rental income. Each different source of revenue is analyzed to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Revenue is recognized when the performance obligation is complete.

For tuition income, the performance obligation is considered to have been met in the fiscal year in which the academic programs are delivered. Revenue is recognized at that time. Collection of tuition income for future programs has been recorded as deferred revenue. Tuition earned that has not been collected is reflected as tuition receivable.

Gallery catalogue and books sales revenue are recognized when the sales take place and products are provided to customers.

For rental income, the performance obligation is considered to be met when the rental services have been provided. When there is a difference between the timing of when revenue is recognized and cash is received, a receivable or deferred revenue is recorded.

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities. However, when a restriction is met in the period the contribution is received, it is recorded as net assets without donor restrictions.

Government grants have been evaluated and are considered to be non-reciprocal; therefore, they are also treated as contributions under Topic 605. In addition, government grants meet the criteria of being conditional. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved and other conditions under the agreements are met. Cash received in advance of the conditions being met are treated as liabilities.

The Institute records unconditional promises to give in the period pledged at net realizable value, if expected to be received within one year. Long-term pledges are recorded at fair value based on a risk-adjusted discount rate when considered material. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At year end, all receivables are due in less than one year.

Pledges are reviewed for collectability based on several factors including historical experience. An allowance of \$15,000 and \$60,500 has been established as of June 30, 2020 and 2019, respectively.

d. Cash and Cash Equivalents

The Institute considers all liquid investments that have an initial maturity of one year or less to be cash and cash equivalents, except for cash held as part of the investment portfolio.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Institute to concentration of credit risk consist of cash, money market accounts and investment securities, which are placed with financial institutions that management deems to be creditworthy. Most accounts are insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation. At year end and at various times during the year, the Institute had material uninsured balances either due to the accounts not being insured or balances exceeding the insured levels. The Institute has not experienced any losses due to the failure of any of these institutions.

The market value of investments is subject to fluctuation and principal is not guaranteed. Management believes its investment policy is prudent for the long-term welfare of the Institute.

f. Investments

Investments are recorded at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities.

g. Fixed Assets

Fixed assets exceed pre-determined thresholds, to which the Institute retains title and capital items purchased which benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation.

Fixed assets consist of buildings, building improvements, furniture, equipment and computers, and are carried at cost. Depreciation is charged over the assets useful life (ranging from 3 to 40 years) using the straight-line method with a one-half year convention.

During the year ended June 30, 2017, the City of New York's investment of capital funding obligated the Institute to maintain equipment for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the

people of the City of New York for cultural, educational or artistic uses and/or related purposes approved by the City of New York.

h. Donated Artwork Held for Auction

The Institute's collection of art and artifacts has been recorded at appraised values at the time of donation. Some of the collection is to be sold at auction and the remainder is to be displayed at the Institute's premises.

i. Accrued Vacation

The Institute recognizes a liability for the amount of unused vacation that employees have earned but not used. The accrued vacation obligation was \$35,535 and \$30,181 at June 30, 2020 and June 30, 2019, respectively.

j. Donated Services

The Institute recognizes contributions of services that create or enhance non-financial assets, or require specialized skills, are provided by those who possess those skills and would typically be purchased if not donated. In-kind travel of \$6,876 and \$13,828 has been recognized in 2020 and 2019, respectively. In-kind event space for programs of \$0 and \$16,795 has been recognized in 2020 and 2019.

k. Advertising

Advertising expense is recognized in the period the expense has been incurred.

l. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

m. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time and effort
Payroll taxes and employee benefits	Time and effort
Supplies, postage and shipping	Time and effort
Telecommunications	Time and effort
Building charges and utilities	Time and effort
Building services	Time and effort
Property and liability insurance	Time and effort
Depreciation	Time and effort

All other expenses have been charged directly to the applicable program or supporting services.

n. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

o. Accounting for Uncertainty of Income Taxes

The Institute does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2017 and later are subject to examination by applicable taxing authorities.

p. New Accounting Pronouncements

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

FASB issued ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2023 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line item presentation on the statement of activities and additional disclosures.

The Institute is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2020 and June 30, 2019 all investments were considered to be Level 1 securities and consisted of the following:

	<u>6/30/20</u>	<u>6/30/19</u>
Money market funds	\$562,210	\$246,431
Mutual funds	258,560	1,408,781
Corporate bonds	937,036	1,060,195
Government agency bonds	0	19,281
Exchange traded funds	27,695	582,308
Corporate equities:		
Basic and industrial good/materials	382,515	377,559
Consumer goods	620,327	371,310
Financial	728,985	366,733
Healthcare	113,346	128,891
Services	463,252	353,793
Technology	639,253	704,293
Utilities	116,223	134,684
Other	<u>153,919</u>	<u>164,672</u>
Total investments	<u>\$5,003,321</u>	<u>\$5,918,931</u>

Level 1 securities are valued at the closing price reported on the active market they are traded on.

Investment income for the years indicated is as follows:

	<u>6/30/20</u>	<u>6/30/19</u>
Realized & unrealized gain		
on investments	\$345,781	\$245,150
Interest and dividends	52,316	35,206
Interest and dividends		
- endowment	122,545	135,271
Investment fees	<u>(45,036)</u>	<u>(43,248)</u>
Investment income - net	<u>\$475,606</u>	<u>\$372,379</u>

Note 4 - Restricted Cash

In connection with the loans payable described more fully in Note 6, the Institute is required to establish separate accounts with the lender's institution to be used as a reserve for monthly interest installments as well as hold the unused proceeds of the loan, which are to be used for construction costs on the building.

Note 5 - Fixed Assets

Fixed assets consist of:

	<u>6/30/20</u>	<u>6/30/19</u>
Office condominium	\$18,270,000	\$18,270,000
Capitalized closing costs	247,557	247,557
Furniture and equipment	389,570	386,292
Hurricane Sandy improvements	447,395	447,395
Condominium improvements and betterments	7,089,727	7,065,727
Construction in progress	<u>5,919,780</u>	<u>3,410,236</u>
	32,364,029	29,827,207
Less: accumulated depreciation and amortization	<u>(5,010,465)</u>	<u>(4,296,031)</u>
Fixed assets - net	<u>\$27,353,564</u>	<u>\$25,531,176</u>

Note 6 - Paycheck Protection Program Loan

During the year ended June 30, 2020, the Institute obtained a loan from the SBA in the amount of \$545,500 through the Paycheck Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

The Institute expects to recognize revenue from this loan consistent with ASU 2018-08, as it is considered to have traits similar to a conditional contribution, however will continue to review whether any new accounting pronouncements may be issued that will provide more definitive guidance.

Note 7 - Loans Payable

In November 2015, The Trust for Cultural Resources of the City of New York (the "Trust") issued \$13,000,000 in Series 2015 revenue bonds for the benefit of the Institute. The Institute has used the proceeds for costs associated with the construction of the new condo on Rector Street in New York City. The Trust then sold the bond proceeds to a bank.

The Institute entered into two separate mortgage loan agreements, one with a bank and the other with the Trust (the Trust in turn assigned the rights to the mortgage to the same bank). At the conclusion of these transactions, the Institute had \$13,000,000 of outstanding mortgages payable.

On October 26, 2016 the Board of Trustees of the Institute approved and adopted a resolution to authorize an optional \$4,000,000 redemption of the Series 2015 bonds, which took place on November 1, 2016. On November 9, 2016, the Institute and the bank signed a consent to amend the loan agreements based on this redemption, which reduced the outstanding mortgages payable to \$9,000,000.

The Institute is required to make monthly interest only payments through December 1, 2018 to the bank. Principal payments began December 1, 2018 and continue through December 1, 2035, when a balloon payment of \$3,799,517 is due. The loans are collateralized by the assets and operating revenues of the Institute.

Loans payable reflected on the statement of financial position consists of the following at June 30, 2020:

	<u>Principal</u>	<u>Debt Issuance Costs</u>	<u>Net</u>
3.4% bank loan, due 12/1/2035	<u>\$8,650,703</u>	<u>\$478,393</u>	<u>\$8,172,310</u>

In fiscal year 2016, the Institute elected to early adopt FASB ASU No. 2015-03, *Interest-Imputation of Interest – Simplifying the Presentation of Debt Issuance Costs*, which permitted the debt issuance costs to be netted with the principal amount of the loan. Future principal payments under the loan are as follows:

Year ending:	June 30, 2021	\$243,354
	June 30, 2022	251,879
	June 30, 2023	260,699
	June 30, 2024	269,091
	June 30, 2025	279,318
Thereafter		<u>7,346,362</u>
Total		<u>\$8,650,703</u>

Note 8 - Commitments and Contingencies

Government funded activities are subject to audit by applicable granting agencies. Management does not believe that any future audits will result in disallowed costs and has not established any reserves. Any future payments that may result from such audits will be recognized once amounts become known and probable of payment.

Note 9 - Net Assets With Donor Restrictions

During the years ended June 30, 2020 and June 30, 2019, net assets were released from restriction due to satisfaction of donor stipulations for the following programs:

	<u>6/30/20</u>	<u>6/30/19</u>
Annual Dialogue	\$0	\$15,000
Corporate Membership	0	85,000
Other	<u>9,430</u>	<u>40,316</u>
Total	<u>\$9,430</u>	<u>\$140,316</u>

The following summarizes the nature of net assets with donor restrictions:

	<u>6/30/20</u>	<u>6/30/19</u>
Donor restricted - programs:		
Capital Campaign	\$2,511,339	\$2,511,339
ECNU Center	230,000	230,000
Annual Dialogue	60,000	60,000
Corporate Membership	0	0
Exhibition: Eternal Offerings	35,000	35,000
Other	<u>176,226</u>	<u>145,656</u>
Total donor restricted - programs	<u>3,012,565</u>	<u>2,981,995</u>
Donor restricted endowment:		
Endowment corpus - investments	2,488,054	2,286,954
Endowment earnings	<u>1,150,403</u>	<u>951,633</u>
Total donor restricted endowment	<u>3,638,457</u>	<u>3,238,587</u>
Total net assets with donor restrictions	<u>\$6,651,022</u>	<u>\$6,220,582</u>

Note 10 - Endowment Funds

The Institute's endowment consists of individual donor-restricted funds established for a variety of purposes. The endowment includes earnings from investment gains that have not been designated for specific use by the donor and have not yet been appropriated by the board of trustees.

Additionally, during the years ended June 30, 2019 and June 30, 2018, the Institute received \$215,000 and \$245,000, respectively from a donor. These amounts were in cash and are not part of the Institute's investments at June 30, 2019. During the year ended June 30, 2020, these amounts were transferred to the Institute's investment accounts. Additionally, during the year ended June 30, 2020, \$2,000,000 were transferred out of the Institute's investment and into a separate certificate of deposit account.

Interpretation of Relevant Law

The Institute follows New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which the board of directors has interpreted as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, the Institute will preserve the fair value of the original gift as of the gift date for all donor-restricted endowment funds. However, under certain circumstances, the Institute has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, the Institute classifies as endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

When endowment funds have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for expenditures, therefore, they have been classified in the net asset class with donor restrictions.

Spending Policies

In accordance with NYPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Institute and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Institute;
- (7) The investment policies of the Institute;
- (8) Where appropriate and circumstances would otherwise warrant alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Institute.

Changes in endowment net assets were as follows:

	June 30, 2020			
	<u>Without Donor</u>	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment and reserve fund net assets, beginning of year	\$3,140,344	\$951,633	\$1,826,954	\$5,918,931
Activities 2020:				
Interest and dividends	64,989	57,556	0	122,545
Investment fees	(23,926)	(21,110)	0	(45,036)
Unrealized and realized gain	183,457	162,324	0	345,781
Transfers to/(from) investments	(2,000,000)	0	460,000	(1,540,000)
Contributions	<u>0</u>	<u>0</u>	<u>201,100</u>	<u>201,100</u>
Endowment and reserve fund net assets, end of year	<u>\$1,364,864</u>	<u>\$1,150,403</u>	<u>\$2,488,054</u>	<u>\$5,003,321</u>
	June 30, 2019			
	<u>Without Donor</u>	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment and reserve fund net assets, beginning of year	\$2,961,454	\$793,350	\$1,826,954	\$5,581,758
Activities 2019:				
Interest and dividends	71,769	63,502	0	135,271
Investment fees	(22,946)	(20,302)	0	(43,248)
Unrealized and realized gain	<u>130,067</u>	<u>115,083</u>	<u>0</u>	<u>245,150</u>
Endowment and reserve fund net assets, end of year	<u>\$3,140,344</u>	<u>\$951,633</u>	1,826,954	<u>\$5,918,931</u>
Cash restricted for endowment			<u>460,000</u>	
Total endowment corpus			<u>\$2,286,954</u>	

Endowment Investment Policies

The Institute has adopted an investment policy for endowment assets that relies on the accumulation of interest, dividends and other market value gains for future appropriation.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Institute to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2020 or June 30, 2019.

Note 11 - Employee Benefit Plan

Employees of the Institute are covered by a TIAA-CREF defined contribution plan. The Institute may, on an annual basis, contribute a discretionary match of the salaries of eligible employees to the plan. Employees may elect to contribute a portion of their salaries. Contributions under this plan are applied to individual annuities issued to each participant. Employer contributions to the plan were \$182,919 and \$198,443 for the years ended June 30, 2020 and June 30, 2019, respectively.

Note 12 - Special Events

A summary of the special events during the year ended June 30, 2020 is as follows:

	<u>Gala</u>	<u>Chinese New Year</u>	<u>Total</u>
Gross revenue	\$738,129	\$73,550	\$811,679
Less: expenses with a direct benefit to donors	<u>(107,773)</u>	<u>(37,325)</u>	<u>(145,098)</u>
	630,356	36,225	666,581
Less: other event expenses	<u>(17,218)</u>	<u>(1,644)</u>	<u>(18,862)</u>
Net income from special events	<u>\$613,138</u>	<u>\$34,581</u>	<u>\$647,719</u>

A summary of the special events during the year ended June 30, 2019 is as follows:

	<u>Gala</u>	<u>Chinese New Year</u>	<u>Spring Lunch</u>	<u>Total</u>
Gross revenue	\$939,750	\$94,660	\$400,355	\$1,434,765
Less: expenses with a direct benefit to donors	<u>(126,681)</u>	<u>(21,991)</u>	<u>(101,377)</u>	<u>(250,049)</u>
	813,069	72,669	298,978	1,184,716
Less: other event expenses	<u>(15,772)</u>	<u>(2,852)</u>	<u>(27,498)</u>	<u>(46,122)</u>
Net income from special events	<u>\$797,297</u>	<u>\$69,817</u>	<u>\$271,480</u>	<u>\$1,138,594</u>

Note 13 - Availability and Liquidity

The Institute maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. The Institute operates its programs within a board approved budget. Additionally, the Institute has property holdings with a fair market value estimated by management (as of June 30, 2019) to be between \$44,000,000 and \$50,500,000.

The following reflects the Institute's financial assets at June 30, 2020 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:		
Cash and cash equivalents	\$3,549,110	
Contributions receivable	141,627	
Investments	<u>5,003,321</u>	
Total financial assets		\$8,694,058
Less: amounts not available for general expenditures:		
Donor restricted net assets – program restrictions	(3,012,565)	
Donor restricted endowment	<u>(3,638,457)</u>	
Total amounts not available for general expenditure		<u>(6,651,022)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$2,043,036</u>

Note 14 - Related Party Transaction

The Institute paid fees to a firm for architectural services that totaled \$7,605, in 2019. There were no fees paid in 2020. The chair of the board is a principal of the architecture firm. The transaction was approved in advance by the board after full disclosure at a properly scheduled board meeting.

Note 15 - Subsequent Events

Management has evaluated the impact of all subsequent events through October 28, 2020, which is the date that the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, through our evaluation date, that would require adjustment to or disclosure in the financial statements.

Note 16 - Other Matters

During the year, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. Since then, the pandemic has led to quarantines, facility closures, and travel and logistics restrictions that have hurt workforces, economies, and financial markets. This could decrease spending, adversely affect demand for the Organization's services and harm the Organization's business and results of operations. As of the date of these financial statements, the potential impact of these events on the Institute cannot be quantified.