SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

# China Institute

FOUNDED 1926

# Audited Financial Statements

## June 30, 2021

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# 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, 2021, 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.

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***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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

October 27, 2021

# CHINA INSTITUTE IN AMERICA
## STATEMENT OF FINANCIAL POSITION
## AT JUNE 30, 2021
(With comparative totals at June 30, 2020)

| | 6/30/21 | 6/30/20* |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $4,222,298 | $3,549,110 |
| Investments (Note 3) | 1,033,122 | 1,364,864 |
| Prepaid expenses and other assets | 51,200 | 55,873 |
| Contributions receivable, net (Note 4) | 1,056,369 | 141,627 |
| Security deposits | 25,000 | 25,000 |
| Restricted cash (Note 5) | 0 | 711,341 |
| Straight-line rent receivable | 94,861 | 0 |
| Fixed assets, net (Note 6) | 28,617,340 | 27,353,564 |
| Donated artwork held for auction | 162,476 | 162,476 |
| Investments restricted for endowment (Notes 3 and 11) | 4,355,353 | 3,638,457 |
| Total assets | $39,618,019 | $37,002,312 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $1,194,169 | $1,705,868 |
| Deferred revenue | 81,018 | 214,603 |
| Paycheck Protection Program loan payable (Note 7) | 545,576 | 545,500 |
| Conditional grant | 1,600,000 | 1,600,000 |
| Security deposits | 62,300 | 62,300 |
| Loans payable (Note 8) | 7,941,670 | 8,172,310 |
| Total liabilities | 11,424,733 | 12,300,581 |
| Commitments and contingencies (Note 9) | | |
| Net assets: | | |
| Without donor restrictions | 18,592,198 | 18,050,709 |
| With donor restrictions (Notes 10 and 11) | 9,601,088 | 6,651,022 |
| Total net assets | 28,193,286 | 24,701,731 |
| Total liabilities and net assets | $39,618,019 | $37,002,312 |

*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 ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2021**
(With comparative totals for the year ended June 30, 2020)

| | Without Donor Restrictions | With Donor Restrictions: Donor Restricted Support | With Donor Restrictions: Donor Restricted Endowment | With Donor Restrictions: Total | Total 6/30/21 | Total 6/30/20 |
|---|---|---|---|---|---|---|
| Public support and revenue: | | | | | | |
| Public support: | | | | | | |
| Contributions | $872,936 | $2,474,920 | | $2,474,920 | $3,347,856 | $936,477 |
| Government grants | 234,721 | | | 0 | 234,721 | 335,578 |
| Paycheck Protection Program grant (Note 7) | 545,500 | | | 0 | 545,500 | 0 |
| Special event income (net of expenses w/ a direct benefit to donors)(Note 13) | 1,011,907 | | | 0 | 1,011,907 | 666,581 |
| Membership dues | 43,552 | | | 0 | 43,552 | 44,701 |
| In-kind donations | 495 | | | 0 | 495 | 6,876 |
| Total public support | 2,709,111 | 2,474,920 | 0 | 2,474,920 | 5,184,031 | 1,990,213 |
| Revenue: | | | | | | |
| Tuition fees | 679,874 | | | 0 | 679,874 | 750,408 |
| Gallery catalogue and book sales | 1,661 | | | 0 | 1,661 | 11,209 |
| Rental income | 585,874 | | | 0 | 585,874 | 76,406 |
| Investment income (Note 3) | 282,077 | | 1,106,057 | 1,106,057 | 1,388,134 | 475,606 |
| Other income | 0 | | | 0 | 0 | 2 |
| Total revenue | 1,549,486 | 0 | 1,106,057 | 1,106,057 | 2,655,543 | 1,313,631 |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of program and time restrictions | 630,911 | (241,750) | (389,161) | (630,911) | 0 | 0 |
| Total public support and revenue | 4,889,508 | 2,233,170 | 716,896 | 2,950,066 | 7,839,574 | 3,303,844 |
| Expenses: | | | | | | |
| Program services | 2,524,785 | | | 0 | 2,524,785 | 2,846,944 |
| Supporting services: | | | | | | |
| Management and general | 524,149 | | | 0 | 524,149 | 1,218,753 |
| Fundraising | 610,926 | | | 0 | 610,926 | 717,007 |
| Total supporting services | 1,135,075 | 0 | 0 | 0 | 1,135,075 | 1,935,760 |
| Total expenses | 3,659,860 | 0 | 0 | 0 | 3,659,860 | 4,782,704 |
| Change in net assets from operations | 1,229,648 | 2,233,170 | 716,896 | 2,950,066 | 4,179,714 | (1,478,860) |
| Non-operating activity: | | | | | | |
| Depreciation | 688,159 | | | 0 | 688,159 | 714,434 |
| Total change in net assets | 541,489 | 2,233,170 | 716,896 | 2,950,066 | 3,491,555 | (2,193,294) |
| Net assets - beginning of year | 18,050,709 | 3,012,565 | 3,638,457 | 6,651,022 | 24,701,731 | 26,895,025 |
| Net assets - end of year | $18,592,198 | $5,245,735 | $4,355,353 | $9,601,088 | $28,193,286 | $24,701,731 |

*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, 2021**
(With comparative totals for the year ended June 30, 2020)

| | Program Services | | | | Supporting Services | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Education Program | Gallery Program | Public Programs | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total Expenses 6/30/21 | Total Expenses 6/30/20 |
| Salaries | $1,072,159 | $242,548 | $223,412 | $1,538,119 | $264,886 | $453,789 | $718,675 | $2,256,794 | $2,562,984 |
| Payroll taxes and employee benefits | 239,460 | 54,171 | 49,899 | 343,530 | 59,161 | 101,349 | 160,510 | 504,040 | 596,784 |
| Instructor/teacher temporary intern payments | 99,298 | | | 99,298 | | | 0 | 99,298 | 83,550 |
| Consultants and professional fees | 22,844 | 12,624 | 11,875 | 47,343 | 49,081 | 7,500 | 56,581 | 103,924 | 198,427 |
| Printing and publications | | | | 0 | | | 0 | 0 | 24,344 |
| Supplies, postage and shipping | 49,917 | 5,271 | 2,635 | 57,823 | 13,099 | 6,589 | 19,688 | 77,511 | 65,318 |
| Travel and lodging | 2,250 | 230 | | 2,480 | 1,627 | 400 | 2,027 | 4,507 | 34,902 |
| Telecommunications | | | | 0 | 15,059 | | 15,059 | 15,059 | 27,111 |
| Advertising and staff training | | | | 0 | 18,376 | | 18,376 | 18,376 | 40,627 |
| Food and beverages | | | | 0 | | | 0 | 0 | 122,350 |
| Gallery design and installation | | | | 0 | | | 0 | 0 | 2,412 |
| Crating, shipping and art insurance | | | | 0 | | | 0 | 0 | 0 |
| Space rental and venue costs | | | | 0 | | | 0 | 0 | 8,482 |
| Building charges and utilities | 228,614 | 24,139 | 12,070 | 264,823 | 59,993 | 30,175 | 90,168 | 354,991 | 527,570 |
| Building services, equipment rental and maintenance | 63,442 | 6,699 | 3,349 | 73,490 | 16,649 | 8,373 | 25,022 | 98,512 | 56,341 |
| Property and liability insurance | 20,840 | 2,200 | 1,100 | 24,140 | 5,469 | 2,751 | 8,220 | 32,360 | 52,858 |
| Events expense | 56,939 | | | 56,939 | 4,780 | 158,529 | 163,309 | 220,248 | 54,320 |
| Bank charges, interest and credit card fees | | | | 0 | 12,697 | | 12,697 | 12,697 | 12,697 |
| Bad debt expenses | | | | 0 | 588 | | 588 | 588 | 426,002 |
| Depreciation | 443,174 | 46,794 | 23,397 | 513,365 | 116,299 | 58,495 | 174,794 | 688,159 | 714,434 |
| Other expenses | | | 16,800 | 16,800 | 2,684 | | 2,684 | 19,484 | 30,723 |
| Total expenses | 2,298,937 | 394,676 | 344,537 | 3,038,150 | 640,448 | 827,950 | 1,468,398 | 4,506,548 | 5,642,236 |
| Less: depreciation | (443,174) | (46,794) | (23,397) | (513,365) | (116,299) | (58,495) | (174,794) | (688,159) | (714,434) |
| Less: direct special event expenses netted with revenue | | | | 0 | | (158,529) | (158,529) | (158,529) | (145,098) |
| Total expenses for statement of activities | $1,855,763 | $347,882 | $321,140 | $2,524,785 | $524,149 | $610,926 | $1,135,075 | $3,659,860 | $4,782,704 |

*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, 2021**
(With comparative totals for the year ended June 30, 2020)

| | 6/30/21 | 6/30/20* |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $3,491,555 | ($2,193,294) |
| Adjustments to reconcile change in net assets to net cash flows provided by operating activities: | | |
| Depreciation | 688,159 | 714,434 |
| Amortization of debt issuance costs | 12,697 | 12,697 |
| Realized and unrealized gain on investments | (1,310,029) | (345,781) |
| Contributions restricted for endowment | 0 | (201,100) |
| Changes in assets and liabilities: | | |
| Contributions receivable | (914,742) | 1,262,946 |
| Prepaid expenses and other assets | 4,673 | (53,215) |
| Straight-line rent receivable | (94,861) | 0 |
| Accounts payable and accrued expenses | (511,699) | 1,158,494 |
| Deferred revenue | (133,585) | 67,462 |
| Security deposits | 0 | (57,700) |
| Paycheck Protection Program loan payable | 76 | 545,500 |
| Total adjustments | (2,259,311) | 3,103,737 |
| Net cash flows provided by operating activities | 1,232,244 | 910,443 |
| Cash flows from investing activities: | | |
| Purchase of fixed assets | (1,951,935) | (2,536,822) |
| Purchases of investments | (2,184,654) | (897,666) |
| Proceeds from sales of investments | 3,109,529 | 2,360,157 |
| Net cash flows used for investing activities | (1,027,060) | (1,074,331) |
| Cash flows from financing activities: | | |
| Repayments of loans payable | (243,337) | (214,659) |
| Net cash flow used for financing activities | (243,337) | (214,659) |
| Net decrease in cash, cash equivalents and restricted cash | (38,153) | (378,547) |
| Cash, cash equivalents and restricted cash - beginning of year | 4,260,451 | 4,638,998 |
| Cash, cash equivalents and restricted cash - end of year | $4,222,298 | $4,260,451 |
| Cash, cash equivalents and restricted cash: | | |
| Cash and cash equivalents | $4,222,298 | $3,549,110 |
| Restricted cash | 0 | 711,341 |
| Total cash, cash equivalents and restricted cash | $4,222,298 | $4,260,451 |
| Supplemental disclosure of cash flow information: | | |
| Total interest paid | $293,949 | $302,776 |
| Total income taxes paid | $0 | $0 |

*Reclassified for comparative purposes

*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, 2021

## 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. <u>Basis of Accounting</u>
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.

b. <u>Basis of Presentation</u>
The Institute reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use.

- *Net Assets With Donor Restrictions* – represents 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. <u>Revenue Recognition</u>
The Institute follows the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-606 for recognizing revenue. The Institute has the following types of revenue that fall under ASC 958-606: tuition fees, gallery catalogue and book sales. 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.

Rental revenue consists of leases with third-party tenants and falls under the scope of ACS 840: *Leases.* As further described in Note 14, the Institute leases a portion of its space under a long-term lease. The Institute recognizes rental income on a straight-line basis over the term of the lease. Rental income in excess of cash collections is recorded as straight-line rent receivable on the statement of financial position.

The Institute follows FASB's ASC 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met.

The Institute's government grants are primarily conditional non-exchange transactions and fall under the scope of FASB ASC 958-605. Revenue from these transactions are recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other 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.

Pledges are reviewed for collectability based on several factors including historical experience. An allowance of $25,000 and $15,000 has been established as of June 30, 2021 and 2020, respectively.

d. <u>Cash and Cash Equivalents</u>
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.

The Institute follows ASC 230, which requires that restricted cash and cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows.

e. Operating/Non-Operating Activity
   The Institute displays activity as operating and non-operating. Operating activity includes routine revenue and expense items that are central to the Institute's mission. Non-operating activity includes non-cash items such as depreciation expense.

f. 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 ("FDIC") or Securities Investor Protection Corporation ("SIPC"). 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.

g. 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.

h. Fixed Assets
   Fixed assets that 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.

i. Donated Artwork Held for Auction
   The Institute's collection of art and artifacts has been recorded at appraised values at the time of donation.

j. 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 $37,513 and $35,535 at June 30, 2021 and June 30, 2020, respectively.

k. 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 $495 and $6,876 has been recognized in 2021 and 2020, respectively.

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

m. 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.

n. 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 following expenses were allocated using time and effort as the basis:

- Salaries
- Payroll taxes and employee benefits
- Supplies, postage, and shipping
- Telecommunications
- Building charges and utilities
- Building services, equipment rental and maintenance
- Property and liability insurance
- Depreciation

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

o. 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, 2020, from which the summarized information was derived.

p. 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, 2018 and later are subject to examination by applicable taxing authorities.

q. New Accounting Pronouncements
FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* which becomes effective for the June 30, 2022 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.

Additionally, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 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.

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, 2021 and June 30, 2020 all investments were considered to be Level 1 securities and consisted of the following:

| | 6/30/21 | 6/30/20 |
|---|---|---|
| Investments | $1,033,122 | $1,364,864 |
| Investments restricted for endowment | 4,355,353 | 3,638,457 |
| Total investments | $5,388,475 | $5,003,321 |

| | 6/30/21 | 6/30/20 |
|---|---|---|
| Money market funds | $48,285 | $562,210 |
| Mutual funds | 1,511,964 | 258,560 |
| Corporate bonds | 820,038 | 937,036 |
| Exchange traded funds | 281,442 | 27,695 |
| Corporate equities: | | |
| Basic and industrial good/materials | 540,468 | 382,515 |
| Consumer goods | 363,867 | 620,327 |
| Financial | 397,839 | 728,985 |
| Healthcare | 301,749 | 113,346 |
| Services | 262,864 | 463,252 |
| Technology | 700,664 | 639,253 |
| Utilities | 73,920 | 116,223 |
| Other | 85,375 | 153,919 |
| Total investments | $5,388,475 | $5,003,321 |

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:

| | 6/30/21 | 6/30/20 |
|---|---|---|
| Realized & unrealized gain on investments - endowment | $1,047,638 | $162,324 |
| Realized & unrealized gain on investments – other investments | 262,391 | 183,457 |
| Interest and dividends - endowment | 91,786 | 57,556 |
| Interest and dividends | 27,640 | 117,305 |
| Investment fees – endowment | (33,367) | (21,110) |
| Investment fees – other investments | (7,954) | (23,926) |
| Investment income, net | $1,388,134 | $475,606 |

**Note 4 - Contributions Receivable**

Contributions receivable are expected to be collected in the following periods:

| | 6/30/21 | 6/30/20 |
|---|---|---|
| Year ending: June 30, 2021 | $0 | $156,627 |
| June 30, 2022 | 781,369 | 0 |
| June 30, 2023 | 300,000 | 0 |
| | 1,081,369 | 156,627 |
| Less: allowance on doubtful accounts | (25,000) | (15,000) |
| Total contributions, net | $1,056,369 | $141,627 |

Due to its immaterial nature, a discount to present value has not been recorded.

**Note 5 - Restricted Cash**

In connection with the loans payable described in Note 8, the Institute was 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. During the year ended June 30, 2021, the Institute received authorization from the lender to withdraw the remaining funds in the account.

**Note 6 - Fixed Assets**

Fixed assets consist of:

| | 6/30/21 | 6/30/20 |
|---|---|---|
| Office condominium *(40 years)* | $18,270,000 | $18,270,000 |
| Capitalized closing costs *(40 years)* | 247,557 | 247,557 |
| Furniture and equipment *(5 years)* | 389,570 | 389,570 |
| Hurricane Sandy improvements *(40 years)* | 447,395 | 447,395 |
| Condominium improvements and betterments *(40 years)* | 7,316,960 | 7,089,727 |
| Construction in progress | 7,644,482 | 5,919,780 |
| | 34,315,964 | 32,364,029 |
| Less: accumulated depreciation and amortization | (5,698,624) | (5,010,465) |
| Total fixed assets, net | $28,617,340 | $27,353,564 |

## Note 7 - Paycheck Protection Program Loan

During the year ended June 30, 2020, the Institute obtained a loan from the Small Business Administration ("SBA") in the amount of $545,500 through the Paycheck Protection Program ("PPP"). The Institute treated this loan consistent with ASC 958-605, as it is considered to have traits similar to a conditional contribution. As all conditions of the loan had been satisfied as of June 30, 2021, the loan was recognized as revenue on the statement of activities. The loan was formally forgiven by the SBA.

On February 9, 2021, the Institute obtained a second loan from the SBA in the amount of $545,576 through the Paycheck Protection Program. This is reflected as a liability as of June 30, 2021 and will be accounted for in a consistent manner as the first loan.

## Note 8 - 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 condominium 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 and principal payments 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, 2021:

| | Principal | Debt Issuance Costs | Net |
|---|---|---|---|
| 3.4% bank loan, due 12/1/2035 | $8,407,366 | $465,696 | $7,941,670 |

The Institute follows FASB ASU No. 2015-03, *Interest-Imputation of Interest – Simplifying the Presentation of Debt Issuance Costs,* which requires 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, 2022 | $251,879 |
| | June 30, 2023 | 260,699 |
| | June 30, 2024 | 269,091 |
| | June 30, 2025 | 279,318 |
| | June 30, 2026 | 300,003 |
| Thereafter | | 7,046,376 |
| Total | | $8,407,366 |

**Note 9 - 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 10 - Net Assets With Donor Restrictions**

During the years ended June 30, 2021 and June 30, 2020, net assets were released from restriction due to satisfaction of donor stipulations for the following programs:

| | 6/30/21 | 6/30/20 |
|---|---|---|
| ECNU Center | $230,000 | $0 |
| Other | 11,750 | 9,430 |
| Total | $241,750 | $9,430 |

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

| | 6/30/21 | 6/30/20 |
|---|---|---|
| Donor restricted - programs: | | |
| Capital Campaign | $3,686,409 | $2,511,339 |
| ECNU Center | 0 | 230,000 |
| Annual Dialogue | 60,000 | 60,000 |
| Exhibition: Eternal Offerings | 35,000 | 35,000 |
| Exhibition: Treasures for Buddha | 55,000 | 0 |
| Monogram Kitchen/Culinary Programs | 1,200,000 | 0 |
| Other | 209,326 | 176,226 |
| Total donor restricted - programs | 5,245,735 | 3,012,565 |
| | | |
| Donor restricted endowment: | | |
| Endowment corpus | 2,488,054 | 2,488,054 |
| Endowment earnings | 1,867,299 | 1,150,403 |
| Total donor restricted endowment | 4,355,353 | 3,638,457 |
| Total net assets with donor restrictions | $9,601,088 | $6,651,022 |

## Note 11 - Endowment Funds

The Institute's endowment consists of individual donor-restricted funds established for a variety of purposes.

*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, 2021 | | |
|---|---|---|---|
| | Endowment Earnings | Endowment Corpus | Total |
| Endowment assets – beginning of year | $1,150,403 | $2,488,054 | $3,638,457 |
| Activities 2021: | | | |
| Interest and dividends | 91,786 | 0 | 91,786 |
| Investment fees | (33,367) | 0 | (33,367) |
| Net gain on investments | 1,047,638 | 0 | 1,047,638 |
| Appropriation of endowment assets for expenditure | (389,161) | 0 | (389,161) |
| Endowment assets – end of year | $1,867,299 | $2,488,054 | $4,355,353 |

| | June 30, 2020 | | |
|---|---|---|---|
| | Endowment Earnings | Endowment Corpus | Total |
| Endowment assets – beginning of year | $951,633 | $2,286,954 | $3,238,587 |
| Activities 2020: | | | |
| Interest and dividends | 57,556 | 0 | 57,556 |
| Investment fees | (21,110) | 0 | (21,110) |
| Unrealized and realized gain | 162,324 | 0 | 162,324 |
| Contributions | 0 | 201,100 | 201,100 |
| Endowment assets – end of year | $1,150,403 | $2,488,054 | $3,638,457 |

*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, 2021 or June 30, 2020.

**Note 12 - 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 $124,898 and $182,919 for the years ended June 30, 2021 and June 30, 2020, respectively.

**Note 13 - Special Events**

A summary of the special events during the year ended June 30, 2021 is as follows:

| | Gala | Spring Fashion | Total |
|---|---|---|---|
| Gross revenue | $591,840 | $578,596 | $1,170,436 |
| Less: expenses with a direct benefit to donors | (49,029) | (109,500) | (158,529) |
| | 542,811 | 469,096 | 1,011,907 |
| Less: other event expenses | (7,827) | (58,134) | (65,961) |
| Net income from special events | $534,984 | $410,962 | $945,946 |

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

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

## Note 14 - Rental Income and Leases

The Institute leases space to a tenant under a long-term non-cancelable lease. Future minimum rental payments under this lease are as follows:

| | | |
|---|---|---|
| Year ending: | June 30, 2022 | $541,573 |
| | June 30, 2023 | 555,112 |
| | June 30, 2024 | 568,990 |
| | June 30, 2025 | 583,215 |
| | June 30, 2026 | 597,795 |
| | Thereafter | 6,161,874 |
| Total | | $9,008,559 |

Additionally, subsequent to year-end, the Institute entered into an amended lease whereby the Institute will lease a separate space to another tenant with minimum rental payments as follows:

| | | |
|---|---|---|
| Year ending: | June 30, 2022 | $81,000 |
| | June 30, 2023 | 128,460 |
| | June 30, 2024 | 133,752 |
| | June 30, 2025 | 133,752 |
| | June 30, 2026 | 133,752 |
| | Thereafter | 379,658 |
| Total | | $990,374 |

## Note 15 - 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, 2021 that are available to meet cash needs for general expenditures within one year:

| | | |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and cash equivalents | $4,222,298 | |
| Investments | 1,033,122 | |
| Contributions receivable, net | 1,056,369 | |
| Total financial assets | | $6,311,789 |
| Less: amounts not available for general expenditures: | | |
| Donor restricted net assets – program restrictions | | (5,245,735) |
| Financial assets available to meet cash needs for general expenditures within one year | | $1,066,054 |

**Note 16 - Subsequent Events**

Subsequent events have been evaluated through October 27, 2021, the date the financial statements were issued. The Institute has concluded that no other material events have occurred that are not accounted for in the accompanying financial statements or disclosed in the accompanying notes.

**Note 17 - Other Matters**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Institute operates. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted, however, supply chains remain impacted. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact cannot be quantified.