

**China Institute in America**

Audited Financial Statements

June 30, 2023

# China Institute in America

Audited Financial Statements

June 30, 2023

## CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-19



## Independent Auditor's Report

To the Board of Trustees of  
China Institute in America

### Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

The financial statements of the Institute, as of and for the year ended June 30, 2022 were audited by other auditors whose report dated October 18, 2022 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sax CPAs LLP*

New York, NY  
January 9, 2024

# China Institute in America

## Statement of Financial Position

At June 30, 2023  
(With comparative totals at June 30, 2022)

	<u>June 30,</u>	
	<u>2023</u>	<u>2022*</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 559,572	\$ 2,800,716
Investments	492,572	904,599
Contributions receivable, net	154,011	563,912
Prepaid expenses and other assets	60,750	-
Security deposits	25,000	25,000
Straight-line rent receivable	264,026	186,213
Fixed assets, net	30,656,508	28,976,558
Donated artwork held for auction	162,476	162,476
Investments restricted for endowment	4,011,063	3,801,582
<b>TOTAL ASSETS</b>	<b><u>\$ 36,385,978</u></b>	<b><u>\$ 37,421,056</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 209,300	\$ 244,660
Deferred revenue	282,119	387,266
Security deposits	55,000	-
Loans payable	7,462,996	7,655,316
Total liabilities	<u>8,009,415</u>	<u>8,287,242</u>
Commitments and contingencies		
<b>NET ASSETS</b>		
Without donor restrictions	23,297,371	22,037,967
With donor restrictions	5,079,192	7,095,847
Total net assets	<u>28,376,563</u>	<u>29,133,814</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 36,385,978</u></b>	<b><u>\$ 37,421,056</u></b>

\*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, 2023  
(With comparative totals for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions		Total	Total 6/30/23	Total 6/30/22
		Donor Restricted Support	Donor Restricted Endowment			
<b>PUBLIC SUPPORT AND REVENUE</b>						
Public support:						
Contributions	\$ 480,463	\$ 958,720	\$ 20,000	\$ 978,720	\$ 1,459,183	\$ 1,358,777
Government grants	550,188	-	-	-	550,188	2,090,000
Paycheck Protection Program grant	-	-	-	-	-	545,576
Employee Retention Tax Credit	167,848	-	-	-	167,848	51,239
Special event income (net of expenses with a direct benefit to donors)	508,468	-	-	-	508,468	803,427
Membership dues	67,469	-	-	-	67,469	52,987
In-kind donations	-	-	-	-	-	75,722
Total support	<u>1,774,436</u>	<u>958,720</u>	<u>20,000</u>	<u>978,720</u>	<u>2,753,156</u>	<u>4,977,728</u>
Revenue:						
Tuition fees	701,176	-	-	-	701,176	687,958
Gallery catalogue and book sales	18,114	-	-	-	18,114	988
Rental Income	702,613	-	-	-	702,613	778,732
Investment return	134,303	-	422,091	422,091	556,394	(710,171)
Other income	-	-	-	-	-	2,522
Total revenue	<u>1,556,206</u>	<u>-</u>	<u>422,091</u>	<u>422,091</u>	<u>1,978,297</u>	<u>760,029</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>						
Satisfaction of program and time restrictions	3,417,466	(3,184,856)	(232,610)	(3,417,466)	-	-
<b>Total public support and revenue</b>	<b><u>6,748,108</u></b>	<b><u>(2,226,136)</u></b>	<b><u>209,481</u></b>	<b><u>(2,016,655)</u></b>	<b><u>4,731,453</u></b>	<b><u>5,737,757</u></b>
<b>FUNCTIONAL EXPENSES</b>						
Program services	3,216,816	-	-	-	3,216,816	2,815,699
Supporting services:						
Management and general	1,198,888	-	-	-	1,198,888	650,845
Fundraising	404,737	-	-	-	404,737	660,130
Total supporting services	<u>1,603,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,603,625</u>	<u>1,310,975</u>
Total functional expenses	<u>4,820,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,820,441</u>	<u>4,126,674</u>
Change in net assets from operation	1,927,667	(2,226,136)	209,481	(2,016,655)	(88,988)	1,611,083
Non - operating activity:						
Depreciation	668,263	-	-	-	668,263	670,555
<b>Change in net assets</b>	<b><u>1,259,404</u></b>	<b><u>(2,226,136)</u></b>	<b><u>209,481</u></b>	<b><u>(2,016,655)</u></b>	<b><u>(757,251)</u></b>	<b><u>940,528</u></b>
<b>NET ASSETS, beginning of year</b>	<u>22,037,967</u>	<u>3,294,265</u>	<u>3,801,582</u>	<u>7,095,847</u>	<u>29,133,814</u>	<u>28,193,286</u>
<b>NET ASSETS, end of year</b>	<b><u>\$ 23,297,371</u></b>	<b><u>\$ 1,068,129</u></b>	<b><u>\$ 4,011,063</u></b>	<b><u>\$ 5,079,192</u></b>	<b><u>\$ 28,376,563</u></b>	<b><u>\$ 29,133,814</u></b>

\* 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, 2023

(With comparative totals for the year ended June 30, 2022)

	Program Services				Supporting Services			Total Expenses 6/30/23	Total Expenses 6/30/22
	Education Program	Gallery Program	Public Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 1,284,157	\$ 168,627	\$ 34,590	\$ 1,487,374	\$ 505,880	\$ 168,626	\$ 674,506	\$ 2,161,880	\$ 2,188,662
Payroll taxes and employee benefits	292,639	38,427	7,883	338,949	115,282	38,428	153,710	492,659	477,843
Instructor /teacher									
temporary intern payments	8,322	-	-	8,322	-	-	-	8,322	53,335
Consultants and professional fees	59,969	64,960	25,003	149,932	271,603	72,778	344,381	494,313	343,847
Printing and publications	-	7,112	-	7,112	432	1,435	1,867	8,979	41,971
Supplies, postage and shipping	57,410	7,539	1,546	66,495	22,616	7,538	30,154	96,649	79,602
Travel and lodging	1,047	5,851	2,068	8,966	6,428	73,451	79,879	88,845	29,680
Telecommunications	-	-	-	-	11,433	-	11,433	11,433	11,729
Advertising and staff training	-	-	-	-	19,169	-	19,169	19,169	14,048
Food and beverages	-	-	-	-	-	58,495	58,495	58,495	67,567
Gallery design and installation	-	316,516	-	316,516	-	-	-	316,516	65,795
Building charges and utilities	410,155	53,859	11,048	475,062	161,576	53,858	215,434	690,496	614,261
Building services, equipment rental and maintenance	81,411	10,690	2,193	94,294	32,071	10,691	42,762	137,056	101,169
Property and liability insurance	55,589	7,300	1,497	64,386	21,899	7,299	29,198	93,584	62,585
Events expense	199,408	-	-	199,408	-	-	-	199,408	35,452
Bank charges, interest and credit card fees	-	-	-	-	27,094	-	27,094	27,094	27,094
Depreciation	396,948	52,125	10,692	459,765	156,374	52,124	208,498	668,263	670,555
Other expenses	-	-	-	-	3,405	-	3,405	3,405	1,959
<b>Total expenses</b>	<b>2,847,055</b>	<b>733,006</b>	<b>96,520</b>	<b>3,676,581</b>	<b>1,355,262</b>	<b>544,723</b>	<b>1,899,985</b>	<b>5,576,566</b>	<b>4,887,154</b>
Less depreciation	(396,948)	(52,125)	(10,692)	(459,765)	(156,374)	(52,124)	(208,498)	(668,263)	(670,555)
Less: direct special event expense netted with revenue	-	-	-	-	-	(87,862)	(87,862)	(87,862)	(89,925)
<b>Total functional expenses</b>	<b>\$ 2,450,107</b>	<b>\$ 680,881</b>	<b>\$ 85,828</b>	<b>\$ 3,216,816</b>	<b>\$ 1,198,888</b>	<b>\$ 404,737</b>	<b>\$ 1,603,625</b>	<b>\$ 4,820,441</b>	<b>\$ 4,126,674</b>

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, 2023  
(With comparative totals for the year ended June 30, 2022)

	June 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (757,251)	\$ 940,528
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities		
Depreciation	668,263	670,555
Interest on debt issuance costs	27,094	27,094
Realized and unrealized (gain)/loss on investments	(462,167)	818,253
Contributions restricted for endowment	-	(25,000)
Paycheck Protection Program loan forgiveness	-	(545,576)
Changes in assets and liabilities:		
Contributions receivable	409,901	492,457
Prepaid expense and other assets	(60,750)	51,200
Straight-line rent receivable	(77,813)	(91,352)
Accounts payable and accrued expenses	(35,360)	(669,150)
Deferred revenues	(105,147)	25,889
Conditional grants	-	(1,600,000)
Security deposits	55,000	(62,300)
Net cash (used for)/provided by operating activities	<b>(338,230)</b>	<b>32,598</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,348,213)	(1,029,773)
Purchases of investments	(1,589,622)	(1,068,046)
Proceeds from sale of investments	2,254,335	957,087
Net cash used for investing activities	<b>(1,683,500)</b>	<b>(1,140,732)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of loan payable	(219,414)	(313,448)
Net cash used for financing activities	<b>(219,414)</b>	<b>(313,448)</b>
Net decrease in cash and cash equivalents	<b>(2,241,144)</b>	<b>(1,421,582)</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<b>2,800,716</b>	<b>4,222,298</b>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 559,572</b>	<b>\$ 2,800,716</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Total interest paid	<b>\$ 24,315</b>	<b>\$ 356,552</b>
Total income taxes paid	<b>\$ -</b>	<b>\$ -</b>

*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, 2023

### Note 1 - Organization

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 - Significant Accounting Policies

#### a. Basis of Accounting and Presentation

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.

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.

#### b. Recently Adopted Accounting Standards

Effective July 1, 2022, the Institute adopted the Financial Accounting Standard Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessors to classify leases as a sales-type, direct financing, or operating and disclose key information about leasing arrangements. The Institute elected the package of practical expedients, which permits the Institute not to reassess under the new standard prior conclusions about lease identification, lease classification, and initial direct cost. Adoption of this standard did not have a material impact on the Institute's financial statements.

#### c. Revenue Recognition

The Institute follows FASB's Accounting Standards Codification ("ASC") 606 for recognizing revenue from contracts with customers. The Institute has the following types of revenue that fall under FASB ASC 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.

# China Institute in America

## Notes to Financial Statements

June 30, 2023

### **Note 2 - Summary of Significant Accounting Policies – Continued**

#### *c. Revenue Recognition - Continued*

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 book 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 FASB ASC 842: *Leases*. As further described in Note 12, the Institute leases a portion of its space under a long-term lease. All leases that the Institute has entered into are considered operating leases. The underlying asset related to the leased space is the land and buildings and improvements noted on the statement of financial position. The Institute determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Institute obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Institute also considers whether its service arrangements include the right to control the use of an asset. Additionally, the Institute has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate asset classes. The non-lease components typically represent additional services transferred to the Institute, such as common area maintenance for real estate.

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 ASC 958-605 for recording contributions, which are recognized at the time a contribution 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 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.

# China Institute in America

## Notes to Financial Statements

June 30, 2023

### **Note 2 - Summary of Significant Accounting Policies – Continued**

#### *c. Revenue Recognition - Continued*

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. At June 30, 2023 and June 30, 2022, all pledges receivable were due within one year. Pledges are reviewed for collectability based on several factors including historical experience. An allowance of \$25,000 has been established as of June 30, 2023 and 2022, 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. 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. Concentrated of Credit Risk*

Financial instruments which potentially subject the Institute to a 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 \$10,000, 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.

# China Institute in America

## Notes to Financial Statements

June 30, 2023

### Note 2 - Summary of Significant Accounting Policies – Continued

#### *h. Fixed Assets - Continued*

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 \$29,525 and \$31,926 at June 30, 2023 and June 30, 2022, 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 \$0 and \$722 has been recognized in 2023 and 2022, respectively. Additionally, in-kind professional services of \$0 and \$75,000 was recognized in 2023 and 2022, respectively.

Donated professional services, which are included in program services on the statement of functional expenses, are valued at the standard hourly rates charges for those services. In-kind travel, which is included in program services on the statement of functional expenses, is valued at the standard market rate for similar travel.

#### *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.

# China Institute in America

## Notes to Financial Statements

June 30, 2023

### Note 2 - Summary of Significant Accounting Policies – Continued

#### *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. Such 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, 2022, 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, 2020 and later are subject to examination by applicable taxing authorities.

#### *q. New Accounting Pronouncements*

FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which becomes effective for the June 30, 2024 year. This ASU requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Institute is in the process of evaluating the impact this standard will have on future financial statements.

# China Institute in America

## Notes to Financial Statements

June 30, 2023

### 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, 2023 and June 30, 2022 all investments were considered to be Level 1 securities and consisted of the following:

	June 30,	
	2023	2022
Investments	\$ 492,572	\$ 904,599
Investments restricted for endowment	4,011,063	3,801,582
Total investments	<u>\$ 4,503,635</u>	<u>\$ 4,706,181</u>

	June 30,	
	2023	2022
Money market funds	\$ 96,971	\$ 254,567
Alternative investments - commodities	38,826	47,724
Mutual funds	354,795	251,033
Corporate bonds	196,304	787,494
Government agency bonds	440,504	-
Exchange traded funds	117,300	193,194
Corporate equities	3,258,935	3,172,169
Total investments	<u>\$ 4,503,635</u>	<u>\$ 4,706,181</u>

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

# China Institute in America

## Notes to Financial Statements

June 30, 2023

### Note 3 - Investments - Continued

Investment return for the years indicated is as follows:

	June 30,	
	2023	2022
Realized & unrealized gain/(loss) on investments - endowment	\$ 367,317	\$ (620,322)
Realized & unrealized gain/(loss) on investments - other investments	94,850	(197,931)
Interest and dividends -endowment	84,814	76,116
Interest and dividends	46,704	74,735
Investments fees - endowment	(30,040)	(34,565)
Investments fees - other investments	(7,251)	(8,204)
Investments return, net	<u>\$ 556,394</u>	<u>\$ (710,171)</u>

### Note 4 - Fixed Asset

Fixed assets consist of:

	June 30,	
	2023	2022
Office condominium (40 years)	\$ 18,270,000	\$ 18,270,000
Capitalized closing costs (40 years)	247,557	247,557
Furniture and equipment (5 years)	398,829	389,570
Hurricane sandy improvements ( 40 years)	447,395	447,395
Condominium improvements and betterments (40 years)	7,316,960	7,316,960
Construction in progress	11,013,329	8,674,255
Total	<u>37,694,070</u>	<u>35,345,737</u>
Less: accumulated depreciation and amortization	<u>(7,037,562)</u>	<u>(6,369,179)</u>
Total fixed assets, net	<u>\$ 30,656,508</u>	<u>\$ 28,976,558</u>

### Note 5 - Paycheck Protection Program Loan

On February 9, 2021, the Institute received a loan from the Small Business Administration (“SBA”) in the amount of \$545,576 through the Paycheck Protection Program (“PPP”). Terms of the loan indicated that if certain conditions were met, that the loan would be forgiven. As all conditions of the loan had been satisfied as of June 30, 2022, the loan was recognized as revenue on the statement of activities. The loan was formally forgiven by the SBA.

# China Institute in America

## Notes to Financial Statements

June 30, 2023

### Note 6 - Loan 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, 2023:

	Principal	Debt Issuance Costs	Net
3.4% bank loan, due 12/1/2035	<u>\$ 7,874,504</u>	<u>\$ (411,508)</u>	<u>\$ 7,462,996</u>

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:

For the years ending June 30,		
	2024	\$ 246,723
	2025	279,318
	2026	289,033
	2027	299,156
	2028	309,008
	Thereafter	6,451,266
Total		<u>\$ 7,874,504</u>



# China Institute in America

## Notes to Financial Statements

June 30, 2023

### Note 7 - 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 8 - Net Assets With Donor Restrictions

During the years ended June 30, 2023 and June 30, 2022, net assets were released from restriction due to satisfaction of donor stipulations for the following programs:

	June 30,	
	2023	2022
Flowers on river	\$ 670,703	\$ -
Exhibition General	106,248	-
Monogram Kitchen /culinary program	915,000	150,000
Capital Campaign	1,433,332	2,276,936
Next gen leaders circle	-	25,000
Other	59,573	12,869
Total	<u>\$ 3,184,856</u>	<u>\$ 2,464,805</u>

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

	June 30,	
	2023	2022
Donor restricted - programs:		
Capital Campaign	\$ 405,700	\$ 1,409,473
Annual Dialogue	60,000	60,000
Exhibition: eternal offerings	35,000	35,000
Exhibition: treasures for buddha	95,000	75,000
Exhibition: flowers on a river	-	283,200
Exhibition: bronze	25,000	25,000
Exhibition: general	-	46,300
Monogram kitchen /culinary programs	200,000	1,115,000
Other	247,429	245,292
Total donor restricted - programs	<u>\$ 1,068,129</u>	<u>\$ 3,294,265</u>
Donor restricted endowment:		
Endowment corpus	\$ 2,533,054	\$ 2,513,054
Endowment earnings	1,478,009	1,288,528
Total donor restricted endowment	<u>4,011,063</u>	<u>3,801,582</u>
Total net assets with donor restrictions	<u>\$ 5,079,192</u>	<u>\$ 7,095,847</u>

# China Institute in America

## Notes to Financial Statements

June 30, 2023

### Note 9 - Endowment Funds

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

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 expenditure, 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, 2023		
	Endowment Earnings	Endowment Corpus	Total
Endowment assets - beginning of year	\$ 1,288,528	\$ 2,513,054	\$ 3,801,582
Activities 2023:			
Interest and dividends	84,814	-	84,814
Investments fees	(30,040)	-	(30,040)
Net gain on investments	367,317	-	367,317
Contributions	-	20,000	20,000
Appropriations for expenditures	(232,610)	-	(232,610)
Endowment assets - end of year	<u>\$ 1,478,009</u>	<u>\$ 2,533,054</u>	<u>\$ 4,011,063</u>

# China Institute in America

## Notes to Financial Statements

June 30, 2023

### Note 9 - Endowment Funds - Continued

	June 30, 2022		
	Endowment Earnings	Endowment Corpus	Total
Endowment assets - beginning of year	\$ 1,867,299	\$ 2,488,054	\$ 4,355,353
Activities 2022:			
Interest and dividends	76,116	-	76,116
Investments fees	(34,565)	-	(34,565)
Net loss on investments	(620,322)	-	(620,322)
Contributions	-	25,000	25,000
Endowment assets - end of year	\$ 1,288,528	\$ 2,513,054	\$ 3,801,582

#### *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, 2023 or June 30, 2022.

### Note 10 - 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 \$163,503 and \$176,766 for the years ended June 30, 2023 and June 30, 2022, respectively.

### Note 11 - Special Events

A summary of the special events is as follows:

	June 30,	
	2023	2022
Gross revenue	\$ 596,330	\$ 893,352
Less expenses with a direct benefit to donors	(87,862)	(89,925)
	508,468	803,427
Less: other event expenses	(4,377)	(35,510)
Net income from special events	\$ 504,091	\$ 767,917

# China Institute in America

## Notes to Financial Statements

June 30, 2023

### Note 12 - Rental Income and Leases

The Corporation leases office space to certain tenants under long-term non-cancelable leases, which have extension terms to be negotiated at the time of renewal to bring to fair market value. Amounts received in advance are recorded as deferred rental revenue. The leases provide for certain escalation charges based on increases in operating expenses of the buildings in addition to the base annual rent. Commercial rent revenue for the years ended June 30, 2023 and 2022 totaled \$702,613 and \$778,732, respectively, and is included in rental income on the statement of activities.

Future minimum rental payments under these leases with terms in excess of one year are as follows:

For the years ending June 30,		
	2024	\$ 568,990
	2025	583,215
	2026	597,795
	2027	612,740
	2028	628,059
	Thereafter	<u>4,921,075</u>
Total		<u>\$ 7,911,874</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.

The following reflects the Institute's financial assets at June 30, 2023 that are available to meet cash needs for general expenditures within one year:

Financial assets, at year-end:		
Cash and cash equivalents	\$ 559,572	
Investments	492,572	
Contributions receivable, net	<u>154,011</u>	
Totals financials assets		\$ 1,206,155
Less: amounts not available for general expenditures:		
Donor restricted net assets - program restrictions		<u>(1,068,129)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ 138,026</u>

# China Institute in America

## Notes to Financial Statements

June 30, 2023

### **Note 14 - Employee Retention Tax Credit**

During the years ended June 30, 2023, and June 30, 2022, the Organization claimed the Employee Retention Tax Credit ("ERTC") in the amount of \$167,848 and \$51,239, respectively. The ERTC was established by the Coronavirus Relief Act issued by Congress during 2022 and allows an employer to obtain fully refundable tax credits through their payroll tax filings for qualified wages paid after March 13, 2020 through September 30, 2021. To be eligible, an employer must incur payroll costs to retain employees and be adversely affected by the COVID-19 pandemic due to having operations suspended by a government order or demonstrating that they had a significant decline in gross receipts.

The Organization accounted for the ERTC as a conditional contribution in accordance with FASB ASC 958-605. The conditions for eligibility outlined above were met for the quarters claimed during the years ended June 30, 2023, and June 30, 2022, and the full amount was recognized as revenue in 2023 and 2022.

### **Note 15 - Subsequent Event**

Subsequent events have been evaluated through January 9, 2024, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all subsequent events that have occurred.