

**China Institute in America
and Subsidiary**

Consolidated Audited Financial Statements

June 30, 2024

China Institute in America and Subsidiary

Consolidated Audited Financial Statements

June 30, 2024

CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Consolidated Notes to Financial Statements	7-20

Independent Auditor's Report

To the Board of Trustees of
China Institute in America and Subsidiary

Opinion

We have audited the consolidated financial statements of China Institute in America and Subsidiary (collectively, the "Institute"), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Institute as of June 30, 2024, 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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

We have previously audited the Institute's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sax CPAs LLP

New York, NY
November 19, 2024

China Institute of America and Subsidiary

Consolidated Statement of Financial Position

At June 30, 2024

(With comparative totals at June 30, 2023)

	June 30	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,647,246	\$ 559,572
Investments	128	492,572
Contributions receivable, net	683,121	154,011
Prepaid expenses and other assets	109,000	60,750
Security deposits	25,000	25,000
Straight-line rent receivable	327,962	264,026
Property and equipment - held for sale	2,111,950	-
Property and equipment, net	30,393,136	30,656,508
Donated artwork held for auction	162,476	162,476
Investments restricted for endowment	4,850,105	4,011,063
	\$ 40,310,124	\$ 36,385,978
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,006,426	\$ 209,300
Deferred revenue	328,914	282,119
Conditional grant	-	55,000
Security deposits	55,000	-
Bridge loan payable	500,000	-
Mortgage payable	7,263,725	7,462,996
Total liabilities	9,154,065	8,009,415
NET ASSETS		
Without donor restrictions		
Operations	25,049,476	23,297,371
Non-controlling interest in public benefit corporation	490,000	-
Total net assets without donor restrictions	25,539,476	23,297,371
With donor restrictions	5,616,583	5,079,192
Total net assets	31,156,059	28,376,563
	\$ 40,310,124	\$ 36,385,978

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

**China Institute of America
and Subsidiary**

Consolidated Statement of Activities

For the Year Ended June 30, 2024
(With comparative totals for the year ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions			Total 6/30/24	Total 6/30/23
		Donor Restricted Support	Donor Restricted Endowment	Total With Donor Restrictions		
PUBLIC SUPPORT AND REVENUE						
Public support:						
Contributions	\$ 1,891,116	\$ 689,138	\$ 220,000	\$ 909,138	\$ 2,800,254	\$ 1,459,183
Special events (net of expenses with a direct benefit to donor)	1,585,916	-	-	-	1,585,916	508,468
Government grants	1,653,428	-	-	-	1,653,428	550,188
Employee Retention Tax Credit	-	-	-	-	-	167,848
Membership dues	340,956	-	-	-	340,956	67,469
Total public support and revenue	<u>5,471,416</u>	<u>689,138</u>	<u>220,000</u>	<u>909,138</u>	<u>6,380,554</u>	<u>2,753,156</u>
Revenue						
Tuition Fees	780,723	-	-	-	780,723	701,176
Gallery catalogue and book sales	15,066	-	-	-	15,066	18,114
Rental revenue	748,214	-	-	-	748,214	702,613
Investment return	25,314	-	619,042	619,042	644,356	556,394
Total public support and revenue	<u>1,569,317</u>	<u>-</u>	<u>619,042</u>	<u>619,042</u>	<u>2,188,359</u>	<u>1,978,297</u>
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of program and time restrictions	990,789	(990,789)	-	(990,789)	-	-
Total public support and revenue	<u>8,031,522</u>	<u>(301,651)</u>	<u>839,042</u>	<u>537,391</u>	<u>8,568,913</u>	<u>4,731,453</u>
EXPENSES						
Program services	3,918,080	-	-	-	3,918,080	3,216,816
Supporting services:						
Management and general	1,203,285	-	-	-	1,203,285	1,198,888
Fundraising	500,569	-	-	-	500,569	404,737
Total supporting services	<u>1,703,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,703,854</u>	<u>1,603,625</u>
Total expenses	<u>5,621,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,621,934</u>	<u>4,820,441</u>
Change in net assets from operating activity	<u>2,409,588</u>	<u>(301,651)</u>	<u>839,042</u>	<u>537,391</u>	<u>2,946,979</u>	<u>(88,988)</u>
Non-operating activity:						
Depreciation	657,483	-	-	-	657,483	668,263
Change in net assets	<u>1,752,105</u>	<u>(301,651)</u>	<u>839,042</u>	<u>537,391</u>	<u>2,289,496</u>	<u>(757,251)</u>
Capital contributions - non-controlling interest	<u>490,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,000</u>	<u>-</u>
NET ASSETS, beginning of year	<u>23,297,371</u>	<u>1,068,129</u>	<u>4,011,063</u>	<u>5,079,192</u>	<u>28,376,563</u>	<u>29,133,814</u>
NET ASSETS, end of year	<u>\$ 25,539,476</u>	<u>\$ 766,478</u>	<u>\$ 4,850,105</u>	<u>\$ 5,616,583</u>	<u>\$ 31,156,059</u>	<u>\$ 28,376,563</u>

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

**China Institute of America
and Subsidiary**

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2024
(With comparative totals at June 30, 2023)

	Program Services				Supporting Services			Total Expenses 6/30/24	Total Expenses 6/30/23
	Education Program	Gallery Program	Public Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 1,677,452	\$ 182,392	\$ 91,196	\$ 1,951,040	\$ 580,856	\$ 223,844	\$ 804,700	\$ 2,755,740	\$ 2,161,880
Payroll taxes and employee benefits	392,588	42,687	21,343	456,618	137,761	52,388	\$ 190,149	646,767	492,659
Instructor /teacher									
temporary intern payments	22,165	-	-	22,165	-	-	-	22,165	8,322
Consultants and professional fees	69,553	21,250	245,598	336,401	165,125	27,100	192,225	528,626	494,313
Printing and publications	1,482	3,343	27,253	32,078	139	86,291	86,430	118,508	8,979
Supplies, postage and shipping	148,608	16,158	8,079	172,845	52,147	19,831	71,978	244,823	96,649
Travel and lodging	18,472	23,056	56,832	98,360	38,631	16,987	55,618	153,978	88,845
Telecommunications	-	-	-	-	9,742	-	9,742	9,742	11,433
Advertising and staff training	-	-	-	-	74,897	-	74,897	74,897	19,169
Food and beverages	4,922	5,408	94,595	104,925	3,306	22,620	25,926	130,851	58,495
Gallery design and installation	-	148,333	-	148,333	-	-	-	148,333	316,516
Building charges and utilities	241,083	26,213	13,107	280,403	84,598	32,171	116,769	397,172	690,496
Building services, equipment rental and maintenance	110,903	12,059	6,029	128,991	38,916	14,799	53,715	182,706	137,056
Property and liability insurance	48,841	5,311	2,655	56,807	17,139	6,517	23,656	80,463	93,584
Events expense	31,969	-	72,507	104,476	-	166,523	166,523	270,999	199,408
Bank charges, interest and credit card fees	-	-	-	-	-	37,094	37,094	37,094	27,094
Depreciation	399,092	43,394	21,697	464,183	140,044	53,256	193,300	657,483	668,263
Other expenses	900	784	22,954	24,638	28	20,688	20,716	45,354	3,405
Total expenses	<u>3,168,030</u>	<u>530,388</u>	<u>683,845</u>	<u>4,382,263</u>	<u>1,343,329</u>	<u>780,109</u>	<u>2,123,438</u>	<u>6,505,701</u>	<u>5,576,566</u>
Less depreciation	(399,092)	(43,394)	(21,697)	(464,183)	(140,044)	(53,256)	(193,300)	(657,483)	(668,263)
Less: direct special event expense netted with revenue	-	-	-	-	-	(226,284)	(226,284)	(226,284)	(87,862)
Total functional expenses	<u>\$ 2,768,938</u>	<u>\$ 486,994</u>	<u>\$ 662,148</u>	<u>\$ 3,918,080</u>	<u>\$ 1,203,285</u>	<u>\$ 500,569</u>	<u>\$ 1,703,854</u>	<u>\$ 5,621,934</u>	<u>\$ 4,820,441</u>

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

China Institute of America and Subsidiary

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2024
(With comparative totals for the year ended June 30, 2023)

	June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,779,496	\$ (757,251)
Adjustments to reconcile change in net assets to net cash provided/(used for) by operating activities:		
Depreciation	657,483	668,263
Interest on debt issuance costs	37,094	27,094
Realized and unrealized gain/loss on investments	(569,768)	(462,167)
Contributions restricted for endowment	(220,000)	-
Change in assets and liabilities:		
Contributions receivable	(529,110)	409,901
Prepaid expenses and other assets	(48,250)	(60,750)
Straight-line rent receivable	(63,936)	(77,813)
Accounts payable and accrued expenses	797,126	(35,360)
Deferred revenues	46,795	(105,147)
Conditional grants	(55,000)	-
Security deposits	55,000	55,000
Net cash provided by/(used for) operating activities	2,886,930	(338,230)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,506,061)	(2,348,213)
Purchase of investments	(2,424,979)	(1,589,622)
Proceeds from sale of investments	2,831,055	2,254,335
Net cash used for investing activities	(2,099,985)	(1,683,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bridge loan payable	500,000	-
Principal payments on loan payable	(199,271)	(219,414)
Net cash provided by/(used for) financing activities	300,729	(219,414)
Net increase/(decrease) in cash, cash equivalents and restricted cash	1,087,674	(2,241,144)
Cash, cash equivalents and restricted cash, <i>beginning of year</i>	559,572	2,800,716
Cash, cash equivalents and restricted cash, <i>end of year</i>	\$ 1,647,246	\$ 559,572
SUPPLEMENTAL INFORMATION:		
Taxes paid	\$ -	\$ -
Interest paid	\$ 246,288	\$ 228,753

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

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

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).

During the year ended June 30, 2024, the CI Culinary Experience, PBC ("CICE"), a Delaware Public Benefit Corporation was incorporated. In connection with its formation, the Institute purchased \$510,000 of stock of CICE and the foundation of a board member purchased \$490,000 of the remaining stock.

The attached consolidated financial statements and related notes reflect the activity of the Institute and CICE, collectively "the Institute." All intercompany transactions have been eliminated.

Note 2 - Significant Accounting Policies

a. Basis of Accounting and Presentation

The consolidated 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 consolidated financial statements are presented in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958: *Presentation of Financial Statements of Not-For Profit Entities*. Topic 958 requires the Institute to report information regarding its financial position and activities according to two 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.

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

Note 2 - Significant Accounting Policies - Continued

b. Recently Adopted Accounting Standards

All receivables are assessed for collectability. On July 1, 2023, the Institute adopted FASB Accounting Standards Update (“ASU”) 2016-13, Financial Instruments - Credit Losses (“Topic 326”). Financial assets, which potentially subject the Institute to credit losses, consist primarily of tuition fees, gallery catalogue/book sales, and rental income which is reflected as straight-line rent receivable on the consolidated statement of financial position. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions. Based on the analysis performed on the open accounts receivable aging and detail analysis of the customers, the Institute did not record an allowance for bad debt as of June 30, 2024. The impact of the adoption was not considered material to the consolidated financial statements and primarily results in new/enhanced disclosures only.

c. Revenue Recognition

The Institute follows FASB’s 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.

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 11, 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 consolidated 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.

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

Note 2 - Significant Accounting Policies - Continued

c. Revenue Recognition - Continued

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 consolidated 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.

Special event revenue is comprised of payments received from third parties to support and /or attend fundraising events. Special event revenue includes an exchange transaction component for the value of the goods or services rendered, which follows revenue recognition guidance under ASC 606. The amount paid by third parties that is above the value of goods or services is considered a contribution. Revenue is recognized at the time the fundraising event occurs.

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.

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, 2024 and 2023, 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, 2024 and 2023, respectively.

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

Note 2 - Significant Accounting Policies - Continued

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 consolidated statement of activities.

h. Property and Equipment

Property and equipment 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.

Property and equipment 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.

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

Note 2 - Significant Accounting Policies - Continued

h. Property and Equipment - Continued

During the year ended June 30, 2024, The City of New York (the "City") spent \$1,300,000 for the construction, renovation or purchase of equipment. The City's investment of capital funding obligated the recipient organization to operate the facility and/or 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.

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 \$21,753 and \$29,525 at June 30, 2024 and 2023, 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.

Donated professional services, which are included in program services on the consolidated 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 consolidated 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 consolidated 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 of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

Note 2 - 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended June 30, 2023, from which the summarized information was derived.

p. Accounting for Uncertainty of Income Taxes

The Institute does not believe its consolidated 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.

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

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, 2024 and 2023 all investments were considered to be Level 1 securities and consisted of the following:

	June 30,	
	2024	2023
Investments	\$ 128	\$ 492,572
Investments restricted for endowment	4,850,105	4,011,063
Total investments	\$ 4,850,233	\$ 4,503,635
	June 30,	
	2024	2023
Money market funds	\$ 9,495	\$ 96,971
Alternative investments - commodities	-	38,826
Mutual funds	395,896	354,795
Corporate bonds	275,190	196,304
Government agency bonds	495,525	440,504
Exchange traded funds	101,255	117,300
Corporate equities	3,572,872	3,258,935
Total investments	\$ 4,850,233	\$ 4,503,635

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

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

Note 4 - Property and Equipment

Property and equipment consist of:

	June 30,	
	2024	2023
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
Hurricane sandy improvements (40 years)	447,395	447,395
Condominium improvements and betterments (40 years)	7,316,960	7,316,960
Construction in progress	13,443,239	11,013,329
Construction in progress - kitchen	474,980	-
Total	40,200,131	37,694,070
Less: accumulated depreciation and amortization	(7,695,045)	(7,037,562)
Total property and equipment, net	\$ 32,505,086	\$ 30,656,508

Note 5 - 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.

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

Note 5 - Loan Payable - Continued

Loans payable reflected on the consolidated statement of financial position consists of the following at June 30, 2024:

	Principal	Debt Issuance Costs	Net
3.4% bank loan, due 12/1/2035	\$ 7,648,139	\$ (384,414)	\$ 7,263,725

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,		
2025		\$ 279,318
2026		289,033
2027		299,156
2028		309,008
2029		320,455
Thereafter		6,151,169
Total		\$ 7,648,139

Note 6 - Bridge Loan Payable

On October 18, 2023, the Fund for the City of New York provided an interest free \$500,000 loan to be repaid by no later than March 31, 2025. Principal on the full amount of the loan is due upon maturity. There are no installment payments required on this loan.

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.

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

Note 8 - Net Assets With Donor Restrictions

During the years ended June 30, 2024 and 2023, net assets were released from restriction due to satisfaction of donor stipulations for the following programs:

	June 30,	
	2024	2023
Flowers on river	\$ -	\$ 670,703
Exhibition General	-	106,248
Monogram Kitchen /culinary program	200,000	915,000
Capital Campaign	705,700	1,433,332
Gold from the dragon city	38,742	-
CINGS	32,134	-
Other	14,213	59,573
Total	\$ 990,789	\$ 3,184,856

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

	June 30,	
	2024	2023
Donor restricted - programs:		
Capital Campaign	\$ -	\$ 405,700
Annual Dialogue	60,000	60,000
Exhibition: eternal offerings	35,000	35,000
Exhibition: treasures for buddha	95,000	95,000
Exhibition: bronze	25,000	25,000
Exhibition: gold from the dragon city	68,358	-
Monogram kitchen/culinary programs	-	200,000
CINGS	84,004	-
Senior staff recruitment	100,000	-
Other	299,116	247,429
Total donor restricted - programs	\$ 766,478	\$ 1,068,129
Donor restricted endowment:		
Endowment corpus	\$ 2,753,054	\$ 2,533,054
Endowment earnings	2,097,051	1,478,009
Total donor restricted endowment	4,850,105	4,011,063
Total net assets with donor restrictions	\$ 5,616,583	\$ 5,079,192

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

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.

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, 2024 or 2023.

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

Note 9 - Endowment Funds - Continued

Changes in endowment net assets were as follows:

	June 30, 2024		
	Endowment Earnings	Endowment Corpus	Total
Endowment assets - beginning of year	\$ 1,478,009	\$ 2,533,054	\$ 4,011,063
Activities 2024:			
Interest and dividends	85,238	-	85,238
Investments fees	(34,677)	-	(34,677)
Net gain on investments	568,481	-	568,481
Contributions	-	220,000	220,000
Endowment assets - end of year	\$ 2,097,051	\$ 2,753,054	\$ 4,850,105
	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	\$ 1,478,009	\$ 2,533,054	\$ 4,011,063

Note 10 - Special Events

A summary of the special events is as follows:

	June 30,	
	2024	2023
Gross revenue	\$ 1,812,200	\$ 596,330
Less expenses with a direct benefit to donors	(226,284)	(87,862)
	1,585,916	508,468
Less: other event expenses	(1,146)	(4,377)
Net income from special events	\$ 1,584,770	\$ 504,091

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

Note 11 - Rental Income and Leases

The Institute 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, 2024 and 2023 totaled \$748,214 and \$702,613, respectively, and is included in rental income on the consolidated 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,

2025	\$ 583,215
2026	597,795
2027	612,740
2028	628,059
2029	643,760
Thereafter	<u>4,277,315</u>
Total	<u>\$ 7,342,884</u>

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 \$189,926 and \$163,503 for the years ended June 30, 2024 and 2023, respectively.

Note 13 - Employee Retention Tax Credit

During the year ended June 30, 2023, the Institute claimed the Employee Retention Tax Credit ("ERTC") in the amount of \$167,848. 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 Institute 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 year ended June 30, 2023, and the full amount was recognized as revenue in 2023.

China Institute of America and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2024

Note 14 - 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, 2024 that are available to meet cash needs for general expenditures within one year:

Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,647,246	
Investments	128	
Contributions receivable, net	<u>683,121</u>	
Totals financials assets		\$ 2,330,495
Less: amounts not available for general expenditures:		
Donor restricted net assets - program restrictions		<u>(766,478)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ 1,564,017</u>

Note 15 - Subsequent Events

Subsequent events have been evaluated through November 19, 2024, the date the consolidated financial statements were available to be issued. No adjustments and disclosures were necessary.