

YALE-CHINA ASSOCIATION  
Financial Statements  
As Of  
June 30, 2018 and 2017

YALE-CHINA ASSOCIATION  
June 30, 2018 and 2017

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Yale-China Association:

We have audited the accompanying financial statements of the Yale-China Association (a non-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities and cash flows for the years 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Yale-China Association as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to

the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Pallman & Company P.C.*

New Haven, Connecticut  
May 30, 2019

Yale-China Association  
Statements of Financial Position  
As of June 30, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash	\$ 174,060	\$ 1,729,669
Investments	18,490,639	15,835,703
Accounts receivable	63,257	50,000
Prepaid expenses	-	26,718
Fixed assets net of accumulated depreciation	8,874	19,445
Total Assets	\$ 18,736,830	\$ 17,661,535
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	398,119	178,424
Accrued liabilities	60,000	40,000
Total Liabilities	\$ 458,119	\$ 218,424
 <b>Net Assets</b>		
Unrestricted and Board designated	\$ 8,945,478	\$ 8,629,320
Temporarily restricted	540,797	615,797
Permanently restricted	8,792,436	8,197,994
Total Net Assets	\$ 18,278,711	\$ 17,443,111
Total Liabilities and Net Assets	\$ 18,736,830	\$ 17,661,535

See notes to financial statements.

Yale-China Association  
Statements of Activities  
For The Years Ended June 30, 2018 and 2017

	2018 Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018
Revenues and Support				
Bequests and estates	\$ -	\$ -	\$ -	\$ -
General Contributions	453,418	-	-	453,419
Grants	483,129	-	-	483,129
Investment Income	750,491	-	-	750,491
Unrealized gain (loss) on investments	600,216	-	594,442	1,194,657
Realized gain (loss) on investments	1,492	-	-	1,492
Release of Restrictions	75,000	(75,000)	-	-
<b>Total Revenues and support</b>	<b>2,363,746</b>	<b>(75,000)</b>	<b>594,442</b>	<b>2,883,188</b>
Expenditures				
Programs	1,907,530	-	-	1,907,530
General and Administrative	61,865	-	-	61,865
Fundraising	78,193	-	-	78,193
<b>Total Expenditures</b>	<b>2,047,588</b>	<b>-</b>	<b>-</b>	<b>2,047,588</b>
<b>Increase (decrease) in net assets</b>	<b>316,158</b>	<b>(75,000)</b>	<b>594,442</b>	<b>835,600</b>
<b>Net Assets - beginning</b>	<b>8,629,320</b>	<b>615,797</b>	<b>8,197,994</b>	<b>17,443,111</b>
<b>Net Assets - ending</b>	<b>\$ 8,945,478</b>	<b>\$ 540,797</b>	<b>\$ 8,792,436</b>	<b>\$ 18,278,711</b>

Yale-China Association  
Statements of Activities  
For The Years Ended June 30, 2018 and 2017

	2017 Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
Revenues and Support				
Bequests and estates	\$ 1,651,663	\$ -	\$ -	\$ 1,651,663
General Contributions	341,758	9,950	-	351,708
Grants	547,756	-	-	547,756
Investment Income	694,031	-	-	694,031
Unrealized gain (loss) on investments	398,773	-	464,498	863,271
Realized gain (loss) on investments	4,080	-	-	4,080
Release of Restrictions	131,918	(131,918)	-	-
<b>Total Revenues and support</b>	<b>3,769,979</b>	<b>(121,968)</b>	<b>464,498</b>	<b>4,112,509</b>
Expenditures				
Programs	1,880,279	-	-	1,880,279
General and Administrative	98,947	-	-	98,947
Fundraising	63,200	-	-	63,200
<b>Total Expenditures</b>	<b>2,042,426</b>	<b>-</b>	<b>-</b>	<b>2,042,426</b>
<b>Increase (decrease) in net assets</b>	<b>1,727,553</b>	<b>(121,968)</b>	<b>464,498</b>	<b>2,070,083</b>
<b>Net Assets - beginning</b>	<b>6,901,767</b>	<b>737,765</b>	<b>7,733,496</b>	<b>15,373,028</b>
<b>Net Assets - ending</b>	<b>\$ 8,629,320</b>	<b>\$ 615,797</b>	<b>\$ 8,197,994</b>	<b>\$ 17,443,111</b>

Yale-China Association  
 Statements of Cash Flow  
 For The Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 835,600	\$ 2,070,083
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized (gain) on investments	(1,194,657)	(863,271)
Realized (gain) loss on investments	1,492	(4,080)
Depreciation	13,797	23,122
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(13,257)	4,417
(Increase) decrease in prepaid expense	26,718	31,651
Increase (decrease) in accounts payable	219,695	160,669
Increase (decrease) in accrued expenses	20,000	20,000
	(926,212)	(627,492)
Net cash provided by (used in) operating activities	(90,612)	1,442,591
Cash flows from investing activities		
Payments for the purchases of investments	(1,528,394)	(3,850)
Payments for the purchase of property	(3,226)	(1,291)
Proceeds from the sale of investments	66,623	169,826
	(1,464,997)	164,685
Net increase (decrease) in cash and cash equivalents	\$ (1,555,609)	\$ 1,607,276
Cash and cash equivalents at beginning of year	\$ 1,729,669	\$ 122,393
Cash and cash equivalents at end of year	\$ 174,060	\$ 1,729,669

See notes to financial statements.



YALE-CHINA ASSOCIATION  
Notes to Financial Statements  
June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of the Yale-China Association (the Association) is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Activities

The Association was established in 1901 and is organized as a non-profit association in Connecticut for the purpose of conducting, supporting and encouraging amicable relations between the United States and China through the pursuit of program work in education, health, public service and the arts.

Basis of Presentation

The financial statement information regarding the Association's financial position and activities are presented in three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the absence, existence or observance of board or donor imposed restrictions. Certain items in the 2017 presentation have been reclassified to conform to the 2018 presentation.

Unrestricted Net Assets – Net assets that are unrestricted resources that may be expended at the discretion of the Association. Unrestricted funds include amounts designated by the Board that are intended to be expended for specific purposes. These funds may be released at the Board's discretion for specific use by the Association. The Board has approved transfers in the budget for operational purposes for the years ended June 30, 2018 and 2017.

Temporarily Restricted Net Assets – Net assets that are resources subject to restrictions either to purpose or as to time of expenditure.

Permanently Restricted Net Assets – Net assets that are contributions received with donor restrictions that the principal be maintained in perpetuity and that only the income earned will be available to be expended at the Association's discretion.

Cash and Cash Equivalents

Cash and cash equivalents are recorded at cost, which approximates fair value, and includes cash on hand and unrestricted demand deposits with financial institutions. The Association considers short-term, highly liquid investments with maturities of three months or less from the original date of acquisition to be cash equivalents.

Investments

Investments are recorded at market value in the financial statements. Investment income includes all interest, dividends and net realized and unrealized gains and losses. Realized gains are computed on the specific identification cost method.

Concentration of Credit Risk

Management places cash with credit worthy institutions which insure deposits up to \$250,000 per depositor with the Federal Deposit Insurance Corporation (FDIC). During the current year the Association received a bequest; the bequest was received at year end and was held in the savings account while awaiting transfer to the investment account. The combined balances of cash at June 30, 2017 exceeded the federally insured limits. The Association also maintains cash accounts in a financial institution in Hong Kong that insures deposits with the Hong Kong Deposit Protection Board (HKDPB) up to \$500,000 HKD, the aggregate cash balances were within the insured limits.

Financial instruments that potentially subject the Association to concentrations of credit risk consist of investments and receivables. By policy, investments are managed and reviewed, and kept within limits and parameters designed to prevent risks caused by concentrations. Management feels the potential for credit risk for receivables to be limited due to the small number of accounts and the nature of the receivables.

YALE-CHINA ASSOCIATION  
Notes to Financial Statements  
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Fixed Assets

Fixed assets consist of office equipment, computers and renovations and are recorded at cost. It is the Association's policy to capitalize property and equipment acquisitions over \$500. Depreciation is provided on the straight-line method over the estimated useful life of the assets which range from three to ten years. Maintenance and repairs that do not extend the useful lives of the assets are expensed when incurred.

Income Taxes

The Association qualifies as a public charity under Internal Revenue Code Section 170(b)(1)(A)(VI) and has been determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association's policy provides that a tax expense or benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination. The Association has no uncertain tax positions resulting in an accrual of tax expense or benefit. The Association's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donor Pledges to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded at the present value of the estimated future cash flows, which may include an estimate for potential uncollectible receivables. The discount on those contributions is computed using an interest rate that reflects fair value applicable to the year in which the promise is made. Amortization of the discount is included in contribution revenue. Conditional promises to give are not recorded as support until such time as the conditions are met.

Contributions

Contributions received are measured at their fair values and are reported as an increase in net assets. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. Contributions of tangible assets are recognized at fair value when received. The amounts, if any, reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

Functional Expenses

The costs of program and supporting activities have been reported on the supplemental schedule of functional expenses. The supplemental schedule of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services.

Compensated Absences

Employees of the Association may be entitled to paid time off based on job classification and length of service. The Association recognizes the cost of compensated absences when it is paid to the employee. Management believes that the value of earned paid time off is not material with respect to the financial statements; therefore, no provision has been made for the estimated cost of future compensated absences.

Net Assets Released from Restrictions

Net assets released from restrictions are based upon the satisfaction of the purpose for which the net assets were restricted or the completion of a time stipulation.

YALE-CHINA ASSOCIATION  
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Disclosure of Subsequent Events

Management has evaluated subsequent events for the period after June 30, 2018 through May 30, 2019 the date the financial statements were available to be issued.

Recent Authoritative Pronouncements

The Financial Accounting Standards Board has issued the following standards that will become applicable in future years. *Presentation of Financial Statements for Not-for-Profit Entities* – effective for the fiscal year ending June 30, 2019, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* – effective June 30, 2019 and *Leases* – effective for June 30, 2021. The *Presentation* standard collapses the existing three category classification of net assets into two, net assets with donor restrictions and net assets without donor restrictions. In addition disclosures relating to investments and liquidity have been expanded. The *Contributions* standard assists in the evaluation of whether transactions should be accounted for as contributions or exchange transactions and the determination of whether a contribution is conditional. The *Leases* standard will recognize lease assets and liabilities on the balance sheet based upon lease obligations and expand the disclosure requirements related to leasing arrangements.

2. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of the following as of June 30, 2018 and 2017:

	2018	2017
Operating checking	\$ 173,372	\$ 69,562
Operating savings dollars held for transfer to investment fund		1,651,804
Hong Kong dollars held in Hong Kong checking and savings accounts converted to U.S. dollars at the conversion rate of 7.75 HKD to 1 US\$	688	8,303
Total Cash and Cash Equivalents	\$ 174,060	\$ 1,729,669

Cash savings for the year ended June 30, 2017 consisted of bequest funds held for transfer into the designated investment fund, the amounts at the end of the 2017 year exceeded the account's federally insured limit. The funds were subsequently transferred to the board designated investment fund after the year end close.

3. INVESTMENTS:

Investments held by the Association for charitable and operational purposes for the years ended June 30, 2018 and 2017 consisted of the following:

	2018	2017
Notes and bonds	\$ 384,460	\$ 435,139
Investment Fund Yale University	9,313,743	7,202,570
Endowment Fund held by Yale University	8,792,436	8,197,994
	\$ 18,490,639	\$ 15,835,703

Investments are recorded at fair value. Adjustments are reflected in the statements of activities to record the increase or decrease in fair value. A summary of investments held by net asset classification as of June 30, 2018 and 2017 are as follows:

	2018	2017
Unrestricted and Board designated	\$ 9,145,972	\$ 7,009,799
Temporarily restricted	552,231	627,910
Permanently restricted	8,792,436	8,197,994
	\$ 18,490,639	\$ 15,835,703

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The Association has placed the Board designated fund with the Yale University Funds to be managed and invested within the Yale University Fund. The investment consists of units of the Yale Investment Fund of which the income and investments are available to the Association based upon Board designated restrictions. The funds are recorded at fair value and consist of the following:

	<u>2018</u>			<u>2017</u>		
	<u>Principal</u>	<u>Market</u>	<u>Excess</u>	<u>Principal</u>	<u>Market</u>	<u>Excess</u>
Yale-China Second Century Fund	\$ 5,291,985	\$ 6,598,713	\$ 1,306,728	\$ 4,370,614	\$ 5,242,217	\$ 871,603
Yale-China Reserve Fund	838,085	953,175	115,090	806,354	858,407	52,053
Yale-China Lilley Fund	1,530,292	1,761,855	231,563	750,000	871,946	121,946
Total	<u>\$ 7,660,362</u>	<u>\$ 9,313,743</u>	<u>\$ 1,653,381</u>	<u>\$ 5,926,968</u>	<u>\$ 6,972,570</u>	<u>\$ 1,045,602</u>

Investments held under the Endowment Fund by Yale University consist of permanently restricted endowment funds of which only the income is available for distribution. These funds are recorded at fair value and consist of the following:

	<u>2018</u>			<u>2017</u>		
	<u>Principal</u>	<u>Market</u>	<u>Excess</u>	<u>Principal</u>	<u>Market</u>	<u>Excess</u>
Lyman Yale-China Fund	\$ 1,206,887	\$ 7,921,923	\$ 6,715,036	\$ 1,206,887	\$ 7,386,335	\$ 6,179,448
Henry B. Wright Fund	49,845	742,313	692,468	49,845	692,126	642,281
Arthur L. Ryerson Memorial Scholarship Fund	4,720	128,200	123,480	4,720	119,533	114,813
Total	<u>\$ 1,261,452</u>	<u>\$ 8,792,436</u>	<u>\$ 7,530,984</u>	<u>\$ 1,261,452</u>	<u>\$ 8,197,994</u>	<u>\$ 6,936,542</u>

Earnings on the endowment funds for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Lyman Yale-China Fund	\$ 327,477	\$ 317,068
Henry B. Wright Fund	30,686	29,710
Arthur L. Ryerson Memorial Scholarship Fund	5,300	5,131
Total	<u>\$ 363,463</u>	<u>\$ 351,909</u>

Total investment income for the years ended June 30, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends - Endowment	\$ 363,463	\$ 351,909
Interest and dividends – Unrestricted	387,098	342,122
Realized gain (loss) on investments	1,492	4,080
Unrealized gain (loss) on investments	1,194,658	863,271
Total	<u>\$ 1,946,711</u>	<u>\$ 1,561,382</u>

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Notes to Financial Statements  
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ASC Topic 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in the active markets for identical assets and liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under ASC Topic 820 are described as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in active markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.

Level 3 – Inputs that are generally unobservable, in which there is little or no market data, typically reflect managements' estimates of assumptions that market participants would use in pricing the asset or liability. The fair values of the Investment Fund and the Endowment Fund held by Yale University are based upon Level 3 measurements. Valuation methodologies include, but are not limited to, discounted cash flow analysis, comparable asset analysis, third party appraisals, third party pricing services, and other applicable indices. The following information represents the Association's investments measured at fair value at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Notes and bonds	\$ 384,460	\$ 435,139
Total Level 1 Investments	<u>384,460</u>	<u>435,139</u>
Equity investments	11,606,573	7,945,600
Common Stock	3,597,453	4,299,629
Cash and cash equivalents	107,545	87,071
US government securities	1,193,556	1,235,425
Corporate and other securities	1,592,458	1,818,265
Foreign Government Securities	8,594	14,574
Total Level 3 Investments	<u>18,106,179</u>	<u>15,400,564</u>
Total Investments	<u>\$ 18,490,639</u>	<u>\$ 15,835,703</u>

Spending Policy – The Yale-China Association's restricted funds and board designated funds are managed by the Yale Investment Office. The Yale Investment Office maintains a spending distribution policy that is calculated at a long-term spending rate of 5.25% adjusted for inflation and constrained so that the actual rate of spending is at least 4.0% and not more than 6.5% of the value of the endowment investment.

Return Objectives and Risk Parameters – The Yale-China Association's restricted funds and board designated funds are managed by the Yale Investment Office. The Yale Investment Office policy is to manage a target mix of assets to produce an expected real (after inflation) long-term growth rate of 6.9 % with risk (standard deviation of returns) of 13.7%. Because actual holdings differ from target levels, the actual allocation produces a portfolio with a slightly higher expected growth rate and risk level. The University's measure of inflation is based on a mix of goods and services specific to higher education that tends to exceed the Consumer Price Index by approximately one percentage point.

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Changes in the investments for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>				<u>Total</u>
	Temporarily Restricted <u>(Level 1)</u>	Temporarily Restricted <u>(Level 3)</u>	Unrestricted Board Designated <u>(Level 3)</u>	Permanently Restricted <u>(Level 3)</u>	
Beginning balance	\$ 435,139	\$ 192,771	\$ 7,009,799	\$ 8,197,994	\$ 15,835,703
Interest and dividends	7,124		379,508	363,463	750,095
Transfers from (for) operations	(50,000)	(25,000)	1,154,744	(363,463)	716,281
Investment fees			(7,590)		(7,590)
Realized gain (loss)	(239)		1,731		1,492
Unrealized gain (loss)	(7,564)		607,780	594,442	1,194,658
Ending balance	<u>\$ 384,460</u>	<u>\$ 167,771</u>	<u>\$ 9,145,972</u>	<u>\$ 8,792,436</u>	<u>\$ 18,490,639</u>

	<u>2017</u>				<u>Total</u>
	Temporarily Restricted <u>(Level 1)</u>	Temporarily Restricted <u>(Level 3)</u>	Unrestricted Board Designated <u>(Level 3)</u>	Permanently Restricted <u>(Level 3)</u>	
Beginning balance	\$ 482,961	\$ 216,489	\$ 6,701,382	\$ 7,733,496	\$ 15,134,328
Interest and dividends	7,254		334,870	351,909	694,033
Transfers from (for) operations	(48,000)	(23,718)	(429,455)	(351,909)	(853,082)
Investment fees			(6,697)		(6,697)
Realized gain (loss)			3,850		3,850
Unrealized gain (loss)	(7,076)		405,849	464,498	863,271
Ending balance	<u>\$ 435,139</u>	<u>\$ 192,771</u>	<u>\$ 7,009,799</u>	<u>\$ 8,197,994</u>	<u>\$ 15,835,703</u>

4. RECEIVABLES:

Receivables consist of the following items at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
General Support		\$ 50,000
Lingnan Support	\$ 36,880	
Yale Center for EI	19,748	
Donor Pledges to Give	6,629	
Total Receivables	<u>\$ 63,257</u>	<u>\$ 50,000</u>

5. FIXED ASSETS:

The following is a summary of fixed assets less accumulated depreciation at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equipment, fixtures and renovations	\$ 187,359	\$ 184,133
Less accumulated depreciation	<u>(178,485)</u>	<u>(164,688)</u>
Total Fixed Assets	<u>\$ 8,874</u>	<u>\$ 19,445</u>

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6. RELATED PARTY TRANSACTIONS

The Association maintains its own programs, funding, and staff. It has affiliations with Yale University of New Haven, Connecticut and the Chinese University of Hong Kong in Hong Kong. These affiliations allow the Association to utilize certain facilities and services of the Universities. Reimbursement by the Association of costs to the Universities, if any, is determined by the respective university policy and agreements with the Association. At June 30, 2018 and 2017 the Association occupied premises at both locations for nominal fees.

7. UNRESTRICTED NET ASSETS

The Association currently maintains a Board Designated Fund that functions as an endowment. These are unrestricted assets that the Board has designated for specific uses and to be invested within the Yale University Investment Fund. These funds release income for operations based upon Yale University spending rules. As needed the Board also releases additional funds to support operations. The unrestricted net assets of the Association consisted of the following:

	2018	2017
Undesignated (deficit)	\$ ( 200,494)	\$ 4,947
Board Designated	<u>9,145,972</u>	<u>8,624,373</u>
Total Unrestricted Net Assets	<u>\$ 8,945,478</u>	<u>\$ 8,629,320</u>

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available at June 30, 2018 and 2017 for the following purposes:

	2018	2017
Anonymous Scholarship Program	\$ 167,771	\$ 192,771
YCA/XYOAA Scholarship	<u>373,026</u>	<u>423,026</u>
Total Temporarily Restricted Net Assets	<u>\$ 540,797</u>	<u>\$ 615,797</u>

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of assets held in account under Yale University Endowment Funds of which only the income is available for expenditure at the Association's Board of Trustees discretion.

10. IN KIND CONTRIBUTIONS

The value of donated services and rentals meeting the recognition criteria of ASC 958 Contributed Services is included in these financial statements as both revenue and expense. The amount the Association has reported for the occupancy and utilities of its premises amounted to \$152,000 for the years ended June 30, 2018 and 2017.

	2018	2017
Revenue - General Contributions	<u>\$ 152,000</u>	<u>\$ 152,000</u>
Expenses - Space occupancy	<u>\$ 152,000</u>	<u>\$ 152,000</u>

11. COMMITMENTS AND CONTINGENCIES

The Association was named a joint remainder in a charitable remainder trust. According to the trust agreement, the Association will receive half of the remaining balance of the trust when the last two remaining life beneficiaries pass on. As of June 30, 2018 and 2017 the current life tenant beneficiaries continue to receive payments from this trust. In prior years this trust was challenged by the current life tenant beneficiaries. Due to the uncertainty relating to the amount and date of the contribution to be received by the Association, revenue recognition for this trust has been deferred until there is certainty of the receipt of funds.

Yale-China Association  
Schedules of Functional Expenses  
For The Years Ended June 30, 2018 and 2017

	2018				2017			
	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 762,708	\$ 43,198	\$ 58,821	\$ 864,727	\$ 658,539	\$ 62,307	\$ 47,662	\$ 768,508
Benefis and taxes	232,518	12,960	18,653	264,131	190,323	22,550	15,002	227,875
Travel and program oversight	204,035	218		204,252	233,689	218		233,907
Stipends	113,174			113,174	183,113			183,113
Space occupancy	152,000			152,000	152,039	896		152,935
Community outreach	15,725			15,725	61,226			61,226
Scholarships	52,505			52,505	53,481			53,481
Educational conferences and meetings	113,731			113,731	70,719			70,719
Program housing	66,407			66,407	88,978			88,978
Contracted services	9,850	629		10,479	6,939	1,279		8,218
Teaching services	49,090			49,090	16,000			16,000
Insurance	28,531	1,821		30,352	28,141	1,112		29,253
Depreciation	12,969	828		13,797	17,342	5,780		23,122
Language study	59			59	19,880			19,880
Professional fees	12,705	811		13,516	18,026	440		18,466
Publications and communications	19,265			19,265	26,739			26,739
Student exchange and orientation	9,860			9,860	11,935			11,935
Supplies	13,654			13,654	13,265			13,265
Governance	7,730	539	719	8,988	7,493	2,676	536	10,705
Postage and shipping	5,049	322		5,371	5,391	482		5,873
Recruitment and selection	5,435			5,435	4,413			4,413
Office supplies and expenses	8,437	539		8,976	2,260	1,207		3,467
Investment fees	12,040			12,040	5,269			5,269
Milestone events	53			53	5,079			5,079
<b>Total Functional expenses</b>	<b>\$ 1,907,530</b>	<b>\$ 61,865</b>	<b>\$ 78,193</b>	<b>\$ 2,047,588</b>	<b>\$ 1,880,279</b>	<b>\$ 98,947</b>	<b>\$ 63,200</b>	<b>\$ 2,042,426</b>

See notes to financial statements.