

YALE-CHINA ASSOCIATION
Financial Statements
June 30, 2022 & 2021

YALE-CHINA ASSOCIATION
June 30, 2022 & 2021

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BURZENSKI & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Yale-China Association
New Haven, CT

Opinion

We have audited the accompanying financial statements of the Yale-China Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Yale-China Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Yale-China Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Yale-China Association'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 Yale-China Association'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.

Burzenski & Company, P.C.

Certified Public Accountants

East Haven, Connecticut

April 14, 2023

YALE-CHINA ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	Assets	
	<u>2022</u>	<u>2021</u>
Current Assets		
Cash	\$ 931,374	\$ 319,082
Investments (Note 3)	23,305,656	24,316,378
Contributions and grants receivable (Note 4)	-	55,558
Prepaid expenses	46,640	-
Total Current Assets	<u>24,283,670</u>	<u>24,691,018</u>
Other Assets		
Fixed assets net of accumulated depreciation (Note 5)	7,764	6,909
Total other assets	<u>7,764</u>	<u>6,909</u>
 Total Assets	 <u>\$ 24,291,434</u>	 <u>\$ 24,697,927</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$ 567,090	\$ 58,745
Net Assets		
With donor restrictions	12,262,291	12,671,644
Without donor restrictions	11,462,053	11,967,538
Total net assets	<u>23,724,344</u>	<u>24,639,182</u>
 Total Liabilities and Net Assets	 <u>\$ 24,291,434</u>	 <u>\$ 24,697,927</u>

**YALE-CHINA ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2022 Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2021 Total</u>
SUPPORT AND REVENUE						
General contributions	237,714	82,875	320,589	256,304	46,700	303,004
Grants	110,178	224,005	334,183	35,726	214,002	249,728
In Kind Contributions	152,000	-	152,000	152,000	-	152,000
Investment income	882,691	-	882,691	875,305	-	875,305
Miscellaneous income	-	-	-	-	-	-
Unrealized gain (loss) on investments	(468,367)	(375,831)	(844,198)	2,974,900	3,078,159	6,053,059
Realized gain (loss) on investments	82,070	-	82,070	110,120	-	110,120
Release of Restrictions	340,402	(340,402)	-	223,347	(223,347)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Support and Revenue	1,336,688	(409,353)	927,335	4,627,702	3,115,514	7,743,216
EXPENSES						
Program operations	1,611,428	-	1,611,428	1,608,685	-	1,608,685
Management and administration	136,733	-	136,733	87,063	-	87,063
Fundraising	94,012	-	94,012	90,194	-	90,194
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	1,842,173	-	1,842,173	1,785,942	-	1,785,942
CHANGES IN NET ASSETS						
	(505,485)	(409,353)	(914,838)	2,841,760	3,115,514	5,957,274
NET ASSETS - BEGINNING OF YEAR						
	11,967,538	12,671,644	24,639,182	9,125,778	9,556,130	18,681,908
NET ASSETS - END OF YEAR						
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	11,462,053	12,262,291	23,724,344	11,967,538	12,671,644	24,639,182

**YALE-CHINA ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program <u>Operations</u>	Management and <u>Administration</u>	<u>Fundraising</u>	Total <u>Expenses</u>
Salaries	\$ 740,235	\$ 61,138	\$ 56,566	\$ 857,939
Payroll benefits and taxes	210,784	20,225	17,136	248,145
Travel and program oversight	37,644	88	227	37,959
Stipends	81,264	-	-	81,264
Space occupancy	121,600	19,000	11,400	152,000
Community outreach	49,678	-	-	49,678
Scholarships	50,000	-	-	50,000
Educational conferences and meetings	36,419	5,419	142	41,980
Program housing	104,474	-	-	104,474
Contracted services	38,167	3,854	345	42,366
Teaching services	32,712	-	-	32,712
Insurance	14,370	7,340	201	21,911
Depreciation	5,585	-	-	5,585
Language study	14,220	-	-	14,220
Professional fees	6,058	4,111	340	10,509
Publications and communications	5,302	1,689	5,687	12,678
Student exchange and orientation	1,677	-	-	1,677
Supplies	13,354	4,869	26	18,249
Governance	8,218	913	-	9,131
Postage and shipping	263	2,924	1,800	4,987
Recruitment and selection	21,253	80	-	21,333
Office supplies and other expenses	8,983	5,083	142	14,208
Investment fees	9,168	-	-	9,168
	<u>\$ 1,611,428</u>	<u>\$ 136,733</u>	<u>\$ 94,012</u>	<u>\$ 1,842,173</u>

**YALE-CHINA ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Program Operations</u>	<u>Management and Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 724,828	\$ 45,910	\$ 48,722	\$ 819,460
Payroll benefits and taxes	250,138	16,291	21,991	288,420
Travel and program oversight	6,725	13	35	6,773
Stipends	116,269	-	-	116,269
Space occupancy	121,600	19,000	11,400	152,000
Community outreach	39,000	-	-	39,000
Scholarships	54,837	-	-	54,837
Educational conferences and meetings	37,476	-	1,065	38,541
Program housing	53,395	-	-	53,395
Contracted services	8,181	752	608	9,541
Teaching services	36,288	-	-	36,288
Insurance	13,427	769	816	15,012
Depreciation	6,968	-	-	6,968
Language study	8,630	-	-	8,630
Professional fees	20,678	-	256	20,934
Publications and communications	7,932	725	3,321	11,978
Student exchange and orientation	330	-	-	330
Supplies	17,884	692	1,723	20,299
Postage and shipping	4,744	1,998	79	6,821
Recruitment and selection	66,583	-	-	66,583
Office supplies and other expenses	3,600	913	178	4,691
Investment fees	9,172	-	-	9,172
	<u>\$ 1,608,685</u>	<u>\$ 87,063</u>	<u>\$ 90,194</u>	<u>\$ 1,785,942</u>

**YALE-CHINA ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ (914,838)	\$ 5,957,274
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gains)/losses	844,198	(6,053,059)
Realized (gains)/losses	(82,070)	(110,120)
Depreciation and amortization	5,585	6,968
Changes in assets and liabilities:		
Contributions receivable	55,558	(22,054)
Prepaid expenses	(46,640)	2,450
Accounts payable and accrued expenses	<u>508,345</u>	<u>(150,780)</u>
Net cash used by operating activities	<u>370,138</u>	<u>(369,321)</u>
Cash flows from investing activities		
Purchase of investments	(3,751)	(4,615)
Sales of investments	252,345	355,526
Purchase of property, plant and equipment	<u>(6,440)</u>	<u>(1,059)</u>
Net cash provided by investing activities	<u>242,154</u>	<u>349,852</u>
Net decrease in cash	612,292	(19,469)
Cash, beginning of year	<u>319,082</u>	<u>338,551</u>
Cash, end of year	<u><u>\$ 931,374</u></u>	<u><u>\$ 319,082</u></u>

**YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 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

Financial statements of private, not-for-profit organizations, such as the Association, measure aggregate net assets and net asset activity based on the absence or existence of donor-imposed restrictions. Net assets are reported as without donor restrictions and with donor restrictions and serve as the foundation of the accompanying financial statements. Brief definitions of the two net asset classes are presented below:

Net Assets Without Donor Restrictions - Net assets derived from grants, contributions, and other Association resources that are not subject to explicit donor-imposed restrictions. Net assets without donor restrictions also include board designated funds functioning as endowment.

Net Assets With Donor Restrictions - Net assets that are subject to explicit donor-imposed restrictions on the expenditure of contributions or income and gains on contributed assets, and net assets from donor restricted endowments not yet appropriated for spending by the Association. In addition, net assets with donor restrictions include restricted contributions from donors classified as funds functioning as endowment. The Association records as net assets with donor restrictions the original amount of gifts which donors have given to be maintained in perpetuity. Restrictions include support of specific programs, for scholarships and fellowships, and other purposes. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Measure of Operations - The Association's measure of operations as presented in the statement of activities includes revenue from grants and contracts, contributions for operating programs, the allocation of endowment spending for operations and other revenues. Operating expenses are reported on the statement of activities by functional classification, with natural classification presented on the statement of functional expenses.

The Association's non-operating activity within the statement of activities includes contributions to the Association's endowment, investment returns and other activities related to endowment.

**YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 1 - Summary of Significant Accounting Policies (continued)

Liquidity

The Association's financial assets available within one year of the balance sheet date for general expenditure as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Total assets, at year end	\$ 24,291,434	\$ 24,697,927
Less: nonfinancial assets		
Prepaid expenses	46,640	-
Fixed assets net of accumulated depreciation	<u>7,764</u>	<u>6,909</u>
Financial assets, at year end	\$ 24,237,030	\$ 24,691,018
Less amounts unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restriction	552,753	586,275
Subject to appropriation and satisfaction of donor restrictions		
including donor restricted endowments	11,709,537	12,085,369
and board designated endowments	<u>11,205,422</u>	<u>11,773,996</u>
Financial assets available to meet cash needs for general expenditures		
within one year	<u>\$ 769,318</u>	<u>\$ 245,378</u>

The Association's financial assets that are available within one year of the balance sheet date to meet cash needs for general expenditure consist of cash and accounts & contributions receivables. In addition to these available financial assets, a significant portion of the Association's annual expenditures will be funded by current year operating revenues including grant and contract income and investment income. The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Association invests cash in excess of daily requirements in various short-term investments, including US government instruments.

Additionally, the Association had board-designated funds of \$11,205,422 and \$11,773,996, at June 30, 2022 and 2021, respectively. Although the Association does not intend to spend from this endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated funds could be made available if necessary.

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.

**YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 1 - Summary of Significant Accounting Policies (continued)

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). 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. Cash balances at US financial institutions may at times exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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.

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 has received exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Association has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi). Management has reviewed the Association's reporting and believe they have not taken tax positions that are more likely than not to be determined to be incorrect by the Internal Revenue Service and therefore no adjustments or disclosures are required. The Association's returns are generally subject to examination for a period of three years.

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.

Contributions

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 estimated future cash flows, which includes estimates 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 received. Amortization of the discount is included in contribution revenue.

Contributions are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right to release promised assets exists. Conditional promises to give are not recognized as revenue until the performance barrier and the right of return or release have been overcome.

YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Grant and Contract Income

The Association receives grant and contract income for exchange and non-exchange agreements from private and government sources. Revenue from exchange agreements is recognized when performance obligations are met. Revenue from conditional non-exchange agreements is recognized as performance barriers are overcome and as the Association overcomes either a right of return of assets transferred or the right of release of a promisor's obligation to transfer assets. Grant and contract revenue from conditional non-exchange agreements is generally recognized as qualified costs of sponsored programs are incurred.

Functional Expenses

The costs of program and supporting activities have been reported on the statement of functional expenses. The statement 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. Restricted operating activity including contributions and net investment return earned, which are restricted, are reported as net assets with donor restrictions and reclassified to net assets without donor restrictions when any donor-imposed restrictions are satisfied.

Reclassifications

Certain reclassifications have been made in the 2021 financial statements to conform to the classifications used in 2022.

Disclosure of Subsequent Events

Management has evaluated subsequent events for the period after June 30, 2022 through April 14, 2023 the date the financial statements were available to be issued.

Recent Authoritative Pronouncements

The Financial Accounting Standards Board has issued standards that the Association must consider for adoption over the coming years. Those standards include the following: *Leases* effective for the fiscal year ending June 30, 2023. The *Leases* standard aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the consolidated statement of activities.

**YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating checking	\$ 924,040	\$ 313,163
Reserve savings	26	26
Hong Kong dollars held in Hong Kong checking and savings accounts converted to U.S. dollars at the conversion rate of 7.85 HKD to 1 USD and 7.87 HKD to 1 USD	<u>7,308</u>	<u>5,893</u>
	<u>\$ 931,374</u>	<u>\$ 319,082</u>

Note 3 – Investments

Investments held by the Association for charitable and operational purposes for the years ended June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Notes and bonds	\$ 253,926	\$ 320,242
Investment Fund at Yale University	11,342,193	11,910,767
Endowment Fund held by Yale University	<u>11,709,537</u>	<u>12,085,369</u>
	<u>\$ 23,305,656</u>	<u>\$ 24,316,378</u>

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, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Without donor restrictions, including board designated funds	\$ 11,205,422	\$ 11,773,996
Donor restricted, with time or purpose restriction	390,697	457,013
Donor restricted endowments, perpetual in nature	<u>11,709,537</u>	<u>12,085,369</u>
	<u>\$ 23,305,656</u>	<u>\$ 24,316,378</u>

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>2022</u>			<u>2021</u>		
	Principal	Market	Excess	Principal	Market	Excess
Yale-China Second Century Fund	\$ 4,677,788	\$ 7,768,044	\$ 3,090,256	\$ 4,797,124	\$ 8,221,902	\$ 3,424,778
Yale-China Reserve Fund	810,582	1,227,756	417,174	810,582	1,267,162	456,580
Yale-China Lilley Fund	1,530,292	2,346,393	816,101	1,530,292	2,421,703	891,411
	<u>\$ 7,018,662</u>	<u>\$ 11,342,193</u>	<u>\$ 4,323,531</u>	<u>\$ 7,137,998</u>	<u>\$ 11,910,767</u>	<u>\$ 4,772,769</u>

**YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 3 – Investments (continued)

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:

	2022			2021		
	Principal	Market	Excess	Principal	Market	Excess
Lyman Yale-China Fund	\$ 1,206,887	\$ 10,550,211	\$ 9,343,324	\$ 1,206,887	\$ 10,888,832	\$ 9,681,945
Henry B. Wright Fund	49,845	988,593	938,748	49,845	1,020,324	970,479
Arthur L. Ryerson Memorial Scholarship Fund	4,720	170,733	166,013	4,720	176,213	171,493
	<u>\$ 1,261,452</u>	<u>\$ 11,709,537</u>	<u>\$ 10,448,085</u>	<u>\$ 1,261,452</u>	<u>\$ 12,085,369</u>	<u>\$ 10,823,917</u>

Earnings on the endowment funds for the years ended June 30, 2022 and 2021, are as follows:

	2022	2021
Lyman Yale-China Fund	\$ 383,414	\$ 375,791
Henry B. Wright Fund	35,927	35,213
Arthur L. Ryerson Memorial Scholarship Fund	6,205	6,081
	<u>\$ 425,546</u>	<u>\$ 417,085</u>

Total investment income for the years ended June 30, 2022 and 2021, is summarized as follows:

	2022	2021
Interest and dividends - endowment	\$ 425,546	\$ 417,085
Interest and dividends - unrestricted	457,145	458,220
Realized gain (loss) on investments	82,070	110,120
Unrealized gain (loss) on investments	(844,198)	6,053,059
	<u>\$ 120,563</u>	<u>\$ 7,038,484</u>

The Board of Trustees of the Association has interpreted laws and regulations as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. To the extent that a donor-restricted endowment fund falls below its historic dollar value a deficit would exist, and it would be reported as a reduction of net assets with donor restrictions. There were no funds in a deficit position at June 30, 2022 and 2021.

Spending Policy – The 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 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 Yale Investment Office’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.

**YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 3 – Investments (continued)

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Notes and bonds	\$ 253,926	\$ 320,242
Total Level 1 Investments	<u>\$ 253,926</u>	<u>\$ 320,242</u>
Held in the Yale University Investment Pool		
Fixed income	1,680,128	2,160,156
Domestic equity	389,439	482,302
Developed equity	2,210,011	2,629,221
Emerging equity	817,603	939,648
Foreign equity	413,175	756,435
Other equity	1,127,080	551,607
Other investments	330,751	395,822
Leveraged buyouts	4,409,028	4,393,967
Marketable alternatives	2,630,891	2,614,126
Real assets	2,722,373	2,301,460
Venture capital	5,458,812	6,009,020
Cash and cash equivalents	862,439	762,372
Total Level 3 Investments	<u>23,051,730</u>	<u>23,996,136</u>
	<u>\$ 23,305,656</u>	<u>\$ 24,316,378</u>

**YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
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Note 3 – Investments (continued)

Changes in the investments for the years ended June 30, 2022 and 2021, are as follows:

			2022		Total
			Without restrictions & board designated (Level 3)	Donor restricted endowments, perpetual (Level 3)	
Donor restricted, subject to time or purpose restrictions	(Level 1)	(Level 3)	(Level 3)	(Level 3)	
Beginning balance	\$ 320,242	\$ 136,771	\$ 11,773,996	\$ 12,085,369	\$ 24,316,378
Interest and dividends	3,751	-	453,394	425,546	882,691
Transfers from (for) operations	(52,345)	-	(644,226)	(425,546)	(1,122,117)
Investment fees	-	-	(9,168)	-	(9,168)
Realized gains (losses)	1,407	-	80,663	-	82,070
Unrealized gains (losses)	(19,129)	-	(449,237)	(375,832)	(844,198)
Ending balance	\$ 253,926	\$ 136,771	\$ 11,205,422	\$ 11,709,537	\$ 23,305,656

			2021		Total
			Without restrictions & board designated (Level 3)	Donor restricted endowments, perpetual (Level 3)	
Donor restricted, subject to time or purpose restrictions	(Level 1)	(Level 3)	(Level 3)	(Level 3)	
Beginning balance	\$ 374,654	\$ 136,771	\$ 8,985,475	\$ 9,007,210	\$ 18,504,110
Interest and dividends	4,613	-	453,607	417,085	875,305
Transfers from (for) operations	(55,526)	-	(744,433)	(417,085)	(1,217,044)
Investment fees	-	-	(9,172)	-	(9,172)
Realized gains (losses)	2,049	-	108,071	-	110,120
Unrealized gains (losses)	(5,548)	-	2,980,448	3,078,159	6,053,059
Ending balance	\$ 320,242	\$ 136,771	\$ 11,773,996	\$ 12,085,369	\$ 24,316,378

Note 4 – Receivables

Receivables at June 30, 2021, consisted of amounts due from Yale University of \$53,140 and contributions receivable within one year of \$2,418. There were no receivables at June 30, 2022.

Note 5 – Fixed Assets

The following is a summary of fixed assets less accumulated depreciation at June 30, 2022 and 2021:

	2022	2021
Equipment, fixtures, and renovations	\$ 212,883	\$ 206,443
Less: accumulated depreciation	(205,119)	(199,534)
	\$ 7,764	\$ 6,909

Depreciation expense included in operating expenses amounted to \$5,585 and \$6,968, for the years ended June 30, 2022 and 2021, respectively.

YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
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Note 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. During the years ended June 30, 2022 and 2021, the Association occupied premises at both locations for nominal fees.

Note 7 – 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, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Included in Revenue - General Contributions	\$ 152,000	\$ 152,000
Included in Expenses - Space Occupancy	<u>\$ 152,000</u>	<u>\$ 152,000</u>

Note 8 – Net Assets

The Associations net assets consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
With Donor Restrictions:		
Donor-restricted endowments, perpetual in nature	\$ 11,709,537	\$ 12,085,369
Donor-restricted funds, subject to time or purpose restrictions		
Anonymous Scholarship Program	136,771	136,771
Chia Family Program	85,692	58,507
Pettus Fund	41,775	-
Murray Western Hunan Fund	70,711	87,784
HKETO Arts Fellowship	-	14,056
CEAS Arts	2,941	32,550
CEAS Teaching Fellowship	10,696	18,200
CEAS-YUNA Program	25,126	9,000
Other Programs	10,887	11,252
YCA/XYOAA Scholarship Program	168,155	218,155
Total with Donor Restrictions	<u>\$ 12,262,291</u>	<u>\$ 12,671,644</u>
Without Donor Restrictions		
Board Designated endowments	11,205,422	11,773,996
Undesignated (deficit)	256,631	193,542
Total without Donor Restrictions	<u>11,462,053</u>	<u>11,967,538</u>
	<u>\$ 23,724,344</u>	<u>\$ 24,639,182</u>

**YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 8 – Net Assets (continued)

Donor-restricted endowments, perpetual in nature, 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.

Donor-restricted funds, subject to time or purpose restrictions, are restricted to the purposes as noted in the table above.

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.

Note 9 – 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, 2022, 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.

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Association’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Association’s donors, investments, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Association’s financial condition or results of operations is uncertain.