



ASIA SOCIETY TEXAS CENTER

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020
(With Independent Auditor's Report Thereon)

ASIA SOCIETY TEXAS CENTER

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
of **Asia Society Texas Center**

Report on the Financial Statements

We have audited the accompanying financial statements of Asia Society Texas Center (a nonprofit organization) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Asia Society Texas Center as of June 30, 2021 and 2020, 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.

A handwritten signature in cursive script that reads "Doeren Mayhew".

Houston, Texas
September 23, 2021

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents (Note 3)	\$ 1,057,325	\$ 641,470
Operating investments (Note 5)	1,112,936	834,214
Contributions receivable (Notes 3 and 4)	369,225	452,607
Prepaid expenses and other assets	27,390	36,315
Contributions receivable restricted to endowment, net (Notes 3 and 4)	4,438,587	5,390,148
Endowment - investments (Notes 5 and 13)	16,031,774	10,934,037
Cash and cash equivalents restricted to land	62,427	71,563
Cash and cash equivalents restricted to Capital Education Project	1,352,323	-
Contributions receivable restricted to Capital Education Project, net (Notes 3 and 4)	2,424,693	-
Property and equipment, net (Note 7)	<u>38,705,734</u>	<u>39,498,294</u>
Total assets	<u>\$ 65,582,414</u>	<u>\$ 57,858,648</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable and other liabilities	\$ 307,188	\$ 311,063
Deferred revenue	114,152	90,713
Note payable (Note 8)	-	750,000
Paycheck Protection Program Loan (Note 9)	434,890	451,000
Economic Injury Disaster Loan Advance (Note 10)	<u>-</u>	<u>10,000</u>
Total liabilities	<u>856,230</u>	<u>1,612,776</u>
Net assets:		
Without donor restrictions	<u>43,944,471</u>	<u>39,918,666</u>
With donor restrictions:		
Time or purpose restricted (Notes 11 and 13)	4,523,087	570,936
Perpetual in nature (Notes 11 and 13)	<u>16,258,626</u>	<u>15,756,270</u>
Total with donor restrictions	<u>20,781,713</u>	<u>16,327,206</u>
Total net assets	<u>64,726,184</u>	<u>56,245,872</u>
Total liabilities and net assets	<u>\$ 65,582,414</u>	<u>\$ 57,858,648</u>

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:						
Contributions (Notes 3, 14 and 15)	\$ 1,726,135	\$ 403,261	\$ 2,129,396	\$ 1,097,578	\$ 174,875	\$ 1,272,453
Memberships	40,269	-	40,269	34,468	-	34,468
Special events, net (Notes 15 and 16)	976,030	-	976,030	979,650	-	979,650
Program fees and other earned revenue	451,055	-	451,055	772,335	-	772,335
Dividends and interest (Note 6)	344,421	-	344,421	310,086	-	310,086
Net assets released from restrictions (Note 12)	228,125	(228,125)	-	548,009	(548,009)	-
Total operating revenue and support	3,766,035	175,136	3,941,171	3,742,126	(373,134)	3,368,992
Operating expenses:						
Education program services	3,517,158	-	3,517,158	3,908,728	-	3,908,728
Supporting services:						
General and administrative	200,224	-	200,224	269,995	-	269,995
General fundraising	274,093	-	274,093	283,475	-	283,475
Total supporting services	474,317	-	474,317	553,470	-	553,470
Total operating expenses	3,991,475	-	3,991,475	4,462,198	-	4,462,198
Changes in net assets from operations	(225,440)	175,136	(50,304)	(720,072)	(373,134)	(1,093,206)
Nonoperating activities:						
Endowment contributions (Notes 3 and 14)	-	502,356	502,356	-	93,193	93,193
Contributions - Capital Education Project (Notes 3 and 14)	-	3,777,015	3,777,015	-	-	-
Net realized and unrealized gain (loss) on investments (Note 6)	3,741,731	-	3,741,731	(742,755)	-	(742,755)
Forgiveness of government loans (Notes 9 and 10)	461,000	-	461,000	-	-	-
Employee Retention Tax Credit	48,514	-	48,514	-	-	-
Changes in net assets	4,025,805	4,454,507	8,480,312	(1,462,827)	(279,941)	(1,742,768)
Net assets - beginning of year	39,918,666	16,327,206	56,245,872	41,381,493	16,607,147	57,988,640
Net assets - end of year	\$ 43,944,471	\$ 20,781,713	\$ 64,726,184	\$ 39,918,666	\$ 16,327,206	\$ 56,245,872

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2021 AND 2020

	2021				2020			
	Education Program Services	Supporting Services		Total	Education Program Services	Supporting Services		Total
		General and Administrative	General Fundraising			General and Administrative	General Fundraising	
Personnel	\$ 1,787,619	\$ 147,399	\$ 215,283	\$ 2,150,301	\$ 1,852,852	\$ 156,227	\$ 223,236	\$ 2,232,315
Occupancy	282,583	9,853	2,419	294,855	282,587	11,233	3,594	297,414
Exhibitions	154,969	-	-	154,969	267,871	-	-	267,871
Consulting	137,503	6,616	8,355	152,474	163,617	10,340	7,744	181,701
Program production	100,967	796	259	102,022	235,336	2,377	3,129	240,842
Professional fees	67,851	450	402	68,703	77,759	752	16,337	94,848
Information technology	50,235	1,877	9,221	61,333	41,256	5,558	8,465	55,279
Staff/board/volunteer development	767	6,556	27,969	35,292	10,686	14,054	5,268	30,008
Payment to affiliated organization	33,816	-	-	33,816	33,236	34	-	33,270
Bank charges	6,338	16,147	1,672	24,157	13,268	53,071	1,361	67,700
Office expenses	19,049	741	320	20,110	37,769	3,976	1,922	43,667
Advertising and promotion	19,205	538	-	19,743	31,618	720	-	32,338
Travel	539	115	-	654	13,281	5,627	1,073	19,981
Other	2,950	2,536	519	6,005	1,842	1,001	148	2,991
Depreciation	852,767	6,600	7,674	867,041	845,750	5,025	11,198	861,973
Total expenses	\$ 3,517,158	\$ 200,224	\$ 274,093	\$ 3,991,475	\$ 3,908,728	\$ 269,995	\$ 283,475	\$ 4,462,198

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 8,480,312	\$ (1,742,768)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	867,041	861,973
Forgiveness of government loans	(461,000)	-
Contributions restricted for endowment	(437,000)	(7,800)
Contributions restricted for Capital Education Project	(3,816,489)	-
Loss on uncollectible promise to give	13,000	21,145
Amortization of discount on contributions	(25,882)	(85,393)
Net realized and unrealized (gain) loss on investments	(3,741,730)	742,756
Changes in operating assets and liabilities:		
Contributions receivable	70,382	249,578
Prepaid expenses and other assets	8,925	26,619
Accounts payable and other liabilities	(3,875)	21,991
Deferred revenue	23,439	25,458
Net cash provided by operating activities	977,123	113,559
Cash flows from investing activities:		
Purchases of property and equipment	(74,483)	(39,431)
Purchases of investments	(6,721,959)	(9,315,425)
Proceeds from sales of investments	5,087,232	7,410,378
Net cash used by investing activities	(1,709,210)	(1,944,478)
Cash flows from financing activities:		
Payment of line of credit	-	(250,000)
Payment of note payable	(750,000)	-
Proceeds from line of credit	-	250,000
Proceeds from Paycheck Protection Program Loan	434,890	451,000
Proceeds from Economic Injury Disaster Loan Advance	-	10,000
Proceeds from contributions restricted for land	-	10,000
Proceeds from contributions restricted for Capital Education Project	1,352,322	-
Proceeds from contributions restricted for endowment	1,453,917	1,469,800
Net cash provided by financing activities	2,491,129	1,940,800
Net increase in cash, cash equivalents and restricted cash	1,759,042	109,881
Cash, cash equivalents and restricted cash, beginning of year	713,033	603,152
Cash, cash equivalents and restricted cash, end of year	\$ 2,472,075	\$ 713,033
Supplemental disclosure -		
Cash paid for interest during the year	\$ 4,637	\$ 37,500
Schedule of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 1,057,325	\$ 641,470
Restricted cash:		
Restricted funds for Capital Education Project	1,352,323	-
Restricted funds for land	62,427	71,563
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	\$ 2,472,075	\$ 713,033

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 1 - Description of Organization

Asia Society Texas Center (the Organization) is an affiliate of the global Asia Society organization, which was founded in 1956 by John D. Rockefeller 3rd as a nonprofit, nonpartisan, educational institution. With 14 locations across the globe, Asia Society is dedicated to promoting mutual understanding and strengthening partnerships among the peoples, leaders, and institutions of Asia and the United States in a global context. The Organization provides educational programs across the fields of arts, business, culture, education, and policy. Asia Society provides insight, generates ideas, and promotes collaboration to address present challenges and create a shared future.

The Organization was founded as a branch of Asia Society in 1979 under the management of Asia Society New York. In 2007, the Organization formed a separate not-for-profit entity. The Organization serves the South Central Region of the United States with multi-disciplinary programs and exhibitions. Under a global operating agreement, the Organization pays an annual participation fee to Asia Society New York. In return, the Organization receives global services that include access to diplomats, dignitaries, scholars, artists, journalists, performers, and other figures of public interest; use of materials created by Asia Society New York; and shared programs.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets without donor or grantor restrictions are available for use at the discretion of the Board of Directors (Board) and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. As of June 30, 2021 and 2020, there were no funds designated by the Board for specific purposes.

Net Assets With Donor Restrictions - Net assets with donor or grantor restrictions consist of assets whose use is limited by the donor or grantor-imposed time and/or purpose restrictions. These restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions may be perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

If the donor or grantor-imposed restrictions are met in the same reporting period as the contribution or grant is recognized as revenue, the Organization reports such amount as an increase in net assets without donor restrictions. All other donor or grantor-restricted contributions and grants are reported as increases in net assets with donor restrictions, and when the restriction expires or is satisfied, these net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations and changes in net assets as net assets released from restrictions.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and absent donor stipulations regarding how long the donated assets must be maintained, are reported as expirations of donor restrictions when the acquired or constructed assets are placed in service. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Measure of Operations

The statement of activities and changes in net assets reports all changes in net assets, including changes from operating and nonoperating activities. Operating activities include all revenues and expenses that are integral to the Organization's program services and supporting activities, including interest and dividends earned on investments. Nonoperating activities include realized and unrealized gains or losses on investments, contributions restricted in perpetuity and other activities considered unusual or nonrecurring.

Cash, Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, all highly liquid investments with maturities at the time of purchase of three months or less are considered to be cash equivalents. Amounts included in restricted cash represent funds with use restrictions from external parties.

Contributions Receivable

Contributions are recorded as revenue in the year received or pledged unless they contain a conditional promise to give. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in more than one year are discounted to present value of estimated future cash flows. Amortization of discounts on contributions is included in contribution revenue and is reported within the net asset class in which the pledge was originally reported. The Organization reviews contributions receivable for collectibility and has estimated that uncollectible amounts are minimal; therefore, as of June 30, 2021 and 2020, there was no allowance for potentially uncollectible amounts.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments and Investment Income

Investments are reported at fair value. Donated investments are reported at fair value at date of donation. Investment income is reported in the statement of activities and changes in net assets as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. Investment income whose use is restricted by the donor is reported as an increase in net assets with donor restrictions until expended in accordance with donor-imposed restrictions. Investment income is reported net of investment related expenses if any.

Property and Equipment

Property and equipment are stated at cost for purchased assets and estimated fair value at the date of contribution for contributed assets. Expenditures over \$5,000 that increase values or extend useful lives are capitalized. Routine maintenance and replacement costs are charged against operations in the year incurred. Depreciation on depreciable assets is computed using the straight-line method over the estimated useful life of the related asset, which range from 2 to 50 years.

Impairment of Long Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by comparing the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined by an appraisal, discounted cash flow analysis or other valuation technique. There was no impairment loss recognized as of June 30, 2021 and 2020.

Paycheck Protection Program and Economic Injury Disaster Loans

The Paycheck Protection Program (PPP) and Economic Injury Disaster (EID) Loans have been accounted for under the debt accounting model, whereby the loan proceeds and related interest are recorded as a liability. If the entity is legally released as the primary obligor on the debt, the liability is removed from the statement of financial position, resulting in income which is reflected as forgiveness of government loans on the statement of activities and changes in net assets.

Revenue Recognition

Contributions are recognized when cash, securities or other assets; an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises to give are those that contain a measurable performance obligation or other barriers, as well as a right of return. Conditional promises to give are not recognized until the conditions on which they depend have been met. As of June 30, 2021, conditional promises to give of \$300,000 have not been recognized in the accompanying financial statements because they are dependent on the Organization raising matching funds.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions of property and equipment are reported as without donor restrictions unless the donor specifies how the donated assets must be used. Contributions of property and equipment that stipulate their use, and cash contributions that must be used to acquire property and equipment, are reported as net assets with donor restrictions. Unless the donor imposes a restriction on how long the property and equipment must be maintained, expirations of restrictions are reported when the property and equipment are acquired or constructed and placed in service.

Program fees and other earned revenue are recognized as revenue when the event or program takes place.

Global memberships are recognized as revenue when received since they are considered contributions to the Organization and are not refundable.

Individual and corporate memberships are prorated and recognized as revenue over the period of time from the date of membership issuance.

Special events revenue is recognized when the event is held.

Donated materials and securities are recorded as contributions at the estimated fair market value at the date of the donation.

Contributed services that meet the revenue recognition requirements of GAAP are recorded at estimated fair value when received. To be recognized as revenue, the donated services must either (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. See Note 15 for in-kind services recognized for the years ended June 30, 2021 and 2020.

Deferred Revenue

Deferred revenue represents amounts received in advance for program fees and the rental of facility space, as well as the unamortized amounts related to individual and corporate memberships. The deferred revenue balance is comprised as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 90,713	\$ 65,255
Additions to deferred revenue	114,152	90,713
Amounts recognized as revenue during the year	<u>(90,713)</u>	<u>(65,255)</u>
Ending of year	<u>\$ 114,152</u>	<u>\$ 90,713</u>

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The cost of providing various programs and supporting services is summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among education program services and supporting services benefited. The costs that are allocated include personnel expenses based on time and effort, occupancy based on square footage, and certain professional and office expenses based on full time equivalent.

Income Taxes

The Organization is a not-for-profit organization that is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Organization is subject to taxes on unrelated business income. No unrelated business income tax was incurred for the year ended June 30, 2021 or 2020.

Management has evaluated the tax positions taken by the Organization. Management has determined that as of June 30, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure within these financial statements. The Organization is subject to audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. As of June 30, 2021, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from fiscal year 2017 forward.

Estimates

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Reclassifications

Certain amounts in the 2020 statement of financial position, statement of activities and changes in net assets, cash flows, and notes to the financial statements have been reclassified to conform with the current year's presentation. These reclassifications had no impact on the changes in net assets or net asset classification.

Subsequent Events

Management has evaluated subsequent events through September 23, 2021, the date which the financial statements were available to be issued.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 3 - Concentrations of Credit Risk

Cash in Excess of FDIC Insurance

Cash is maintained in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. As of June 30, 2021 and 2020, amounts in excess of the insured limits were \$2,297,613 and \$447,179, respectively. Management believes that the credit risk is mitigated by the financial strength of the financial institution where the deposits are held.

Contributions

Individual receivable balances that exceed 10% of the total contribution receivable (including endowment amounts) are considered significant. As of June 30, 2021, contribution receivable balances for two donors individually exceeded 10% and in total comprised approximately 82% of total contributions receivable. As of June 30, 2020, contribution receivable balances for two donors individually exceeded 10% and in total comprised approximately 96% of total contributions receivable.

Individual donors contributing more than 10% of total contributions and special events revenue are considered significant. Contributions from two individuals and one foundation comprised approximately 58% of total contributions for the year ended June 30, 2021. Contributions from one individual comprised approximately 11% of total contributions for the year ended June 30, 2020.

Note 4 - Contributions Receivable

Contributions receivable consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Amounts due in less than one year	\$ 2,212,559	\$ 1,664,524
Amounts due in one to five years	<u>5,150,833</u>	<u>4,335,000</u>
Total contributions receivable	7,363,392	5,999,524
Less: discount to present value	<u>(130,887)</u>	<u>(156,769)</u>
Contributions receivable, net	<u>\$ 7,232,505</u>	<u>\$ 5,842,755</u>

Contributions receivable reflect a discount to present value using interest rates ranging from 0.87% to 2.73%. Uncollectible contributions receivable are expected to be minimal and therefore, no allowance was made for uncollectible amounts on June 30, 2021 and 2020.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 4 - Contributions Receivable (Continued)

Contributions receivable is comprised as follows at June 30:

	<u>2021</u>	<u>2020</u>
Contributions receivable	\$ 369,225	\$ 452,607
Contributions receivable restricted to Capital Education Project	2,464,167	-
Contributions receivable restricted to endowment - Capital Education Project	200,000	-
Contributions receivable restricted to endowment	<u>4,330,000</u>	<u>5,546,917</u>
Total contributions receivable	7,363,392	5,999,524
Less: discount to present value	<u>(130,887)</u>	<u>(156,769)</u>
Contributions receivable, net	<u>\$ 7,232,505</u>	<u>\$ 5,842,755</u>

Note 5 - Fair Value of Financial Instruments

GAAP requires that certain assets and liabilities be reported at fair value and establishes a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities that can be accessed as of the reporting date.
- Level 2 - Quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are significant and reflect substantial management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 as compared to June 30, 2020.

Mutual and exchange traded funds are valued at the net asset value of shares held at year end as reported on the active market on which the securities are traded. *Common stock and exchange traded notes* are valued at the year-end closing price as reported on the active market in which the individual securities are traded.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 5 - Fair Value of Financial Instruments (Continued)

The fair value of the Organization's financial instruments, measured on a recurring basis, is as follows at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 1,981,907	\$ -	\$ -	\$ 1,981,907
International equity	4,018,629	-	-	4,018,629
Domestic equity	7,831,409	-	-	7,831,409
Money market	877,686	-	-	877,686
Total mutual funds	14,709,631	-	-	14,709,631
Exchange traded fund -				
International	1,457,138	-	-	1,457,138
Exchange traded note	977,941	-	-	977,941
Total at fair value	\$ 17,144,710	\$ -	\$ -	\$ 17,144,710

The fair value of the Organization's financial instruments, measured on a recurring basis, is as follows at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 1,797,300	\$ -	\$ -	\$ 1,797,300
International equity	2,942,646	-	-	2,942,646
Domestic equity	4,892,510	-	-	4,892,510
Money market	565,587	-	-	565,587
Total mutual funds	10,198,043	-	-	10,198,043
Exchange traded fund -				
International	1,003,321	-	-	1,003,321
Exchange traded note	47,625	-	-	47,625
Common stock	519,262	-	-	519,262
Total at fair value	\$ 11,768,251	\$ -	\$ -	\$ 11,768,251

The inputs or methodology used to measure investments are not necessarily indicative of the risk of investing in a particular security. The Organization maintains various investment securities at a third-party investment firm that are not insured by agencies of the United States government. These investment securities are exposed to risks, such as significant world events, interest rate, credit, and market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 6 - Investment Return

Investment return for the years ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 344,421	\$ 310,086
Realized loss	(144,249)	(42,887)
Unrealized gain/(loss)	<u>3,885,980</u>	<u>(699,868)</u>
Total investment return/(loss)	<u>\$ 4,086,152</u>	<u>\$ (432,669)</u>

Note 7 - Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Building	\$ 39,247,610	\$ 39,209,610
Furniture and equipment	989,043	954,136
Land improvements	<u>187,256</u>	<u>187,256</u>
Total depreciable items at cost	40,423,909	40,351,002
Less: accumulated depreciation	<u>(8,468,119)</u>	<u>(7,602,652)</u>
Total depreciable items, net	31,955,790	32,748,350
Land	6,524,944	6,524,944
Other non-depreciable asset	<u>225,000</u>	<u>225,000</u>
Total property, plant and equipment, net	<u>\$ 38,705,734</u>	<u>\$ 39,498,294</u>

Depreciation expense was \$867,041 and \$861,973 for the years ended June 30, 2021 and 2020, respectively. Other non-depreciable asset consists of a work of art capitalized at its purchase price of \$225,000. The service potential of this asset is used up so slowly that its estimated useful life is extraordinarily long and therefore, depreciation is not charged against the asset.

Note 8 - Note Payable

In February 2007, the Organization entered into a \$1,000,000 note agreement with a Board member. The balance due as of June 30, 2020 was \$750,000. The note was paid off in full on August 14, 2020. The note had an interest rate of 5% per year, payable annually beginning February 13, 2008 until maturity on February 13, 2022, and was collateralized by the Organization's land.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 9 - Paycheck Protection Program Loans

On January 26, 2021, the Organization obtained a PPP Loan for \$434,890, which is being accounted for under the debt accounting model. The PPP Loan may be forgiven, in whole or in part, if the Organization complies with certain requirements of the CARES Act. If the loan forgiveness application is submitted to the lender by November 25, 2021, there is no obligation to make any payments of principal or interest before the date on which the SBA remits the loan forgiveness amount to the Organization or notifies the Organization that no loan forgiveness is allowed. The PPP Loan is due in five years, by January 26, 2026, and has a fixed interest rate of 1.00%.

On April 16, 2020, the Organization obtained a \$451,000 PPP Loan, which was established under the CARES Act and is administered by the U.S. Small Business Administration (SBA). The PPP Loan is eligible for forgiveness upon meeting certain requirements and is being accounted for under the debt accounting model. On November 4, 2020, the Organization received notification that the forgiveness application was approved by the SBA and as such, debt forgiveness of \$451,000 was recorded as income in the statement of activities and changes in net assets for the year ended June 30, 2021.

Note 10 - Economic Injury Disaster Loan

On May 1, 2020, the Organization received an EID Loan advance of \$10,000 with a 2.75% interest rate. On February 26, 2021, the EIDL advance of \$10,000 was fully forgiven by the SBA and as such, debt forgiveness of \$10,000 was recorded as income in the statement of activities and changes in net assets for the year ended June 30, 2021.

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 are available for the following purpose:

	<u>2021</u>	<u>2020</u>
Land purchase/maintenance	\$ 62,420	\$ 71,061
Capital Education Project	3,737,406	-
Programs and operations - future periods	<u>723,261</u>	<u>499,875</u>
Total subject to specified purpose or period	4,523,087	570,936
Subject to restriction in perpetuity	<u>16,258,626</u>	<u>15,756,270</u>
Total net assets with donor restrictions	<u>\$ 20,781,713</u>	<u>\$ 16,327,206</u>

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 12 - Net Assets Released From Donor Restrictions

During the years ended June 30, 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors as follows:

	<u>2021</u>	<u>2020</u>
Land purchase/maintenance	\$ 8,642	\$ 7,061
Capital Education Project	39,609	-
Programs and operations - future periods	<u>179,874</u>	<u>540,948</u>
Net assets released from donor specified purpose or period restrictions	<u>\$ 228,125</u>	<u>\$ 548,009</u>

Note 13 - Endowment

The Organization's endowment consists of one fund for general operations, which includes maintenance of the Organization's building, and one fund for the Capital Education Project. Net assets associated with endowment funds, including any funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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. As a result of this interpretation, the Organization classifies as perpetual with donor restrictions net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual with donor restrictions net assets is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

Return Objectives and Risk Parameters - Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The investment objective for the endowment assets is preservation and enhancement of the endowment assets through long-term asset appreciation, combined with a reasonable level of liquidity. The Organization has adopted a spending policy to provide a predictable flow to support operations. The spending policy is comprised of a formula that takes into account the endowment investment performance for the past three years along with the current year endowment additions. The amount is then compared to the standards of prudence prescribed by Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). The Finance Committee reviews and recommends a spending allocation to the Board of Directors for approval.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 13 - Endowment (Continued)

Spending Policy - In accordance with SPMIFA, the Organization 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 Organization 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, and
6. Other resources of the Organization.

Endowment Net Asset Composition and Changes

As of June 30, 2021, endowment net assets consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity	\$ -	\$ 16,258,626	\$ 16,258,626
Accumulated investment gains	4,211,735	-	4,211,735
Total endowment net assets	\$ 4,211,735	\$ 16,258,626	\$ 20,470,361

The changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 572,449	\$ 15,756,270	\$ 16,328,719
Contributions	-	437,000	437,000
Present value adjustment	-	65,356	65,356
Interest and dividends	320,755	-	320,755
Net appreciation (realized and unrealized)	3,485,918	-	3,485,918
Appropriated for expenditure	(167,387)	-	(167,387)
Endowment net assets, end of year	\$ 4,211,735	\$ 16,258,626	\$ 20,470,361

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 13 - Endowment (Continued)

As of June 30, 2020, endowment net assets consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity	\$ -	\$ 15,756,270	\$ 15,756,270
Accumulated investment gains	572,449	-	572,449
Total endowment net assets	\$ 572,449	\$ 15,756,270	\$ 16,328,719

The changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 987,470	\$ 15,663,077	\$ 16,650,547
Contributions	-	7,800	7,800
Present value adjustment	-	85,393	85,393
Interest and dividends	286,764	-	286,764
Net depreciation (realized and unrealized)	(701,785)	-	(701,785)
Endowment net assets, end of year	\$ 572,449	\$ 15,756,270	\$ 16,328,719

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 SPMIFA requires the Organization to retain as a fund of perpetual duration. There were no funds with deficiencies as of June 30, 2021 or 2020.

Note 14 - Related Party Transactions

During the years ended June 30, 2021 and 2020, the Organization paid participation fees of \$33,816 and \$33,270, respectively, to Asia Society New York. The Organization received from Asia Society New York global membership fees of \$7,500 and \$10,000 for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the Organization had a balance due to Asia Society New York of \$123,138 and \$104,620, respectively.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 14 - Related Party Transactions (Continued)

As of June 30, 2021, the Organization had \$6,886,742 in contributions receivable from Board members, which represents approximately 95% of the total contributions receivable on June 30, 2021. During the year ended June 30, 2021, contributions totaling \$4,928,409 were made to the Organization by Board members. As of June 30, 2020, the Organization had \$5,808,193 in contributions receivable from Board members, which represents approximately 99% of the total contributions receivable on June 30, 2020. During the year ended June 30, 2020, contributions totaling \$653,979 were made to the Organization by Board members. In addition, during the year ended June 30, 2020, the Organization received in-kind legal services of \$47,399 from a firm where a Board member was a partner during the year.

Note 15 - In-Kind Donations

Included in contributions and special events in the statements of activities for the years ended June 30, 2021 and 2020 are in-kind contributions as follows:

	<u>2021</u>	<u>2020</u>
Travel services	\$ 73,275	\$ 4,450
Legal services	45,380	47,399
Goods and services	127,675	117,405
Supplies	4,500	7,500
Food and beverage services	<u>34,025</u>	<u>46,915</u>
Total	<u>\$ 284,855</u>	<u>\$ 223,669</u>

Note 16 - Special Events

During the year ended June 30, 2021, the Organization held fundraisers that generated revenues of \$1,475,679, incurred expenses of \$486,649, and incurred write-offs of uncollectible pledges of \$13,000.

During the year ended June 30, 2020, the Organization held fundraisers that generated revenues of \$1,532,681, incurred expenses of \$531,886, and incurred write-offs of uncollectible pledges of \$21,145.

Note 17 - Commitments and Contingencies

Retirement Plan

The Organization maintains a defined contribution plan (the Plan) for its eligible employees. Employer matching and non-elective contributions into the Plan are discretionary. For the years ended June 30, 2021 and 2020, total employer contributions of \$82,277 and \$139,400, respectively, were made by the Organization into the Plan.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 17 - Commitments and Contingencies (Continued)

Lease Commitments

The Organization leases office equipment under several operating lease agreements expiring through October 2023. Future minimum lease payments under noncancelable operating leases are as follows:

Years Ending <u>June 30,</u>	<u>Amount</u>
2022	\$ 10,880
2023	10,880
2024	<u>2,720</u>
Total minimum future payments	<u>\$ 24,480</u>

Rental expense for the years ended June 30, 2021 and 2020 was \$10,880 and \$10,007, respectively.

Construction Commitment

In July 2021, the Organization entered into a construction contract of approximately \$1,800,000 for the design, development and production of interactive education exhibits that are included within the Capital Education Project.

Note 18 - Liquidity and Availability of Resources

The following table reflects the Organization's financial assets at June 30, 2021 and 2020, reduced by amounts not anticipated to be available for general expenditure within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or they are not convertible to cash within one year. The Organization considers contributions with donor restrictions for use in current programs which are ongoing and central to its operations to be available to meet cash needs for general expenditures.

	<u>2021</u>	<u>2020</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 2,472,075	\$ 713,033
Contributions receivable within one year	2,212,559	1,664,524
Operating investments	<u>1,112,936</u>	<u>834,214</u>
Total financial assets available within one year	5,797,570	3,211,771
Amounts unavailable for general expenditure within one year:		
Cash restricted to land	(62,427)	(71,563)
Cash restricted for Capital Education Project	(1,352,323)	-
Restricted by donors with timing restrictions	(385,000)	-
Receivables restricted for Capital Education Project	(588,334)	-
Receivables restricted for endowment	<u>(1,305,000)</u>	<u>(1,211,917)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,104,486</u>	<u>\$ 1,928,291</u>

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Note 18 - Liquidity and Availability of Resources (Continued)

The Organization regularly monitors liquidity required to meet its operational needs and other contractual commitments. The Organization has various sources of liquidity, including cash, cash equivalents and investments. The Organization strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources. Excess funds are invested for long-term appreciation and current income, but remain available to be spent at the Board's discretion. Investment earnings from the endowment are available for general operations in accordance with the spending policy described in Note 13. For cash flow purposes, the Organization has an available \$1,000,000 line of credit which matures on December 11, 2021, with no collateral requirements.

Note 19 - Economic Uncertainties

The Organization's recent financial performance is indicative of the investment required to build organizational structures and develop a market presence required to support the multiplicity of programs and exhibitions presented by the Organization. Over the next five years, the Organization anticipates an increase in contributions and earned revenue commensurate with the Organization's expanded programs, audience engagement, and fundraising.

As a result of COVID-19, the Organization pivoted the majority of its programs to a virtual environment, which allowed for a reduction in expenses that offset the loss of revenue caused by the pandemic. For the year ended June 30, 2021, the Organization did not need to utilize the \$1,000,000 available line of credit and net cash provided by operating activities for the year ended June 30, 2021 was \$977,123 compared to \$113,559 for the year ended June 30, 2020. The full impact of COVID-19 continues to evolve as of the date of this report and as such, management cannot determine the ultimate impact that the pandemic will have on the Organization.

*** * * End of Notes * * ***