



**THE ASIA SOCIETY**

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Independent Auditors' Report

The Board of Trustees  
The Asia Society:

We have audited the accompanying financial statements of The Asia Society, which comprise the balance sheets as of June 30, 2019 and 2018, and the related statements of activities, 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 U.S. generally accepted accounting principles; 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 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 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 auditors' 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 Asia Society as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



*Emphasis of Matter*

As discussed in Note 1(n) to the financial statements, The Asia Society adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

KPMG LLP

December 10, 2019

**THE ASIA SOCIETY**

Balance Sheets

June 30, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 5,524,794	5,316,302
Contributions and grants receivable, net (note 2)	12,632,440	16,985,079
Prepaid expenses and other assets	1,254,078	834,553
Investments (note 3)	84,316,991	75,208,552
Land, building, and equipment, net (note 4)	20,739,520	21,002,553
Collection (note 1(e))		
Total assets	<u>\$ 124,467,823</u>	<u>119,347,039</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities (note 9)	\$ 3,866,002	3,478,770
Interest rate swap liability (note 5)	2,071,702	534,173
Loans payable, net of deferred issuance costs (note 5)	15,857,035	16,482,761
Total liabilities	<u>21,794,739</u>	<u>20,495,704</u>
Commitments and contingencies (notes 5 and 8)		
Net assets (deficit):		
Net assets without donor restrictions:		
Available for operations	(2,324,179)	(2,330,512)
Designated for investment (note 10)	2,599,752	3,158,413
Invested in and designated for fixed assets	2,230,353	4,069,092
Total net assets without donor restrictions	<u>2,505,926</u>	<u>4,896,993</u>
Net assets with donor restrictions (note 6):		
Purpose and time restricted	31,427,715	34,223,849
Endowment fund corpus	68,739,443	59,730,493
Total net assets with donor restrictions	<u>100,167,158</u>	<u>93,954,342</u>
Total net assets	<u>102,673,084</u>	<u>98,851,335</u>
Total liabilities and net assets	<u>\$ 124,467,823</u>	<u>119,347,039</u>

See accompanying notes to financial statements.

THE ASIA SOCIETY

Statement of Activities

Year ended June 30, 2019

(With comparative summarized financial information for the year ended June 30, 2018)

	Available for operations	Designated for investment	Invested in and designated for fixed assets	Without donor restrictions Total	With donor restrictions Total	2019 Total	2018 Total
Revenue, gains, and other support:							
Contributions and grants	\$ 11,023,978	—	95,764	11,119,742	15,929,011	27,048,753	26,136,658
Membership	1,173,190	—	—	1,173,190	—	1,173,190	1,351,072
Special events, net of direct donor benefits of \$1,052,746 in 2019	1,955,538	—	—	1,955,538	—	1,955,538	3,042,489
Program service fees and store sales	2,515,341	—	—	2,515,341	—	2,515,341	1,929,225
Investment return, net (note 3)	3,650,406	(1,601)	—	3,648,805	679,822	4,328,627	6,538,638
Miscellaneous (note 9)	771,109	—	—	771,109	—	771,109	455,669
	21,089,562	(1,601)	95,764	21,183,725	16,608,833	37,792,558	39,453,751
Net assets released from restrictions and transfers	10,558,131	(285,060)	122,946	10,396,017	(10,396,017)	—	—
Total revenue, gains, and other support	31,647,693	(286,661)	218,710	31,579,742	6,212,816	37,792,558	39,453,751
Expenses:							
Program services:							
Arts and culture	5,024,132	—	548,584	5,572,716	—	5,572,716	5,701,620
Policy and business	8,828,356	—	239,629	9,067,985	—	9,067,985	7,257,962
Education	4,715,896	—	93,440	4,809,336	—	4,809,336	5,065,779
Online outreach	1,324,499	—	43,706	1,368,205	—	1,368,205	1,267,877
U.S. centers and Asian activities	1,690,441	—	4,444	1,694,885	—	1,694,885	1,851,143
Auxiliary services	1,290,512	—	302,927	1,593,439	—	1,593,439	1,579,751
Total program services	22,873,836	—	1,232,730	24,106,566	—	24,106,566	22,724,132
Supporting services:							
Management and general	5,043,116	—	196,811	5,239,927	—	5,239,927	4,966,329
Fund-raising	3,003,304	—	83,483	3,086,787	—	3,086,787	2,874,892
Total supporting services	8,046,420	—	280,294	8,326,714	—	8,326,714	7,841,221
Total expenses	30,920,256	—	1,513,024	32,433,280	—	32,433,280	30,565,353
Increase (decrease) in net assets before other changes	727,437	(286,661)	(1,294,314)	(853,538)	6,212,816	5,359,278	8,888,398
Other changes:							
Change in fair value of interest rate swap (note 5)	—	—	(1,537,529)	(1,537,529)	—	(1,537,529)	591,333
Transfer of net assets	272,000	(272,000)	—	—	—	—	—
Transfer for acquisition of fixed assets	(993,104)	—	993,104	—	—	—	—
Increase (decrease) in net assets	6,333	(558,661)	(1,838,739)	(2,391,067)	6,212,816	3,821,749	9,479,731
Net assets (deficit) at beginning of year	(2,330,512)	3,158,413	4,069,092	4,896,993	93,954,342	98,851,335	89,371,604
Net assets (deficit) at end of year	\$ (2,324,179)	2,599,752	2,230,353	2,505,926	100,167,158	102,673,084	98,851,335

See accompanying notes to financial statements.

**THE ASIA SOCIETY**  
Statement of Activities  
Year ended June 30, 2018

	Available for operations	Designated for investment	Invested in and designated for fixed assets	Without donor restrictions Total	With donor restrictions Total	2018 Total
Revenue, gains, and other support:						
Contributions and grants	\$ 9,807,239	—	—	9,807,239	16,329,419	26,136,658
Membership	1,351,072	—	—	1,351,072	—	1,351,072
Special events, net of direct donor benefits of \$816,586 in 2018	3,042,489	—	—	3,042,489	—	3,042,489
Program service fees and store sales	1,929,225	—	—	1,929,225	—	1,929,225
Investment return (loss), net (note 3)	3,397,929	1,271,684	—	4,669,613	1,869,025	6,538,638
Miscellaneous (note 9)	455,669	—	—	455,669	—	455,669
	<u>19,983,623</u>	<u>1,271,684</u>	<u>—</u>	<u>21,255,307</u>	<u>18,198,444</u>	<u>39,453,751</u>
Net assets released from restrictions	<u>9,941,379</u>	<u>(353,371)</u>	<u>887,847</u>	<u>10,475,855</u>	<u>(10,475,855)</u>	<u>—</u>
Total revenue, gains, and other support	<u>29,925,002</u>	<u>918,313</u>	<u>887,847</u>	<u>31,731,162</u>	<u>7,722,589</u>	<u>39,453,751</u>
Expenses:						
Program services:						
Arts and culture	5,108,019	—	593,601	5,701,620	—	5,701,620
Policy and business	7,008,112	—	249,850	7,257,962	—	7,257,962
Education	4,978,583	—	87,196	5,065,779	—	5,065,779
Online outreach	1,236,017	—	31,860	1,267,877	—	1,267,877
U.S. centers and Asian activities	1,845,794	—	5,349	1,851,143	—	1,851,143
Auxiliary services	1,276,243	—	303,508	1,579,751	—	1,579,751
Total program services	<u>21,452,768</u>	<u>—</u>	<u>1,271,364</u>	<u>22,724,132</u>	<u>—</u>	<u>22,724,132</u>
Supporting services:						
Management and general	4,680,198	—	286,131	4,966,329	—	4,966,329
Fund-raising	2,748,416	—	126,476	2,874,892	—	2,874,892
Total supporting services	<u>7,428,614</u>	<u>—</u>	<u>412,607</u>	<u>7,841,221</u>	<u>—</u>	<u>7,841,221</u>
Total expenses	<u>28,881,382</u>	<u>—</u>	<u>1,683,971</u>	<u>30,565,353</u>	<u>—</u>	<u>30,565,353</u>
Increase (decrease) in net assets before other changes	1,043,620	918,313	(796,124)	1,165,809	7,722,589	8,888,398
Other changes:						
Change in fair value of interest rate swap (note 5)	—	—	591,333	591,333	—	591,333
Transfer of net assets	(424,000)	424,000	—	—	—	—
Transfer for acquisition of fixed assets	(204,218)	—	204,218	—	—	—
Increase (decrease) in net assets	415,402	1,342,313	(573)	1,757,142	7,722,589	9,479,731
Net assets (deficit) at beginning of year	<u>(2,745,914)</u>	<u>1,816,100</u>	<u>4,069,665</u>	<u>3,139,851</u>	<u>86,231,753</u>	<u>89,371,604</u>
Net assets (deficit) at end of year	<u>\$ (2,330,512)</u>	<u>3,158,413</u>	<u>4,069,092</u>	<u>4,896,993</u>	<u>93,954,342</u>	<u>98,851,335</u>

See accompanying notes to financial statements.

**THE ASIA SOCIETY**

Statement of Functional Expenses

Year ended June 30, 2019

(With comparative summarized financial information for the year ended June 30, 2018)

	<u>Arts and culture</u>	<u>Policy and business</u>	<u>Education</u>	<u>Online Outreach</u>	<u>U.S. Centers and Asian activities</u>	<u>Auxiliary services</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Fund-raising</u>	<u>Total supporting services</u>	<u>2019 Total expenses</u>	<u>2018 Total expenses</u>
Operating expenses:												
Salaries and wages	\$ 2,135,109	4,385,902	1,825,093	893,294	642,219	569,039	10,450,656	2,319,297	1,531,988	3,851,285	14,301,941	14,100,619
Benefits and payroll taxes	473,606	831,027	459,358	232,270	179,548	126,865	2,302,674	397,724	335,861	733,585	3,036,259	2,916,263
Total staff costs	2,608,715	5,216,929	2,284,451	1,125,564	821,767	695,904	12,753,330	2,717,021	1,867,849	4,584,870	17,338,200	17,016,882
Professional fees	900,158	1,717,859	536,726	39,046	355,824	34,659	3,584,272	1,027,153	277,526	1,304,679	4,888,951	3,435,994
Supplies and materials	121,748	181,947	71,773	6,090	98,659	(3,152)	477,065	118,139	104,993	223,132	700,197	835,684
Travel	204,317	714,469	479,641	13,963	50,507	1,358	1,464,255	161,222	482,862	644,084	2,108,339	1,742,850
Communications	280,577	66,867	48,652	46,065	11,445	4,650	458,256	63,568	29,817	93,385	551,641	515,319
Occupancy	369,986	201,751	41,352	19,287	157,448	133,696	923,520	133,680	57,575	191,255	1,114,775	969,767
Equipment rental and maintenance	141,577	249,411	59,322	23,229	11,495	59,829	544,863	250,639	98,577	349,216	894,079	597,805
Store inventory	—	—	—	—	—	234,403	234,403	—	—	—	234,403	248,963
Grants paid	—	10,000	916,558	—	153,738	—	1,080,296	—	1,500	1,500	1,081,796	1,732,216
Financing costs	193,162	84,376	32,901	15,389	—	106,664	432,492	69,642	29,187	98,829	531,321	520,771
Conferences, conventions, and meetings	—	213,440	147,773	—	—	—	361,213	31,314	—	31,314	392,527	273,689
Other	203,892	171,307	96,747	35,866	29,558	22,501	559,871	470,738	53,418	524,156	1,084,027	991,442
Total operating expenses	5,024,132	8,828,356	4,715,896	1,324,499	1,690,441	1,290,512	22,873,836	5,043,116	3,003,304	8,046,420	30,920,256	28,881,382
Fixed-asset expenses:												
Depreciation and amortization	506,507	221,249	86,273	40,354	4,444	279,692	1,138,519	181,784	77,125	258,909	1,397,428	1,363,701
Other	42,077	18,380	7,167	3,352	—	23,235	94,211	15,027	6,358	21,385	115,596	320,270
Total expenses	\$ 5,572,716	9,067,985	4,809,336	1,368,205	1,694,885	1,593,439	24,106,566	5,239,927	3,086,787	8,326,714	32,433,280	30,565,353
Direct donor benefit costs											1,052,746	816,586
Total expenses, including direct donor benefit costs											\$ 33,486,026	31,381,939

See accompanying notes to financial statements.

**THE ASIA SOCIETY**  
Statement of Functional Expenses  
Year ended June 30, 2018

	Arts and culture	Policy and business	Education	Online Outreach	U.S. Centers and Asian activities	Auxiliary services	Total program services	Management and general	Fund-raising	Total supporting services	2018 Total expenses
Operating expenses:											
Salaries and wages	\$ 2,084,611	4,166,491	1,790,040	796,965	594,396	585,637	10,018,140	2,562,051	1,520,428	4,082,479	14,100,619
Benefits and payroll taxes	461,649	795,535	436,479	205,507	143,398	138,806	2,181,374	391,841	343,048	734,889	2,916,263
Total staff costs	2,546,260	4,962,026	2,226,519	1,002,472	737,794	724,443	12,199,514	2,953,892	1,863,476	4,817,368	17,016,882
Professional fees	726,938	620,025	652,566	90,840	357,961	28,449	2,476,779	647,374	311,841	959,215	3,435,994
Supplies and materials	152,200	204,643	113,193	6,641	114,387	(5,078)	585,986	140,360	109,338	249,698	835,684
Travel	309,511	685,630	412,412	7,080	46,794	2,265	1,463,692	104,894	174,264	279,158	1,742,850
Communications	248,898	67,830	35,699	40,772	13,696	3,478	410,373	70,596	34,350	104,946	515,319
Occupancy	324,985	176,191	33,793	11,171	94,669	106,431	747,240	163,867	58,660	222,527	969,767
Equipment rental and maintenance	109,164	48,373	23,791	10,831	16,980	48,846	257,985	241,606	98,214	339,820	597,805
Store inventory	—	—	—	—	—	248,963	248,963	—	—	—	248,963
Grants paid	250	35,400	1,255,366	—	440,950	—	1,731,966	—	250	250	1,732,216
Financing costs	184,353	77,595	27,080	9,895	—	94,259	393,182	88,531	39,058	127,589	520,771
Conferences, conventions, and meetings	31,165	64,657	144,356	57	416	185	240,836	29,321	3,532	32,853	273,689
Other	474,295	65,742	53,808	56,258	22,147	24,002	696,252	239,757	55,433	295,190	991,442
Total operating expenses	5,108,019	7,008,112	4,978,583	1,236,017	1,845,794	1,276,243	21,452,768	4,680,198	2,748,416	7,428,614	28,881,382
Fixed-asset expenses:											
Depreciation and amortization	480,225	202,129	70,542	25,775	5,349	245,539	1,029,559	231,686	102,456	334,142	1,363,701
Other	113,376	47,721	16,654	6,085	—	57,969	241,805	54,445	24,020	78,465	320,270
Total expenses	\$ 5,701,620	7,257,962	5,065,779	1,267,877	1,851,143	1,579,751	22,724,132	4,966,329	2,874,892	7,841,221	30,565,353
Direct donor benefit costs											816,586
Total expenses, including direct donor benefit costs											\$ 31,381,939

See accompanying notes to financial statements.

**THE ASIA SOCIETY**

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Cash flows from operating activities:		
Increase in net assets	\$ 3,821,749	9,479,731
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(4,018,520)	(6,312,869)
Change in fair value of interest rate swap	1,537,529	(591,333)
Depreciation and amortization	1,397,428	1,363,701
Contributions permanently restricted for endowment	(9,008,950)	(3,571,507)
Changes in operating assets and liabilities:		
Change in contributions and grants receivable, net of amounts classified as financing	4,321,613	(3,203,240)
Change in prepaid expenses and other assets	(419,525)	(2,694)
Change in accounts payable and accrued expenses	387,232	687,610
Net cash used in operating activities	(1,981,444)	(2,150,601)
Cash flows from investing activities:		
Proceeds from sales of investments	8,108,905	10,841,733
Investment purchases	(13,198,824)	(9,853,769)
Capital expenditures	(1,101,035)	(776,078)
Net cash (used in) provided by investing activities	(6,190,954)	211,886
Cash flows from financing activities:		
Loan principal payments	(659,086)	(643,187)
Borrowings under line of credit	500,000	—
Repayments of line of credit	(500,000)	—
Cash contributions for endowment and capital projects	9,039,976	3,571,506
Net cash provided by financing activities	8,380,890	2,928,319
Net increase in cash and cash equivalents	208,492	989,604
Cash and cash equivalents at beginning of year	5,316,302	4,326,698
Cash and cash equivalents at end of year	\$ 5,524,794	5,316,302
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 369,699	368,547

See accompanying notes to financial statements.

## THE ASIA SOCIETY

### Notes to Financial Statements

June 30, 2019 and 2018

#### (1) Organization and Summary of Significant Accounting Policies

##### *Organization*

The Asia Society (the Society) is a New York not-for-profit company chartered by the State Education Department of New York. It was founded in 1956 by John D. Rockefeller 3rd. The Society is an international, nonprofit, and nonpartisan organization dedicated to strengthening relationships and deepening understanding among the peoples of Asia and the United States. The Society's work spans the fields of arts and culture, policy and business, and education and leadership and includes major art exhibitions, performances, lectures, international conferences and dialogues, task force reports, education initiatives, and leadership development. Headquartered in New York City, the organization has centers in Los Angeles and San Francisco and an office in Washington, D.C.

Additionally, the Society has affiliate offices in Houston, Texas; Hong Kong; Manila; Mumbai; Seoul; Sydney; Tokyo; and Zurich. Each affiliate operates in concert with the Society based on a Global Operating Agreement and pays an annual participation fee to the Society in consideration of being part of the Society organization and the global services provided by the Society. In addition, the Society has entered into an agreement with each affiliate under which the Society has granted a royalty-free license to use the Society's trademark and related marks and trade names. The activities of the affiliate offices are not reflected in the accompanying financial statements.

##### *Summary of Significant Accounting Policies*

###### **(a) Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis.

###### **(b) Basis of Presentation**

The Society's net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified and reported as follows:

*Without donor restrictions* – Net assets that are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenses are reported as decreases in net assets without donor restrictions.

*With donor restrictions* – Net assets that are subject to donor-imposed restrictions. These net assets include donor restricted contributions that are subject to time or purpose restrictions and donor restricted endowments. Generally, the donors' imposed restrictions on the endowment fund permit the Society to use all or part of the income earned on related investments for certain general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is

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### Notes to Financial Statements

June 30, 2019 and 2018

received, the Society records the contribution as without donor restrictions. Contributions of cash or other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until the assets are placed in service.

#### **(c) Contributions**

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Contributions to be received after one year are discounted at an adjusted risk-free rate (after allowance is made for uncollectible contributions). In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

#### **(d) Revenue Recognition**

Conditional promises are recorded as revenue once the conditions are met. Contributions, grants, and bequests are recognized with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (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.

The Society received goods and services valued at \$118,250 and \$173,950 in 2019 and 2018, respectively, for use at auctions held by the Society. These items included goods, services, and vacation packages. The auctions of these items yielded revenue of \$133,050 and \$178,000 in 2019 and 2018, respectively, which is included in special events revenue in the statements of activities.

#### **(e) Collection Items**

The Asia Society Museum Collection is noted for its masterpiece-quality objects and the scholarly import awarded to these pieces of traditional and contemporary art. The collection includes The Rockefeller Collection, which is pan-Asian and includes approximately 300 objects, ranging in date from the second millennium B.C.E. to the 18th century, from such diverse nations as India, Pakistan, Bangladesh, Nepal, Myanmar, Thailand, Cambodia, Vietnam, Indonesia, China, Korea, and Japan. It also includes a large number of bronze sculptures and ceramics, as well as paintings, wooden sculptures, and other decorative arts. Most of the Rockefeller Collection was donated to the Society in 1979. Additions since that time consist of donations from the estate of Mrs. Blanche Rockefeller, a few notable works from other donors, and more recently, a collection of contemporary art focused on video art and photography.

In addition to frequent displays in the exhibition galleries at the Society, selected works from the Collection are also shown as part of special exhibitions either at the Society or in museums throughout the world. When not on display at the Society or on loan to museums for temporary exhibitions, the objects are maintained in climate-controlled storage. The Society maintains policies and procedures addressing the Rockefeller Collection's upkeep as well as other aspects of its management, including accession/deaccession policies. The Society has adopted the policy of not capitalizing its collection. During 2019, no art was acquired with donor-restricted funds. During 2018, art was acquired with donor-restricted funds at a cost of \$305,606. These expenditures are included in arts and culture expenses in the statements of activities.

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**(f) Cash Equivalents**

Cash equivalents represent debt instruments with original maturities of three months or less, except for those short-term investments managed by the Society's investment managers as part of their long-term investment strategies. Included in the cash balances are deposits that exceed the Federal Deposit Insurance Coverage (FDIC) of \$250,000.

**(g) Depreciation**

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Building is depreciated over a 40-year estimated useful life. Building improvements and other equipment are depreciated over a 10-year estimated useful life, and audio/video equipment is depreciated over a 5-year estimated useful life, and computer equipment is depreciated over a 3-year estimated useful life.

**(h) Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; the valuation of investments, interest rate swaps, and contributions receivable; and reserves for other contingencies.

**(i) Tax Status**

The Society is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income activities. In addition, the Society is tax-exempt from state and local income tax for related activities, property taxes, and sales tax. The Society has evaluated its tax positions and has determined that it is more likely than not that there are no significant uncertain tax positions and that it will continue to be exempt from taxes.

**(j) Investments**

Investments are stated at fair value based upon quoted market prices or published net asset value (NAV) except for the fair values of alternative investments, primarily, hedge and absolute return funds, which are based on net asset values provided by the fund managers based upon the underlying net assets of the funds. These values are reviewed and evaluated by management.

**(k) Fair Value Measurements**

Fair value is defined as 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 measurement date. The Financial Accounting Standards Board (FASB) guidance on fair value measurements establishes a hierarchy that gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs that reflect unadjusted quoted or published prices in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date

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Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active

Level 3 – Inputs that are unobservable for the asset or liability

The fair value of investments is discussed in note 3. The fair value of the interest rate swap liability is considered to be Level 2 in the fair value hierarchy.

#### **(l) Membership Income**

The Society offers individual and corporate memberships at various levels. These are for a single year period and are incorporated as part of operating support. Each membership has both a gift and exchange transaction component. The exchange component for membership is immaterial and the Society recognizes memberships as gift revenue when received.

#### **(m) Functional Allocation of Expenses**

Program expenses include costs of Arts and Culture, Policy and Business, Education, Online Outreach, U.S. and Asian Centers and Auxiliary activities. Management and general expenses include costs associated with the following departments: building, executive, finance, human resources and information technology. Depreciation, building maintenance and bond interest expense are allocated among the functional expense categories based on space usage.

#### **(n) New Accounting Pronouncements**

(i) During 2019, the Society adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 is intended to improve the net asset classification requirement and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The Society adopted this standard which includes: presentation of two classes of net assets rather than the previously required three; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for Board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

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A recap of the net asset reclassifications driven by adoption of ASU 2016-14 as of June 30, 2018 follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
As previously presented:			
Unrestricted	\$ 4,220,792	—	4,220,792
Temporarily restricted	—	34,900,050	34,900,050
Permanently restricted	—	59,730,493	59,730,493
Net assets as previously presented	4,220,792	94,630,543	98,851,335
Reclassification to implement ASU 2016-14:			
Underwater endowments	676,201	(676,201)	—
Net assets, as reclassified	<u>\$ 4,896,993</u>	<u>93,954,342</u>	<u>98,851,335</u>

Beginning net asset balances for the year ended June 30, 2018 were reclassified from net assets without donor restrictions to net assets with donor restrictions in the amount of \$503,152 due to underwater endowments.

- (ii) The Society adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions received and Contributions Made*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Accounting Standards Codification Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Management has determined that there is no significant impact on the financial statements.
- (iii) The Society early adopted ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The ASU also covers hosting arrangements that include an internal-use software license. Management has determined that there is no significant impact on the financial statements.
- (iv) The Society adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* with a date of initial application of July 1, 2018. The standard developed a five-step model which replaces most existing revenue recognition guidance in U.S. GAAP. Management has determined that there is no significant impact on the financial statements.

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#### (2) Contributions and Grants Receivable

Unconditional promises to give are reported in the financial statements as contributions and grants receivable and as revenue of the appropriate net asset class. These receivables are recorded net of a discount to reflect the present value of future cash flows and are expected to be collected as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Amounts expected to be collected in:		
Less than one year	\$ 8,677,228	10,057,273
One to five years	<u>4,356,212</u>	<u>7,428,114</u>
Total	13,033,440	17,485,387
Less:		
Allowance for doubtful receivable	(205,000)	(130,308)
Discount to present value (at discount rates ranging from 2.88% to 4.24%)	<u>(196,000)</u>	<u>(370,000)</u>
	<u>\$ 12,632,440</u>	<u>16,985,079</u>

Included in contributions receivable at June 30, 2019 and 2018 are pledges of approximately \$3.3 million from a single donor, and \$5.2 million from two donors, respectively.

#### (3) Investments and Fair Value

The overall goal of the Society's investment policy is capital preservation through long-term asset appreciation combined with a reasonable level of liquidity to meet spending needs.

In addition to traditional stock, fixed-income, and mutual fund securities, the Society holds investments in alternative investments, consisting primarily of hedge and absolute return funds, which invest in long and short publicly traded equities, debt and credit related instruments, private equity situations, and real estate, for which no ready market exists. The Society's investments in alternative investments are recorded at fair values provided by the fund managers and general partners. The values assigned to the holdings do not necessarily represent amounts that might ultimately be realized upon the sale or other disposition since such amounts depend on future circumstances and cannot reasonably be determined until the actual liquidation occurs. The Society reviews the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

The Society invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit 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 change could materially affect the amounts reported in the balance sheets.

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Financial assets and liabilities at fair value consist of the following at June 30, 2019:

	<u>Level 1</u>	<u>Investments at net asset value</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,095,575	—	1,095,575
Fixed income:			
Mutual funds	5,706,260	—	5,706,260
Domestic equities:			
Domestic equity mutual funds	22,605,116	—	22,605,116
Total domestic equities	<u>22,605,116</u>	<u>—</u>	<u>22,605,116</u>
Global equities:			
Developed market equity trust (a)	5,246,566	2,016,653	7,263,219
Emerging markets equities (including Asia) (b)	5,447,620	5,490,405	10,938,025
Total global equities	<u>10,694,186</u>	<u>7,507,058</u>	<u>18,201,244</u>
Hedge funds:			
Long/short funds (c)	—	9,506,951	9,506,951
Absolute return funds (d)	—	19,690,564	19,690,564
Fund of funds (e)	—	4,093,505	4,093,505
Total hedge funds	<u>—</u>	<u>33,291,020</u>	<u>33,291,020</u>
Private equity (f)	—	3,417,776	3,417,776
Total investments	<u>\$ 40,101,137</u>	<u>44,215,854</u>	<u>84,316,991</u>

Financial assets and liabilities at fair value consist of the following at June 30, 2018:

	<u>Level 1</u>	<u>Investments at net asset value</u>	<u>Total</u>
Cash and cash equivalents	\$ 754,068	—	754,068
Fixed income:			
Mutual funds	3,166,560	—	3,166,560
Domestic equities:			
Domestic equity securities	2,012,845	—	2,012,845
Domestic equity mutual funds	20,294,674	—	20,294,674
Total domestic equities	<u>22,307,519</u>	<u>—</u>	<u>22,307,519</u>

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	<u>Level 1</u>	<u>Investments at net asset value</u>	<u>Total</u>
Global equities:			
Developed market mutual fund	\$ 2,676,374	—	2,676,374
Developed market equity trust (a)	5,399,658	—	5,399,658
Emerging markets equities (including Asia) (b)	5,319,744	5,285,957	10,605,701
Total global equities	<u>13,395,776</u>	<u>5,285,957</u>	<u>18,681,733</u>
Hedge funds:			
Long/short funds (c)	—	8,491,459	8,491,459
Absolute return funds (d)	—	18,812,730	18,812,730
Fund of funds (e)	—	228,563	228,563
Total hedge funds	<u>—</u>	<u>27,532,752</u>	<u>27,532,752</u>
Private equity (f)	<u>—</u>	<u>2,765,920</u>	<u>2,765,920</u>
Total investments	<u>\$ 39,623,923</u>	<u>35,584,629</u>	<u>75,208,552</u>

(a) Invested in international equity securities

(b) Invested in international equity securities and debt securities

(c) Invested in U.S. publicly traded securities and offshore funds that invest in international publicly traded and nontraded equity and equity-related securities

(d) Funds primarily invested in long and short positions in securities and financial instruments

(e) Invested in domestic and international hedge funds

(f) Invested in structured credit with an initial term of five years; at June 30, 2019, there were \$3,333,044 of unfunded commitments in relation to this fund.

As of June 30, 2019, the Society had total investments with a fair value of \$84,316,991; of that value, \$71,606,460 can be redeemed in fiscal year 2020. The remainder represents investments that have an initial lock-up period that extends beyond June 30, 2019 or private placement investments, which will be accessible to the Society as the investments are liquidated by the fund manager. The limitations and restrictions on the Society's ability to redeem or sell any of its investments vary by investment and ranges from daily access to required notice periods (generally, 30 to 90 days after initial lock-up periods) and

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specific redemption frequency. Based on the terms and conditions in effect at June 30, 2019, the Society's investments can be redeemed or sold as follows:

	<b>Investment fair values</b>
Investment redemption or sale period:	
Daily	\$ 32,757,246
Monthly	19,866,254
Quarterly	10,659,972
Annually	8,322,988
Subject to rolling lock-ups	8,716,275
Illiquid	3,994,256
Total	\$ 84,316,991

The following table summarizes investment return components for the years ended June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Interest and dividends	\$ 699,501	599,189
Net realized gains	1,192,399	4,105,171
Net unrealized gains	2,826,121	2,207,698
Total net gains	4,018,520	6,312,869
Net investment gains	4,718,021	6,912,058
Less investment expenses	(389,394)	(373,420)
Investment return, net	\$ 4,328,627	6,538,638

Investment expenses represent management fees incurred from external investment managers.

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**(4) Land, Building, and Equipment**

At June 30, 2019 and 2018, the cost and accumulated depreciation of land, building and building improvements, and equipment and furniture were as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,032,010	2,032,010
Building and building improvements	39,120,828	39,113,478
Equipment and furniture	<u>14,226,528</u>	<u>13,132,843</u>
	55,379,366	54,278,331
Less accumulated depreciation	<u>34,639,846</u>	<u>33,275,778</u>
	<u>\$ 20,739,520</u>	<u>21,002,553</u>

**(5) Loans Payable**

On July 1, 2015, the Society entered into a loan agreement with Build NYC Resource Corporation (Build NYC) for the purpose of refinancing existing debt and to pay certain costs of issuance associated with the refinancing.

In connection with this loan agreement, on July 1, 2015, Build NYC issued \$16,795,000 of Revenue Bonds, Series 2015 (the Bonds), loaning the proceeds of the issuance to the Society. While the Bonds are not the debt of the Society, the loan agreement obligates the Society to make payments equal to the debt service (principal and interest) of the Bonds.

The Bonds bear interest at a weekly rate, not to exceed 10.00% per annum. Interest is payable monthly. For the year ended June 30, 2019, the interest rate varied from 0.80% to 2.34% and at June 30, 2019 and 2018 was 1.80% and 1.50%, respectively. Interest expense for the years ended June 30, 2019 and 2018 was approximately \$233,000 and \$180,000, respectively.

The Society's payment obligation under the loan agreement is secured by a Letter of Credit and Reimbursement Agreement (the L/C Agreement) between the Society and a financial institution. The scheduled termination date of the L/C Agreement is July 1, 2020, which may be extended indefinitely by the bank. In accordance with the L/C Agreement, the Society is required to meet certain reporting, insurance, and financial covenants. Three mechanic's liens totaling \$105,050 were outstanding as of June 30, 2018 against the Society's building at 725 Park Avenue, New York. The liens, which were filed by a sub-contractor who had worked on a renovation project in the building, were fully withdrawn by the sub-contractor in July 2018. Management believes the Society is in compliance with all other covenants of the L/C Agreement. Under the agreement, the Society is required to make annual principal payments beginning on April 1, 2016 and increasing amounts through April 1, 2045. The loan can be prepaid without penalty at any time.

The issuance costs associated with the Bonds of \$836,084 are being amortized over the term of the Bonds. The unamortized balance of \$724,898 and \$752,492 at June 30, 2019 and 2018, respectively, is included as a reduction to loans payable.

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In connection with retiring the debt on July 1, 2015, the Society terminated an interest rate swap at a settlement price of \$952,000. To finance this termination and related costs, the Society entered into a term loan (the Loan) with a financial institution for \$1,144,000. The interest rate on the Loan is variable, linked to the one-month LIBOR.

On November 6, 2016, the Society entered into a term loan with a financial institution for \$1,000,000 to finance office building renovations. The term loan is secured by future payments against donor pledges. The interest rate is 2.99%. The issuance cost associated with the term loan of \$27,500 is being amortized over the term of the term loan. The unamortized balance of \$13,758 and \$19,254 at June 30, 2019 and 2018, respectively, is included as a reduction to loans payable.

On July 1, 2015, the Society entered into a new interest rate swap with an initial notional amount of \$11,252,650. The swap is intended to convert the variable interest rate on the Bonds to a fixed rate of 2.63%. At June 30, 2019 and 2018, the estimated fair value of this agreement was \$(2,072,873) and \$(540,433), respectively.

Also on July 1, 2015, the Society entered into a separate interest rate swap with an initial notional amount of \$1,144,000. This swap is intended to convert the variable interest rate on the Loan to a fixed rate of 2.52%. At June 30, 2019 and 2018, the estimated fair value of this agreement is \$1,171 and \$6,260, respectively.

Minimum principal payments on the Bonds and Loans are as follows:

	<b>Bonds amount</b>	<b>Term loans amount</b>	<b>Total</b>
2020	\$ 225,000	440,131	665,131
2021	405,000	220,290	625,290
2022	420,000	—	420,000
2023	435,000	—	435,000
2024	445,000	—	445,000
2025 and thereafter	14,005,000	—	14,005,000
	\$ 15,935,000	660,421	16,595,421
Deferred issuance costs			(738,386)
			\$ 15,857,035

The Society has a one-year line-of-credit agreement with a bank with a maximum line of \$1,500,000, which was renewed on March 25, 2019 for one-year period through April 30, 2020. During the year ended June 30, 2019, the Society borrowed \$500,000 to finance cash flow needs at an annualized interest rate of 3.59% to 3.61%. The borrowing under the line of credit was repaid by June 30, 2019. During the year ended June 30, 2018, there were no borrowings under the line of credit and no outstanding balance.

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**(6) Net Assets with Donor Restriction**

Net assets with donor restrictions (excluding those that are endowment) at June 30, 2019 and 2018 were available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Arts and culture	\$ 5,596,688	6,075,191
Policy and business	6,225,444	6,804,941
Education	1,882,987	3,112,811
U.S. centers and Asian activities	392,994	830,108
Art acquisitions	971,596	903,460
Multidisciplinary	1,779,896	1,436,925
Future strategic initiatives	12,894,969	14,278,268
Future periods	1,683,141	782,145
	<u>\$ 31,427,715</u>	<u>34,223,849</u>

Included in these amounts, the Society had approximately \$8.6 million and \$8.1 million accumulated gains on endowment funds at June 30, 2019 and June 30, 2018, respectively, which will be available for operations under the endowment spending policy.

The investment income earned on the balances of endowment fund net assets is restricted to the following uses at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Arts and culture	\$ 19,559,925	19,559,925
Policy and business	30,648,895	24,639,945
Education	1,642,000	1,642,000
Multidisciplinary	7,887,818	4,887,818
Permanent collection	7,100,000	7,100,000
Art acquisitions	650,000	650,000
Unrestricted	1,250,805	1,250,805
	<u>\$ 68,739,443</u>	<u>59,730,493</u>

**(7) Pension Plan**

The Society has a defined-contribution retirement plan covering substantially all employees. The plan is fully funded by the purchase of annuity contracts. Pension expense for the years ended June 30, 2019 and 2018 was approximately \$569,000 and \$505,000, respectively.

**(8) Operating Leases**

The Society rents office space to house programming and Center employees outside of New York. Additionally, it leases copiers for its New York office. The total lease expense associated with these commitments was \$223,931 and \$226,400 in fiscal years 2019 and 2018, respectively. Future minimum

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lease payments under noncancelable operating leases with remaining lease terms in excess of one year are as follows:

	<b>Amount</b>
Year ending June 30:	
2020	\$ 391,952
2021	305,236
2022	295,272
2023	69,559
2024	22,182
2025	11,255
	\$ 1,095,456

**(9) Related-Party Transactions**

The affiliated offices pay the Society an annual participation fee in accordance with a Global Operating Agreement. The Society has recognized participation fee revenue of \$153,156 and \$138,743 for the years ended June 30, 2019 and 2018, respectively, which is included in miscellaneous revenue in the accompanying statements of activities. In addition, the Society shares certain fees with and makes grants to the affiliated offices. At June 30, 2019 and 2018, the Society owed the affiliated offices \$346,666 and \$335,874, respectively, which is included in accounts payable, accrued expenses, and other liabilities in the accompanying balance sheets.

**(10) Endowment Funds**

The Society's endowment consists of 37 individual funds established for a variety of purposes. Net assets associated with the endowment funds, including term endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), which imposes guidelines on the management and investment of endowment funds. The Society has interpreted NYPMIFA 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 Society classifies as endowment fund 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, when applicable. In accordance with the accounting guidance associated with the adoption of NYPMIFA, the remaining portion of the donor-restricted endowment fund is classified as purpose restricted until those amounts are appropriated for expenditure.

In accordance with NYPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Society and the donor-restricted endowment fund

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- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Society
- Where appropriate and the circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect such alternatives may have on the Society
- The investment policies of the Society.

The investment objective of the Society's investment portfolio is to provide that future growth of the portfolio is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment fund with prudent level of risk. The assets are managed on a total-return basis. The Investment Committee of the Board of Trustees has adopted a long-term asset allocation policy with mid-range targets for equities, fixed-income, and alternative investments (which consist of hedge, equity, and absolute return funds).

To provide a predictable flow of funds to support operations, the Society's Board of Trustees has authorized a general policy permitting the use of income from endowment investments to be used for operations at an approved blended spending rate of up to 5.5% and 5.5% of the preceding 36-month average fair value of the portfolio for fiscal years 2019 and 2018, respectively. In fiscal years 2019 and 2018, the following amount and rates were allocated in accordance with this policy:

	<u>2019</u>	<u>2018</u>
Investment income allocated to:		
Net assets without donor restrictions	\$ 90,896	110,077
Net assets with donor restrictions	<u>3,562,374</u>	<u>3,327,942</u>
	<u>\$ 3,653,270</u>	<u>3,438,019</u>
Representing a blended spending rate of	5.5 %	5.5 %

Furthermore, the policy of the Society is that the appropriated spending should not exceed 6.0% or be less than 4.5% of the 12-month average value through the fiscal year proceeding the fiscal year in which the distribution is planned. The approved appropriation of endowment assets for expenditure in fiscal year 2020 is \$4,128,645.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the law requires to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions totaled \$682,933 and \$676,201 as of June 30, 2019 and 2018, respectively. These deficiencies result from unfavorable market fluctuations subsequent to the investment of restricted contributions. There were 10 funds with deficiencies with a total endowment corpus of \$9,197,008 as of June 30, 2019 and 2018.

Endowment net assets, exclusive of pledge receivables of \$11,974, consist of the following as of June 30, 2019:

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	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	76,297,746	76,297,746
Long-term purpose restricted funds	—	1,007,171	1,007,171
Board-designated endowment	<u>2,015,431</u>	<u>—</u>	<u>2,015,431</u>
Total endowment net assets	<u>\$ 2,015,431</u>	<u>77,304,917</u>	<u>79,320,348</u>

Endowment net assets, exclusive of pledge receivables of \$42,999, consist of the following as of June 30, 2018:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	66,826,753	66,826,753
Long-term purpose restricted funds	—	1,007,966	1,007,966
Board-designated endowment	<u>2,017,032</u>	<u>—</u>	<u>2,017,032</u>
Total endowment net assets	<u>\$ 2,017,032</u>	<u>67,834,719</u>	<u>69,851,751</u>

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 2,017,032	67,834,719	69,851,751
Investment return:			
Interest and dividend income	14,369	642,485	656,854
Net appreciation in fair value	82,954	3,709,079	3,792,033
Investment expenses	<u>(8,028)</u>	<u>(358,968)</u>	<u>(366,996)</u>
Total investment return, net	89,295	3,992,596	4,081,891
Contributions-cash basis	—	9,039,976	9,039,976
Appropriation of endowment assets for expenditure	<u>(90,896)</u>	<u>(3,562,374)</u>	<u>(3,653,270)</u>
Endowment net assets, June 30, 2019	<u>\$ 2,015,431</u>	<u>77,304,917</u>	<u>79,320,348</u>

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Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 1,457,246	62,260,100	63,717,346
Investment return:			
Interest and dividend income	61,190	497,755	558,945
Net appreciation in fair value	646,907	5,262,287	5,909,194
Investment expenses	(38,234)	(311,012)	(349,246)
Total investment return, net	669,863	5,449,030	6,118,893
Contributions-cash basis	—	3,571,506	3,571,506
Appropriation of endowment assets for expenditure	(110,077)	(3,327,942)	(3,438,019)
Net assets released for building funds	—	(117,975)	(117,975)
Endowment net assets, June 30, 2019	\$ <u>2,017,032</u>	<u>67,834,719</u>	<u>69,851,751</u>

**(11) Liquidity and Availability**

The Society regularly monitors liquidity required to meet its operational needs and other financial commitments, while also striving to maximize the investment of its available funds. The Society maintains a financial resources policy that outlines acceptable investment vehicles for working capital, which includes reserves to be spent in the short-term on current activities, donor restricted funds meant to be spent down over a relatively short period of time to fund programs, and operating cash, which includes gifts without donor restrictions and with restriction or funds for operating needs.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Society considers all expenditures related to its ongoing activities of operating the facility, providing a venue for exhibitions relating to the mission and the preservation of historical materials for research, conducting lectures, seminars and other educational programs to be general expenditures.

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The Society's resources that are available to satisfy obligations within one year of the financial statements are as follows:

	<b>2019</b>
Cash and cash equivalents	\$ 5,524,794
Contributions and grants receivable due within one year	8,472,228
Accounts receivable	458,936
Balance of board approved spending from prior years	267,242
Nonendowment fund invested	4,729,401
Subsequent year's endowment spending under the board approved policy	4,128,645
	23,581,246
Less amounts unavailable for general expenditures within one year:	
Contributions receivable related to endowment	(15,000)
Contributions receivable related to capital assets	(350,000)
Total financial assets available for general expenditure within one year	23,216,246
Additional liquidity resources available:	
Board designated endowment	2,015,431
Committed line of credit	1,500,000
Total financial assets and liquidity resources available for general expenditure within one year	\$ 26,731,677

**(12) Subsequent Events**

In connection with the preparation of the financial statements, the Society evaluated subsequent events after the balance sheet date of June 30, 2019 through December 10, 2019, which was the date the financial statements were available to be issued, and has concluded that there are no subsequent events for disclosure.