

ASIA SOCIETY TEXAS CENTER

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

(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**

Opinion

We have audited the accompanying financial statements of Asia Society Texas Center (the Organization) which comprise the statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audits of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Houston, Texas
September 21, 2023

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents <i>(Note 3)</i>	\$ 1,279,015	\$ 584,721
Operating investments <i>(Note 5)</i>	1,110,095	1,016,974
Contributions receivable, net <i>(Notes 3 and 4)</i>	469,152	310,385
Prepaid expenses and other assets	73,879	44,066
Endowment - contributions receivable, net <i>(Notes 3 and 4)</i>	2,290,756	3,487,069
Endowment - investments <i>(Notes 5 and 11)</i>	17,876,784	15,315,832
Cash restricted to land <i>(Note 3)</i>	54,404	57,880
Cash restricted to Education Project <i>(Note 3)</i>	2,107,499	3,831,735
Contributions receivable restricted to Education Project <i>(Notes 3 and 4)</i>	2,568,725	3,720,826
Property and equipment, net <i>(Note 7)</i>	42,422,963	39,689,748
	<u>\$ 70,253,272</u>	<u>\$ 68,059,236</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable and other liabilities	\$ 397,183	\$ 304,420
Construction payable	505,503	310,525
Deferred revenue	77,508	65,939
	<u>980,194</u>	<u>680,884</u>
Net assets:		
Without donor restrictions	41,425,130	40,820,626
With donor restrictions:		
Time or purpose restricted <i>(Notes 9 and 11)</i>	10,881,702	9,669,568
Perpetual in nature <i>(Notes 9 and 11)</i>	16,966,246	16,888,158
	<u>27,847,948</u>	<u>26,557,726</u>
	<u>69,273,078</u>	<u>67,378,352</u>
	<u>\$ 70,253,272</u>	<u>\$ 68,059,236</u>

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and support:						
Contributions of cash and other financial assets <i>(Notes 3 and 12)</i>	\$ 1,085,060	\$ 776,342	\$ 1,861,402	\$ 739,100	\$ 191,117	\$ 930,217
Contributions of nonfinancial assets <i>(Note 13)</i>	89,227	-	89,227	82,584	-	82,584
Memberships <i>(Note 12)</i>	47,761	-	47,761	33,769	-	33,769
Special events - contributions of cash and other financial assets, net <i>(Note 14)</i>	873,437	-	873,437	1,015,432	-	1,015,432
Special events - contributions of nonfinancial assets, <i>(Notes 13 and 14)</i>	252,923	-	252,923	279,065	-	279,065
Program fees and other earned revenue	916,685	-	916,685	736,640	-	736,640
Dividends and interest <i>(Note 6)</i>	289,187	-	289,187	411,591	-	411,591
Net assets released from restrictions <i>(Note 10)</i>	608,266	(608,266)	-	292,799	(292,799)	-
Total operating revenue and support	4,162,546	168,076	4,330,622	3,590,980	(101,682)	3,489,298
Operating expenses:						
Education program services <i>(Note 12)</i>	4,495,461	-	4,495,461	3,770,397	-	3,770,397
Supporting services:						
General and administrative	275,837	-	275,837	248,472	-	248,472
General fundraising	313,607	-	313,607	313,716	-	313,716
Total supporting services	589,444	-	589,444	562,188	-	562,188
Total operating expenses	5,084,905	-	5,084,905	4,332,585	-	4,332,585
Changes in net assets from operations	(922,359)	168,076	(754,283)	(741,605)	(101,682)	(843,287)
Nonoperating activities:						
Endowment - contributions of cash and other financial assets <i>(Notes 3 and 12)</i>	-	78,085	78,085	-	629,532	629,532
Education Project - contributions of cash and other financial assets <i>(Notes 3 and 12)</i>	-	1,044,061	1,044,061	-	5,248,163	5,248,163
Net realized and unrealized gain (loss) on investments <i>(Note 6)</i>	1,526,863	-	1,526,863	(2,817,130)	-	(2,817,130)
Forgiveness of government loans <i>(Note 8)</i>	-	-	-	434,890	-	434,890
Changes in net assets	604,504	1,290,222	1,894,726	(3,123,845)	5,776,013	2,652,168
Net assets - beginning of year	40,820,626	26,557,726	67,378,352	43,944,471	20,781,713	64,726,184
Net assets - end of year	\$ 41,425,130	\$ 27,847,948	\$ 69,273,078	\$ 40,820,626	\$ 26,557,726	\$ 67,378,352

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023				2022			
	Education Program Services	Supporting Services		Total	Education Program Services	Supporting Services		Total
		General and Administrative	General Fundraising			General and Administrative	General Fundraising	
Personnel	\$ 2,026,551	\$ 170,416	\$ 243,603	\$ 2,440,570	\$ 1,809,743	\$ 154,214	\$ 231,609	\$ 2,195,566
Program production	452,745	5,770	363	458,878	265,256	3,430	2,497	271,183
Occupancy	304,638	12,981	5,791	323,410	270,760	11,250	6,718	288,728
Consulting	264,529	15,799	8,921	289,249	159,196	13,848	17,107	190,151
Exhibitions	277,603	-	-	277,603	201,836	-	-	201,836
Professional fees	168,105	2,658	1,854	172,617	67,240	3,732	2,419	73,391
Information technology	57,484	6,120	15,295	78,899	51,812	2,311	10,062	64,185
Office expenses	44,688	11,427	5,718	61,833	37,088	7,726	5,633	50,447
Bank charges	1,134	18,280	18,863	38,277	2,738	13,961	11,386	28,085
Advertising and promotion	29,362	1,120	8	30,490	37,058	910	-	37,968
Staff/board/volunteer development	6,522	19,457	2,161	28,140	6,376	8,040	1,737	16,153
Travel	18,515	654	1,047	20,216	8,707	790	16,140	25,637
Other	1,982	4,728	1,071	7,781	5,957	21,957	-	27,914
Depreciation	841,603	6,427	8,912	856,942	846,630	6,303	8,408	861,341
Total expenses	<u>\$ 4,495,461</u>	<u>\$ 275,837</u>	<u>\$ 313,607</u>	<u>\$ 5,084,905</u>	<u>\$ 3,770,397</u>	<u>\$ 248,472</u>	<u>\$ 313,716</u>	<u>\$ 4,332,585</u>

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,894,726	\$ 2,652,168
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	856,942	861,341
Forgiveness of government loans	-	(434,890)
Contributions restricted for endowment	(40,000)	(600,000)
Contributions restricted for Education Project	(998,670)	(5,298,030)
Loss on uncollectible promise to give	-	28,750
Amortization of discount on contributions	83,473	79,683
Net realized and unrealized (gain) loss on investments	(1,526,866)	2,817,130
Changes in operating assets and liabilities:		
Contributions receivable	(158,765)	30,092
Prepaid expenses and other assets	(29,813)	(16,676)
Accounts payable and other liabilities	92,763	(2,768)
Deferred revenue	11,567	(48,213)
Net cash provided by operating activities	185,357	68,587
Cash flows from investing activities:		
Purchases of property and equipment	(3,395,181)	(1,534,832)
Purchases of investments	(23,115,019)	(12,438,128)
Proceeds from sales of investments	21,987,814	10,432,902
Net cash used by investing activities	(4,522,386)	(3,540,058)
Cash flows from financing activities:		
Proceeds from contributions restricted for Education Project	2,105,383	3,951,746
Proceeds from contributions restricted for endowment	1,198,228	1,521,986
Net cash provided by financing activities	3,303,611	5,473,732
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,033,418)	2,002,261
Cash, cash equivalents and restricted cash, beginning of year	4,474,336	2,472,075
Cash, cash equivalents and restricted cash, end of year	\$ 3,440,918	\$ 4,474,336
Supplemental disclosure:		
Noncash investing and financing activities - purchase of property and equipment through a trade account payable	\$ 505,503	\$ 310,525

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 1 - Description of Organization

Asia Society Texas Center (the Organization) believes in the strength and beauty of diverse perspectives and people. As an educational institution, we advance cultural exchange by celebrating the vibrant diversity of Asia, inspiring empathy, and fostering a better understanding of our interconnected world. Spanning the fields of arts, business, culture, education, and policy, our programming is rooted in the educational and cultural development of our community - utilizing the power of art, dialogue, and ideas to combat bias and build a more inclusive society.

Sharing the vision of John D. Rockefeller 3rd, who founded Asia Society in New York in 1956, forward-thinking Houstonians led by former First Lady Barbara Bush and former Ambassador Roy M. Huffington established the Organization in 1979. In 2012, the Organization opened a 40,000-square-foot center (the Center) designed by world renowned architect, Yoshio Taniguchi. Today, the Organization offers approximately 125 programs each year and welcomes 40,000 guests to the Center.

Recently, the Organization launched an Education Project comprised of an online learning platform and an onsite exhibition. The online learning platform will offer a virtual journey across Asia utilizing novels and interactive learning tools for educators to integrate content about Asia into their classrooms. The onsite exhibition will offer an immersive journey through Asian art, culture, and contemporary global issues in a multisensory and interactive environment. Construction began on the Education Project in July 2021 and is anticipated to be completed in September of 2023.

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, 2023, the Board has designated \$360,095 as an operating reserve, \$750,000 as a contingency reserve, \$500,000 for the Education Project and \$279,716 for building maintenance. As of June 30, 2022, the Board designated \$350,000 as an operating reserve and \$666,974 as a contingency reserve.

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.

If the donor or grantor-imposed restrictions are met in the same reporting period as the contribution or grant, it is recognized as revenue and 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.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

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 or to capital projects, and other activities considered unusual or nonrecurring.

Cash, Cash Equivalents and Restricted Cash

For the purpose of the statements of financial position and 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. The following is a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position at December 31, 2023 and 2022 to the amount shown within the statements of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,279,015	\$ 584,721
Cash restricted to land purchase/maintenance	54,404	57,880
Cash restricted to Education Project	<u>2,107,499</u>	<u>3,831,735</u>
Total cash, cash equivalents and restricted cash	<u>\$ 3,440,918</u>	<u>\$ 4,474,336</u>

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. An allowance for potentially uncollectible amounts is recorded when it is believed that amounts may not be collected in full. The allowance is based on historical experience, assessment of economic conditions, and a review of subsequent collections. An allowance of \$- and \$28,750 was recorded as of June 30, 2023 and 2022, respectively.

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.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

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, 2023 and 2022.

Paycheck Protection Program Loan

The Paycheck Protection Program (PPP) Loan has 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, 2023 and 2022, there were no conditional promises to give.

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 13 for in-kind services recognized for the years ended June 30, 2023 and 2022.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

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>2023</u>	<u>2022</u>
Beginning of year	\$ 65,939	\$ 114,152
Additions to deferred revenue	77,508	65,939
Amounts recognized as revenue during the year	<u>(65,939)</u>	<u>(114,152)</u>
Ending of year	<u>\$ 77,508</u>	<u>\$ 65,939</u>

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, occupancy based on square footage, and certain professional and office expenses based on headcount.

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 years ended June 30, 2023 or 2022.

Management has evaluated the tax positions taken by the Organization. Management has determined that as of June 30, 2023 and 2022, 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, 2023, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from fiscal year 2019 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.

Subsequent Events

Management has evaluated subsequent events through September 21, 2023, the date which the financial statements were available to be issued.

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, 2023 and 2022, amounts in excess of the insured limits were \$782,697 and \$4,158,226, respectively. Management believes that the credit risk is mitigated by the financial strength of the financial institution where the deposits are held.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 3 - Concentrations of Credit Risk (Continued)

Contributions

Individual receivable balances that exceed 10% of the total contribution receivable (including endowment amounts) are considered significant. As of June 30, 2023, contribution receivable balances for three separate donors exceeded 10% and in total comprised approximately 70% of total contributions receivable. As of June 30, 2022, contribution receivable balances for three separate donors individually exceeded 10% and in total comprised approximately 70% of total contributions receivable.

Donors contributing more than 10% of total contributions and special events revenue are considered significant. Contributions from one foundation comprised approximately 13% of total contributions for the year ended June 30, 2023. Contributions from one individual comprised approximately 11% of total contributions for the year ended June 30, 2022.

Note 4 - Contributions Receivable

Contributions receivable consists of the following at June 30:

	2023	2022
Amounts due in less than one year	\$ 2,531,380	\$ 2,797,417
Amounts due in one to five years	2,865,000	4,900,833
Total contributions receivable	5,396,380	7,698,250
Less: discount to present value	(67,747)	(151,220)
Less: allowance for doubtful accounts	-	(28,750)
Contributions receivable, net	\$ 5,328,633	\$ 7,518,280

Contributions receivable due in one to five years reflect a discount to present value using interest rates ranging from 0.87% to 4.13%.

Contributions receivable is comprised as follows at June 30:

	2023	2022
Contributions receivable	\$ 469,152	\$ 339,135
Education Project contributions receivable	2,612,676	3,810,167
Endowment - Education Project contributions receivable	314,552	418,948
Endowment - general operations	2,000,000	3,130,000
Total contributions receivable	5,396,380	7,698,250
Less: discount to present value	(67,747)	(151,220)
Less: allowance for doubtful accounts	-	(28,750)
Contributions receivable, net	\$ 5,328,633	\$ 7,518,280

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, 2023 as compared to June 30, 2022.

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.

The fair value of the Organization's financial instruments, measured on a recurring basis, is as follows at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equity	\$ 7,454,533	\$ -	\$ -	\$ 7,454,533
International equity	2,296,348	-	-	2,296,348
Money market	294,061	-	-	294,061
Fixed income	137,043	-	-	137,043
Total mutual funds	10,181,985	-	-	10,181,985
Exchange traded funds:				
Fixed income	7,385,862	-	-	7,385,862
International	453,175	-	-	453,175
Domestic	21,277	-	-	21,277
Total exchange traded funds	7,860,314	-	-	7,860,314
Exchange traded note	944,580	-	-	944,580
Total at fair value	\$ 18,986,879	\$ -	\$ -	\$ 18,986,879

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equity	\$ 7,023,175	\$ -	\$ -	\$ 7,023,175
International equity	3,303,677	-	-	3,303,677
Money market	410,737	-	-	410,737
Fixed income	3,154,857	-	-	3,154,857
Total mutual funds	13,892,446	-	-	13,892,446
Exchange traded funds:				
Fixed income	349,949	-	-	349,949
International	1,226,593	-	-	1,226,593
Total exchange traded funds	1,576,542	-	-	1,576,542
Exchange traded note	863,818	-	-	863,818
Total at fair value	\$ 16,332,806	\$ -	\$ -	\$ 16,332,806

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.

Note 6 - Investment Return

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

	2023	2022
Dividends and interest	\$ 289,187	\$ 411,591
Realized gain	16,165	1,709,872
Unrealized gain/(loss)	1,510,698	(4,527,002)
Total investment return	\$ 1,816,050	\$ (2,405,539)

Note 7 - Property and Equipment

Property and equipment consists of the following at June 30:

	2023	2022
Building	\$ 39,247,610	\$ 39,247,610
Furniture and equipment	898,271	883,690
Land improvements	187,256	187,256
Total depreciable items at cost	40,333,137	40,318,556
Less: accumulated depreciation	(10,019,209)	(9,162,267)
Total depreciable items, net	30,313,928	31,156,289
Land	6,524,944	6,524,944
Construction in progress	5,359,091	1,783,515
Other non-depreciable asset	225,000	225,000
Total property, plant and equipment, net	\$ 42,422,963	\$ 39,689,748

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 7 - Property and Equipment (Continued)

Construction in progress represents costs incurred for the Education Project (see Note 1), for which the Organization has entered into construction contracts with remaining commitments of approximately \$509 thousand as of June 30, 2023 and \$1.49 million as of June 30, 2022. 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 - Paycheck Protection Program Loan

On January 26, 2021, the Organization obtained a PPP Loan for \$434,890, which was established under the CARES Act and is administered by the U.S. Small Business Administration (SBA). Subject to certain conditions, the loan was eligible for forgiveness. On October 25, 2021, the Organization received notification that the forgiveness application was approved by the SBA and as such, debt forgiveness of \$434,890 was recorded as income in the statement of activities and changes in net assets for the year ended June 30, 2022. The Organization may be subject to examination by the SBA for six years following the date of forgiveness.

Note 9 - Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Land purchase/maintenance	\$ 54,403	\$ 57,879
Education Project	10,029,347	8,985,286
Programs and operations - future periods	<u>797,952</u>	<u>626,403</u>
Total subject to specified purpose or period	10,881,702	9,669,568
Subject to restriction in perpetuity	<u>16,966,246</u>	<u>16,888,158</u>
Total net assets with donor restrictions	<u>\$ 27,847,948</u>	<u>\$ 26,557,726</u>

Note 10 - Net Assets Released From Donor Restrictions

During the years ended June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Land purchase/maintenance	\$ 3,476	\$ 4,540
Programs and operations - future periods	<u>604,790</u>	<u>288,259</u>
Net assets released from donor specified purpose or period restrictions	<u>\$ 608,266</u>	<u>\$ 292,799</u>

Note 11 - 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 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.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 11 - Endowment (Continued)

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.

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, 2023, 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	\$ -	\$ 16,966,243	\$ 16,966,243
Accumulated investment gains	3,201,297	-	3,201,297
Total endowment net assets	\$ 3,201,297	\$ 16,966,243	\$ 20,167,540

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 11 - Endowment (Continued)

The changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,914,743	\$ 16,888,158	\$ 18,802,901
Contributions	-	40,000	40,000
Present value adjustment	-	38,085	38,085
Interest and dividends, net of fees	451,606	-	451,606
Net appreciation (realized and unrealized)	1,468,664	-	1,468,664
Appropriated for expenditure	<u>(633,716)</u>	<u>-</u>	<u>(633,716)</u>
 Endowment net assets, end of year	 <u>\$ 3,201,297</u>	 <u>\$ 16,966,243</u>	 <u>\$ 20,167,540</u>

As of June 30, 2022, 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	\$ -	\$ 16,888,158	\$ 16,888,158
Accumulated investment gains	<u>1,914,743</u>	<u>-</u>	<u>1,914,743</u>
 Total endowment net assets	 <u>\$ 1,914,743</u>	 <u>\$ 16,888,158</u>	 <u>\$ 18,802,901</u>

The changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,211,735	\$ 16,258,626	\$ 20,470,361
Contributions	-	600,000	600,000
Present value adjustment	-	29,532	29,532
Interest and dividends, net of fees	385,275	-	385,275
Net depreciation (realized and unrealized)	<u>(2,682,267)</u>	<u>-</u>	<u>(2,682,267)</u>
 Endowment net assets, end of year	 <u>\$ 1,914,743</u>	 <u>\$ 16,888,158</u>	 <u>\$ 18,802,901</u>

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, 2023 or 2022.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 12 - Related Party Transactions

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. During the years ended June 30, 2023 and 2022, the Organization paid participation fees of \$32,356 and \$33,832, respectively, to Asia Society New York. The Organization received from Asia Society New York global membership fees of \$7,500 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the Organization had a balance due to Asia Society New York of \$193,701 and \$157,350, respectively.

As of June 30, 2023, the Organization had \$4,217,500 in contributions receivable from Board members, which represents approximately 78% of the total contributions receivable on June 30, 2023. During the year ended June 30, 2023, contributions totaling \$958,765 were made to the Organization by Board members. In addition, during the year ended June 30, 2023, the Organization received in-kind legal services of \$75,008 from a firm where a Board member was a partner during the year. As of June 30, 2022, the Organization had \$6,169,917 in contributions receivable from Board members, which represents approximately 82% of the total contributions receivable on June 30, 2022. During the year ended June 30, 2022, contributions totaling \$3,361,587 were made to the Organization by Board members. In addition, during the year ended June 30, 2022, the Organization received in-kind legal services of \$57,534 from a firm where a Board member was a partner during the year.

Note 13 - Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Travel vouchers	\$ 19,100	\$ 75,900
Event supplies	182,542	181,415
Food and beverage services	62,630	46,800
Legal and other professional services	<u>77,878</u>	<u>57,534</u>
Total	<u>\$ 342,150</u>	<u>\$ 361,649</u>

Contributed travel vouchers were primarily used as auction items during the Tiger Ball special event. These travel vouchers were recorded as a contribution and special event expense at estimated fair value based on the rates provided by the airlines. Travel vouchers were also used for staff retreats and were recorded as a contribution and travel expense based on the rates provided by the airlines.

Contributed event supplies primarily included tent rentals and auction items that were used during the Tiger Ball special event. These items were recorded as contributions and special event expense at their estimated fair value. Contributed event supplies were also used for internal events and were recorded as a contribution and office expense at their estimated fair value. The Organization estimated fair value based on information provided by the vendor.

Contributed food and beverage services were used during the Tiger Ball special event. These items were recorded as contributions and special event expenses at their estimated fair value based on information provided by the vendor.

Contributed legal services are comprised of professional services received from attorneys. Contributed other professional services comprise of media partnership and Korean/English interpretation services. These specialized services are recorded at their estimated fair value as a contribution and professional fees expense. The estimated fair value is provided by the service providers and is based on current rates for similar legal and professional services.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 14 - Special Events

During the year ended June 30, 2023, the Organization held fundraisers that generated revenues of \$1,819,320 and incurred expenses of \$695,460.

During the year ended June 30, 2022, the Organization held fundraisers that generated revenues of \$2,019,589, incurred expenses of \$715,092, and incurred write-offs of uncollectible pledges of \$10,000.

Note 15 - 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, 2023 and 2022, total employer contributions of \$130,209 and \$137,896, respectively, were made by the Organization into the Plan.

Note 16 - Liquidity and Availability of Resources

The following table reflects the Organization's financial assets at June 30, 2023 and 2022, 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.

	2023	2022
Financial assets available within one year:		
Cash and cash equivalents	\$ 3,440,918	\$ 4,474,336
Contributions receivable within one year	2,531,380	2,797,417
Operating investments	1,110,095	1,016,974
Total financial assets available within one year	7,082,393	8,288,727
Amounts unavailable for general expenditure within one year:		
Cash restricted to land	(54,404)	(57,880)
Cash restricted for Education Project	(2,107,499)	(3,831,735)
Board designated operating reserve	(360,095)	(350,000)
Board designated contingency reserve	(750,000)	(666,974)
Board designated funds for Education Project	(500,000)	-
Board designated funds for building repairs	(279,716)	-
Receivables restricted for Education Project	(957,676)	(1,224,333)
Receivables restricted for endowment	(1,104,552)	(1,233,949)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 968,451	\$ 923,856

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. The Board has designated unrestricted funds for specified purposes. These amounts can be made available by action of the Board for other purposes. Investment earnings from the endowment are available for general operations in accordance with the spending policy described in Note 11. For cash flow purposes, the Organization has two available \$1,000,000 lines of credit which mature on September 9, 2023 and October 17, 2024, respectively, with no collateral requirements.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Note 17 - 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.

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