

ASIA SOCIETY TEXAS CENTER

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(With Independent Auditor's Report Thereon)

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 **DoerenMayhew**
CPAs AND ADVISORS

ASIA SOCIETY TEXAS CENTER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Asia Society Texas Center (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asia Society Texas Center as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Houston, Texas
September 23, 2020

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents (Note 17)	\$ 680,522	\$ 526,151
Operating investments (Note 4)	962,548	995,647
Contributions receivable (Note 3)	452,607	723,330
Prepaid expenses and other assets	36,315	62,934
Contributions receivable restricted to endowment, net (Note 3)	5,390,148	6,766,755
Cash and cash equivalents restricted to land (Note 2)	71,563	77,001
Contributions receivable restricted to land, net (Note 3)	-	10,000
Property and equipment, net (Note 6)	39,498,294	40,320,836
Endowment - investments (Note 4)	10,766,651	9,610,313
 Total assets	 <u>\$ 57,858,648</u>	 <u>\$ 59,092,967</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and other liabilities	\$ 311,063	\$ 289,072
Deferred revenue (Note 2)	90,713	65,255
Note payable (Note 7)	750,000	750,000
Paycheck protection program loan (Note 8)	451,000	-
Economic injury disaster loan (Note 9)	10,000	-
 Total liabilities	 <u>1,612,776</u>	 <u>1,104,327</u>
Net assets:		
Without donor restrictions	<u>39,918,666</u>	<u>41,381,493</u>
With donor restrictions:		
Time or purpose restricted (Note 11 and 12)	570,936	944,070
Perpetual in nature (Note 13 and 19)	<u>15,756,270</u>	<u>15,663,077</u>
 Total with donor restrictions	 <u>16,327,206</u>	 <u>16,607,147</u>
 Total net assets	 <u>56,245,872</u>	 <u>57,988,640</u>
 Total liabilities and net assets	 <u>\$ 57,858,648</u>	 <u>\$ 59,092,967</u>

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions (Notes 13 and 17)	\$ 1,097,578	\$ 268,068	\$ 1,365,646	\$ 2,488,330	\$ 215,986	\$ 2,704,316
Memberships	34,468	-	34,468	84,563	-	84,563
Fundraisers, net (Note 15)	1,000,795	-	1,000,795	1,087,053	-	1,087,053
Program fees and other earned revenue	772,335	-	772,335	894,398	-	894,398
Investment return, net (Note 5)	(432,669)	-	(432,669)	591,637	-	591,637
Net assets released from restrictions (Note 12)	548,009	(548,009)	-	386,790	(386,790)	-
Total support and revenue	3,020,516	(279,941)	2,740,575	5,532,771	(170,804)	5,361,967
Expenses:						
Education program services	3,908,728	-	3,908,728	5,236,367	-	5,236,367
Supporting services:						
General and administrative	269,995	-	269,995	320,507	-	320,507
General fundraising	283,475	-	283,475	448,368	-	448,368
Total supporting services	553,470	-	553,470	768,875	-	768,875
Total expenses	4,462,198	-	4,462,198	6,005,242	-	6,005,242
Changes in net assets from operations	(1,441,682)	(279,941)	(1,721,623)	(472,471)	(170,804)	(643,275)
Loss on uncollectable promise to give receivable (Note 2)	(21,145)	-	(21,145)	(21,250)	(25,000)	(46,250)
Changes in net assets	(1,462,827)	(279,941)	(1,742,768)	(493,721)	(195,804)	(689,525)
Net assets - beginning of year	41,381,493	16,607,147	57,988,640	41,875,214	16,802,951	58,678,165
Net assets - end of year	<u>\$ 39,918,666</u>	<u>\$ 16,327,206</u>	<u>\$ 56,245,872</u>	<u>\$ 41,381,493</u>	<u>\$ 16,607,147</u>	<u>\$ 57,988,640</u>

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2020 AND 2019

	2020				2019			
	Education	Supporting Services		Total	Education	Supporting Services		Total
	Program Services	General and Administrative	General Fundraising		Program Services	General and Administrative	General Fundraising	
Personnel	\$ 1,852,852	\$ 156,227	\$ 223,236	\$ 2,232,315	\$ 1,808,262	\$ 149,305	\$ 202,440	\$ 2,160,007
Occupancy	282,587	11,233	3,594	297,414	332,657	11,024	2,792	346,473
Exhibitions	267,871	-	-	267,871	292,423	-	-	292,423
Program production	235,336	2,377	3,129	240,842	323,401	6,458	3,925	333,784
Consulting	163,617	10,340	7,744	181,701	1,395,300	52,500	198,300	1,646,100
Professional fees	77,759	752	16,337	94,848	26,302	10,607	12,238	49,147
Information technology	41,256	5,558	8,465	55,279	37,924	4,552	9,738	52,214
Office expenses	37,769	3,976	1,922	43,667	41,673	516	840	43,029
Payment to affiliated organization	33,236	34	-	33,270	32,696	-	-	32,696
Advertising and promotion	31,618	720	-	32,338	56,044	523	-	56,567
Travel	13,281	5,627	1,073	19,981	16,092	3,335	2,127	21,554
Bank charges	13,268	53,071	1,361	67,700	15,796	52,007	1,770	69,573
Staff/board/volunteer development	10,686	14,054	5,268	30,008	10,096	20,265	6,221	36,582
Other	1,842	1,001	148	2,991	4,730	2,162	-	6,892
Depreciation	845,750	5,025	11,198	861,973	842,971	7,253	7,977	858,201
	<u>\$ 3,908,728</u>	<u>\$ 269,995</u>	<u>\$ 283,475</u>	<u>\$ 4,462,198</u>	<u>\$ 5,236,367</u>	<u>\$ 320,507</u>	<u>\$ 448,368</u>	<u>\$ 6,005,242</u>

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (1,742,768)	\$ (689,525)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation	861,975	858,201
Contributions restricted for endowment	(7,800)	-
Loss on uncollectable promise to give	21,145	46,250
Amortization of discount on contributions	(85,393)	(23,645)
Net realized and unrealized (gain) loss on investments	742,756	(310,377)
Changes in operating assets and liabilities:		
Contributions receivable	249,578	275,998
Prepaid expenses and other assets	26,619	(25,560)
Accounts payable and other liabilities	21,991	93,259
Deferred revenue	25,458	(44,851)
Net cash provided by operating activities	113,561	179,750
Cash flows from investing activities:		
Purchases of property and equipment	(39,433)	(51,748)
Proceeds from contributions restricted for land	10,000	195,544
Purchase of endowment investments	(8,374,125)	(263,986)
Purchases of operating investments	(941,300)	(6,135,002)
Proceeds from sales of endowment investments	6,715,221	323,241
Proceeds from sales of operating investments	734,209	5,593,034
Net cash used in investing activities	(1,895,428)	(338,917)
Cash flows from financing activities:		
Payment of line of credit	(250,000)	(125,000)
Proceeds from line of credit	250,000	-
Proceeds from paycheck protection program loan	441,000	-
Proceeds from economic injury disaster loan	10,000	-
Proceeds from contributions restricted for land	10,000	-
Proceeds from contributions restricted for capital activity	-	10,000
Proceeds from contributions restricted for endowment	1,469,800	555,752
Net cash provided by financing activities	1,930,800	440,752
Net increase in cash and cash equivalents and restricted cash	148,933	281,585
Cash, cash equivalents and restricted cash, beginning of year	603,152	321,567
Cash, cash equivalents and restricted cash, end of year	\$ 752,085	\$ 603,152
Supplemental disclosure -		
Cash paid for interest during the year	\$ 37,500	\$ 37,500
Schedule of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 680,522	\$ 526,151
Restricted cash:		
Restricted funds for land held at the bank	71,563	77,001
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	\$ 752,085	\$ 603,152

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 1 - Description of Organization

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Net Assets Without Donor Restrictions - Net assets without donor restrictions are available for use at the discretion of the Board of Directors 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, 2020 and 2019, we did not have any funds designated by the Board for specific purposes.

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a 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.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with maturities at time of purchase of three months or less are considered to be cash equivalents.

Restricted Cash

Pursuant to the requirement of the donor, the Organization is required to establish and maintain a cash account restricted for land development.

Revenue Recognition and Contributions Receivable

Unconditional contributions receivable are recognized as revenues in the period the pledge is received. Contributions receivable are recorded at net realizable value if expected to be collected in one year. Amounts expected to be collected in more than one year are discounted to net realizable value. Amortization of discounts on contributions is included in contributions revenue and is reported within the asset class in which the pledge was originally reported. Conditional contributions receivable are recognized as revenues when the conditions on which they depend are met.

If contributions of cash or other assets are received with donor stipulations, they are reported as with donor restriction. In a future reporting period, when a program or asset acquisition restriction is fulfilled or a time restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, when a donor restricted contribution is received and the restriction is met in the same reporting period, the contribution is reported as without donor restrictions.

In evaluating the collectability of contributions receivable, the Organization reviews balances annually to determine if any provisions for write-offs are necessary. During the year ended June 30, 2020, pledges in the amount of \$21,145 were deemed uncollectable and written-off accordingly. During the year ended June 30, 2019, pledges in the amount of \$46,250 were deemed uncollectable and written-off accordingly.

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 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 is acquired or constructed and placed in service.

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

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Contributions Receivable (Continued)

Global memberships are recognized as revenue when received since they are considered contributions to the Organization and are not refundable. Individual and corporate memberships revenue are prorated and recognized over the period of time from the date of membership issuance.

Deferred Revenue

The Organization offers rental on its facility spaces for events such as seminars, conferences, wedding, and etc. The amounts received prior to events happening are reported as deferred revenue and are recognized as revenue once the events have taken place. Furthermore, other program events are also deferred until they take place. Individual and corporate memberships revenue, which has not been recognized also recorded at deferred revenue. The deferred revenue balance is comprised as follows as December 31:

	<u>2020</u>	<u>2019</u>
Beginning of the year	\$ 65,255	\$ 110,106
Changes in the year	<u>25,458</u>	<u>(44,851)</u>
Ending of the year	<u>\$ 90,713</u>	<u>\$ 65,255</u>

Investments

Investments are recorded at fair value. Investment income consists of interest and dividends and gains and losses on investments. Investment income is reported in the statement of activities and changes in net assets as an increase in 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 without donor restrictions if the restrictions are satisfied in the same year.

Property and Equipment

Property and equipment is 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, 2020 AND 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Impairment of Long Lived Assets

The Organization reviews its 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 a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which 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, 2020 and 2019.

Donated Materials, Securities and Services

Significant donated materials or debt and equity securities are recorded as contributions at the estimated fair market value at the date of the donation. Donated services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Services requiring specialized skills are provided by accountants, lawyers, other professionals and craftsmen. Donated services and promises to give services that do not meet the above criteria are not recognized. See Note 14 for in-kind services recognized as of June 30, 2020 and 2019.

Functional Allocation of Expenses

The cost of providing various programs and supporting services are summarized on a functional basis in the statement of activities and changes in net assets. Below is a summary of the Organization's methodology.

Personnel and Employee Related Expenses (ERE)

Wages are charged according to projected effort spent in direct service support of program services. Benefits components (FICA, SUI, Workman's Compensation, Health/Life/Dental/Disability insurance, and Pension) are calculated for each individual employee and allocated to programs in accordance with the percentage distribution of the employee's actual earnings.

Occupancy

The cost for space is determined by computing the actual amount of square footage occupied by an employee/program, multiplied by the cost per square foot of total available occupied space. Where appropriate, these costs may be shared by more than one program. In that case, the allocation of personnel time determines the amount of square footage to each program. The cost per square foot includes where applicable: rent, utilities, repairs and maintenance, property insurance, phone, etc.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Travel

Employee mileage reimbursements are paid at the rate approved by the President, not to exceed the current IRS maximum allowable rate. Reimbursements are paid based on actual travel mileage as reported on the Employee Reimbursement reports. Travel costs are charged to programs based on a direct expense basis.

Professional Services

Outside professional services are charged as a direct charge to each individual program incurring the expenditure. Contractual services for audit, payroll, and other administrative or risk management services are allocated based on the personnel allocation.

Materials and Supplies

Materials, supplies and equipment used by staff and/or clients are billed directly to the program/funding source whenever usage can be identified. Postage, copy charge and printing costs are allocated based on the personnel allocation.

Activities and Programs

Program activity expenses used by staff and/or clients are billed directly to the program incurring the expense.

In-Kind Expenses

In-kind expenses are charged directly to the program receiving the contributed service, material or use of space for program activities. In-kind expenses are valued at the prices established by the donor.

Other Operating Expenses

All other expenses are allocated based on direct program usage.

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 in 2020 or 2019.

Accounting principles generally accepted in the United States of America provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2020, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2016 forward. Management is not aware of any open issues.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Estimates

Financial statements prepared in accordance with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Change in Accounting Principles

On July 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows Topic 230: Restricted Cash, which requires that period changes in the total of cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents are explained in the Statement of Cash Flows. The Organization has appropriately classified restricted cash as a cash and cash equivalent in the statement of cash flows. Reclassifications were made to the previously reported fiscal year 2019 cash flow amounts to conform with the current year presentation.

On July 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities, which is generally effective as follows, the guidance on the classification and measurement of investments in debt and equity securities. The Organization has appropriately classified its financial assets. The adoption of ASU 2016-01 resulted in no significant changes to the Organization's financial reporting. Reclassifications were made to the previously reported fiscal year 2019 footnotes to conform with the current year presentation.

On July 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, and all related amendments (collectively, ASC 606) using the modified retrospective method. ASC 606 requires the recognition of revenue when promised goods or services are transferred to customers or clients in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The adoption of ASC 606 resulted in no significant changes to the Organization's financial reporting. Accordingly, no adjustment to beginning net assets was necessary.

On July 1, 2019, the Organization adopted ASU 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) using the modified prospective method. This ASU improved the clarity on existing guidance for the determination of exchange transactions and distinguishing between conditional and unconditional contributions. The adoption of ASU 2018-08 had no impact on net asset amounts as of July 1, 2019. Accordingly, no adjustment to beginning net assets was necessary.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 3 - Contributions Receivable

Contributions receivable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Amounts due in less than one year	\$ 1,664,524	\$ 2,195,330
Amounts due in one to five years	4,335,000	4,546,916
Amounts due after five years	<u>-</u>	<u>1,000,000</u>
Total contributions receivable	5,999,524	7,742,246
Less: discount to net realizable value	<u>(156,769)</u>	<u>(242,161)</u>
Contributions receivable, net	<u>\$ 5,842,755</u>	<u>\$ 7,500,085</u>

At June 30, 2020 and 2019, contributions receivable are recorded after being discounted to their present value using interest rates ranging from 0.29% to 2.73%. Uncollectible contributions receivable are expected to be minimal and therefore, no allowance was made for uncollectible amounts at June 30, 2020 and 2019.

Contributions receivable is comprised as follows at June 30:

	<u>2020</u>	<u>2019</u>
Contributions receivable	\$ 452,607	\$ 723,330
Contributions receivable restricted to land	-	10,000
Contributions receivable restricted to endowment	<u>5,546,917</u>	<u>7,008,916</u>
Total contributions receivable	5,999,524	7,742,246
Less: discount to net realizable value	<u>(156,769)</u>	<u>(242,161)</u>
Contributions receivable, net	<u>\$ 5,842,755</u>	<u>\$ 7,500,085</u>

Note 4 - Fair Value of Financial Instruments

The Organization's financial instruments are recorded at fair value. In accordance with U.S. GAAP, "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 three-tier hierarchy of inputs is summarized in the three broad levels listed below:

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

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 - Significant unobservable inputs (including the Organization's own assumptions in determining fair value of investments).

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 4 - Fair Value of Financial Instruments (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value by the Organization. There have been no changes in the methodologies used at June 30, 2020 as compared to June 30, 2019.

Stocks 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. Mutual 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. Money market accounts are valued at year end cost which approximates market value and considered to be Level 2 as of June 30, 2020 and June 30, 2019. The rest of the Organization's assets measured at fair value are considered to be Level 1 as of June 30, 2020 and 2019.

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

	<u>2020</u>	<u>2019</u>
Mutual funds:		
Fixed income	\$ 1,797,298	\$ 2,356,594
International equity	2,942,646	2,906,232
Domestic equity	<u>4,892,510</u>	<u>3,184,161</u>
Total mutual funds	9,632,454	8,446,987
Money market funds	526,536	581,121
Exchange traded notes	47,627	1,038,146
Stock	<u>1,522,582</u>	<u>539,706</u>
Total at fair value	<u>\$ 11,729,199</u>	<u>\$ 10,605,960</u>

The inputs or methodology used to measure investments are not necessarily indicative of the risk of investing in a particular security. Other financial instruments that are not valued on a recurring or nonrecurring basis are cash, receivables, payables and note payable. Management believes the carrying amounts of these financial instruments approximate their fair values.

Note 5 - Investment Return

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

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 310,086	\$ 281,260
Realized (loss)/gain	(42,887)	86,240
Unrealized (loss)/gain	<u>(699,868)</u>	<u>224,137</u>
Total investment (loss)/return	<u>\$ (432,669)</u>	<u>\$ 591,637</u>

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Building	\$ 39,209,610	\$ 39,209,610
Furniture and equipment	954,136	914,703
Land improvements	<u>187,256</u>	<u>187,256</u>
Total depreciable items at cost	40,351,002	40,311,569
Less: accumulated depreciation	<u>(7,602,652)</u>	<u>(6,740,677)</u>
Total depreciable items, net	32,748,350	33,570,892
Land	6,524,944	6,524,944
Other non-depreciable assets	<u>225,000</u>	<u>225,000</u>
Total property, plant and equipment, net	<u>\$ 39,498,294</u>	<u>\$ 40,320,836</u>

Depreciation expense was \$861,975 and \$858,201 for the years ended June 30, 2020 and 2019, respectively. Other non-depreciable assets consist 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 7 - Notes Payable

In February 2007, the Organization entered into a \$1,000,000 note agreement with a Board member. The note bears interest at a rate of 5% per year, payable annually beginning February 13, 2008, until maturity on February 13, 2022. The principal is due in full upon loan maturity on February 13, 2022. The note is collateralized by the Organization's land. The balance due as of June 30, 2020 and 2019 was \$750,000. The note was paid off in full along with its interest on August 14, 2020.

Note 8 - Paycheck Protection Program Loan

On April 16, 2020, the Organization obtained a \$451,000 Paycheck Protection Program Loan (PPP Loan) which was established under the CARES Act and is guaranteed by the U.S. Small Business Administration. The PPP Loan is due in eighteen equal principal payments beginning November 1, 2020, with final payment due April 1, 2022. The PPP Loan has a fixed interest rate of 1.00%, with accrued interest payable monthly beginning November 1, 2020. The PPP Loan may be forgiven, in whole or in part, if the Organization complies with certain requirements of the CARES Act.

Note 9 - Economic Injury Disaster Loan

On May 1, 2020, the Organization received an unforgivable EIDL advance of \$10,000 with 2.75% interest rate. Per the U.S. Small Business Administration, payments of the loan start one year from the issuance date and to be made through PPP loan.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 10 - Line of Credit

On January 11, 2019, the Organization entered into an agreement with a bank that allows the Organization to draw against a promissory note (the note) in an amount not to exceed \$1,000,000. All outstanding principal and accrued interest must be repaid on the note's maturity date of June 11, 2020. The agreement was renewed with the maturity date of December 11, 2021. There are no collateral requirements for borrowings under the note. The note bears interest at the Prime Rate of 3.25% minus 0.5%, with a rate of 2.75% as of June 30, 2020 and at the Prime Rate of 5.5% minus 0.5%, with the rate of 5% as of June 30, 2019. No balance was due as of June 30, 2020 and 2019.

Note 11 - Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Land purchase/Maintenance	\$ 71,061	\$ 78,122
Programs and operations - future periods	<u>499,875</u>	<u>865,948</u>
Total subject to specified purpose or period	570,936	944,070
Subject to restriction in perpetuity	<u>15,756,270</u>	<u>15,663,077</u>
Total net assets with donor restrictions	<u>\$ 16,327,206</u>	<u>\$ 16,607,147</u>

Note 12 - Net Assets Released From Donor Restrictions

During the years ended June 30, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows:

	<u>2020</u>	<u>2019</u>
Capital activity for the Center	\$ -	\$ 9,914
Land purchase/Maintenance	7,061	7,137
Programs and operations - future periods	<u>540,948</u>	<u>369,739</u>
Net assets released from donor specified purpose or period restrictions	<u>\$ 548,009</u>	<u>\$ 386,790</u>

Note 13 - Related Party Transactions

During the years ended June 30, 2020 and 2019, the Organization paid participation fees of approximately \$33,270 and \$32,696, respectively, to Asia Society New York. The Organization received from Asia Society New York global membership fees of approximately \$10,000 and \$15,000 for the years ended June 30, 2020 and 2019. As of June 30, 2020 and 2019, the Organization had a balance due to Asia Society New York for \$104,620 and \$75,795, respectively.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 13 - Related Party Transactions (Continued)

As of June 30, 2020, contributions receivable from Board members totaling \$5,808,193 were outstanding, representing approximately 99% of the total contributions receivable at June 30, 2020. During fiscal year 2020, contributions totaling \$653,979 were made to the Organization by Board members. As of June 30, 2019, contributions receivable from Board members totaling \$7,182,640 were outstanding, representing approximately 94% of the total contributions receivable at June 30, 2019. During fiscal year 2019, contributions totaling \$831,738 were made to the Organization by Board members.

As of June 30, 2020, contributions receivable for the endowment from Board members and officers totaling approximately \$5,546,917 were outstanding, representing 95% of the total contributions receivable at June 30, 2020. As of June 30, 2019, contributions receivable for the endowment from Board members totaling \$6,755,000 were outstanding, representing 96% of the total contributions receivable at June 30, 2019. No contributions for the endowment were made to the Organization by Board members during fiscal year 2020 and 2019.

During the year ended June 30, 2020, the Organization received in-kind legal services of \$47,399 from a firm where a Board member is a partner. During the year ended June 30, 2019, the Organization received in-kind legal services of \$22,771 from a firm where a Board member is a partner.

Note 14 - In-Kind Donations

Included in contributions in the statements of activities for the years ended June 30, 2020 and 2019 are in-kind contributions as follows:

	<u>2020</u>	<u>2019</u>
Travel services	\$ 4,450	\$ 33,950
Legal services	47,399	22,771
Goods and services	117,405	148,390
Professional and consulting services	-	1,514,000
Supplies	7,500	15,535
Food and beverage services	<u>46,915</u>	<u>42,838</u>
Total	<u>\$ 223,669</u>	<u>\$ 1,777,484</u>

Note 15 - Fundraisers

During the years ended June 30, 2020 and 2019, the Organization conducted fundraisers that generated revenues of \$1,532,681 and \$1,623,908, respectively, and incurred expenses of \$531,886 and \$536,855, respectively.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 16 - Retirement Plan

The Organization maintains a defined contribution plan for its eligible employees. Accordingly, for each of the years ended June 30, 2020 and 2019, the Organization contributed 5% of an eligible employee's salary up to the maximum stipulated by law for the applicable year. Total matching and discretionary contributions of \$139,400 and \$129,040 were made by the Organization for the years ended June 30, 2020 and 2019, respectively.

Note 17 - Concentrations of Credit Risk

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. June 30, 2020 and 2019, amounts in excess of the insured limits were \$447,179 and \$118,238, respectively. Management believes that the credit risk is mitigated by the financial strength of the financial institutions where the deposits are held.

Individual receivable balances that exceed 10% of the total contribution receivable (including endowment amounts) are considered significant. As of June 30, 2020, contribution receivable balance for two donors individually exceeded 10% and in total comprised approximately 96% of total receivable. As of June 30, 2019, contribution receivable balance for two donors individually exceeded 10% and in total comprised approximately 95% of total receivable.

Furthermore, contributions from three individuals and two foundations comprised approximately 29% of total contributions for the year ended June 30, 2020. Contributions from three individuals and two foundations comprised approximately 26% of total contributions for the year ended June 30, 2019.

Note 18 - Commitments and Contingencies

Lease Commitments

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

<u>Years Ending</u> <u>June 30,</u>	<u>Amount</u>
2021	\$ 10,880
2022	10,880
2023	10,880
2024	<u>2,720</u>
Total minimum future payments	<u>\$ 35,360</u>

Rental expense for the years ended June 30, 2020 and 2019 totaled \$10,007 and \$6,704, respectively.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 19 - Endowment

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including any funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

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.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 290,576	\$ 15,663,077	\$ 15,953,653
Contribution	-	7,800	7,800
Present value adjustment	-	85,393	85,393
Interest and dividends	286,764	-	286,764
Realized gain/loss	(246,484)	-	(246,484)
Appropriated for expenditure	<u>(167,386)</u>	<u>-</u>	<u>(167,386)</u>
Endowment net assets, end of year	<u>\$ 163,470</u>	<u>\$ 15,756,270</u>	<u>\$ 15,919,740</u>

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 19 - Endowment (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 349,291	\$ 15,639,432	\$ 15,988,723
Present value adjustment	-	23,645	23,645
Interest and dividends	258,409	-	258,409
Realized gain/loss	(31,245)	-	(31,245)
Appropriated for expenditure	(285,879)	-	(285,879)
 Endowment net assets, end of year	 \$ 290,576	 \$ 15,663,077	 \$ 15,953,653

Permanently restricted net assets as of June 30 are as follows:

	2020	2019
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA.	 \$ 15,756,270	 \$ 15,663,077

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. In accordance with accounting principles generally accepted in the United States of America, there were no deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2020 and 2019.

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 3 years along with the current year endowment additions. The amount is then compared to the standards of prudence prescribed by Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). The Finance Committee reviews and recommends a spending allocation to the Board of Directors for approval.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 20 - Liquidity and Availability of Resources

The following table reflects the Organization's financial assets at June 30, 2020, reduced by amounts not anticipated to be available for general expenditure within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or they are not convertible to cash within one year. Financial assets are available for general expenditure if they do not have donor or other restrictions limiting their use through purpose restrictions.

	<u>Amount</u>
Financial assets available within one year:	
Cash and Cash Equivalents	\$ 847,908
Pledges/Grant Receivable	452,607
Operating Investments - Rainy Day	795,162
Investments - Endowment (Spending Allocation)	<u>475,000</u>
 Total financial assets available within one year	 <u>2,570,677</u>
Amounts unavailable for general expenditure within one year:	
Restricted by donors with purpose restrictions - Timing	(150,000)
Contractual reserves for Capital Maintenance and Repair	<u>(75,000)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 2,345,677</u>

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, and has an available line of credit of \$1 Million. Excess funds are invested for long-term appreciation and current income but remain available to be spent at the Board's discretion.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities and support services to be general expenditures. The Organization strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

Note 21 - Risks and Economic Uncertainties

The Organization maintains various investment securities that are not insured by agencies of the United States government at a third-party investment firm. 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 endowment investment balances.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

Note 21 - Risks and Economic Uncertainties (Continued)

During March 2020, a global pandemic was declared by the World Health Organization related to the outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S. and globally. As a result of COVID-19, economic uncertainties have arisen which have resulted in heightened market risk and significant volatility in the investment markets.

On March 24, 2020, City of Houston issued “Stay-at-Home” order, applied to all individuals and non-essential businesses within Harris County, to contain the spread of COVID-19. As a result, the Organization was closed from such date to mid-June 2020. This had impacted the Organization revenue in term of admissions and facility rental revenue for the year ended June 30, 2020. The Organization is actively assessing the ultimate financial impact on the Organization’s financials, which depended on future developments, including the duration and continued spread of the COVID-19 outbreak, which cannot be reasonably estimated at this time. As of the date of the report, the Organization expects a decline in contributions for the future fiscal year ended June 30, 2021.

Note 22 - Performance Results

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. The losses experienced by the Organization in fiscal year 2020 were, in large part, anticipated and considered an investment in the Organization’s future in Houston. Over the next five years, the Organization anticipates a gradual, steady increase in contributions and earned revenue commensurate with the Organization’s expanded programs, audience engagement, and fundraising, which should result in operating expenses being brought in line with projected income.

Note 23 - Subsequent Events

Management has evaluated subsequent events through September 23, 2020, the date which the financial statements were available to be issued. Management has determined that all significant subsequent events have been disclosed in these financial statements.

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