

ASIA SOCIETY TEXAS CENTER

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021
(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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

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 22, 2022

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents <i>(Note 3)</i>	\$ 584,721	\$ 1,057,325
Operating investments <i>(Note 5)</i>	1,016,974	1,112,936
Contributions receivable, net <i>(Notes 3 and 4)</i>	310,385	369,225
Prepaid expenses and other assets	44,066	27,390
Endowment - contributions receivable, net <i>(Notes 3 and 4)</i>	3,487,069	4,438,587
Endowment - investments <i>(Notes 5 and 12)</i>	15,315,832	16,031,774
Cash restricted to land <i>(Note 3)</i>	57,880	62,427
Cash restricted to Education Project <i>(Note 3)</i>	3,831,735	1,352,323
Contributions receivable restricted to Education Project <i>(Notes 3 and 4)</i>	3,720,826	2,424,693
Property and equipment, net <i>(Note 7)</i>	39,689,748	38,705,734
Total assets	<u>\$ 68,059,236</u>	<u>\$ 65,582,414</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable and other liabilities	\$ 304,420	\$ 307,188
Construction payable	310,525	-
Deferred revenue	65,939	114,152
Paycheck Protection Program Loan <i>(Note 8)</i>	-	434,890
Total liabilities	<u>680,884</u>	<u>856,230</u>
Net assets:		
Without donor restrictions	<u>40,820,626</u>	<u>43,944,471</u>
With donor restrictions:		
Time or purpose restricted <i>(Notes 10 and 12)</i>	9,669,568	4,523,087
Perpetual in nature <i>(Notes 10 and 12)</i>	16,888,158	16,258,626
Total with donor restrictions	<u>26,557,726</u>	<u>20,781,713</u>
Total net assets	<u>67,378,352</u>	<u>64,726,184</u>
Total liabilities and net assets	<u>\$ 68,059,236</u>	<u>\$ 65,582,414</u>

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
Operating revenue and support:						
Contributions of cash and other financial assets <i>(Notes 3 and 13)</i>	\$ 739,100	\$ 191,117	\$ 930,217	\$ 1,646,955	\$ 403,261	\$ 2,050,216
Contributions of nonfinancial assets <i>(Note 14)</i>	82,584	-	82,584	79,180	-	79,180
Memberships <i>(Note 13)</i>	33,769	-	33,769	40,269	-	40,269
Special events - contributions of cash and other financial assets, net <i>(Note 15)</i>	1,015,432	-	1,015,432	770,355	-	770,355
Special events - contributions of nonfinancial assets, <i>(Notes 14 and 15)</i>	279,065	-	279,065	205,675	-	205,675
Program fees and other earned revenue	736,640	-	736,640	451,055	-	451,055
Dividends and interest <i>(Note 6)</i>	411,591	-	411,591	344,421	-	344,421
Net assets released from restrictions <i>(Note 11)</i>	292,799	(292,799)	-	228,125	(228,125)	-
Total operating revenue and support	3,590,980	(101,682)	3,489,298	3,766,035	175,136	3,941,171
Operating expenses:						
Education program services <i>(Note 13)</i>	3,770,397	-	3,770,397	3,517,158	-	3,517,158
Supporting services:						
General and administrative	248,472	-	248,472	200,224	-	200,224
General fundraising	313,716	-	313,716	274,093	-	274,093
Total supporting services	562,188	-	562,188	474,317	-	474,317
Total operating expenses	4,332,585	-	4,332,585	3,991,475	-	3,991,475
Changes in net assets from operations	(741,605)	(101,682)	(843,287)	(225,440)	175,136	(50,304)
Nonoperating activities:						
Endowment - contributions of cash and other financial assets <i>(Notes 3 and 13)</i>	-	629,532	629,532	-	502,356	502,356
Education Project - contributions of cash and other financial assets <i>(Notes 3 and 13)</i>	-	5,248,163	5,248,163	-	3,777,015	3,777,015
Net realized and unrealized (loss) gain on investments <i>(Note 6)</i>	(2,817,130)	-	(2,817,130)	3,741,731	-	3,741,731
Forgiveness of government loans <i>(Notes 8 and 9)</i>	434,890	-	434,890	461,000	-	461,000
Employee Retention Tax Credit	-	-	-	48,514	-	48,514
Changes in net assets	(3,123,845)	5,776,013	2,652,168	4,025,805	4,454,507	8,480,312
Net assets - beginning of year	43,944,471	20,781,713	64,726,184	39,918,666	16,327,206	56,245,872
Net assets - end of year	\$ 40,820,626	\$ 26,557,726	\$ 67,378,352	\$ 43,944,471	\$ 20,781,713	\$ 64,726,184

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Education	Supporting Services		Total	Education	Supporting Services		Total
	Program Services	General and Administrative	General Fundraising		Program Services	General and Administrative	General Fundraising	
Personnel	\$ 1,809,743	\$ 154,214	\$ 231,609	\$ 2,195,566	\$ 1,787,619	\$ 147,399	\$ 215,283	\$ 2,150,301
Occupancy	270,760	11,250	6,718	288,728	282,583	9,853	2,419	294,855
Program production	265,256	3,430	2,497	271,183	134,783	796	259	135,838
Exhibitions	201,836	-	-	201,836	154,969	-	-	154,969
Consulting	159,196	13,848	17,107	190,151	137,503	6,616	8,355	152,474
Professional fees	67,240	3,732	2,419	73,391	67,851	450	402	68,703
Information technology	51,812	2,311	10,062	64,185	50,235	1,877	9,221	61,333
Office expenses	37,088	7,726	5,633	50,447	19,049	741	320	20,110
Advertising and promotion	37,058	910	-	37,968	19,205	538	-	19,743
Bank charges	2,738	13,961	11,386	28,085	6,338	16,147	1,672	24,157
Travel	8,707	790	16,140	25,637	539	115	-	654
Staff/board/volunteer development	6,376	8,040	1,737	16,153	767	6,556	27,969	35,292
Other	5,957	21,957	-	27,914	2,950	2,536	519	6,005
Depreciation	846,630	6,303	8,408	861,341	852,767	6,600	7,674	867,041
Total expenses	\$ 3,770,397	\$ 248,472	\$ 313,716	\$ 4,332,585	\$ 3,517,158	\$ 200,224	\$ 274,093	\$ 3,991,475

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 2,652,168	\$ 8,480,312
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	861,341	867,041
Forgiveness of government loans	(434,890)	(461,000)
Contributions restricted for endowment	(600,000)	(437,000)
Contributions restricted for Education Project	(5,298,030)	(3,816,489)
Loss on uncollectible promise to give	28,750	13,000
Amortization of discount on contributions	79,683	(25,882)
Net realized and unrealized loss (gain) on investments	2,817,130	(3,741,730)
Changes in operating assets and liabilities:		
Contributions receivable	30,092	70,382
Prepaid expenses and other assets	(16,676)	8,925
Accounts payable and other liabilities	(2,768)	(3,875)
Deferred revenue	(48,213)	23,439
Net cash provided by operating activities	68,587	977,123
Cash flows from investing activities:		
Purchases of property and equipment	(1,534,832)	(74,483)
Purchases of investments	(12,438,128)	(6,721,959)
Proceeds from sales of investments	10,432,902	5,087,232
Net cash used by investing activities	(3,540,058)	(1,709,210)
Cash flows from financing activities:		
Payment of note payable	-	(750,000)
Proceeds from Paycheck Protection Program Loan	-	434,890
Proceeds from contributions restricted for Education Project	3,951,746	1,352,322
Proceeds from contributions restricted for endowment	1,521,986	1,453,917
Net cash provided by financing activities	5,473,732	2,491,129
Net increase in cash, cash equivalents and restricted cash	2,002,261	1,759,042
Cash, cash equivalents and restricted cash, beginning of year	2,472,075	713,033
Cash, cash equivalents and restricted cash, end of year	\$ 4,474,336	\$ 2,472,075
Supplemental disclosure:		
Cash paid for interest during the year	\$ -	\$ 4,637
Noncash investing and financing activities - purchase of property and equipment through a trade account payable	\$ 310,525	\$ -

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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 is located in Houston, Texas and serves the South Central Region of the United States, by providing educational programs across the fields of arts, business, culture, education, and policy.

The Organization has 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 April 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, 2022, the Board has designated \$350,000 as an operating reserve. There were no funds designated by the Board for specific purposes as of June 30, 2021.

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

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

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

Measure of Operations

The statement of activities and changes in net assets reports all changes in net assets, including changes from operating and nonoperating activities. Operating activities include all revenues and expenses that are integral to the Organization's program services and supporting activities, including interest and dividends earned on investments. Nonoperating activities include realized and unrealized gains or losses on investments, contributions restricted in perpetuity 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, 2022 and 2021 to the amount shown within the statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 584,721	\$ 1,057,325
Cash restricted to land purchase/maintenance	57,880	62,427
Cash restricted to Education Project	<u>3,831,735</u>	<u>1,352,323</u>
Total cash, cash equivalents and restricted cash	<u>\$ 4,474,336</u>	<u>\$ 2,472,075</u>

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

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 \$28,750 and \$-0- was recorded as of June 30, 2022 and 2021, 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.

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, 2022 and 2021.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Paycheck Protection Program and Economic Injury Disaster Loans

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

Revenue Recognition

Contributions are recognized when cash, securities or other assets; an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises to give are those that contain a measurable performance obligation or other barriers, as well as a right of return. Conditional promises to give are not recognized until the conditions on which they depend have been met. As of June 30, 2021, conditional promises to give of \$300,000 had not been recognized in the accompanying financial statements because they were dependent on the Organization raising matching funds. The matching funds were received during fiscal year 2022. As of June 30, 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 14 for in-kind services recognized for the years ended June 30, 2022 and 2021.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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>2022</u>	<u>2021</u>
Beginning of year	\$ 114,152	\$ 90,713
Additions to deferred revenue	65,939	114,152
Amounts recognized as revenue during the year	<u>(114,152)</u>	<u>(90,713)</u>
Ending of year	<u>\$ 65,939</u>	<u>\$ 114,152</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, 2022 or 2021.

Management has evaluated the tax positions taken by the Organization. Management has determined that as of June 30, 2022 and 2021, 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, 2022, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from fiscal year 2018 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.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts in the fiscal year 2021 financial statements have been reclassified to conform with the current year presentation. These reclassifications had no impact on net assets.

New Accounting Pronouncement

Effective July 1, 2021, the Organization adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, on a retrospective basis. ASU No. 2020-07 provides new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The adoption of this ASU resulted in no significant changes to the Organization's financial reporting.

Subsequent Events

Management has evaluated subsequent events through September 22, 2022, 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, 2022 and 2021, amounts in excess of the insured limits were \$4,158,226 and \$2,297,613, respectively. Management believes that the credit risk is mitigated by the financial strength of the financial institution where the deposits are held.

Contributions

Individual receivable balances that exceed 10% of the total contribution receivable (including endowment amounts) are considered significant. As of June 30, 2022, contribution receivable balances for three donors individually exceeded 10% and in total comprised approximately 70% of total contributions receivable. As of June 30, 2021, contribution receivable balances for two donors individually exceeded 10% and in total comprised approximately 82% of total contributions receivable.

Individual donors contributing more than 10% of total contributions and special events revenue are considered significant. Contributions from one individual comprised approximately 11% of total contributions for the year ended June 30, 2022. Contributions from two individuals and one foundation comprised approximately 58% of total contributions for the year ended June 30, 2021.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 4 - Contributions Receivable

Contributions receivable consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Amounts due in less than one year	\$ 2,797,417	\$ 2,212,559
Amounts due in one to five years	<u>4,900,833</u>	<u>5,150,833</u>
Total contributions receivable	7,698,250	7,363,392
Less: discount to present value	(151,220)	(130,887)
Less: allowance for doubtful accounts	<u>(28,750)</u>	<u>-</u>
Contributions receivable, net	<u>\$ 7,518,280</u>	<u>\$ 7,232,505</u>

Contributions receivable due in one to five years reflect a discount to present value using interest rates ranging from 0.87% to 3.01%.

Contributions receivable is comprised as follows at June 30:

	<u>2022</u>	<u>2021</u>
Contributions receivable	\$ 339,135	\$ 369,225
Education Project contributions receivable	3,810,167	2,464,167
Endowment - Education Project contributions receivable	418,948	200,000
Endowment - general operations	<u>3,130,000</u>	<u>4,330,000</u>
Total contributions receivable	7,698,250	7,363,392
Less: discount to present value	(151,220)	(130,887)
Less: allowance for doubtful accounts	<u>(28,750)</u>	<u>-</u>
Contributions receivable, net	<u>\$ 7,518,280</u>	<u>\$ 7,232,505</u>

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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, 2022 as compared to June 30, 2021.

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

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

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
Fixed income	3,154,857	-	-	3,154,857
Money market	410,737	-	-	410,737
Total mutual funds	13,892,446	-	-	13,892,446
Exchange traded funds:				
International	1,226,593	-	-	1,226,593
Fixed income	349,949	-	-	349,949
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 fair value of the Organization's financial instruments, measured on a recurring basis, is as follows at June 30, 2021:

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

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

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 6 - Investment Return

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

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 411,591	\$ 344,421
Realized gain/(loss)	1,709,872	(144,249)
Unrealized (loss)/gain	<u>(4,527,002)</u>	<u>3,885,980</u>
Total investment return	<u>\$ (2,405,539)</u>	<u>\$ 4,086,152</u>

Note 7 - Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Building	\$ 39,247,610	\$ 39,247,610
Furniture and equipment	883,690	989,043
Land improvements	<u>187,256</u>	<u>187,256</u>
Total depreciable items at cost	40,318,556	40,423,909
Less: accumulated depreciation	<u>(9,162,267)</u>	<u>(8,468,119)</u>
Total depreciable items, net	31,156,289	31,955,790
Land	6,524,944	6,524,944
Construction in progress	1,783,515	-
Other non-depreciable asset	<u>225,000</u>	<u>225,000</u>
Total property, plant and equipment, net	<u>\$ 39,689,748</u>	<u>\$ 38,705,734</u>

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 \$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 Loans

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.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 8 - Paycheck Protection Program Loans (Continued)

On April 16, 2020, the Organization obtained a \$451,000 PPP Loan, which was established under the CARES Act and is administered SBA. Subject to certain conditions, the loan was eligible for forgiveness. On November 4, 2020, the Organization received notification that the forgiveness application was approved by the SBA and as such, debt forgiveness of \$451,000 was recorded as income in the statement of activities and changes in net assets for the year ended June 30, 2021. The Organization may be subject to examination by the SBA for six years following the date of forgiveness.

Note 9 - Economic Injury Disaster Loan

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

Note 10 - Net Assets with Donor Restrictions

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

	2022	2021
Land purchase/maintenance	\$ 57,879	\$ 62,420
Education Project	8,985,286	3,737,406
Programs and operations - future periods	626,403	723,261
Total subject to specified purpose or period	9,669,568	4,523,087
Subject to restriction in perpetuity	16,888,158	16,258,626
Total net assets with donor restrictions	\$ 26,557,726	\$ 20,781,713

Note 11 - Net Assets Released From Donor Restrictions

During the years ended June 30, 2022 and 2021, 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:

	2022	2021
Land purchase/maintenance	\$ 4,540	\$ 8,642
Education Project	-	39,609
Programs and operations - future periods	288,259	179,874
Net assets released from donor specified purpose or period restrictions	\$ 292,799	\$ 228,125

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 12 - 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.

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

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

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 12 - Endowment (Continued)

Spending Policy - In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund,
2. The purposes of the Organization and the donor-restricted endowment fund,
3. General economic conditions,
4. The possible effect of inflation and deflation,
5. The expected total return from income and the appreciation of investments, and
6. Other resources of the Organization.

Endowment Net Asset Composition and Changes

As of June 30, 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	1,914,743	-	1,914,743
Total endowment net assets	\$ 1,914,743	\$ 16,888,158	\$ 18,802,901

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)	(2,682,267)	-	(2,682,267)
Endowment net assets, end of year	\$ 1,914,743	\$ 16,888,158	\$ 18,802,901

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 12 - Endowment (Continued)

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

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

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

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

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, 2022 or 2021.

Note 13 - 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, 2022 and 2021, the Organization paid participation fees of \$33,832 and \$33,816, 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, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the Organization had a balance due to Asia Society New York of \$157,350 and \$123,138, respectively.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 13 - Related Party Transactions (Continued)

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. As of June 30, 2021, the Organization had \$6,886,742 in contributions receivable from Board members, which represents approximately 95% of the total contributions receivable on June 30, 2021. During the year ended June 30, 2021, contributions totaling \$4,928,409 were made to the Organization by Board members. In addition, during the year ended June 30, 2021, the Organization received in-kind legal services of \$45,380 from a firm where a Board member was a partner during the year.

Note 14 - Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Travel vouchers	\$ 75,900	\$ 73,275
Event supplies	181,415	132,175
Food and beverage services	46,800	34,025
Legal services	<u>57,534</u>	<u>45,380</u>
Total	<u>\$ 361,649</u>	<u>\$ 284,855</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. 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 attorney and is based on current rates for similar legal services.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 15 - Special Events

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.

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

Note 16 - 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, 2022 and 2021, total employer contributions of \$137,896 and \$82,277, respectively, were made by the Organization into the Plan.

Note 17 - Liquidity and Availability of Resources

The following table reflects the Organization's financial assets at June 30, 2022 and 2021, reduced by amounts not anticipated to be available for general expenditure within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or they are not convertible to cash within one year. The Organization considers contributions with donor restrictions for use in current programs which are ongoing and central to its operations to be available to meet cash needs for general expenditures.

	<u>2022</u>	<u>2021</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 4,474,336	\$ 2,472,075
Contributions receivable within one year	2,797,417	2,212,559
Operating investments	<u>1,016,974</u>	<u>1,112,936</u>
Total financial assets available within one year	8,288,727	5,797,570
Amounts unavailable for general expenditure within one year:		
Cash restricted to land	(57,880)	(62,427)
Cash restricted for Education Project	(3,831,735)	(1,352,323)
Board designated operating reserve fund	(350,000)	-
Receivables restricted for Education Project	(1,224,333)	(588,334)
Receivables restricted for endowment	<u>(1,233,949)</u>	<u>(1,305,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,590,830</u>	<u>\$ 2,489,486</u>

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Note 17 - Liquidity and Availability of Resources (Continued)

The Organization regularly monitors liquidity required to meet its operational needs and other contractual commitments. The Organization has various sources of liquidity, including cash, cash equivalents and investments. The Organization strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources. Excess funds are invested for long-term appreciation and current income, but remain available to be spent at the Board's discretion. During the year ended June 30, 2022, the Board designated \$350,000 as an operating reserve which can be made available for general operations upon approval by the governing board. Investment earnings from the endowment are available for general operations in accordance with the spending policy described in Note 12. For cash flow purposes, the Organization has an available \$1,000,000 line of credit which matures on September 9, 2023, with no collateral requirements.

Note 18 - 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 * * ***