

ASIA SOCIETY TEXAS CENTER

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(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, 2019 and 2018, 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, 2019 and 2018, 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 30, 2019

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents (Note 14)	\$ 526,151	\$ 305,405
Operating investments (Note 4)	995,647	931,335
Contributions receivable (Note 3)	723,330	1,045,578
Prepaid expenses and other assets	62,934	37,374
Contributions receivable restricted to endowment, net (Note 3)	6,766,755	7,298,862
Cash and cash equivalents restricted to land (Note 3)	77,001	16,162
Contributions receivable restricted to land, net (Note 3)	10,000	205,544
Contributions receivable restricted to capital activity, net (Note 3)	-	10,000
Property and equipment, net (Note 6)	40,320,836	41,127,289
Endowment- investments (Note 4)	9,610,313	8,881,535
	<u> </u>	<u> </u>
Total assets	<u>\$ 59,092,967</u>	<u>\$ 59,859,084</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable and other liabilities	\$ 354,327	\$ 305,919
Note payable (Note 7)	750,000	750,000
Line of credit (Note 8)	-	125,000
	<u> </u>	<u> </u>
Total liabilities	<u>1,104,327</u>	<u>1,180,919</u>
Net assets:		
Without donor restrictions	<u>41,381,493</u>	<u>41,875,214</u>
With donor restrictions:		
Time or purpose restricted (Note 9 and 10)	944,070	1,163,519
Perpetual in nature (Note 11 and 16)	<u>15,663,077</u>	<u>15,639,432</u>
	<u> </u>	<u> </u>
Total with donor restrictions	<u>16,607,147</u>	<u>16,802,951</u>
	<u> </u>	<u> </u>
Total net assets	<u>57,988,640</u>	<u>58,678,165</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 59,092,967</u>	<u>\$ 59,859,084</u>

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions (Notes 11 and 15)	\$ 2,488,330	\$ 215,986	\$ 2,704,316	\$ 2,613,437	\$ 2,283,676	\$ 4,897,113
Memberships	84,563		84,563	94,946	-	94,946
Fundraisers, net (Note 13)	1,087,053		1,087,053	964,511	-	964,511
Program fees and other earned revenue	894,398		894,398	657,375	-	657,375
Dividends and interest (Note 5)	281,260		281,260	246,967	-	246,967
Net assets released from restrictions (Note 10)	386,790	(386,790)	-	380,033	(380,033)	-
Total support and revenue	5,222,394	(170,804)	5,051,590	4,957,269	1,903,643	6,860,912
Expenses:						
Education program services	5,236,367	-	5,236,367	3,571,840	-	3,571,840
Supporting services:						
General and administrative	320,507	-	320,507	259,279	-	259,279
General fundraising	448,368	-	448,368	372,825	-	372,825
Total supporting services	768,875	-	768,875	632,104	-	632,104
Total expenses	6,005,242	-	6,005,242	4,203,944	-	4,203,944
Changes in net assets from operations	(782,848)	(170,804)	(953,652)	753,325	1,903,643	2,656,968
Net realized and unrealized gain (loss) on investments (Note 5)	310,377	-	310,377	87,682	-	87,682
Loss on uncollectable promise to give receivable (Note 2)	(21,250)	(25,000)	(46,250)	-	-	-
Changes in net assets	(493,721)	(195,804)	(689,525)	841,007	1,903,643	2,744,650
Net assets - beginning of year	41,875,214	16,802,951	58,678,165	41,034,207	14,899,308	55,933,515
Net assets - end of year	\$ 41,381,493	\$ 16,607,147	\$ 57,988,640	\$ 41,875,214	\$ 16,802,951	\$ 58,678,165

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2019 AND 2018

	2019				2018			
	Education	Supporting Services		Total	Education	Supporting Services		Total
	Program Services	General and Administrative	General Fundraising		Program Services	General and Administrative	General Fundraising	
Personnel	\$ 1,808,262	\$ 149,305	\$ 202,440	\$ 2,160,007	\$ 1,595,839	\$ 148,326	\$ 270,831	\$ 2,014,996
Program production	323,401	6,458	3,925	333,784	249,233	3,054	1,509	253,796
Occupancy	332,657	11,024	2,792	346,473	357,932	7,803	7,042	372,777
Exhibitions	292,423	-	-	292,423	224,102	-	-	224,102
Consulting	1,395,300	52,500	198,300	1,646,100	107,117	6,708	29,762	143,587
Professional fees	26,302	10,607	12,238	49,147	14,416	14,309	779	29,504
Administrative support	25,892	72,272	7,991	106,155	30,936	59,545	10,830	101,311
Advertising and promotion	56,044	523	-	56,567	26,713	350	-	27,063
Office expenses	41,673	516	840	43,029	33,533	5,716	2,108	41,357
Information technology	37,924	4,552	9,738	52,214	31,079	1,512	14,625	47,216
Payment to affiliated organization	32,696	-	-	32,696	32,520	-	-	32,520
Travel	16,092	3,335	2,127	21,554	14,701	3,516	24,823	43,040
Other	4,730	2,162	-	6,892	13,148	1,578	223	14,949
Depreciation	842,971	7,253	7,977	858,201	840,571	6,862	10,293	857,726
	<u>\$ 5,236,367</u>	<u>\$ 320,507</u>	<u>\$ 448,368</u>	<u>\$ 6,005,242</u>	<u>\$ 3,571,840</u>	<u>\$ 259,279</u>	<u>\$ 372,825</u>	<u>\$ 4,203,944</u>

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (689,525)	\$ 2,744,650
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation	858,201	857,726
Contributions restricted for endowment	-	(1,060,235)
Contributions restricted for land	-	(85,259)
Loss on uncollectable promise to give	46,250	-
Amortization of discount on contributions	(23,645)	(156,058)
Net realized and unrealized gain on investments	(310,377)	(87,682)
Changes in operating assets and liabilities:		
Contributions receivable	275,998	(918,874)
Prepaid expenses and other assets	(25,560)	40,453
Accounts payable and other liabilities	48,408	(93,020)
Net cash provided by operating activities	179,750	1,241,701
Cash flows from investing activities:		
Purchases of property and equipment	(51,748)	(1,239)
Change in cash and cash equivalents restricted to land	(60,839)	(16,162)
Proceeds from contributions restricted for land	195,544	136,656
Purchase of land	-	(1,448,467)
Purchase of endowment investments	(263,986)	(186,874)
Purchases of operating investments	(6,135,002)	(7,752,242)
Proceeds from sales of endowment investments	323,241	234,902
Proceeds from sales of operating investments	5,593,034	4,936,790
Net cash used in investing activities	(399,756)	(4,096,636)
Cash flows from financing activities:		
Payment of line of credit	(125,000)	-
Proceeds from contributions restricted for capital activity	10,000	-
Proceeds from contributions restricted for endowment	555,752	2,687,207
Net cash provided by financing activities	440,752	2,687,207
Net increase (decrease) in cash and cash equivalents	220,746	(167,728)
Cash and cash equivalents, beginning of year	305,405	473,133
Cash and cash equivalents, end of year	\$ 526,151	\$ 305,405
Supplemental disclosure -		
Cash paid for interest during the year	\$ 37,500	\$ 37,500
Noncash investing and financing activities -		
Purchase of land through the line of credit	\$ -	\$ 125,000

See accompanying notes to financial statements.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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 11 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, 2019 and 2018, 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, 2019 AND 2018

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.

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, 2019, pledges in the amount of \$46,250 were deemed uncollectable and written-off accordingly. During the year ended June 30, 2018, no pledges 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 and other earned revenue are recognized as revenue when the event/program takes place.

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

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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, 2019 or 2018.

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 12 for in-kind services recognized as of June 30, 2019 and 2018.

Operating Revenue and Expenses

The Organization excludes from its measure of operations realized and unrealized gains and losses from investments.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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. Accordingly, certain costs have been allocated among the programs and supporting services based upon estimated use, salaries, square footage, or other reasonable methods for allocation.

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 2019 or 2018.

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, 2019, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2015 forward. Management is not aware of any open issues.

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.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform with the current year presentation.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amended the reporting model for nonprofit organizations and enhanced required disclosures. We have implemented ASU 2016-14 during 2018, with retrospective application to 2017, and have accordingly adjusted the presentation in these consolidated financial statements. The changes to our consolidated financial statements as a result of adopting ASU 2016-14 include (a) the presentation of two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (c) the inclusion of a consolidated statement of functional expenses, and (d) modifying other disclosures intended to increase the usefulness of the financial statements.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Note 3 - Contributions Receivable

Contributions receivable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Amounts due in less than one year	\$ 2,195,330	\$ 2,772,978
Amounts due in one to five years	4,546,916	6,053,917
Amounts due after five years	<u>1,000,000</u>	<u>-</u>
Total contributions receivable	7,742,246	8,826,895
Less: discount to net realizable value	<u>(242,161)</u>	<u>(266,911)</u>
Contributions receivable, net	<u>\$ 7,500,085</u>	<u>\$ 8,559,984</u>

At June 30, 2019 and 2018, contributions receivable are recorded after being discounted to their present value using interest rates ranging from 2.73% to 1.76%. Uncollectible contributions receivable are expected to be minimal and therefore, no allowance was made for uncollectible amounts at June 30, 2019 and 2018.

Contributions receivable is comprised as follows at June 30:

	<u>2019</u>	<u>2018</u>
Contributions receivable	\$ 723,330	\$ 1,039,924
Facility rentals and other receivables	-	5,654
Contributions receivable restricted to capital activity	-	10,000
Contributions receivable restricted to land	10,000	206,650
Contributions receivable restricted to endowment	<u>7,008,916</u>	<u>7,564,667</u>
Total contributions receivable	7,742,246	8,826,895
Less: discount to net realizable value	<u>(242,161)</u>	<u>(266,911)</u>
Contributions receivable, net	<u>\$ 7,500,085</u>	<u>\$ 8,559,984</u>

Facility rental contracts are recorded as deferred revenue prior to the rental event date. The uncollected portions are recorded as receivables, as shown above.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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).

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, 2019 as compared to June 30, 2018.

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 and money market 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. All of the Organization's assets measured at fair value are considered to be Level 1 as of June 30, 2019 and 2018.

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

	<u>2019</u>	<u>2018</u>
Mutual funds:		
Fixed income	\$ 2,356,594	\$ 1,759,959
International equity	2,906,232	2,883,083
Domestic equity	<u>3,184,161</u>	<u>3,236,298</u>
Total mutual funds	8,446,987	7,879,340
Money market funds	581,121	479,557
Exchange traded notes	1,038,147	988,085
Stock	<u>539,706</u>	<u>465,888</u>
Total at fair value	<u>\$ 10,605,961</u>	<u>\$ 9,812,870</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.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Note 5 - Investment Return

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

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 281,260	\$ 246,967
Realized gain	86,240	237,722
Unrealized (loss)/gain	<u>224,137</u>	<u>(150,040)</u>
Total investment return	<u>\$ 591,637</u>	<u>\$ 334,649</u>

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Building	\$ 39,209,610	\$ 39,209,610
Furniture and equipment	914,703	862,955
Land improvements	<u>187,256</u>	<u>187,256</u>
Total depreciable items at cost	40,311,569	40,259,821
Accumulated depreciation	<u>(6,740,677)</u>	<u>(5,882,476)</u>
Total depreciable items, net	33,570,892	34,377,345
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>\$ 40,320,836</u>	<u>\$ 41,127,289</u>

Depreciation expense was \$858,201 and \$857,726 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 was \$750,000.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Note 8 - Line of Credit

At June 30, 2019 and 2018, the Organization had a 1,000,000 revolving line of credit with a bank. The line of credit accrued interest at the Prime Rate 5.5%, minus 0.5% with a rate of 5.0% as of June 30, 2019 and accrued interest based on the Prime Rate plus 0.5% with a rate of 5.5% at June 2018. All outstanding principal and accrued interest must be repaid on the note's maturity date of May 28, 2019. This line of credit was paid off in 2019 and had a balance of \$125,000 in 2018. The line of credit was renegotiated on January 11, 2019.

Note 9 - Net Assets With Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Capital activity for the Center	\$ -	\$ 9,914
Land purchase/Maintenance	78,122	85,259
Programs and operations - future periods	<u>865,948</u>	<u>1,068,346</u>
Total subject to specified purpose or period	944,070	1,163,519
Subject to restriction in perpetuity	<u>15,663,077</u>	<u>15,639,432</u>
Total net assets with donor restrictions	<u>\$ 16,607,147</u>	<u>\$ 16,802,951</u>

Note 10 - Net Assets Released From Donor Restrictions

During the years ended June 30, 2019 and 2018, 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>2019</u>	<u>2018</u>
Capital activity for the Center	\$ 9,914	\$ -
Land purchase/Maintenance	7,137	-
Programs and operations - future periods	<u>369,739</u>	<u>380,033</u>
Net assets released from donor specified purpose or period restrictions	<u>\$ 386,790</u>	<u>\$ 380,033</u>

Note 11 - Related Party Transactions

During the years ended June 30, 2019 and 2018, the Organization paid participation fees of approximately \$32,696 and \$32,520, respectively, to Asia Society New York. The Organization received from Asia Society New York global membership fees of approximately \$15,000 and \$17,500 for the years ended June 30, 2019 and 2018.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Note 11 - Related Party Transactions (Continued)

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, 2018, contributions receivable from Board members totaling \$7,628,000 were outstanding, representing approximately 89% of the total contributions receivable at June 30, 2018. During fiscal year 2018, contributions totaling \$4,143,992 were made to the Organization by Board members.

As of June 30, 2019, contributions receivable for the endowment from Board members and officers totaling approximately \$6,755,000 were outstanding, representing 96% of the total contributions receivable for the endowment at June 30, 2019. During fiscal year 2019, contributions for the endowment totaling \$-0- were made to the Organization by Board members and executives. As of June 30, 2018, contributions receivable for the endowment from Board members totaling \$6,970,916 were outstanding, representing 96% of the total contributions receivable for the endowment at June 30, 2018. During fiscal year 2018, contributions for the endowment totaling \$1,060,279 were made to the Organization by Board members.

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. During the year ended June 30, 2018, the Organization received in-kind legal services of \$14,104 from a firm where a Board member is a partner.

Note 12 - In-Kind Donations

Included in contributions in the statements of activities for the years ended June 30, 2019 and 2018 are in-kind contributions as follows:

	<u>2019</u>	<u>2018</u>
Travel services	\$ 33,950	\$ 29,750
Legal services	22,771	14,103
Goods and services	148,390	112,850
Professional and consulting services	1,514,000	-
Supplies	15,535	3,565
Food and beverage services	<u>42,838</u>	<u>28,504</u>
Total	<u>\$ 1,777,484</u>	<u>\$ 188,772</u>

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Note 13 - Fundraisers

During the years ended June 30, 2019 and 2018, the Organization conducted fundraisers that generated revenues of \$1,623,908 and \$1,328,850, respectively, and incurred expenses of \$536,855 and \$364,339, respectively.

Note 14 - Retirement Plan

The Organization maintains a defined contribution plan for its eligible employees. Accordingly, for each of the years ended June 30, 2019 and 2018, 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 \$129,040 and \$112,592 were made by the Organization for the years ended June 30, 2019 and 2018, respectively.

Note 15 - 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. As of June 30, 2019 and 2018, amounts in excess of the insured limits were \$118,238 and \$22,385, 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, 2019, contribution receivable balance for two donor individually exceeded 10% and in total comprised approximately 95% of total receivable. As of June 30, 2018, contribution receivable balance for one donor individually exceeded 10% and in total comprised approximately 88% of total receivable.

Furthermore, contributions from three individuals and two foundations comprised approximately 26% of total contributions for the year ended June 30, 2019. Contributions from two individuals comprised approximately 69% of total contributions for the year ended June 30, 2018.

Note 16 - 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.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Note 16 - Endowment (Continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted 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 permanently restricted 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, 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

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Note 16 - Endowment (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 130,514	\$ 14,423,140	\$ 14,553,654
Contributions	-	1,060,234	1,060,234
Present value adjustment	-	156,058	156,058
Interest and dividends	223,460	-	223,460
Realized gain/loss	190,317	-	190,317
Appropriated for expenditure	(195,000)	-	(195,000)
 Endowment net assets, end of year	 \$ 349,291	 \$ 15,639,432	 \$ 15,988,723

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

	2019	2018
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA.	 \$ 15,663,077	 \$ 15,639,432

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, 2019 and 2018.

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, 2019 AND 2018

Note 17 - Liquidity and Availability of Resources

The following table reflects the Organization's financial assets at June 30, 2019, 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	\$ 526,151
Pledges/Grant Receivable	723,330
Operating Investments - Rainy Day	709,768
Investments - Endowment (Spending Allocation)	<u>366,605</u>
Total financial assets available within one year	<u>2,325,854</u>
Amounts unavailable for general expenditure within one year:	
Restricted by donors with purpose restrictions - Timing	(250,000)
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>\$ 2,000,854</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 18 - 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 now were by the Organization. The losses experienced by the Organization in fiscal years 2019 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.

ASIA SOCIETY TEXAS CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Note 19 - Subsequent Events

Management has evaluated subsequent events through September 30, 2019, 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 * * ***