

YALE-CHINA ASSOCIATION  
June 30, 2017

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Yale-China Association:

We have audited the accompanying financial statements of the Yale-China Association (a non-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities, 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.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the Yale-China Association as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matter

The financial statements for the year ended June 30, 2016 were audited by another auditor and accounting firm. Their report was dated May 30, 2017 and contained an unmodified opinion.

*Pallman & Company P.C.*

New Haven, Connecticut  
May 31, 2018

YALE-CHINA ASSOCIATION  
 Statements of Financial Position  
 June 30, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash	\$ 1,729,669	\$ 122,393
Investments	15,835,703	15,134,328
Accounts receivable	50,000	54,417
Prepaid expenses	26,718	58,369
Fixed assets net of accumulated depreciation	19,445	41,275
	\$ 17,661,535	\$ 15,410,782
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	178,424	17,754
Accrued liabilities	40,000	20,000
	\$ 218,424	\$ 37,754
 <b>Net Assets</b>		
Unrestricted	\$ 5,087	\$ 33,896
Unrestricted Board designated	6,972,570	6,867,871
Temporarily restricted	2,267,460	737,765
Permanently restricted	8,197,994	7,733,496
	\$ 17,443,111	\$ 15,373,028
	\$ 17,661,535	\$ 15,410,782

See notes to financial statements.

YALE-CHINA ASSOCIATION  
Statements of Activities  
For The Years Ended June 30, 2017 and 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
<b>Revenues and Support</b>								
General Contributions	\$ 341,758	\$ 9,950	\$ -	\$ 351,708	\$ 356,894	\$ -	\$ -	\$ 356,894
Grants	524,996	1,651,663	-	2,176,659	491,862	33,250	-	525,112
Investment Income	694,031	-	-	694,031	672,288	-	-	672,288
Unrealized gain (loss) on investments	398,773	-	464,498	863,271	(110,003)	-	(126,180)	(236,183)
Realized gain (loss) on investments	4,080	-	-	4,080	(2,067)	-	-	(2,067)
Special Events	22,760	-	-	22,760	11,847	-	-	11,847
Satisfaction of program restrictions	131,918	(131,918)	-	-	156,885	(156,885)	-	-
<b>Total Revenue and support</b>	<b>2,118,316</b>	<b>1,529,695</b>	<b>464,498</b>	<b>4,112,509</b>	<b>1,577,706</b>	<b>(123,635)</b>	<b>(126,180)</b>	<b>1,327,891</b>
<b>Expenditures</b>								
Programs	1,880,279	-	-	1,880,279	1,770,959	-	-	1,770,959
General and Administrative	98,947	-	-	98,947	95,028	-	-	95,028
Fundraising	63,200	-	-	63,200	38,786	-	-	38,786
<b>Total Expenditures</b>	<b>2,042,426</b>	<b>-</b>	<b>-</b>	<b>2,042,426</b>	<b>1,904,773</b>	<b>-</b>	<b>-</b>	<b>1,904,773</b>
<b>Increase (decrease) in net assets</b>	<b>75,890</b>	<b>1,529,695</b>	<b>464,498</b>	<b>2,070,083</b>	<b>(327,067)</b>	<b>(123,635)</b>	<b>(126,180)</b>	<b>(576,882)</b>
<b>Net Assets - beginning</b>	<b>6,901,767</b>	<b>737,765</b>	<b>7,733,496</b>	<b>15,373,028</b>	<b>7,228,834</b>	<b>861,400</b>	<b>7,859,676</b>	<b>15,949,910</b>
<b>Net Assets - ending</b>	<b>\$ 6,977,657</b>	<b>\$ 2,267,460</b>	<b>\$ 8,197,994</b>	<b>\$ 17,443,111</b>	<b>\$ 6,901,767</b>	<b>\$ 737,765</b>	<b>\$ 7,733,496</b>	<b>\$ 15,373,028</b>

See notes to financial statements.

YALE-CHINA ASSOCIATION  
Statements of Cash Flows  
For The Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 2,070,083	\$ (576,882)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on investments	(863,271)	236,183
Realized (gain) loss on investments	(4,080)	2,067
Depreciation and amortization	23,122	23,322
(Gain) loss on disposal of property	-	880
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	4,417	(39,116)
(Increase) decrease in prepaid expense	31,651	(29,061)
Increase (decrease) in accounts payable	160,669	(2,510)
Increase (decrease) in accrued expenses	20,000	20,000
	(627,492)	211,765
Net cash provided by (used in) operating activities	1,442,591	(365,117)
Cash flows from investing activities		
Payments for the purchases of investments	(3,850)	-
Payments for the purchase of property	(1,291)	(2,321)
Insurance proceeds for equipment loss	-	1,398
Proceeds from the sale of investments	169,826	269,958
	164,685	269,035
Net cash provided by (used in) investing activities	164,685	269,035
Net increase (decrease) in cash and cash equivalents	\$ 1,607,276	\$ (96,082)
Cash and cash equivalents at beginning of year	\$ 122,393	\$ 218,475
	\$ 1,729,669	\$ 122,393
Cash and cash equivalents at end of year		

See notes to financial statements.

YALE-CHINA ASSOCIATION  
Notes to Financial Statements  
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of the Yale-China Association (the Association) is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Activities

The Association was established in 1901 and is organized as a non-profit association in Connecticut for the purpose of conducting, supporting and encouraging amicable relations between the United States and China through the pursuit of program work in education, health, public service and the arts.

Basis of Presentation

The financial statement information regarding the Association's financial position and activities are presented in three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the absence, existence or observance of board or donor imposed restrictions.

Unrestricted Net Assets – Net assets that are unrestricted resources that may be expended at the discretion of the board. Unrestricted funds include amounts designated by the Board that are intended to be expended for specific purposes.

Temporarily Restricted Net Assets – Net assets that are resources subject to donor restrictions either to purpose or as to time of expenditure.

Permanently Restricted Net Assets – Net assets that are contributions received with donor restrictions that the principal be maintained in perpetuity and that only the income earned will be available to be expended at the Association's discretion.

Cash and Cash Equivalents

Cash and cash equivalents are recorded at cost, which approximates fair value, and includes cash on hand and unrestricted demand deposits with financial institutions. The Association considers short-term, highly liquid investments with maturities of three months or less from the original date of acquisition to be cash equivalents.

Investments

Investments are recorded at market value in the financial statements. Investment income includes all interest, dividends and net realized and unrealized gains and losses. Realized gains are computed on the specific identification cost method.

Concentration of Credit Risk

Management places cash with credit worthy institutions which insure deposits up to \$250,000 per depositor with the Federal Deposit Insurance Corporation (FDIC). During the current year the Association received a bequest; the bequest was received at year end and was held in the savings account while awaiting transfer to the investment account. The

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YALE-CHINA ASSOCIATION  
Notes to Financial Statements  
June 30, 2017

combined balances of cash at June 30, 2017 exceeded the federally insured limits. The Association also maintains cash accounts in a financial institution in Hong Kong that insures deposits with the Hong Kong Deposit Protection Board (HKDPB) up to \$500,000 HKD, the aggregate cash balances were within the insured limits.

Financial instruments that potentially subject the Association to concentrations of credit risk consist of investments and receivables. By policy, investments are managed and reviewed, and kept within limits and parameters designed to prevent risks caused by concentrations. Management feels the potential for credit risk for receivables to be limited due to the small number of accounts and the nature of the receivables.

Fixed Assets

Fixed assets consist of office equipment, computers and renovations and are recorded at cost. It is the Association's policy to capitalize property and equipment acquisitions over \$500. Depreciation is provided on the straight-line method over the estimated useful life of the assets which range from three to fifteen years. Maintenance and repairs that do not extend the useful lives of the assets are expensed when incurred.

Income Taxes

The Association qualifies as a public charity under Internal Revenue Code Section 170(b)(1)(A)(VI) and has been determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association's policy provides that a tax expense or benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination. The Association has no uncertain tax positions resulting in an accrual of tax expense or benefit. The Association's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donor Pledges to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded at the present value of the estimated future cash flows, which may include an estimate for potential uncollectible receivables. The discount on those contributions is computed using an interest rate that reflects fair value applicable to the year in which the promise is made. Amortization of the discount is included in contribution revenue. Conditional promises to give are not recorded as support until such time as the conditions are met.

Contributions

Contributions received are measured at their fair values and are reported as an increase in net assets. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. Contributions of tangible assets are recognized at fair value when received. The amounts, if any, reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in

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YALE-CHINA ASSOCIATION  
Notes to Financial Statements  
June 30, 2017

expenses.

Functional Expenses

The costs of program and supporting activities have been reported on the supplemental schedule of functional expenses. The supplemental schedule of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs, supporting services and fundraising expense.

Compensated Absences

Employees of the Association may be entitled to paid time off based on job classification and length of service. The Association recognizes the cost of compensated absences when paid to the employee. Management believes that the value of earned paid time off is not material with respect to the financial statements; therefore, no provision has been made for the estimated cost of future compensated absences.

Net Assets Released from Restrictions

Net assets released from restrictions are based upon the satisfaction of the purpose for which the net assets were restricted or the completion of a time stipulation.

Disclosure of Subsequent Events

Management has evaluated subsequent events for the period after June 30, 2017 through May 31, 2018 the date the financial statements were available to be issued.

Recent Authoritative Pronouncements

The Financial Accounting Standards Board has issued standards that will become applicable in future years. Presentation of Financial Statements for Not-for-Profit Entities effective for the fiscal year ending June 30, 2019 and Leases effective for the fiscal year ending June 30, 2021. The presentation standard collapses the existing three category classification of net assets into two, net assets with donor restrictions and net assets without donor restrictions. In addition disclosures relating to investments and liquidity have been expanded. The leases standard will recognize lease assets and liabilities on the balance sheet based upon lease obligations and expand the disclosure requirements related to leasing arrangements.

2. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Operating checking	\$ 69,562	\$ 97,201
Operating savings dollars held for transfer to investment fund	1,651,804	1,011
Hong Kong dollars held in Hong Kong checking and savings accounts converted to U.S. dollars at the conversion rate of 7.75 HKD to 1 US\$	<u>8,303</u>	<u>24,181</u>
Total Cash and Cash Equivalents	<u>\$1,729,669</u>	<u>\$ 122,393</u>

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YALE-CHINA ASSOCIATION  
Notes to Financial Statements  
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Cash savings for the year ended June 30, 2017 consisted of bequest funds held for transfer into the designated investment fund, the amounts at the end of the year exceeded the account's federally insured limit. Funds were subsequently transferred to the board designated investment fund after the year end close.

3. INVESTMENTS:

Investments held by the Association for charitable and operational purposes for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Notes and bonds	\$ 435,139	\$ 482,961
Investment Fund Yale University	7,202,570	6,917,871
Endowment Fund held by Yale University	<u>8,197,994</u>	<u>7,733,496</u>
	<u>\$ 15,835,703</u>	<u>\$15,134,328</u>

Investments are recorded at fair value. Adjustments are reflected in the statements of activities to record the increase or decrease in fair value. A summary of investments held by net asset classification as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 230,000	\$ 50,000
Unrestricted – Board designated	6,972,570	6,867,871
Temporarily restricted	435,139	482,961
Permanently restricted	<u>8,197,994</u>	<u>7,733,496</u>
	<u>\$ 15,835,703</u>	<u>\$ 15,134,328</u>

The Association has placed the Board Designated with the Yale University Funds to be managed and invested within the Yale University Fund. The investment consists of units of the Yale Investment Fund of which the income and investments are available to the Association based upon Board designated restrictions. The funds are recorded at fair value and consist of the following:

	<u>2017</u>			<u>2016</u>		
	<u>Principal</u>	<u>Market</u>	<u>Excess</u>	<u>Principal</u>	<u>Market</u>	<u>Excess</u>
Yale-China Second Century Fund	\$ 4,370,614	\$5,242,217	\$ 871,603	\$ 4,513,145	\$ 5,082,854	\$ 569,709
Yale-China Reserve Fund	806,354	858,407	52,053	964,973	965,309	336
Yale-China Lilley Fund	<u>750,000</u>	<u>871,946</u>	<u>121,946</u>	<u>750,000</u>	<u>819,708</u>	<u>69,708</u>
Total	<u>\$ 5,926,968</u>	<u>\$6,972,570</u>	<u>\$1,045,602</u>	<u>\$ 6,228,118</u>	<u>\$ 6,867,871</u>	<u>\$ 639,753</u>

Investments held under the Endowment Fund by Yale University consist of permanently restricted endowment funds of which only the income is available for distribution. These funds are recorded at fair value and consist of the following:

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YALE-CHINA ASSOCIATION  
Notes to Financial Statements  
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	<u>2017</u>			<u>2016</u>		
	Principal	Market	Excess	Principal	Market	Excess
Lyman Yale-China Fund	\$ 1,206,887	\$7,386,335	\$6,179,448	\$ 1,206,887	\$6,967,826	\$5,760,939
Henry B. Wright Fund	49,845	692,126	642,282	49,845	652,911	603,066
Arthur L. Ryerson Memorial Scholarship Fund	4,720	119,533	114,813	4,720	112,759	108,039
Total	<u>\$1,261,452</u>	<u>\$8,197,994</u>	<u>\$6,936,543</u>	<u>\$1,261,452</u>	<u>\$7,733,496</u>	<u>\$6,472,044</u>

Earnings on the endowment funds for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Lyman Yale-China Fund	\$ 317,068	\$ 301,518
Henry B. Wright Fund	29,710	28,253
Arthur L. Ryerson Memorial Scholarship Fund	5,131	4,880
Total	<u>\$ 351,909</u>	<u>\$ 334,651</u>

Total investment income for the years ended June 30, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends - Endowment	\$ 351,909	\$ 334,651
Interest and dividends – Unrestricted	342,122	337,637
Realized gain (loss) on investments	4,080	(2,067)
Unrealized gain (loss) on investments	863,271	(236,183)
Total	<u>\$ 1,561,382</u>	<u>\$ 434,038</u>

ASC Topic 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in the active markets for identical assets and liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under ASC Topic 820 are described as follows:

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

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in active markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.

Level 3 – Inputs that are generally unobservable, in which there is little or no market data, typically reflect managements estimates of assumptions that market participants would use in pricing the asset or liability. The fair values of the

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YALE-CHINA ASSOCIATION  
Notes to Financial Statements  
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Investment Fund and the Endowment Fund held by Yale University are based upon Level 3 measurements. Valuation methodologies include, but are not limited to, discounted cash flow analysis, comparable asset analysis, third party appraisals, third party pricing services, and other applicable indices. The following information represents the Association's investments measured at fair value at June 30, 2017 and 2016:

	2017	2016
Notes and bonds	\$ 435,139	\$ 482,961
Total Level 1 Investments	435,139	482,961
Equity investments	11,082,213	10,634,615
Common Stock	2,172,326	1,924,590
Cash and cash equivalents	599,354	754,947
US government securities	859,164	909,871
Corporate and other securities	608,542	701,376
Foreign Government Securities	78,965	94,693
Total Level 3 Investments	15,400,564	14,651,367
Total Investments	\$ 15,835,703	\$ 15,134,328

Spending Policy – The Yale-China Association's restricted funds and board designated funds are managed by the Yale Investment Office. The Yale Investment Office maintains a spending distribution policy that distributes between 4.5% - 6.0% of the fair market value of the endowment investment pool.

Return Objectives and Risk Parameters – The Yale-China Association's restricted funds and board designated funds are managed by the Yale Investment Office. The Yale Investment Office policy is to manage a target mix of assets to produce an expected real (after inflation) long-term growth rate of 6.3 % with risk (standard deviation of returns) of 15.2%. Because actual holdings differ from target levels, the actual allocation produces a portfolio expected to grow at 6.2% with the risk of 15.1%. The University's measure of inflation is based on a mix of goods and services specific to higher education that tends to exceed the Consumer Price Index by approximately one percentage point. Actual returns in any given year may vary from this amount.

Changes in the investments for the years ended June 30, 2017 and 2016 are as follows:

2017	Unrestricted	Temporarily Restricted	Unrestricted	Unrestricted	Unrestricted	
	(Level 1)	(Level 1)	(Level 3)	Board Des (Level 3)	Permanently (Level 3)	Total
Beginning balance	\$ -	\$ 482,961	\$ 50,000	\$ 6,867,871	\$ 7,733,496	\$ 15,134,328
Interest and dividends	-	7,254	-	334,870	351,909	694,033
Transfers from (for) operations		(48,000)	180,000	(634,831)	(351,909)	(854,740)
Investment fees				(5,269)		(5,269)
Realized gain (loss)				4,080		4,080
Unrealized gain (loss)		(7,076)		405,849	464,498	863,271
Ending balance	\$ -	\$ 435,139	\$ 230,000	\$ 6,972,570	\$ 8,197,994	\$ 15,835,703

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YALE-CHINA ASSOCIATION  
Notes to Financial Statements  
June 30, 2017

<u>2016</u>	Unrestricted (Level 1)	Temporarily Restricted (Level 1)	Unrestricted (Level 3)	Unrestricted Board Des (Level 3)	Permanently (Level 3)	<u>Total</u>
Beginning balance	\$ 100,118	\$ 522,326	\$ 293,899	\$ 6,866,517	\$ 7,859,676	\$ 15,642,536
Interest and dividends	-	8,470	-	329,167	334,651	672,288
Transfers from (for) operations	(93,493)	(47,835)	(243,899)	(215,743)	(334,651)	(935,621)
Investment fees	(6,625)					(6,625)
Realized gain (loss)				(2,067)		(2,067)
Unrealized gain (loss)				(110,003)	(126,180)	(236,183)
Ending balance	<u>\$ -</u>	<u>\$ 482,961</u>	<u>\$ 50,000</u>	<u>\$ 6,867,871</u>	<u>\$ 7,733,496</u>	<u>\$ 15,134,328</u>

4. RECEIVABLES:

Receivables consist of the following items at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
General Support	\$ 50,000	
Lingnan Support		\$ 34,161
HKETO Funding		3,250
Donor Pledges to Give		<u>17,006</u>
Total Grants Receivable	<u>\$ 50,000</u>	<u>\$ 54,417</u>

5. FIXED ASSETS:

The following is a summary of fixed assets less accumulated depreciation at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Equipment, fixtures and renovations	\$ 184,133	\$ 182,988
Less accumulated depreciation	<u>(164,688)</u>	<u>(141,713)</u>
Total Fixed Assets	<u>\$ 19,445</u>	<u>\$ 41,275</u>

6. RELATED PARTY TRANSACTIONS

The Association maintains its own programs, funding, and staff. It has affiliations with Yale University of New Haven, Connecticut and the Chinese University of Hong Kong in Hong Kong. These affiliations allow the Association to utilize certain facilities and services of the Universities. Reimbursement by the Association of costs to the Universities, if any, is determined by the respective university policy and agreements with the Association. At June 30, 2107 and 2016 the Association occupied premises at both locations for nominal fees.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available at June 30, 2017 and 2016 for the following purposes:

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YALE-CHINA ASSOCIATION  
Notes to Financial Statements  
June 30, 2017

	<u>2017</u>	<u>2016</u>
Anonymous Scholarship Program	\$ 192,771	\$ 216,489
Chia Family Program		30,948
YCA/XYOAA Scholarship	423,026	471,026
Louisville Kentucky Teaching Fellowship		73,250
Tomkins Estate Bequest	<u>1,651,663</u>	
Total Temporarily Restricted Net Assets	<u>\$ 2,267,460</u>	<u>\$ 737,765</u>

8. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of assets held in account under Yale University Endowment Funds of which only the income is available for expenditure at the Association's Board of Trustees discretion.

9. IN KIND CONTRIBUTIONS

The value of donated services and rentals meeting the recognition criteria of ASC 958 Contributed Services is included in these financial statements as both revenue and expense. The amount the Association has reported for the occupancy and utilities of its premises amounted to \$152,000 for the years ended June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Revenue - General Contributions	<u>\$ 152,000</u>	<u>\$ 152,000</u>
Expenses - Space occupancy	<u>\$ 152,000</u>	<u>\$ 152,000</u>

10. COMMITMENTS AND CONTINGENCIES

The Association was named a joint remainder man in a charitable remainder trust. According to the trust agreement, the Association will receive half of the remaining balance of the trust when the last two remaining life beneficiaries pass on.

As of June 30, 2017 and 2016 the current life tenant beneficiaries continue to receive payments from this trust. In prior years this trust was challenged by the current life tenant beneficiaries. Due to the uncertainty relating to the amount and date of the contribution to be received by the Association, revenue recognition for this trust has been deferred until there is certainty of the receipt of funds.

Concluded -

YALE-CHINA ASSOCIATION  
Schedule of Functional Expenses  
For The Years Ended June 30, 2017 and 2016

	2017				2016			
	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 658,539	\$ 62,307	\$ 47,662	\$ 768,508	\$ 624,462	\$ 60,117	\$ 29,590	\$ 714,169
Benefis and taxes	190,323	22,550	15,002	227,875	182,136	18,249	8,631	209,016
Travel and program oversight	233,689	218		233,907	203,268	153		203,421
Stipends	183,113			183,113	164,426			164,426
Space occupancy	152,039	896		152,935	152,000			152,000
Community outreach	61,226			61,226	67,307			67,307
Scholarships	53,481			53,481	56,781			56,781
Educational conferences and meetings	70,719			70,719	41,675			41,675
Program housing	88,978			88,978	86,688			86,688
Contracted services	6,939	1,279		8,218	6,582	1,213		7,795
Teaching services	16,000			16,000	24,000			24,000
Insurance	28,141	1,112		29,253	26,948	920		27,868
Depreciation	17,342	5,780		23,122	17,492	5,830		23,322
Language study	19,880			19,880	25,819			25,819
Professional fees	18,026	440		18,466	17,748			17,748
Publications and communications	26,739			26,739	18,541	540		19,081
Student exchange and orientation	11,935			11,935	13,141			13,141
Supplies	13,265			13,265	11,412	659		12,071
Governance	7,493	2,676	536	10,705	7,909	2,824	565	11,298
Postage and shipping	5,391	482		5,873	9,221	824		10,045
Recruitment and selection	4,413			4,413	3,432			3,432
Office supplies and expenses	2,260	1,207		3,467		2,819		2,819
Investment fees	5,269			5,269	6,625			6,625
Milestone events	5,079			5,079	3,346			3,346
Loss on disposal of fixed asset				-		880		880
<b>Total Functional expenses</b>	<b>\$ 1,880,279</b>	<b>\$ 98,947</b>	<b>\$ 63,200</b>	<b>\$ 2,042,426</b>	<b>\$ 1,770,959</b>	<b>\$ 95,028</b>	<b>\$ 38,786</b>	<b>\$ 1,904,773</b>

See notes to financial statements.