

THE YALE-CHINA ASSOCIATION, INCORPORATED

Financial Statements

June 30, 2016 and 2015

THE YALE-CHINA ASSOCIATION, INCORPORATED
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Simione Macca & Larrow^{LLP}



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

"On Balance, We Offer You More."

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Yale-China Association, Incorporated
New Haven, Connecticut

We have audited the accompanying financial statements of The Yale-China Association, Incorporated, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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.

INDEPENDENT AUDITORS' REPORT

(Continued)

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, Incorporated as of June 30, 2016 and 2015, 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.

Simone Macca & Larrow LLP

Hamden, Connecticut
May 30, 2017

THE YALE-CHINA ASSOCIATION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 122,393	\$ 218,475
Investments held for charitable and operational purposes	15,134,328	15,642,536
Accounts and grants receivable	37,411	3,625
Donor pledges to give	17,006	11,676
Prepaid expenses	58,369	29,308
Property and equipment	<u>41,275</u>	<u>64,554</u>
Total Assets	<u>\$ 15,410,782</u>	<u>\$ 15,970,174</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 17,754	\$ 20,264
Obligations under charitable gift annuities	<u>20,000</u>	<u>-</u>
Total Liabilities	<u>37,754</u>	<u>20,264</u>
NET ASSETS		
Unrestricted:		
Undesignated	33,896	362,317
Board designated	6,867,871	6,866,517
Temporarily restricted	737,765	861,400
Permanently restricted	<u>7,733,496</u>	<u>7,859,676</u>
Total Net Assets	<u>15,373,028</u>	<u>15,949,910</u>
Total Liabilities and Net Assets	<u>\$ 15,410,782</u>	<u>\$ 15,970,174</u>

See notes to financial statements.

THE YALE-CHINA ASSOCIATION, INCORPORATED
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT								
General contributions	\$ 356,894	\$ -	\$ -	\$ 356,894	\$ 466,761	\$ 522,326	\$ -	\$ 989,087
Unrealized gain (loss) on investments	(110,003)	-	(126,180)	(236,183)	451,509	-	468,716	920,225
Interest and dividends	672,288	-	-	672,288	645,918	-	-	645,918
Grants	491,862	33,250	-	525,112	360,540	73,250	-	433,790
Special event revenue	11,847	-	-	11,847	63,622	-	-	63,622
Less costs of direct benefit to donors	-	-	-	-	(19,070)	-	-	(19,070)
Other income (expense)	(3,725)	-	-	(3,725)	(6,813)	-	-	(6,813)
Realized gain (loss) on investments	(2,067)	-	-	(2,067)	-	-	-	-
Net assets released from restrictions:								
Satisfaction of program restrictions	156,885	(156,885)	-	-	85,960	(85,960)	-	-
Total Revenues and Support	<u>1,573,981</u>	<u>(123,635)</u>	<u>(126,180)</u>	<u>1,324,166</u>	<u>2,048,427</u>	<u>509,616</u>	<u>468,716</u>	<u>3,026,759</u>
EXPENSES								
Programs	1,752,743	-	-	1,752,743	1,708,803	-	-	1,708,803
General and administrative	110,084	-	-	110,084	122,507	-	-	122,507
Fundraising	38,221	-	-	38,221	34,505	-	-	34,505
Total Expenses	<u>1,901,048</u>	<u>-</u>	<u>-</u>	<u>1,901,048</u>	<u>1,865,815</u>	<u>-</u>	<u>-</u>	<u>1,865,815</u>
Increase (decrease) in net assets	(327,067)	(123,635)	(126,180)	(576,882)	182,612	509,616	468,716	1,160,944
NET ASSETS, Beginning	<u>7,228,834</u>	<u>861,400</u>	<u>7,859,676</u>	<u>15,949,910</u>	<u>7,046,222</u>	<u>351,784</u>	<u>7,390,960</u>	<u>14,788,966</u>
NET ASSETS, Ending	<u>\$ 6,901,767</u>	<u>\$ 737,765</u>	<u>\$ 7,733,496</u>	<u>\$ 15,373,028</u>	<u>\$ 7,228,834</u>	<u>\$ 861,400</u>	<u>\$ 7,859,676</u>	<u>\$ 15,949,910</u>

See notes to financial statements.

THE YALE-CHINA ASSOCIATION, INCORPORATED
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (576,882)	\$ 1,160,944
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	23,322	21,463
Loss on disposal of property and equipment	880	5,370
Realized loss on investments	2,067	-
Unrealized (gain) loss on investments	236,183	(920,225)
Changes in operating assets and liabilities:		
Accounts and grants receivable	(33,786)	31,896
Donor pledges to give	(5,330)	-
Prepaid expenses	(29,061)	(15,370)
Accounts payable and accrued expenses	(2,510)	(334,867)
Obligations under charitable gift annuities	20,000	-
	(365,117)	(50,789)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,321)	(13,169)
Insurance proceeds for equipment loss	1,398	-
Purchases of investments	-	(622,444)
Proceeds from sale of investments	269,958	554,615
	269,035	(80,998)
Net decrease in cash and cash equivalents	(96,082)	(131,787)
CASH AND CASH EQUIVALENTS, Beginning	218,475	350,262
CASH AND CASH EQUIVALENTS, Ending	\$ 122,393	\$ 218,475

See notes to financial statements.

THE YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - The Yale-China Association, Incorporated (the “Association”) is organized as a not-for-profit corporation for the purpose of conducting, supporting, and encouraging amiable relations between the United States and China through the pursuit of program work in education, health, public service and the arts. The entity is incorporated as a not-for-profit, tax-exempt corporation under the laws of the State of Connecticut.

The Association inspires people to learn and serve together. Founded in 1901 by graduates of Yale University, we foster long-term relationships that improve education, health, and cross-cultural understanding in China and the United States.

Basis of Presentation - In accordance with ASC Topic 958-205 *Not for Profit Entities, Presentation of Financial Statements*, the Association reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted - Unrestricted net assets represent resources that may be spent at the discretion of the Board. Unrestricted funds include amounts designated by the Board (rather than by donors) for specific purposes.

Temporarily Restricted - Temporarily restricted net assets represent resources that are restricted by the donor either as to purpose or as to time of expenditure.

Permanently Restricted - Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that only the income earned thereon will be available for operations.

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

Cash and Cash Equivalents - The Association includes cash on hand, and unrestricted demand deposits with financial institutions, in “Cash and Cash Equivalents” as used in the Statements of Cash Flows. The Association also considers short-term, highly liquid investments with maturities of three months or less from the date of original acquisition to be cash equivalents. There were no cash equivalents at June 30, 2016 and June 30, 2015.

Investments Held for Charitable and Operational Purposes - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statements of Financial Position. Investment income includes all interest, dividends, and net realized and unrealized gains and losses. The cost of securities sold is based on the specific identification method.

THE YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donor Pledges to Give - Unconditional pledges to give that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Conditional pledges to give are not included as support until the conditions are substantially met.

Property and Equipment - It is the Association's policy to capitalize property and equipment over \$500. Property and equipment is carried at cost. Maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the assets and related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to ten years.

Charitable Gift Annuity Program - During the fiscal year ended June 30, 1995, the Association began a charitable gift annuity program. Under this program, the Association agrees to pay the annuitant a fixed payment over the annuitant's remaining life in exchange for a lump-sum gift. The Association's annuity payment liability is recorded at the present value of these payments using actuarially based assumptions.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Donations of non-monetary gifts are recorded at the estimated fair value of the gift at the date upon which the gift was received.

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Income Taxes - The Association is organized as a not-for-profit corporation under the laws of the State of Connecticut and has been granted recognition of its tax-exempt status under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Association currently evaluates all tax positions, and makes a determination regarding their likelihood of being upheld during review. The Association recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Tax years ended June 30, 2013 through June 30, 2016 remain subject to examination by major tax jurisdictions.

THE YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses - The costs of providing programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Compensated Absences - Employees of the Association may be entitled to paid vacations 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 vacation time is not material with respect to the financial statements; therefore, no provision has been made for the estimated cost of future compensated absences.

Disclosure of Subsequent Events - Management has evaluated subsequent events through May 30, 2017, the date the financial statements were available to be issued. Management is not aware of any events subsequent to the balance sheet date which would require additional adjustment to, or disclosure in, the accompanying financial statements.

NOTE 2 - CREDIT RISK

The Association maintains cash accounts in financial institutions which insure deposits up to \$250,000 per depositor with the Federal Deposit Insurance Corporation ("FDIC"). The aggregate cash balances on deposit at the financial institutions used by the Association on June 30, 2016 did not exceed the FDIC deposit insurance limits.

The Association also maintains cash accounts in a financial institution in Hong Kong that ensures deposits with the Hong Kong Deposit Protection Board ("HKDPB") up to HKD500,000. As of June 30, 2016, the aggregate cash balances on deposit with this financial institution were fully insured through the HKDPB.

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of marketable securities. By policy, investments are managed and reviewed, and kept within limits and parameters designed to prevent risks caused by concentration.

THE YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash consists of the following as of June 30, 2016 and 2015:

	2016	2015
Operating checking	\$ 98,053	\$ 163,528
Hong Kong dollars held in Hong Kong institutions, including grant funds held for future programs, consisting primarily of checking and savings accounts converted to United States dollars at the conversion rate of 7.75 HKD to 1 U.S.\$ at June 30, 2016 and 2015.	24,340	54,947
Total Cash and Cash Equivalents	\$ 122,393	\$ 218,475

NOTE 4 - INVESTMENTS

Investments held for charitable and operational purposes consist of the following at June 30, 2016 and 2015:

	2016	2015
Notes and bonds	\$ 482,961	\$ 622,444
Investment Fund Yale University	6,917,871	7,160,416
Endowment Fund held by Yale University	7,733,496	7,859,676
Total Investments Held	\$ 15,134,328	\$ 15,642,536

The notes and bonds are reported at the estimated fair market value. Adjustments are reflected in the current year Statement of Activities to record the increase or decrease in fair market value. The following tabulation summarizes the relationship between market values, cost values, unrealized and realized gains and losses.

THE YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS (continued)

A summary of investments held by net asset classification as of June 30, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ 50,000	\$ 394,017
Unrestricted - Board designated	6,867,871	6,866,517
Temporarily restricted	482,961	522,326
Permanently restricted	<u>7,733,496</u>	<u>7,859,676</u>
Total Investments Held	<u>\$ 15,134,328</u>	<u>\$ 15,642,536</u>

The Association placed the Board Designated funds with 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 market value and consist of the following:

	<u>June 30, 2016</u>		
	<u>Principal</u>	<u>Market Value</u>	<u>Excess of Market over Principal</u>
Yale-China Second Century Fund	\$ 4,513,145	\$ 5,082,854	\$ 569,709
Yale-China Reserve Fund	964,973	965,309	336
Yale-China Lilley Fund	<u>750,000</u>	<u>819,708</u>	<u>69,708</u>
Total	<u>\$ 6,228,118</u>	<u>\$ 6,867,871</u>	<u>\$ 639,753</u>

	<u>June 30, 2015</u>		
	<u>Principal</u>	<u>Market Value</u>	<u>Excess of Market over Principal</u>
Yale-China Second Century Fund	\$ 4,513,145	\$ 5,165,786	\$ 652,641
Yale-China Reserve Fund	1,092,519	1,110,731	18,212
Yale-China Lilley Fund	<u>534,000</u>	<u>590,000</u>	<u>56,000</u>
Total	<u>\$ 6,139,664</u>	<u>\$ 6,866,517</u>	<u>\$ 726,853</u>

THE YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS (Continued)

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

	June 30, 2016		
	Principal	Market Value	Excess of Market over Principal
Lyman Yale-China Fund	\$ 1,206,887	\$ 6,967,826	\$ 5,760,939
Henry B. Wright Fund	49,845	652,911	603,066
Arthur L. Ryerson Memorial Scholarship Fund	4,720	112,759	108,039
Total	\$ 1,261,452	\$ 7,733,496	\$ 6,472,044
	June 30, 2015		
	Principal	Market Value	Excess of Market over Principal
Lyman Yale-China Fund	\$ 1,206,887	\$ 7,081,513	\$ 5,874,626
Henry B. Wright Fund	49,845	663,564	613,719
Arthur L. Ryerson Memorial Scholarship Fund	4,720	114,599	109,879
Total	\$ 1,261,452	\$ 7,859,676	\$ 6,598,224

Earnings on the endowment funds for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Lyman Yale-China Fund	\$ 301,518	\$ 283,290
Henry B. Wright Fund	28,253	26,545
Arthur L. Ryerson Memorial Scholarship Fund	4,880	4,584
	\$ 334,651	\$ 314,419

THE YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS (Continued)

Investment income for the years ended June 30, 2016 and 2015 is summarized as follows:

	2016	2015
Interest and dividends - Endowment	\$ 334,651	\$ 314,419
Interest and dividends - Unrestricted	337,637	331,499
Realized loss on investments	(2,067)	-
Unrealized gain on investments	(236,183)	920,225
Net Investment Income	\$ 434,038	\$ 1,566,143

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 active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the 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 inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Association has no Level 2 fair value measurements.

Level 3 - Inputs that are generally unobservable, in which there is little or no market data, typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values of the Investment Fund Yale University and the Endowment Fund held by Yale University are based on Level 3 measurements, as determined by the Yale University Funds Management. These investments are commingled in an investment pool, and their classifications are based upon the composition of the investments in the Yale University Fund. 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 YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS (Continued)

The following table presents the Association's investments measured at fair value on a recurring basis at June 30, 2016 and 2015:

	2016	2015
Notes and bonds	\$ 482,961	\$ 622,444
Total Level 1 Investments	482,961	622,444
Equity investments	10,441,677	10,634,615
Common stock	1,872,714	1,924,590
Cash and cash equivalents	379,068	754,947
US government securities	875,015	909,871
Corporate and other securities	935,916	701,376
Foreign Government Securities	146,977	94,693
Total Level 3 Investments	14,651,367	15,020,092
Total Investments	\$ 15,134,328	\$ 15,642,536

In August 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("FSP 117-1"). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

Spending Policy - The Yale-China Association's restricted funds and board-designated funds are managed by the Yale Investments Office. The Yale Investments Office maintains a spending distribution policy that distributes 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 Investments Office. The Yale Investments Office's investment policy is to manage a target mix of assets to produce an expected real (after inflation) long-term growth rate of 6.3 percent with risk (standard deviation of returns) of 15.2 percent. Because actual holdings differ from target levels, the actual allocation produces a portfolio expected to grow at 6.2 percent with risk of 15.1 percent. The University's measure of inflation is based on a basket 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.

THE YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS (Continued)

Changes in the investments for the years ended June 30, 2016 and 2015 follows:

	2016		
	Unrestricted (Level 1)	Temporarily Restricted (Level 1)	Unrestricted (Level 3)
Beginning balance	\$ 100,118	\$ 522,326	\$ 293,899
Interest and dividends	-	8,470	-
Transfers from (for) operations	(93,493)	(47,835)	(243,899)
Investment fees	(6,625)	-	-
Realized loss	-	-	-
Unrealized losses	-	-	-
Ending Balance	<u>\$ -</u>	<u>\$ 482,961</u>	<u>\$ 50,000</u>

	2016		
	Unrestricted - Board Designated (Level 3)	Permanently Restricted (Level 3)	Total
Beginning balance	\$ 6,866,517	\$ 7,859,676	\$ 15,642,536
Interest and dividends	329,167	334,651	672,288
Transfers from (for) operations	(215,743)	(334,651)	(935,621)
Investment fees	-	-	(6,625)
Realized loss	(2,067)	-	(2,067)
Unrealized losses	(110,003)	(126,180)	(236,183)
Ending Balance	<u>\$ 6,867,871</u>	<u>\$ 7,733,496</u>	<u>\$ 15,134,328</u>

THE YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS (Continued)

	2015		
	Unrestricted (Level 1)	Temporarily Restricted (Level 1)	Unrestricted (Level 3)
Beginning balance	\$ -	\$ -	\$ 554,186
Interest and dividends	333	-	-
Transfers from (for) operations	106,481	529,139	(295,000)
Investment fees	(6,813)	(6,813)	-
Unrealized gains	117	-	34,713
Ending Balance	<u>\$ 100,118</u>	<u>\$ 522,326</u>	<u>\$ 293,899</u>

	2015		
	Unrestricted - Board Designated (Level 3)	Permanently Restricted (Level 3)	Total
Beginning balance	\$ 6,709,336	\$ 7,390,960	\$ 14,654,482
Interest and dividends	331,166	314,419	645,918
Transfers from (for) operations	(590,664)	(314,419)	(564,463)
Investment fees	-	-	(13,626)
Unrealized gains	416,679	468,716	920,225
Ending Balance	<u>\$ 6,866,517</u>	<u>\$ 7,859,676</u>	<u>\$ 15,642,536</u>

THE YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable consist of the following items at June 30, 2016 and 2015:

	2016	2015
Grants Receivable:		
Lingnan Support	\$ 34,161	\$ -
HKETO Funding	3,250	-
Total Grants Receivable	37,411	-
Accounts receivable	-	3,625
Total Accounts and Grants Receivable	\$ 37,411	\$ 3,625

Management considered all accounts receivable to be collectible and, therefore, there was no allowance for doubtful accounts as of June 30, 2016.

NOTE 6 - DONOR PLEDGES TO GIVE

The Association has held a centennial campaign for funds for the unrestricted designated fund operating as an endowment.

Amounts receivable from donors that were recorded as pledges to give as of June 30, 2016 and 2015 were calculated as follows:

	2016	2015
Amounts due:		
In less than one year	\$ 7,330	\$ 1,500
One year to five years	2,500	2,500
More than five years	12,500	13,000
	22,330	17,000
Less present value discounts	5,324	5,324
Total Donor Pledges to Give	\$ 17,006	\$ 11,676

Donor pledges to give that will be received after one year are discounted at 6%. Uncollectible pledges are estimated by Management to be insignificant.

THE YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016 and 2015:

	2016	2015
Equipment, fixtures and renovations	\$ 182,988	\$ 183,064
Less accumulated depreciation	141,713	118,510
Total Property and Equipment	\$ 41,275	\$ 64,554

NOTE 8 - RELATED PARTY TRANSACTIONS

The Association maintains its own programs, funding and staff. It has affiliations with Yale University of New Haven, Connecticut, U.S.A., The Chinese University of Hong Kong in Hong Kong and, during 2010, Hunan University in Changsha, China. These affiliations allow the Association to use 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, 2016 the Association occupied premises at both Yale University and The Chinese University of Hong Kong for a nominal fee.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available at June 30, 2016 and 2015 for the following purposes:

	2016	2015
Anonymous Scholarship Program	\$ 216,489	\$ 217,876
Chia Family Program	-	30,948
Centennial Campaign Contributions	17,000	17,000
Louisville Kentucky Teaching Fellowship	33,250	73,250
YCA/XYOAA Scholarship	471,026	522,326
Total Temporarily Restricted Net Assets	\$ 737,765	\$ 861,400

NOTE 10 - 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.

THE YALE-CHINA ASSOCIATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - CONTRIBUTED SERVICES AND RENTALS

The value of donated services and rentals meeting the recognition criteria of ASC 958 *Contributed Services* is included in the financial statements as both revenue and expense.

Contributed services and rentals consisted of donated rent and utilities for the years ended June 30, 2016 and 2015 and are summarized below:

	2016	2015
General contributions	\$ 152,000	\$ 152,000
Total Revenues and Support	152,000	152,000
Space occupancy	152,000	152,000
Total Expenses	152,000	152,000
Net	\$ -	\$ -

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Association was named a joint remainderman 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 of the two remaining life beneficiaries pass on. As of June 30, 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 to be received by the Association, revenue recognition for this trust has been deferred until the last of the two remaining life beneficiaries pass on, and not reflected in the financial statements.

Simione Macca & Larrow^{LLP}



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees
The Yale-China Association, Incorporated
New Haven, Connecticut

We have audited the financial statements of The Yale-China Association, Incorporated as of and for the years ended June 30, 2016 and 2015, and have issued our report thereon dated May 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The schedules of functional expenses are presented for the purposes of additional analysis and are 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.

Simione Macca & Larrow LLP

Hamden, Connecticut
May 30, 2017

THE YALE-CHINA ASSOCIATION, INCORPORATED
SCHEDULES OF FUNCTIONAL EXPENSES

Years Ended June 30, 2016 and 2015

(See Independent Auditors' Report on Supplementary Information)

	2016				2015			
	General and		Total	General and		Total		
	Programs	Administrative		Administrative	Fundraising			
Salaries and wages	\$ 624,462	\$ 60,117	\$ 29,590	\$ 714,169	\$ 632,474	\$ 56,305	\$ 26,623	\$ 715,402
Space occupancy	241,588	-	-	241,588	230,935	-	-	230,935
Benefits and taxes	182,136	17,534	8,631	208,301	187,225	16,667	7,882	211,774
Travel	203,268	153	-	203,421	213,595	1,317	-	214,912
Stipends	164,426	-	-	164,426	86,823	-	-	86,823
Community outreach	67,307	-	-	67,307	45,504	-	-	45,504
Scholarships	56,781	-	-	56,781	27,505	-	-	27,505
Conferences and meetings	41,675	-	-	41,675	40,692	314	-	41,006
Contracted services	24,000	7,352	-	31,352	24,000	4,546	-	28,546
Insurance	26,948	920	-	27,868	26,013	2,709	-	28,722
Language study	25,819	-	-	25,819	32,307	-	-	32,307
Depreciation	17,492	5,830	-	23,322	16,097	5,366	-	21,463
Professional fees	17,748	443	-	18,191	57,047	1,806	-	58,853
Publications and communications	15,473	90	-	15,563	16,383	498	-	16,881
Student exchange and orientation	13,141	-	-	13,141	11,585	-	-	11,585
Supplies	11,412	659	-	12,071	14,467	1,586	-	16,053
Board of trustees	-	11,298	-	11,298	-	11,554	-	11,554
Postage and shipping	9,221	824	-	10,045	4,050	444	-	4,494
Recruitment and bonuses	3,432	715	-	4,147	29,990	3,277	-	33,267
Office supplies and expenses	3,068	555	-	3,623	4,157	3,814	-	7,971
Milestone events	3,346	-	-	3,346	7,954	3,167	-	11,121
Equipment maintenance and rental	-	2,714	-	2,714	-	2,951	-	2,951
Loss on disposal of property and equipment	-	880	-	880	-	5,370	-	5,370
Repairs and maintenance	-	-	-	-	-	816	-	816
Total Functional Expenses	\$ 1,752,743	\$ 110,084	\$ 38,221	\$ 1,901,048	\$ 1,708,803	\$ 122,507	\$ 34,505	\$ 1,865,815