




Yale-China Association

FINANCIAL STATEMENTS

June 30, 2024 and 2023

With Independent Auditor's Report



YALE-CHINA ASSOCIATION
June 30, 2024 & 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Yale-China Association
New Haven, CT

Opinion

We have audited the accompanying financial statements of the Yale-China Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Yale-China Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Yale-China Association as of and for the year ended June 30, 2023 were audited by Burzenski & Company, PC whose report dated February 14, 2024 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Yale-China Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Trustees
Yale-China Association
New Haven, CT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Yale-China Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Yale-China Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

BDMF Assurance, LLP

East Haven, Connecticut
April 24, 2025

YALE-CHINA ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

| | Assets | |
|---|----------------------|----------------------|
| | <u>2024</u> | <u>2023</u> |
| Current Assets | | |
| Cash | \$ 640,439 | \$ 529,838 |
| Investments (Note 3) | 23,602,448 | 22,499,965 |
| Contributions and grants receivable (Note 4) | 185,899 | 18,343 |
| Prepaid expenses | 19,843 | 32,376 |
| Total Current Assets | <u>24,448,629</u> | <u>23,080,522</u> |
| Other Assets | | |
| Fixed assets net of accumulated depreciation (Note 5) | 13,590 | 10,890 |
| Total other assets | <u>13,590</u> | <u>10,890</u> |
| Total Assets | <u>\$ 24,462,219</u> | <u>\$ 23,091,412</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 438,514 | \$ 199,011 |
| Net Assets | | |
| With donor restrictions | 12,865,155 | 11,942,198 |
| Without donor restrictions | 11,158,550 | 10,950,203 |
| Total net assets | <u>24,023,705</u> | <u>22,892,401</u> |
| Total Liabilities and Net Assets | <u>\$ 24,462,219</u> | <u>\$ 23,091,412</u> |

**YALE-CHINA ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

| | Without donor restrictions | With donor restrictions | 2024 Total | Without donor restrictions | With donor restrictions | 2023 Total |
|--|-------------------------------|----------------------------|-------------------|-------------------------------|----------------------------|-------------------|
| SUPPORT AND REVENUE | | | | | | |
| General contributions | 164,762 | 1,056,934 | 1,221,696 | 152,463 | 54,417 | 206,880 |
| Grants | 176,053 | 272,675 | 448,728 | 81,619 | 293,836 | 375,455 |
| In Kind Contributions | 154,500 | - | 154,500 | 152,000 | - | 152,000 |
| Investment returns appropriated for current operations | 1,203,084 | - | 1,203,084 | 1,207,195 | - | 1,207,195 |
| Dividend income | 5,945 | - | 5,945 | 4,404 | - | 4,404 |
| Interest income | 1,736 | - | 1,736 | - | - | - |
| Release of Restrictions | 478,795 | (478,795) | - | 361,069 | (361,069) | - |
| Total Support and Revenue | 2,184,875 | 850,814 | 3,035,689 | 1,958,750 | (12,816) | 1,945,934 |
| EXPENSES | | | | | | |
| Program operations | 1,549,167 | - | 1,549,167 | 1,490,420 | - | 1,490,420 |
| Management and administration | 390,398 | - | 390,398 | 326,218 | - | 326,218 |
| Fundraising | 113,916 | - | 113,916 | 101,143 | - | 101,143 |
| Total Expenses | 2,053,481 | - | 2,053,481 | 1,917,781 | - | 1,917,781 |
| Total Support and Revenue in excess (deficit) of Expenses | 131,394 | 850,814 | 982,208 | 40,969 | (12,816) | 28,153 |
| OTHER CHANGES | | | | | | |
| Investment returns, net | 1,280,037 | 72,143 | 1,352,180 | 654,376 | (307,277) | 347,099 |
| Investment returns appropriated for current operations | (1,203,084) | - | (1,203,084) | (1,207,195) | - | (1,207,195) |
| Total Other Changes | 76,953 | 72,143 | 149,096 | (552,819) | (307,277) | (860,096) |
| CHANGES IN NET ASSETS | 208,347 | 922,957 | 1,131,304 | (511,850) | (320,093) | (831,943) |
| NET ASSETS - BEGINNING OF YEAR | 10,950,203 | 11,942,198 | 22,892,401 | 11,462,053 | 12,262,291 | 23,724,344 |
| NET ASSETS - END OF YEAR | 11,158,550 | 12,865,155 | 24,023,705 | 10,950,203 | 11,942,198 | 22,892,401 |

**YALE-CHINA ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024**

| | Program Operations | Management and Administration | Fundraising | Total Expenses |
|--------------------------------------|-----------------------|-------------------------------------|-------------------|---------------------|
| Salaries | \$ 641,627 | \$ 182,623 | \$ 73,785 | \$ 898,035 |
| Payroll benefits and taxes | 196,099 | 52,091 | 21,335 | 269,525 |
| Travel and program oversight | 73,072 | 10,402 | 1,584 | 85,058 |
| Stipends | 169,262 | 2,080 | - | 171,342 |
| Space occupancy | 132,834 | 21,940 | 12,226 | 167,000 |
| Community outreach | 48,178 | - | - | 48,178 |
| Scholarships | 50,000 | 2,555 | - | 52,555 |
| Educational conferences and meetings | 53,247 | 3,599 | 1,140 | 57,986 |
| Program housing | 63,527 | - | - | 63,527 |
| Contracted services | 8,536 | 46,299 | 642 | 55,477 |
| Teaching services | 12,000 | - | - | 12,000 |
| Insurance | 21,616 | 3,221 | 1,305 | 26,142 |
| Depreciation | 3,800 | - | - | 3,800 |
| Language study | 29,908 | - | - | 29,908 |
| Publications and communications | 371 | 15,849 | 39 | 16,259 |
| Student exchange and orientation | 14,437 | - | - | 14,437 |
| Supplies | 5,040 | 866 | 257 | 6,163 |
| Governance | 6,492 | 1,981 | 802 | 9,275 |
| Postage and shipping | 102 | 6,055 | 31 | 6,188 |
| Recruitment and selection | 1,135 | 1,284 | - | 2,419 |
| Office supplies and other expenses | 7,354 | 39,553 | 770 | 47,677 |
| Investment fees | 10,530 | - | - | 10,530 |
| | <u>\$ 1,549,167</u> | <u>\$ 390,398</u> | <u>\$ 113,916</u> | <u>\$ 2,053,481</u> |

**YALE-CHINA ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

| | Program Operations | Management and Administration | Fundraising | Total Expenses |
|--------------------------------------|-----------------------|-------------------------------------|-------------------|---------------------|
| Salaries | \$ 628,710 | \$ 169,461 | \$ 64,192 | \$ 862,363 |
| Payroll benefits and taxes | 185,111 | 45,131 | 17,819 | 248,061 |
| Travel and program oversight | 93,569 | 224 | 1,128 | 94,921 |
| Stipends | 153,780 | - | - | 153,780 |
| Space occupancy | 121,600 | 19,000 | 11,400 | 152,000 |
| Community outreach | 42,387 | - | - | 42,387 |
| Scholarships | - | - | - | - |
| Educational conferences and meetings | 30,180 | 5,692 | 1,641 | 37,513 |
| Program housing | 97,966 | - | - | 97,966 |
| Contracted services | 4,718 | 39,634 | 699 | 45,051 |
| Teaching services | 24,736 | - | - | 24,736 |
| Insurance | 22,882 | 1,381 | 1,044 | 25,307 |
| Depreciation | 3,499 | - | - | 3,499 |
| Language study | 28,932 | - | - | 28,932 |
| Professional fees | 3,564 | 2,028 | - | 5,592 |
| Publications and communications | 1,720 | 10,506 | 2,746 | 14,972 |
| Student exchange and orientation | 8,378 | - | - | 8,378 |
| Supplies | 11,195 | 3,224 | 122 | 14,541 |
| Governance | - | 5,402 | - | 5,402 |
| Postage and shipping | 106 | 3,839 | - | 3,945 |
| Recruitment and selection | 276 | 69 | - | 345 |
| Office supplies and other expenses | 17,318 | 20,627 | 352 | 38,297 |
| Investment fees | 9,793 | - | - | 9,793 |
| | <u>\$ 1,490,420</u> | <u>\$ 326,218</u> | <u>\$ 101,143</u> | <u>\$ 1,917,781</u> |

**YALE-CHINA ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

| | <u>2024</u> | <u>2023</u> |
|--|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 1,131,304 | \$ (831,943) |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | | |
| Unrealized (gains)/losses | (149,093) | 663,601 |
| Realized (gains)/losses | 2,558 | (53,505) |
| Depreciation and amortization | 3,800 | 3,499 |
| Changes in assets and liabilities: | | |
| Contributions receivable | (167,556) | (18,343) |
| Prepaid expenses | 12,533 | 14,264 |
| Accounts payable and accrued expenses | <u>239,503</u> | <u>(368,079)</u> |
| Net cash provided (used) by operating activities | <u>1,073,049</u> | <u>(590,506)</u> |
| Cash flows from investing activities | | |
| Purchase of investments | (1,005,947) | (4,404) |
| Sales of investments | 50,000 | 200,000 |
| Purchase of property, plant and equipment | <u>(6,501)</u> | <u>(6,626)</u> |
| Net cash (used) provided by investing activities | <u>(962,448)</u> | <u>188,970</u> |
| Net increase (decrease) in cash | 110,601 | (401,536) |
| Cash, beginning of year | <u>529,838</u> | <u>931,374</u> |
| Cash, end of year | <u><u>\$ 640,439</u></u> | <u><u>\$ 529,838</u></u> |

**YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 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

Financial statements of private, not-for-profit organizations, such as the Association, measure aggregate net assets and net asset activity based on the absence or existence of donor-imposed restrictions. Net assets are reported as without donor restrictions and with donor restrictions and serve as the foundation of the accompanying financial statements. Brief definitions of the two net asset classes are presented below:

Net Assets Without Donor Restrictions - Net assets derived from grants, contributions, and other Association resources that are not subject to explicit donor-imposed restrictions. Net assets without donor restrictions also include board designated funds functioning as endowment.

Net Assets With Donor Restrictions - Net assets that are subject to explicit donor-imposed restrictions on the expenditure of contributions or income and gains on contributed assets, and net assets from donor restricted endowments not yet appropriated for spending by the Association. In addition, net assets with donor restrictions include restricted contributions from donors classified as funds functioning as endowment. The Association records as net assets with donor restrictions the original amount of gifts which donors have given to be maintained in perpetuity. Restrictions include support of specific programs, for scholarships and fellowships, and other purposes. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Measure of Operations - The Association's measure of operations as presented in the statement of activities as total support and revenue in excess (deficit) of expenses, includes revenue from grants and contracts, contributions for operating programs, the allocation of endowment spending for operations and other revenues. Operating expenses are reported on the statement of activities by functional classification, with natural classification presented on the statement of functional expenses.

The Association's non-operating activity within the statement of activities includes contributions to the Association's endowment, investment returns and other activities related to endowment.

YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Liquidity

The Association's financial assets available within one year of the balance sheet date for general expenditure as of June 30, 2024 and 2023 are as follows:

| | <u>2024</u> | <u>2023</u> |
|---|---------------|---------------|
| Total assets, at year end | \$ 24,462,219 | \$ 23,091,412 |
| Less: nonfinancial assets | | |
| Prepaid expenses | 19,843 | 32,376 |
| Fixed assets, net of accumulated depreciation | <u>13,590</u> | <u>10,890</u> |
| Financial assets, at year end | \$ 24,428,786 | \$ 23,048,146 |

Less amounts unavailable for general expenditures within one year due to:

| | | |
|---|-------------------|-------------------|
| Contractual or donor-imposed restrictions | | |
| Restricted by donor with time or purpose restriction | 390,751 | 539,938 |
| Subject to appropriation and satisfaction of donor restrictions | | |
| including donor restricted endowments | 12,474,404 | 11,402,260 |
| and board designated endowments | <u>10,833,780</u> | <u>10,707,167</u> |

| | | |
|--|-------------------|-------------------|
| Financial assets available to meet cash needs for general expenditures | | |
| Within one year | <u>\$ 729,851</u> | <u>\$ 398,781</u> |

The Association's financial assets that are available within one year of the balance sheet date to meet cash needs for general expenditure consist of cash and accounts & contributions receivables. In addition to these available financial assets, a significant portion of the Association's annual expenditures will be funded by current year operating revenues including grant and contract income and investment income. The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Association invests cash in excess of daily requirements in various short-term investments, including US government instruments.

Additionally, the Association had board-designated funds of \$10,833,780 and \$10,707,167, at June 30, 2024 and 2023, respectively. Although the Association does not intend to spend from this endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated funds could be made available if necessary.

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.

YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies (continued)

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). 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. From October 2024, the HKDPB protection limit was increased to \$800,000 HKD. The Association also maintains cash accounts at the People's Bank of China which insures deposits up to \$500,000 CNY. Cash balances at US financial institutions may at times exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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 ten years. Maintenance and repairs that do not extend the useful lives of the assets are expensed when incurred.

Income Taxes

The Association has received exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Association has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi). Management has reviewed the Association's reporting and believe they have not taken tax positions that are more likely than not to be determined to be incorrect by the Internal Revenue Service and therefore no adjustments or disclosures are required. The Association's returns are generally subject to examination for a period of three years.

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.

Contributions

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 estimated future cash flows, which includes estimates 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 received. Amortization of the discount is included in contribution revenue.

Contributions are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right to release promised assets exists. Conditional promises to give are not recognized as revenue until the performance barrier and the right of return or release have been overcome.

YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Grant and Contract Income

The Association receives grant and contract income for exchange and non-exchange agreements from private and government sources. Revenue from exchange agreements is recognized when performance obligations are met. Revenue from conditional non-exchange agreements is recognized as performance barriers are overcome and as the Association overcomes either a right of return of assets transferred or the right of release of a promisor's obligation to transfer assets. Grant and contract revenue from conditional non-exchange agreements is generally recognized as qualified costs of sponsored programs are incurred.

Functional Expenses

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

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 it is 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. Restricted operating activity including contributions and net investment return earned, which are restricted, are reported as net assets with donor restrictions and reclassified to net assets without donor restrictions when any donor-imposed restrictions are satisfied.

Disclosure of Subsequent Events

Management has evaluated subsequent events for the period after June 30, 2024 through April 24, 2025 the date the financial statements were available to be issued.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of June 30, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Operating Checking | \$ 194,485 | \$ 516,667 |
| Sweep Account | 433,489 | - |
| Reserve savings | 3 | 26 |
| Hong Kong Dollars held in Hong Kong checking and savings accounts converted to U.S. dollars at the conversion rate of 7.81 HKD to 1 USD and 7.85 HKD to 1 USD | 7,124 | 13,145 |
| Chinese Yuan held in a Chinese checking account converted to U.S. dollars at the conversion rate of 7.27 CNY to 1 USD | 5,338 | - |
| | <u>\$ 640,439</u> | <u>\$ 529,838</u> |

YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 3 – Investments

Investments held by the Association for charitable and operational purposes for the years ended June 30, 2024 and 2023 consisted of the following:

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|----------------------|
| Notes and bonds | \$ 162,493 | \$ 203,767 |
| Investment Fund at Yale University | 10,965,550 | 10,893,938 |
| Endowment Fund held by Yale University | <u>12,474,404</u> | <u>11,402,260</u> |
| | <u>\$ 23,602,448</u> | <u>\$ 22,499,965</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, 2024 and 2023, are as follows:

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|----------------------|
| Without donor restrictions, including board designated funds | \$ 10,833,780 | \$ 10,707,167 |
| Donor restricted, with time or purpose restriction | 294,264 | 340,538 |
| Donor restricted endowments, perpetual in nature | <u>12,474,404</u> | <u>11,402,260</u> |
| | <u>\$ 23,602,448</u> | <u>\$ 22,499,965</u> |

The Association has placed the Board designated fund 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>2024</u> | |
|--------------------------------|---------------------|----------------------|---------------------|
| | <u>Principal</u> | <u>Market</u> | <u>Excess</u> |
| Yale-China Second Century Fund | \$ 4,584,643 | \$ 7,462,314 | \$ 2,877,671 |
| Yale-China Reserve Fund | 810,582 | 1,203,396 | 392,814 |
| Yale-China Lilley Fund | <u>1,530,292</u> | <u>2,299,840</u> | <u>769,548</u> |
| | <u>\$ 6,925,517</u> | <u>\$ 10,965,550</u> | <u>\$ 4,040,033</u> |

| | | <u>2023</u> | |
|--------------------------------|---------------------|----------------------|---------------------|
| | <u>Principal</u> | <u>Market</u> | <u>Excess</u> |
| Yale-China Second Century Fund | \$ 4,584,643 | \$ 7,413,579 | \$ 2,828,936 |
| Yale-China Reserve Fund | 810,582 | 1,195,539 | 384,957 |
| Yale-China Lilley Fund | <u>1,530,292</u> | <u>2,284,820</u> | <u>754,528</u> |
| | <u>\$ 6,925,517</u> | <u>\$ 10,893,938</u> | <u>\$ 3,968,421</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:

| | | <u>2024</u> | |
|---|---------------------|----------------------|----------------------|
| | <u>Principal</u> | <u>Market</u> | <u>Excess</u> |
| Lyman Yale-China Fund | \$ 1,206,887 | \$ 10,340,891 | \$ 9,134,004 |
| Henry B. Wright Fund | 49,845 | 968,979 | 919,134 |
| Arthur L. Ryerson Memorial Scholarship Fund | 4,720 | 167,346 | 162,626 |
| Mayching Fund for the Arts | <u>1,000,000</u> | <u>997,188</u> | <u>(2,812)</u> |
| | <u>\$ 2,261,452</u> | <u>\$ 12,474,404</u> | <u>\$ 10,212,952</u> |

YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 3 – Investments (continued)

| | | <u>2023</u> | |
|--|---------------------|----------------------|----------------------|
| | Principal | Market | Excess |
| Lyman Yale-China Fund | \$ 1,206,887 | \$ 10,273,356 | \$ 9,066,469 |
| Henry B. Wright Fund | 49,845 | 962,651 | 912,806 |
| Arthur L. Ryerson Memorial Scholarship Fund | <u>4,720</u> | <u>166,253</u> | <u>161,533</u> |
| | <u>\$ 1,261,452</u> | <u>\$ 11,402,260</u> | <u>\$ 10,140,808</u> |

Distributions from the endowment funds for the years ended June 30, 2024 and 2023, are as follows:

| | <u>2024</u> | <u>2023</u> |
|---|-------------------|-------------------|
| Lyman Yale-China Fund | \$ 459,264 | \$ 421,274 |
| Henry B. Wright Fund | 43,034 | 39,475 |
| Arthur L. Ryerson Memorial Scholarship Fund | 7,332 | 6,817 |
| Mayching Fund for the Arts | <u>11,730</u> | <u>-</u> |
| | <u>\$ 521,360</u> | <u>\$ 467,566</u> |

Total investment income for the years ended June 30, 2024 and 2023, is summarized as follows:

| | <u>2024</u> | <u>2023</u> |
|---------------------------------------|---------------------|-------------------|
| Dividends | 5,945 | 4,404 |
| Realized gain (loss) on investments | (2,558) | 53,505 |
| Unrealized gain (loss) on investments | <u>1,352,181</u> | <u>293,594</u> |
| | <u>\$ 1,355,568</u> | <u>\$ 351,503</u> |

The Board of Trustees of the Association has interpreted laws and regulations 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. To the extent that a donor-restricted endowment fund falls below its historic dollar value a deficit would exist, and it would be reported as a reduction of net assets with donor restrictions. There were no funds in a deficit position at June 30, 2024 and 2023.

Spending Policy – The 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 is calculated at a long-term spending rate of 5.25% adjusted for inflation and constrained so that the actual rate of spending is at least 4.0% and not more than 6.5% of the value of the endowment investment.

Return Objectives and Risk Parameters – The 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 6.9 % with risk (standard deviation of returns) of 13.7%. Because actual holdings differ from target levels, the actual allocation produces a portfolio with a slightly higher expected growth rate and risk level. The Yale Investment Office’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.

YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 3 – Investments (continued)

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 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, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| Notes and bonds | \$ 162,493 | \$ 203,767 |
| Total Level 1 Investments | <u>162,493</u> | <u>203,767</u> |
| Held in the Yale University Investment Pool | | |
| Fixed Income | 1,001,435 | 1,494,109 |
| Domestic equity | 550,952 | 637,240 |
| Developed equity | 2,795,063 | 2,518,486 |
| Emerging equity | 643,495 | 673,352 |
| Foreign equity | 154,665 | 158,097 |
| Other equity | 1,068,165 | 998,837 |
| Other investments | 574,748 | 417,854 |
| Leveraged buyouts | 5,430,954 | 4,901,160 |
| Marketable alternatives | 3,121,324 | 2,657,089 |
| Real assets | 2,313,435 | 2,361,236 |
| Venture capital | 5,134,691 | 4,863,215 |
| Cash and cash equivalents | 651,028 | 615,523 |
| Total Level 3 Investments | <u>23,439,955</u> | <u>22,296,198</u> |
| | <u>\$ 23,602,448</u> | <u>\$ 22,499,965</u> |

YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 3 – Investments (continued)

Changes in the investments for the years ended June 30, 2024 and 2023, are as follows:

| | <u>2024</u> | | <u>Without</u> | <u>Donor</u> | |
|------------------------------|------------------------------|-------------------|----------------------|----------------------|-------------------|
| | Donor restricted, subject to | | restrictions & | restricted | |
| | time or purpose restrictions | | board | endowments, | |
| | (Level 1) | (Level 3) | designated | perpetual | Total |
| | | | (Level 3) | (Level 3) | |
| Beginning balance | \$ 203,767 | \$ 136,771 | \$ 10,707,167 | \$ 11,402,260 | \$ 22,449,965 |
| Interest and dividends | 5,945 | - | - | - | 5,945 |
| Transfers in | - | - | - | 1,000,000 | 1,000,000 |
| Transfers out for operations | (50,000) | (5,000) | (616,194) | (521,360) | (1,192,554) |
| Investment fees | - | - | (10,530) | - | (10,530) |
| Realized gains (losses) | (2,558) | - | - | - | (2,558) |
| Unrealized gains (losses) | 5,339 | - | 753,337 | 593,504 | 1,352,180 |
| | <u>\$ 162,493</u> | <u>\$ 131,771</u> | <u>\$ 10,833,780</u> | <u>\$ 12,474,404</u> | <u>23,602,448</u> |

| | <u>2023</u> | | <u>Without</u> | <u>Donor</u> | |
|------------------------------|------------------------------|-------------------|----------------------|----------------------|-------------------|
| | Donor restricted, subject to | | restrictions & | restricted | |
| | time or purpose restrictions | | board | endowments, | |
| | (Level 1) | (Level 3) | designated | perpetual | Total |
| | | | (Level 3) | (Level 3) | |
| Beginning balance | \$ 253,926 | \$ 136,771 | \$ 11,205,422 | \$ 11,709,537 | \$ 23,305,656 |
| Interest and dividends | 4,404 | - | - | - | 4,404 |
| Transfers out for operations | (50,000) | - | (679,835) | (467,566) | (1,197,401) |
| Investment fees | - | - | (9,793) | - | (9,793) |
| Realized gains (losses) | (3,350) | - | 56,855 | - | 53,505 |
| Unrealized gains (losses) | (1,213) | - | 134,518 | 160,289 | 293,594 |
| | <u>\$ 203,767</u> | <u>\$ 136,771</u> | <u>\$ 10,707,167</u> | <u>\$ 11,402,260</u> | <u>22,449,965</u> |

Note 4 – Receivables

The following is a summary of receivables at June 30, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|---|-------------------|------------------|
| Grants receivable within one year | \$ 10,145 | \$ 18,343 |
| Endowment spending distributions receivable | 175,754 | - |
| | <u>\$ 185,899</u> | <u>\$ 18,343</u> |

Note 5 – Fixed Assets

The following is a summary of fixed assets less accumulated depreciation at June 30, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|--------------------------------------|------------------|------------------|
| Equipment, fixtures, and renovations | \$ 226,008 | \$ 219,508 |
| Less: accumulated depreciation | (212,418) | (208,618) |
| | <u>\$ 13,590</u> | <u>\$ 10,890</u> |

Depreciation expense included in operating expenses amounted to \$3,800 and \$3,499, for the years ended June 30, 2024 and 2023, respectively.

YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 6 – Related Party Transactions

The Association maintains its own programs, funding, and staff. It has affiliations with Yale University of New Haven, Connecticut, the Chinese University of Hong Kong in Hong Kong, and the Xiangya School of Medicine in Changsha, China. 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. During the years ended June 30, 2024 and 2023, the Association occupied premises at all three locations for nominal fees.

Note 7 – 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 following is a summary of the amounts the Association has reported for the occupancy and utilities of its premises for the years ended June 30, 2024 and 2023.

| | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|
| Included in Revenue – In Kind Contributions | \$ 154,500 | \$ 152,000 |
| Included in Expenses - Space Occupancy | \$ 154,500 | \$ 152,000 |

Note 8 – Net Assets

The Associations net assets consist of the following as of June 30, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| With Donor Restrictions: | | |
| Donor-restricted endowments, perpetual in nature | \$ 12,474,404 | \$ 11,402,260 |
| Donor-restricted funds, subject to time or purpose restrictions | | |
| Anonymous Scholarship Program | 131,771 | 136,771 |
| Chia Family Program | 35,807 | 24,019 |
| Pettus Fund | 49,310 | 68,103 |
| Murray Western Hunan Fund | 40,822 | 56,753 |
| Luce Foundation | - | 75,000 |
| Mayching Fund for the Arts | 11,730 | - |
| Other programs | 3,156 | 11,137 |
| YCA/XYOAA Scholarship Program | 118,155 | 168,155 |
| Total with Donor Restrictions | <u>\$ 12,865,155</u> | <u>\$ 11,942,198</u> |
| Without Donor Restrictions: | | |
| Board Designated endowments | 10,833,780 | 10,707,167 |
| Undesignated | 324,770 | 243,036 |
| Total without Donor Restrictions | <u>11,158,500</u> | <u>10,950,203</u> |
| | <u>\$ 24,023,705</u> | <u>\$ 22,892,401</u> |

**YALE-CHINA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 8 – Net Assets (continued)

Donor-restricted endowments, perpetual in nature, 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.

Donor-restricted funds, subject to time or purpose restrictions, are restricted to the purposes as noted in the table above.

The Association currently maintains a Board Designated Fund that functions as an endowment. These are unrestricted assets that the Board has designated for specific uses and to be invested within the Yale University Investment Fund. These funds release income for operations based upon Yale University spending rules. As needed the Board also releases additional funds to support operations.

Note 9 – Commitments and Contingencies

The Association was named a joint remainder 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, 2024, 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.

Note 10 – Subsequent Events

In July 2024, the Association received a donor-restricted contribution of \$2,000,000 for the purpose of creating a perpetual endowment bearing the name "Wang, Ming H. and Yung G. Family Fund," to be used to fund the Association's education and health-related programs and general operating expenses. The donated funds will be transferred to Yale University for management by the Yale Investment Office along with the Association's other endowed funds, with annual distributions to be made according to the terms of the donor agreement and the Association's endowment spending policy.

In June 2024, the Association's Board approved a change in the Association's investment spending policy effective July 2025. The revised spending policy increases the spending rate to up to 7% of the prior five year average endowment balance. For the year ending June 30, 2025, the Board approved a spending rate of 6.57%.

Note 11 – Reclassifications

Certain reclassifications have been made in the 2023 financial statements to conform to the classifications used in 2024. These reclassifications are in Investment returns appropriated for current operations, Dividend income, Interest income, and Investment Returns (net).