SCHALL & ASHENFARB Certified Public Accountants, LLC

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CHINA INSTITUTE IN AMERICA

Audited Financial Statements

June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
China Institute in America

Report on the Financial Statements

We have audited the accompanying financial statements of China Institute in America (the "Institute"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year 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.

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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 China Institute in America as of June 30, 2013, and the changes in net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Institute's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

February 10, 2014

CHINA INSTITUTE IN AMERICA
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2013
(With comparative totals for June 30, 2012)

	6/30/13	6/30/12
Assets		
Cash and cash equivalents - operating (Notes 2d and 2e)	$1,104,010	$1,715,633
Contributions receivable (net of allowance - Notes 2f and 3)	5,774,644	5,232,600
Prepaid expenses and other assets	237,803	137,480
Investments (Notes 2g and 4)	1,844,463	1,801,150
Fixed assets, net (Notes 2h and 5)	18,093,397	18,576,152
Donated artwork held for auction (Note 2i)	165,326	165,326
Total assets	$27,219,643	$27,628,341
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$519,358	$347,406
Deferred tuition (Note 2k)	356,444	308,497
Government grant advances	110,541	102,216
Loans payable (Note 6)	10,550,671	11,300,000
Total liabilities	11,537,014	12,058,119
Commitments and contingencies (Note 9)		
Net assets: (Note 2b)		
Unrestricted	7,455,352	7,437,672
Temporarily restricted (Note 7)	6,702,323	6,607,596
Permanently restricted (Note 8)	1,524,954	1,524,954
Total net assets	15,682,629	15,570,222
Total liabilities and net assets	$27,219,643	$27,628,341

The attached notes and auditors' report are an integral part of these financial statements.

CHINA INSTITUTE IN AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(With comparative totals for the year ended June 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 6/30/13	Total 6/30/12
Public support and revenue:					
Public support:					
Foundations and corporations	$162,940	$1,110,000		$1,272,940	$617,965
Individuals	814,722	1,500,100		2,314,822	6,720,332
Government grants	313,559			313,559	247,591
China Summit income	312,000			312,000	263,000
Special event income (net of $173,925 in direct benefits to donors)	1,176,867			1,176,867	1,150,696
Membership dues	153,955			153,955	189,113
In-kind donations (Note 2l)	385,995			385,995	570,177
Total public support	3,320,038	2,610,100	0	5,930,138	9,758,874
Revenues:					
Lecture and tuition fees	867,696			867,696	824,477
Gallery catalogue and book sales	25,824			25,824	43,907
Investment income (Note 4)	3,614	96,213		99,827	22,738
Rental income	625,891			625,891	119,402
Other income	8,023			8,023	42,121
Total revenues	1,531,048	96,213	0	1,627,261	1,052,645
Net assets released from restrictions:					
Satisfaction of program and time restrictions	2,611,586	(2,611,586)		0	0
Total public support and revenue	7,462,672	94,727	0	7,557,399	10,811,519
Expenses:					
Program services	5,368,737			5,368,737	4,084,964
Management and general	1,150,909			1,150,909	536,861
Fundraising	548,628			548,628	414,737
Capital campaign	376,718			376,718	533,888
Total expenses	7,444,992	0	0	7,444,992	5,570,450
Change in net assets	17,680	94,727	0	112,407	5,241,069
Net assets - beginning of year	7,437,672	6,607,596	1,524,954	15,570,222	10,329,153
Net assets - end of year	$7,455,352	$6,702,323	$1,524,954	$15,682,629	$15,570,222

The attached notes and auditors' report are an integral part of these financial statements.

CHINA INSTITUTE IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(With comparative totals for the year ended June 30, 2012)

	Program Services						Supporting Services					
	Education Program	Teach China Program	Gallery Program	Corporate Program	New Facility	Total	Management and General	Fundraising	Capital Campaign	Total	Total 6/30/13	Total 6/30/12
Salaries	$685,383	$143,519	$358,976	$111,182	$38,674	$1,337,734	$298,403	$296,882		$595,285	$1,933,019	$1,800,772
Payroll taxes and employee benefits	207,805	41,893	108,492	32,546	12,264	403,000	89,210	89,213		178,423	581,423	611,470
Instructor/teacher/temporary intern payments	313,151	175	4,085	465		317,876	35,659	2,980		38,639	356,515	345,521
Consultants and professional (including in-kind of $385,995)	187,126	81,121	131,389	65,434		465,070	272,832	40,512	$374,513	687,857	1,152,927	876,899
Printing and publications	20,554	4,885	34,110	16,635		76,184	1,619	40,420		42,039	118,223	167,783
Supplies, postage and shipping	24,291	5,673	30,018	3,522		63,504	10,643	11,395	768	22,806	86,310	131,316
Travel and lodging	281,669	79,781	11,233	2,588		375,271	12,981	4,900	1,437	19,318	394,589	381,440
Telecommunications	7,324	3,096	4,033	1,536		15,989	4,623	2,281		6,904	22,893	19,116
Advertising and staff training (Note 2m)	10,520	1,625	9,579	4,778		26,502	398	5,670		6,068	32,570	46,515
Food and beverages	10,757	2,676	3,303	731		17,467	1,881	10,992		12,873	30,340	47,869
Gallery design and installation	30,667	17,524	129,149	8,762		186,102	4,381	4,466		8,847	194,949	215,805
Crating, shipping and art insurance			128,026			128,026				0	128,026	114,302
Space rental and venue costs	7,824	1,888	19,864	2,950		32,526		17,112		17,112	49,638	34,461
Real estate taxes					268,438	268,438				0	268,438	0
Building services, equipment rental and maintenance	77,503	55,359	44,288	22,144	432,813	632,107	12,637	11,072		23,709	655,816	257,527
Property and liability insurance	19,328	13,806	11,045	5,522	27,667	77,368	2,761	2,761		5,522	82,890	78,899
Events expense	10,396	7,426	5,940	2,970		26,732	1,485	1,485		2,970	29,702	46,232
Bank charges, interest and credit card fees	40,980	29,271	23,417	11,708	339,134	444,510	5,934	5,854		11,788	456,298	240,690
Other expenses	4,434	3,167	2,524	1,267		11,392	646	633		1,279	12,671	15,805
Total expenses before Bad debt and depreciation	1,939,712	492,885	1,059,471	294,740	1,118,990	4,905,798	756,093	548,628	376,718	1,681,439	6,587,237	5,432,422
Bad debt expense							375,000			375,000	375,000	0
Depreciation					462,939	462,939	19,816			19,816	482,755	138,028
Total expenses	$1,939,712	$492,885	$1,059,471	$294,740	$1,581,929	$5,368,737	$1,150,909	$548,628	$376,718	$2,076,255	$7,444,992	$5,570,450

The attached notes and auditors' report are an integral part of these financial statements.

CHINA INSTITUTE IN AMERICA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(With comparative totals for the year ended June 30, 2012)

	6/30/13	6/30/12
Cash flows from operating activities:		
Change in net assets	$112,407	$5,241,069
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	482,755	138,028
Realized and unrealized (gain)/loss on investments	(73,504)	17,727
(Increase)/decrease in assets:		
Contributions receivable	(542,044)	719,064
Prepaid expenses and other assets	(100,323)	108,236
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	171,952	110,899
Deferred tuition	47,947	20,750
Government grant advances	8,325	49,963
Total adjustments	(4,892)	1,164,667
Net cash flows provided by operating activities	107,515	6,405,736
Cash flows from investing activities:		
Purchases of investments	(121,362)	(1,448,169)
Proceeds from sales of investments	151,554	1,415,719
Purchases of property and equipment	0	(18,517,558)
Net cash flows provided by/(used for) investing activities	30,192	(18,550,008)
Cash flows from financing activities:		
Proceeds from loan payable	0	10,000,000
Repayments of loan payable	(1,000,000)	0
Proceeds from line of credit	1,876,340	695,000
Repayments of line of credit	(1,625,670)	(307,909)
Net cash flows (used for)/provided by financing activities	(749,330)	10,387,091
Net decrease in cash and cash equivalents	(611,623)	(1,757,181)
Cash and cash equivalents - beginning of year	1,715,633	3,472,814
Cash and cash equivalents - end of year	$1,104,010	$1,715,633

Supplemental disclosure of cash flow information:
Total interest paid - $363,878
Total income taxes paid - $0

The attached notes and auditors' report are an integral part of these financial statements.

CHINA INSTITUTE IN AMERICA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 - Nature of Entity

China Institute in America (the "Institute") offers a series of programs relating to China and Chinese culture, including art, education, music, film history, contemporary affairs, business, travel and language. The Institute also presents classes, workshops and events for adults, corporate executives, teachers, families and children.

Incorporated in 1944 in the State of New York, the Institute is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting
The financial statements of the Institute have been prepared on the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred, rather than when received or paid. All significant receivables, payables, and other liabilities have been presented.

b. Basis of Presentation
The Institute, as a not-for-profit organization, is required to report information regarding its financial position and activities according to the following classes of net assets:

- *Unrestricted* – represents all activity without donor imposed restrictions

- *Temporarily restricted* – accounts for activity based on specific donor restrictions that are expected to be satisfied by passage of time or performance of activities.

- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity.

c. Revenue Recognition
The Institute reports contributions at the earlier of the receipt of cash or at a time a pledge becomes unconditional in nature. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, when a restriction is met in the period the contribution is received, it is recorded as unrestricted. Amounts are released from restriction on the capital campaign based on the date the capital item is purchased.

Government grants are reviewed to determine if they have traits more commonly associated with contributions or exchange transactions. Management has determined that all government grants more closely resemble exchange transactions, and are therefore recognized as revenue when earned. The difference between cash received and amounts recognized as government grant income are recorded as government grant receivables or advances.

d. Cash and Cash Equivalents
The Institute considers all liquid investments that have an initial maturity of three months or less to be cash and cash equivalents, except for cash held as part of the investment portfolio.

e. Concentration of Credit Risk
Financial instruments which potentially subject the Institute to concentration of credit risk consist of cash, money market accounts and investment securities, which are placed with financial institutions that management deems to be creditworthy. Most accounts are insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation. At year-end and at various times during the year, the Institute had material uninsured balances either due to the accounts not being insured or balances exceeding the insured levels. The Institute has not experienced any losses due to the failure of any of these institutions.

f. Contributions receivable
The Institute records unconditional promises to give as revenue in the period pledged at net realizable value if expected to be received within one year. Long-term pledges are recorded at fair value based on a risk adjusted discount rate when considered material. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges are reviewed for collectability based on several factors including historical experience. Management has not established a reserve for uncollectable pledges as they deem all pledges to be collectable.

g. Investments
Securities are reflected at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities.

h. Fixed Assets
Fixed assets to which the Institute retains title and capital items purchased which benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation.

Fixed assets consist of buildings, building improvements, furniture, equipment and computers, which are carried at cost and are depreciated over their useful lives (ranging from 3 to 40 years) using the straight-line method with a one-half year convention.

i. Donated Artwork Held for Auction
The Institute's collection of art and artifacts have been recorded at their appraised values at the time of donation. Some of the collection is to be sold at auction, and the remainder is to be displayed at the Institute's premises.

j. Accrued Vacation
The Institute recognizes a liability for the amount of unused vacation that paid employees have earned. At June 30, 2013 and June 30, 2012 this accrued vacation obligation was $52,262 and $45,379.

k. Deferred Tuition
Tuition received that is applicable to the following fiscal year is deferred and recognized as revenue in the period the education services are provided.

l. Donated Services
The Institute recognizes contributions of services that create or enhance non-financial assets, or require specialized skills, are performed by those who possess those skills and would typically be purchased if not donated. During the year ended June 30, 2013, $385,995 of in-kind legal services has been recognized. During the year ended June 30, 2012, $52,400 of in-kind travel, $492,777 of in-kind legal, and $25,000 of in-kind consulting have been recognized.

m. Advertising
Advertising expense is recognized in the period the expense has been incurred.

n. Management Estimates
The preparation of financial statements in accordance 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. Actual results could differ from those estimates.

o. Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Institute.

p. Accounting for Uncertainty of Income Taxes
The Institute does not believe its financial statements include any material uncertain tax positions. Tax filings for periods ending June 30, 2010 and later are subject to examination by applicable taxing authorities.

q. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through February 10, 2014, the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements have been made.

r. Comparative Financial Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with

accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The Institute's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Note 3 - Contributions Receivable

Contributions receivable are due in the following periods:

Year ended June 30,	2014	$4,115,394
	2015	1,730,000
	2016	250,000
	2017	100,000
		6,195,394
Less: allowance for uncollectibles		(375,000)
Less: adjustment to fair value		(45,750)
Total		$5,774,644

Note 4 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2013 and June 30, 2012 all investments were considered to be level 1 securities and consisted of the following:

	2013	2012
Money market funds	$214,854	$169,836
U.S. Treasuries	194,385	216,177
Mutual funds	250,459	144,051
Corporate bonds	437,873	453,099
Government agency bonds	233,700	237,719
Corporate equities	513,192	580,268
	$1,844,463	$1,801,150

Investment income for the year ended June 30, 2013 and June 30, 2012 is as follows:

	2013	2012
Realized gains on sales	$10,902	$6,423
Unrealized gains/(loss)	62,602	(24,150)
Interest and dividends	41,716	56,027
Investment fees	(15,393)	(15,562)
	$99,827	$22,738

Note 5 - Fixed Assets

Fixed assets at June 30, 2013 consist of:

Land	$9,000
Building	18,270,000
Capitalized closing costs	247,557
Furniture and equipment	80,107
Building improvements	498,830
Fixed assets - cost	19,105,494
Less: accumulated depreciation and amortization	(1,012,097)
Fixed assets - net	$18,093,397

Fixed assets at June 30, 2012 consist of:

Land	$9,000
Building	18,270,000
Capitalized closing costs	247,557
Furniture and equipment	80,107
Building improvements	498,829
Fixed assets - cost	19,105,493
Less: accumulated depreciation and amortization	(529,341)
Fixed assets - net	$18,576,152

Note 6 - Loans Payable

On April 30, 2012, the Institute entered into a loan agreement for $10,000,000 in connection with the purchase of the commercial condo unit referred to in Note 5. The loan requires sixteen quarterly principal payments of $250,000 plus interest at a rate of .25% above prime which at June 30, 2013 and June 30, 2012 was 3.5%. A balloon payment of $6,000,000 is due at the maturity of the loan on April 29, 2016. Principal payments began on July 1, 2012. At June 30, 2013 and June 30, 2012, $9,000,000 and $10,000,000 remained outstanding respectively. The loan is collateralized by all assets of the Institute, except the endowment account and the capital campaign collateral account.

Minimum scheduled principal payments are as follows:

Year ended June 30,	2014	$1,000,000
	2015	1,000,000
	2016	7,000,000
Total		$9,000,000

The Institute failed to comply with the debt service coverage ratio under the terms of the loan agreement. However, the lender has not taken any action to accelerate the loan as a result of this condition and has provided the Institute with a waiver for the year ended June 30, 2013.

On October 9, 2012, the Institute obtained a line of credit totaling $2,500,000 with the same bank at which it obtained the loan for the purchase of the new building facility. The line of credit bears interest of LIBOR plus 1.5% and had an initial due date of October 4, 2013. Proceeds from this line of credit were used to pay the outstanding balance on the Institute's previous line of credit. At June 30, 2013 and June 30, 2012 a total of $1,550,671 and $1,300,000 was outstanding. Subsequent to June 30, 2013, the line was renewed and the due date has been extended to October 4, 2014.

Note 7 - Temporarily Restricted Net Assets

During the years ended June 30, 2013 and June 30, 2012, net assets were released from restriction due to satisfaction of donor stipulations for the following programs:

	2013	2012
Capital Campaign	$2,068,052	$2,517,557
China Summit	0	25,000
Exhibitions/Conventions	96,200	0
Curriculum Guide	40,426	50,402
Teach China	168,928	250,000
Exhibitions	76,841	184,550
China Impact Speakers Series	97,927	0
Other	10,311	13,981
Total program restrictions	2,558,685	3,041,490
Endowment	52,901	50,000
Total	$2,611,586	$3,091,490

At year end, net assets are temporarily restricted by donors for the following purposes:

	2013	2012
Capital Campaign	$4,878,566	$5,696,618
Exhibitions/Conventions	130,000	226,200
Teach China	50,000	168,928
Curriculum Guide	24,859	65,286
Research & Development	1,124,527	141,368
China Impact Speakers Series	150,073	23,000
Other	24,789	10,000
Total program restrictions	6,382,814	6,331,400
Endowment fund	319,509	276,196
Total	$6,702,323	$6,607,596

Note 8 - Permanently Restricted Net Assets

The Institute's endowment consists of individual donor-restricted funds established for a variety of purposes. The endowment includes earnings from investment gains that have not been designated for specific use by the donor and have not yet been appropriated by the board of trustees.

Interpretation of Relevant Law
The Institute follows New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Board of Trustees of the Institute has interpreted NYPMIFA as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, the Institute will preserve the fair value of the original gift as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, the Institute has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Absent any specific donor-stipulations, when endowment funds have earnings in excess of amounts that need to be retained permanently, these excess amounts are classified as temporarily restricted net assets until appropriated for expenditure by the Institute's governing board.

Spending Policies
In accordance with NYPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) The purposes of the Institute and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the Institute;
(7) The investment policies of the Institute;
(8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Institute.

Changes in endowment net assets for the year ended June 30, 2013 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$276,196	$1,524,954	$1,801,150
Interest and dividend income	41,191	0	41,191
Investment fees	(15,393)	0	(15,393)
Unrealized and realized gains	70,416	0	70,416
Appropriated for expenditure	(52,901)	0	(52,901)
Endowment net assets, end of year	$319,509	$1,524,954	$1,844,463

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$261,473	$1,524,954	$1,786,427
Interest and dividend income	48,012	0	48,012
Investment fees	(15,562)	0	(15,562)
Unrealized and realized gains	(17,727)	0	(17,727)
Endowment net assets, end of year	$276,196	$1,524,954	$1,801,150

During the year ended June 30, 2012, the Institute did not make any appropriations for expenditure.

Endowment Investment Policies
The Institute has adopted an investment policy for endowment assets that relies on the accumulation of interest, dividends and other market value gains for future appropriation.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Institute to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2013 or June 30, 2012.

Note 9 - Commitments and Contingencies

Government funded activities are subject to audit by applicable granting agencies. Management does not believe that any future audits will result in disallowed costs and has not established any reserves. Any future payments that result from such audits will be recognized once amounts payable become available.

Note 10 - Employee Benefit Plan

Employees of the Institute are covered by a TIAA-CREF defined contribution plan. The Institute contributes 10% of the salaries of eligible employees to the plan. Employees contribute 2.5% of their salaries. Contributions under this plan are applied to individual annuities issued to each participant. Contributions to the plan for the years ended June 30, 2013 and June 30, 2012 were approximately $118,000 and $127,000 respectively.