Schall & Ashenfarb, CPA's, LLC
25th ANNIVERSARY 1990-2015

SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

China Institute

FOUNDED 1926

Audited Financial Statements

June 30, 2015

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New York, New York 10016
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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, 2015, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2015, and the changes in its net assets and its 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 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

November 3, 2015

CHINA INSTITUTE IN AMERICA
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2015
(With comparative totals as of June 30, 2014)

	6/30/15	6/30/14
Assets		
Cash and cash equivalents (Notes 2d and 2e)	$8,310,571	$5,277,044
Restricted cash (Note 3)	0	400,714
Assets held for sale	0	137,138
Contributions receivable (Notes 2f and 4)	1,322,612	1,338,121
Prepaid expenses and other assets	119,220	59,177
Investments (Notes 2g and 5)	1,929,030	1,983,688
Security deposits	525,000	0
Fixed assets, net (Notes 2h and 6)	21,950,731	17,475,944
Donated artwork held for auction (Note 2i)	162,476	165,326
Total assets	$34,319,640	$26,837,152
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$2,464,810	$420,165
Deferred tuition (Note 2k)	222,913	225,250
Government grant advances (Note 2c)	0	57,500
Loans payable (Note 7)	0	13,200,670
Total liabilities	2,687,723	13,903,585
Commitments and contingencies (Note 10)		
Net assets (Note 2b):		
Unrestricted	28,756,103	8,714,916
Temporarily restricted (Note 8)	1,350,860	2,693,697
Permanently restricted (Note 9)	1,524,954	1,524,954
Total net assets	31,631,917	12,933,567
Total liabilities and net assets	$34,319,640	$26,837,152

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, 2015
(With comparative totals for the year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 6/30/15	Total 6/30/14
Public support and revenue:					
Public support:					
Foundations and corporations	$20,151	$130,000		$150,151	$113,341
Individuals	77,013	715,562		792,575	1,098,701
Government grants (Note 2c)	117,822			117,822	268,801
China Summit income				0	160,000
Special event income (net of expenses with direct benefits to donors) (Note 12)	1,075,444			1,075,444	1,238,077
Membership dues	52,885			52,885	104,680
In-kind donations (Note 2l)	79,900			79,900	444,800
Total public support	1,423,215	845,562	0	2,268,777	3,428,400
Revenues, gains/(losses):					
Loss on uncollectable pledges		(300,000)		(300,000)	(2,125,000)
Lecture and tuition fees	846,251			846,251	892,811
Gallery catalogue and book sales	74,956			74,956	10,560
Investment income (Note 5)	1,636	(758)		878	177,039
Rental income				0	546,912
Other income	2,592			2,592	0
Total revenues, gains/(losses):	925,435	(300,758)	0	624,677	(497,678)
Net assets released from restrictions:					
Satisfaction of program and time restrictions	1,887,641	(1,887,641)		0	0
Total public support and revenue	4,236,291	(1,342,837)	0	2,893,454	2,930,722
Expenses:					
Program services	3,250,685			3,250,685	4,043,327
Management and general	1,170,038			1,170,038	1,215,451
Fundraising	633,949			633,949	421,006
Total expenses	5,054,672	0	0	5,054,672	5,679,784
Change in net assets from operations	(818,381)	(1,342,837)	0	(2,161,218)	(2,749,062)
Non-operating activity:					
Gain on sale of property (Note 7)	20,859,568	0	0	20,859,568	0
Total non-operating activity	20,859,568	0	0	20,859,568	0
Total change in net assets	20,041,187	(1,342,837)	0	18,698,350	(2,749,062)
Net assets - beginning of year	8,714,916	2,693,697	1,524,954	12,933,567	15,682,629
Net assets - end of year	$28,756,103	$1,350,860	$1,524,954	$31,631,917	$12,933,567

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, 2015
(With comparative totals for the year ended June 30, 2014)

	Program Services					Supporting Services				
	Education Program	Gallery Program	Corporate Program	New Facility	Total	Management and General	Fundraising	Total	Total 6/30/15	Total 6/30/14
Salaries	$914,500	$290,701	$46,789		$1,251,990	$386,406	$285,138	$671,544	$1,923,534	$1,517,470
Payroll taxes and employee benefits	156,098	48,400	12,100		216,598	143,998	52,057	196,055	412,653	378,051
Instructor/teacher/temporary intern payments	18,400	4,650	200		23,250	865		865	24,115	267,531
Consultants and professional (including in-kind of $79,900)	158,199	32,265	1,150	$174,289	365,903	198,020	170,816	368,836	734,739	970,469
Printing and publications	18,325	1,129			19,454		54,038	54,038	73,492	153,892
Supplies, postage and shipping	38,701	12,222	3,055		53,978	35,646	16,398	52,044	106,022	94,491
Travel and lodging	121,865	7,819	26	114	129,824	15,948	1,199	17,147	146,971	195,295
Telecommunications	8,464	2,673	668		11,805	7,796	2,673	10,469	22,274	21,896
Advertising and staff training (Note 2m)	16,537	1,689			18,226	22,591	837	23,428	41,654	35,334
Food and beverages	7,094	5,913	2,718		15,725	2,028	12,076	14,104	29,829	30,584
Gallery design and installation		57,777			57,777			0	57,777	78,959
Crating, shipping and art insurance		26,254			26,254			0	26,254	80,625
Space rental and venue costs	1,788	917	1,301		4,006			0	4,006	0
Real estate taxes					0			0	0	169,511
Building services, equipment rental and maintenance	49,907	17,129	3,941	249,325	320,302	45,969	15,761	61,730	382,032	650,589
Property and liability insurance	13,024	6,715	1,028	21,353	42,120	11,996	4,113	16,109	58,229	74,039
Events expense	70,259	1,864	738		72,861	85	17,684	17,769	90,630	21,156
Bank charges, interest and credit card fees	3,670	1,159	290	122,325	127,444	3,381	1,159	4,540	131,984	440,417
Bad debt expense						290,511		290,511	290,511	0
Other expenses	30,229				30,229			0	30,229	19,162
Total expenses before depreciation	1,627,060	519,276	74,004	567,406	2,787,746	1,165,240	633,949	1,799,189	4,586,935	5,199,471
Depreciation				462,939	462,939	4,798		4,798	467,737	480,313
Total expenses	$1,627,060	$519,276	$74,004	$1,030,345	$3,250,685	$1,170,038	$633,949	$1,803,987	$5,054,672	$5,679,784

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, 2015
(With comparative totals for the year ended June 30, 2014)

	6/30/15	6/30/14
Cash flows from operating activities:		
Change in net assets	$18,698,350	($2,749,062)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	467,737	480,313
Donated stock	10,806	0
Realized and unrealized losses/(gains) on investments	30,217	(145,679)
Gains on sale of fixed assets	(20,859,568)	0
Changes in assets and liabilities:		
Restricted cash	400,714	(400,714)
Contributions receivable	15,509	4,436,523
Prepaid expenses and other assets	(60,043)	178,626
Security deposits	(525,000)	0
Donated artwork held for auction	2,850	0
Accounts payable and accrued expenses	2,044,645	(99,193)
Deferred tuition	(2,337)	(131,194)
Government grant advances	(57,500)	(53,041)
Total adjustments	(18,531,970)	4,265,641
Net cash flows provided by operating activities	166,380	1,516,579
Cash flows from investing activities:		
Net proceeds on sale of fixed assets	20,996,706	0
Purchase of fixed assets	(4,942,524)	0
Purchases of investments	(238,955)	(861,218)
Proceeds from sales of investments	252,590	867,674
Net cash flows provided by investing activities	16,067,817	6,456
Cash flows from financing activities:		
Proceeds from loan payable	0	3,400,000
Repayments of loan payable	(13,200,670)	(750,001)
Net cash flow (used for)/provided by financing activities	(13,200,670)	2,649,999
Net increase in cash and cash equivalents	3,033,527	4,173,034
Cash and cash equivalents - beginning of year	5,277,044	1,104,010
Cash and cash equivalents - end of year	$8,310,571	$5,277,044

Supplemental disclosure of cash flow information:
Total interest paid - $131,984
Total income taxes paid - $0

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

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.

b. Basis of Presentation
The Institute, as a not-for-profit organization, reports 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 reflected 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.

The market value of investments is subject to fluctuation and principal is not guaranteed. Management believes its investment policy is prudent for the long-term welfare of the Institute.

f. Contributions Receivable
The Institute records unconditional promises to give 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.

g. Investments
Investments are stated 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 has 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 employees have earned but not used. This accrued vacation obligation was $47,467 and $27,649 at June 30, 2015 and June 30, 2014, respectively.

k. Deferred Tuition
Tuition is recognized as revenue in the period the education services are provided. Amounts collected in advance are treated as deferred tuition.

l. Donated Services
The Institute recognizes contributions of services that create or enhance non-financial assets, or require specialized skills, are provided by those who possess those skills and would typically be purchased if not donated. In-kind legal services of $79,900 and $444,800 have been recognized in 2015 and 2014, respectively.

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 financial statements. 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. 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, 2014, from which the summarized information was derived.

q. 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, 2012 and later are subject to examination by applicable taxing authorities.

r. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through November 3, 2015, the date the financial statements were available to be issued. No events 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.

Note 3 - Restricted Cash

In connection with the outstanding loans payable as of June 30, 2014, the Institute was required to establish a separate account with the lender's institution to be used as a reserve for payments of monthly interest installments. This cash account was liquidated as part of the sale of building and settlement of mortgage payable (See Note 7).

Note 4 - Contributions Receivable

Contributions receivable are due in the following periods:

Year ended:	June 30, 2016	$1,224,612
	June 30, 2017	100,000
		1,324,612
Less: adjustment to fair value		(2,000)
Total		$1,322,612

Note 5 - 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, 2015 and June 30, 2014 all investments were considered to be level 1 securities and consisted of the following:

	2015	2014
Money market funds	$29,069	$112,582
U.S. Treasuries	99,562	146,419
Mutual funds	320,737	421,653
Corporate bonds	555,627	454,043
Government agency bonds	162,704	185,587
Exchange traded funds	53,521	0
Corporate equities	707,810	663,404
	$1,929,030	$1,983,688

Level 1 securities are valued at the closing price reported on the active market they are traded on.

Investment income for the year ended June 30, 2015 and June 30, 2014 is as follows:

	6/30/15	6/30/14
Realized gains on sales	$33,741	$114,655
Unrealized (losses)/gains	(63,958)	31,024
Interest and dividends	1,634	675
Interest and dividends - endowment	48,588	49,250
Investment fees	(19,127)	(18,565)
	$878	$177,039

Note 6 - Fixed Assets

Fixed assets consist of:

	6/30/15	6/30/14
Building	$18,270,000	$18,270,000
Capitalized closing costs	247,557	247,557
Furniture and equipment	90,814	80,108
Hurricane Sandy improvements	447,395	0
Construction in progress	4,484,423	0
	23,540,189	18,597,665
Less: accumulated depreciation and amortization	(1,589,458)	(1,121,721)
Fixed assets - net	$21,950,731	$17,475,944

Note 7 - Loan Payable/Gain on Sale of Property

On September 17, 2014, the Institute sold the building located at 125 East 65th Street. The following summarizes the transaction:

Gross proceeds	$22,000,000
Less: broker fees	(880,000)
Less: NYS transfer tax	(88,000)
Less: legal and other fees	(35,294)
Net proceeds from sale	20,996,706
Less: book value on assets sold	(137,138)
Net gains on sale	$20,859,568

The net proceeds were used to pay off the loan balance of $13,200,670 in September 2014.

In connection with the sale, the Institute also entered into a lease with the buyer for a term of one year commencing on the date of the sales agreement. Payment of $1 is due to the buyer under the terms of the lease. The buyer is holding a $500,000 security deposit which is due back to the Institute now that the lease has been terminated.

Note 8 - Temporarily Restricted Net Assets

During the years ended June 30, 2015 and June 30, 2014, net assets were released from restriction due to satisfaction of donor stipulations for the following programs:

	6/30/15	6/30/14
Capital Campaign	$1,064,973	$1,889,593
Development Consultant	76,000	49,000
Exhibitions/Conventions	25,000	0
Teach China	12,573	55,012
We All Live In The Forbidden City	388,996	404,163
China Impact Speakers Series	84,871	60,000
Exhibitions	115,537	909
Other	65,791	38,342
Total program restrictions	1,833,741	2,497,019
Endowment fund	53,900	37,139
Total	$1,887,641	$2,534,158

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

	6/30/15	6/30/14
Capital Campaign	$0	$863,973
Development Consultant	0	76,000
Exhibitions/Conventions	50,000	105,000
Teach China	54,215	36,788
Curriculum Guide	24,859	24,859
We All Live In The Forbidden City	331,368	720,364
China Impact Speakers Series	7,702	90,073
Exhibition: Golden Mangoes	0	107,941
Exhibition: Six Dynasties	365,628	116,824
Summer Study	0	25,000
China Summit	25,000	25,000
Other	88,012	43,141
Total program restrictions	946,784	2,234,963
Endowment fund	404,076	458,734
Total	$1,350,860	$2,693,697

Note 9 - 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 are as follows:

	June 30, 2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$458,734	$1,524,954	$1,983,688
Interest and dividend income	48,588	0	48,588
Investment fees	(19,129)	0	(19,129)
Unrealized losses and realized gains	(30,217)	0	(30,217)
Appropriated for expenditure	(53,900)	0	(53,900)
Endowment net assets, end of year	$404,076	$1,524,954	$1,929,030

	June 30, 2014		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$319,509	$1,524,954	$1,844,463
Interest and dividend income	49,250	0	49,250
Investment fees	(18,565)	0	(18,565)
Unrealized and realized gains	145,679	0	145,679
Appropriated for expenditure	(37,139)	0	(37,139)
Endowment net assets, end of year	$458,734	$1,524,954	$1,983,688

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, 2015 or June 30, 2014.

Note 10 - Commitments and Contingencies

a) 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 may result from such audits will be recognized once amounts become known and probable of payment.

b) The Institute was the defendant in a lawsuit for alleged default of a financing agreement on an equipment lease. $60,000 was accrued as of June 30, 2014 for this matter. A settlement was reached during the year ended June 30, 2015 for a total of $100,000, all of which was paid before year-end.

c) With the completion of phase I of the Institute's new facility construction, the Institute had remaining construction commitments totaling approximately $2,450,000 as of June 30, 2015.

Note 11 - Employee Benefit Plan

Employees of the Institute are covered by a TIAA-CREF defined contribution plan. The Institute may, on an annual basis, contribute a discretionary match of the salaries of eligible employees to the plan. Employees may elect to contribute a portion of their salaries. Contributions under this plan are applied to individual annuities issued to each participant. Employer contributions to the plan were $32,968 and $0 for the years ended June 30, 2015 and June 30, 2014, respectively.

Note 12 - Special Events

A summary of the special events is as follows:

	June 30, 2015			
	Gala	Chinese New Year	Other Events	Total
Gross revenue	$1,017,700	$204,060	$7,238	$1,228,998
Less: direct expense	(68,932)	(79,299)	(5,323)	(153,554)
Revenue, net of direct expenses	948,768	124,761	1,915	1,075,444
Less: indirect expenses	(15,290)	(1,823)	(336)	(17,449)
Net income from special events	$933,478	$122,938	$1,579	$1,057,995

	June 30, 2014			
	Gala	Chinese New Year	Other Events	Total
Gross revenue	$945,781	$438,812	$31,613	$1,416,206
Less: direct expense	(68,442)	(101,031)	(8,656)	(178,129)
Revenue, net of direct expenses	877,339	337,781	22,957	1,238,077
Less: indirect expenses	(58,443)	(24,207)	(289)	(82,939)
Net income from special events	$818,896	$313,574	$22,668	$1,155,138

Note 13 - Related Party Transaction

During the year ended June 30, 2015, the Institute paid fees to a firm for architectural services totaling $546,313. The chair of the board is a principal of the architecture firm. The transaction was approved in advance by the board after full disclosure at a properly scheduled board meeting.