

**UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA**

***FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

**JUNE 30, 2017 AND 2016**

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## *TABLE OF CONTENTS*

---

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
<i>Statements of Financial Position,</i> June 30, 2017 and 2016	2
<i>Statement of Activities and Changes in Net Assets,</i> Year ended June 30, 2017 with Summarized Information for 2016	3
<i>Statements of Cash Flows,</i> Years ended June 30, 2017 and 2016	4
<i>Notes to Financial Statements</i>	5

---

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Trustees**  
**United Board For Christian Higher Education In Asia**  
New York, New York

We have audited the accompanying financial statements of United Board For Christian Higher Education In Asia which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets 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.

### ***Auditor's 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 of material misstatement.

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

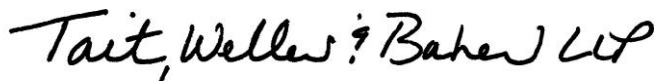
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Board For Christian Higher Education In Asia as of June 30, 2017, 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.

### ***Report on Summarized Comparative Information***

We have previously audited United Board For Christian Higher Education In Asia's 2016 financial statements, and our report dated October 17, 2016, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



TAIT, WELLER & BAKER LLP

New York, New York  
October 2, 2017

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## STATEMENTS OF FINANCIAL POSITION

June 30, 2017 And 2016

---

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash	\$ 836,143	\$ 706,345
Pledges receivable <i>(Note 2)</i>	805,846	797,265
Accounts receivable	551,828	80,083
Advances and miscellaneous receivables	189,501	28,369
Prepaid expenses	80,378	93,711
Investments, at market <i>(Note 3)</i>	129,622,483	115,287,846
Beneficial Interest in Remainder Trust	334,095	319,346
Furniture and equipment, net of accumulated depreciation of \$404,564 and \$389,098 in 2017 and 2016	<u>31,529</u>	<u>35,400</u>
<b>Total assets</b>	<b><u>\$ 132,451,803</u></b>	<b><u>\$ 117,348,365</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 210,932	\$ 179,887
Grants payable	510,523	204,353
Postretirement health benefit obligation <i>(Note 8)</i>	<u>478,630</u>	<u>560,444</u>
<b>Total liabilities</b>	<b><u>1,200,085</u></b>	<b><u>944,684</u></b>
Net assets		
Unrestricted	79,380,300	69,844,325
Temporarily restricted <i>(Note 5)</i>	38,073,829	32,921,919
Permanently restricted <i>(Note 5)</i>	<u>13,797,589</u>	<u>13,637,437</u>
<b>Total net assets</b>	<b><u>131,251,718</u></b>	<b><u>116,403,681</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 132,451,803</u></b>	<b><u>\$ 117,348,365</u></b>

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2017 With Summarized Information For 2016

	Unrestricted			Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
	Operations	Long-Term Investment	Total				
<b>Support and Revenue</b>							
Foundation gifts	\$ 846,909	\$ -	\$ 846,909	\$ 58,500	\$ -	\$ 905,409	\$ 834,992
General public gifts	190,980	200	191,180	1,768,603	151,571	2,111,354	1,798,633
Bequests	-	-	-	-	8,581	8,581	4,255
U.S. Government	-	-	-	828,846	-	828,846	-
Change in value of beneficial interest in remainder trust	-	-	-	14,749	-	14,749	3,071
Endowment income ( <i>Note 3</i> )	4,402,560	-	4,402,560	841,487	-	5,244,047	5,246,124
Other investment income	-	-	-	-	-	-	4,521
Net assets released from temporary restrictions ( <i>Note 5</i> )	<u>3,553,971</u>	<u>-</u>	<u>3,553,971</u>	<u>(3,553,971)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>8,994,420</u>	<u>200</u>	<u>8,994,620</u>	<u>(41,786)</u>	<u>160,152</u>	<u>9,112,986</u>	<u>7,891,596</u>
<b>Expenses</b>							
Program services	6,310,726	-	6,310,726	-	-	6,310,726	4,795,387
Management and general	837,370	-	837,370	-	-	837,370	827,813
Fundraising	<u>761,587</u>	<u>-</u>	<u>761,587</u>	<u>-</u>	<u>-</u>	<u>761,587</u>	<u>740,520</u>
<b>Total expenses</b>	<u>7,909,683</u>	<u>-</u>	<u>7,909,683</u>	<u>-</u>	<u>-</u>	<u>7,909,683</u>	<u>6,363,720</u>
<b>Excess (deficit) of support and revenues over expenses</b>	1,084,737	200	1,084,937	(41,786)	160,152	1,203,303	1,527,876
<b>Other changes in net assets:</b>							
Investment return in excess (deficit) of amount designated for current operations ( <i>Note 3</i> )	-	8,349,414	8,349,414	5,143,609	-	13,493,023	(12,551,590)
Unused grant funds and other income	101,624	-	101,624	50,087	-	151,711	58,996
Transfer between net assets	<u>(1,186,361)</u>	<u>1,186,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Increase (decrease) in net assets</b>	-	9,535,975	9,535,975	5,151,910	160,152	14,848,037	(10,964,718)
<b>Net assets</b>							
Beginning of year	<u>224,400</u>	<u>69,619,925</u>	<u>69,844,325</u>	<u>32,921,919</u>	<u>13,637,437</u>	<u>116,403,681</u>	<u>127,368,399</u>
<b>End of year</b>	<u>\$ 224,400</u>	<u>\$ 79,155,900</u>	<u>\$ 79,380,300</u>	<u>\$ 38,073,829</u>	<u>\$ 13,797,589</u>	<u>\$ 131,251,718</u>	<u>\$ 116,403,681</u>

See notes to financial statements.

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 And 2016

	<u>2017</u>	<u>2016</u>
<b><i>Cash flows from operating activities</i></b>		
Cash received from foundations	\$ 905,407	\$ 834,992
Cash received from general public	1,593,589	1,635,389
Cash received from U.S. Government	828,846	-
Interest and dividends received	1,167,100	1,217,782
Cash paid to employees and suppliers	(3,024,082)	(2,845,892)
Grants paid	<u>(4,610,827)</u>	<u>(3,589,090)</u>
<b>Net cash used for operating activities</b>	<u>(3,139,967)</u>	<u>(2,746,819)</u>
<b><i>Cash flows from investing activities</i></b>		
Proceeds from sale of investments	39,906,137	74,944,793
Purchase of investments	(36,776,348)	(72,919,824)
Purchase of furniture and equipment	<u>(11,595)</u>	<u>(30,149)</u>
<b>Net cash provided by investing activities</b>	<u>3,118,194</u>	<u>1,994,820</u>
<b><i>Cash flows provided by financing activities</i></b>		
Cash from contributions restricted for investment in endowment	<u>151,571</u>	<u>274,846</u>
<b>Net increase (decrease) in cash</b>	129,798	(477,153)
<b><i>Cash</i></b>		
Beginning of year	<u>706,345</u>	<u>1,183,498</u>
End of year	<u>\$ 836,143</u>	<u>\$ 706,345</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
<b><i>Change in net assets</i></b>	<u>\$ 14,848,037</u>	<u>\$ (10,964,718)</u>
<b><i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i></b>		
Depreciation	15,466	23,108
Net realized and unrealized losses (gains) on investments	(17,464,426)	8,494,340
Contributions restricted for endowment	(151,571)	(274,846)
(Increase) decrease in		
Split interest agreements receivable	(14,749)	(3,071)
Accounts receivable	(471,745)	6,957
Pledges receivable	(8,581)	124,777
Advances and miscellaneous receivables	(161,132)	7,718
Prepaid expenses	13,333	(27,546)
Increase (decrease) in		
Accounts payable and accrued expenses	31,045	(67,465)
Grants payable	306,170	(20,372)
Postretirement health benefit obligation	<u>(81,814)</u>	<u>(45,701)</u>
<b>Net adjustments</b>	<u>(17,988,004)</u>	<u>8,217,899</u>
<b><i>Net cash used for operating activities</i></b>	<u>\$ (3,139,967)</u>	<u>\$ (2,746,819)</u>

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017 And 2016

---

### (1) SIGNIFICANT ACCOUNTING POLICIES

#### ***ORGANIZATION AND PURPOSE***

The United Board for Christian Higher Education in Asia (the ***“United Board”***) is a Christian organization that works primarily, though not exclusively, through Christian institutions of higher education in Asia to express Christian values such as justice, reconciliation and harmony between ethnic and religious communities, care for the environment, and civil society.

#### ***USE OF ESTIMATES***

In preparing financial statements in conformity with generally accepted accounting principles in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reported period. Actual results may differ from those estimates.

#### ***CASH AND CASH EQUIVALENTS***

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents, principally money market funds.

The United Board had approximately \$222,000 and \$152,000, respectively, in an uninsured foreign cash account as of June 30, 2017 and 2016, respectively.

#### ***FOREIGN CURRENCY***

The United Board has an office in Hong Kong. Assets and liabilities are translated at the rates of exchange at the balance sheet date while income statement accounts are translated at exchange rates in effect during the year.

#### ***CONCENTRATION OF CREDIT RISK***

The United Board occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (***“ASC”***) 825, ***“Financial Instruments”***, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made. In addition, management mitigates the risk of its exposure to uninsured cash by minimizing the frequency that it holds cash in excess of FDIC insured limits and if such limits are exceeded, the holdings are of short duration.

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## *NOTES TO FINANCIAL STATEMENTS – (Continued)*

June 30, 2017 And 2016

---

### ***INVESTMENTS***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and reported based on quoted market prices. Reported fair values for private equities, venture capital limited partnership interests, hedge funds and similar investments (collectively, “alternative investments”) are estimated by the respective external investment manager if ascertainable fair values are not readily available. Such valuations involve assumptions and methods that are verified by the United Board. Because the United Board’s alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ significantly from the fair value that would have been reported had a ready market for such investments existed. Due to inherent risks and potential volatility in investment valuations, the amount reported in the accompanying financial statements can vary substantially from year to year and such differences could be material.

### ***BENEFICIAL INTEREST IN REMAINDER TRUSTS***

The United Board has a beneficial interest in remainder trusts, the assets of which are held and managed by third parties.

The beneficial interest in remainder trusts is recorded at fair value based on the fair value of the trusts less the fair value of the payments to be made to the income beneficiaries of the trusts.

### ***NET ASSETS***

A description of the three net asset categories follows:

***Unrestricted net assets*** include the revenues and expenses associated with the principal mission of the United Board.

***Temporarily restricted net assets*** include gifts for which donor-imposed restrictions have not been met.

***Permanently restricted net assets*** include gifts, trusts and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

### ***FURNITURE AND EQUIPMENT***

Furniture and equipment are stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

At the time furniture and equipment become fully depreciated, are retired or disposed of, the accumulated depreciation applicable thereof is charged against the respective asset account and any gain or loss on disposal is credited or charged directly to income.

### ***U.S. GOVERNMENT GRANTS***

The United Board records revenue on contracts with the U.S. Government when expenditures are incurred.



# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2017 And 2016

---

### **CONTRIBUTIONS**

Contributions are recognized as revenue when received, whether as cash, other assets or an unconditional promise of payment and are considered available for unrestricted use, unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets.

Non-cash contributions are recorded at fair value as of the date of gift.

### **INCOME TAXES**

The United Board is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation and qualifies for the maximum charitable deduction by donors.

Management has reviewed the tax positions for each of the open tax years (2013 – 2015) or expected to be taken in the United Board's 2016 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

### **PRIOR YEAR 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 United Board's audited financial statements for the year ended June 30, 2016, from which the summarized information was derived.

## **(2) PLEDGES RECEIVABLE**

The following is a summary of unconditional promises to give at June 30:

	<u>2017</u>	<u>2016</u>
Endowed Scholarship Fund	\$ 1,000,000	\$ 1,000,000
Less discount to present value at 1.8%	<u>(194,154)</u>	<u>(202,735)</u>
Net pledge receivable	<u>\$ 805,846</u>	<u>\$ 797,265</u>
Amounts due in:		
Greater than five years	<u>\$ 805,846</u>	<u>\$ 797,265</u>

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2017 And 2016

### (3) INVESTMENTS

Investments at June 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 3,804,420	\$ 1,998,289
Marketable securities	4,540,482	3,704,133
Mutual Funds		
Short Term	5,182,012	4,911,310
Fixed Income	4,546,466	4,413,018
Equity	64,887,754	58,460,190
Alternative Investments		
Long/Short Strategy	17,422,244	11,870,632
Multi-Strategy	17,902,677	17,324,197
Fixed Income Strategies	8,034,278	11,123,509
Real Assets	<u>3,302,150</u>	<u>1,482,568</u>
	<u>\$ 129,622,483</u>	<u>\$ 115,287,846</u>

The following table summarizes the investment return and its classification in the statement of activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>June 30, 2017 Total</u>	<u>June 30, 2016 Total</u>
Interest and dividends (net of advisory fees of approximately \$450,399 in 2017 and \$413,000 in 2016)	\$ 768,397	\$ 504,247	\$ 1,272,644	\$ 1,188,874
Realized/unrealized (losses) gains on investments	<u>10,687,791</u>	<u>6,776,635</u>	<u>17,464,426</u>	<u>(8,494,340)</u>
Total investment return	11,456,188	7,280,882	18,737,070	(7,305,466)
Investment performance on accumulated deficit balances	96,853	(96,853)	-	-
Investment income designated for current operations*	<u>3,203,627</u>	<u>2,040,420</u>	<u>5,244,047</u>	<u>5,246,124</u>
Investment income in excess of amounts designated for current operations	<u>\$ 8,349,414</u>	<u>\$ 5,143,609</u>	<u>\$ 13,493,023</u>	<u>\$ (12,551,590)</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>June 30, 2017 Total</u>
* Reconciliation to Statement of Activities			
Investment return designated for current operations per above	\$ 3,203,627	\$ 2,040,420	\$ 5,244,047
Investment return – permanent endowment income restricted as to use	<u>1,198,933</u>	<u>(1,198,933)</u>	<u>-</u>
Per Statement of Activities – investment return	<u>\$ 4,402,560</u>	<u>\$ 841,487</u>	<u>\$ 5,244,047</u>

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2017 And 2016

### (4) FAIR VALUE OF FINANCIAL INSTRUMENTS

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of inputs are described below:

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

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an active market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing United Board’s own assurance about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The hierarchy requires the use of observable market data when available. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the measurement.

Alternative investments are commingled funds and are valued at their net asset value (“NAV”).

Beneficial Interest in Remainder Trust is measured at the estimated fair value of the underlying assets of the trust or the fair value of the future cash flows. Because the trust will not be distributed to the United Board, the inputs to fair value are considered to Level 3.

The summary of inputs used to value the United Board’s investments and beneficial interest in remainder trust as of June 30, 2017 is as follows:

	2017			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Cash and Cash Equivalents	\$ 3,804,420	\$ -	\$ -	\$ 3,804,420
Marketable Securities	4,540,482	-	-	4,540,482
Mutual Funds				
Short Term	5,182,012	-	-	5,182,012
Fixed Income	4,546,466	-	-	4,546,466
Equity	<u>64,887,754</u>	<u>-</u>	<u>-</u>	<u>64,887,754</u>
	<u>\$ 82,961,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,961,134</u>
Alternative Investments measured at net asset value:				
Long/Short Strategy				17,422,244
Multi-Strategies				17,902,677
Fixed Income Strategies				8,034,278
Real Assets				<u>3,302,150</u>
Total Alternative Investments				<u>46,661,349</u>
Total Investments				<u>\$ 129,622,483</u>
Beneficial Interest in Remainder Trust	<u>\$ 334,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,095</u>

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2017 And 2016

	2016			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Investments</b>				
Cash and Cash Equivalents	\$ 1,998,289	\$ -	\$ -	\$ 1,998,289
Marketable Securities	3,704,133	-	-	3,704,133
Mutual Funds				
Short Term	4,911,310	-	-	4,911,310
Fixed Income	4,413,018	-	-	4,413,018
Equity	<u>58,460,190</u>	<u>-</u>	<u>-</u>	<u>58,460,190</u>
	<u>\$ 73,486,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,486,940</u>
Alternative Investments measured at net asset value				
Long/Short Strategy				11,870,632
Multi-Strategies				17,324,197
Fixed Income Strategies				11,123,509
Real Assets				<u>1,482,568</u>
Total Alternative Investments				<u>41,800,906</u>
Total Investments				<u>\$ 115,287,846</u>
Beneficial Interest in Remainder Trust	<u>\$ 319,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,346</u>

There were no transfers between Level 1 and Level 2 during the year ended June 30, 2017 and 2016.

United Board's alternative investments are comprised of the following categories:

Long/Short Strategy – investments directly in long and short positions in global securities and fund-of-funds.

Multi-Strategies – investments which focus on multi-strategy investing including, but not limited to, a variety of arbitrage strategies, distressed investments, long/short equity, private equity and special situations.

Fixed Income Strategies – investments in debt or debt-like securities of both established and emerging financial market and senior bank debt.

Real Assets – investments in real estate and energy

Alternative investments generally limit redemptions to monthly, quarterly, semi-annually, annually or longer and require between 45 and 180 days' notice. The following table represents unfunded commitments and liquidity of the alternative investments at June 30, 2017:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency After End Of Initial Redemption Period</u>	<u>Redemption Notice Period</u>
Long/Short Strategy	\$ 17,422,244	\$ -	Monthly-Quarterly	15-120 days
Multi Strategies	17,902,677	-	Monthly – 3 years	45-95 days
Fixed Income Strategies	8,034,278	-	Semi-Monthly/Monthly	5-30 days
Real Assets	<u>3,302,150</u>	<u>4,610,997</u>	Not Eligible	N/A
	<u>\$ 46,661,349</u>	<u>\$ 4,610,997</u>		

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2017 And 2016

---

### (5) NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Grants and gifts – designated	\$ 1,331,472	\$ 1,362,920
Split interest agreements	334,095	319,346
Term endowments	103,583	82,490
Funds functioning as endowment	1,109,857	992,405
Endowment income (including realized and unrealized gains) – restricted	<u>35,194,822</u>	<u>30,164,758</u>
	<u>\$ 38,073,829</u>	<u>\$ 32,921,919</u>

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

	<u>2017</u>	<u>2016</u>
Investment in perpetuity, the income from which is expendable to support the activities of the organization	\$ 12,991,743	\$ 12,840,172
Endowment pledge	<u>805,846</u>	<u>797,265</u>
	<u>\$ 13,797,589</u>	<u>\$ 13,637,437</u>

During the years ended June 30, 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Purpose restrictions accomplished:

	<u>2017</u>	<u>2016</u>
Program services	<u>\$3,553,971</u>	<u>\$1,978,172</u>

### ENDOWMENT FUNDS

The United Board's endowment funds consist of individual funds established for a variety of purposes. Its endowment funds consist of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP in the United States, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2017 And 2016

---

### INTERPRETATION OF RELEVANT LAW

The United Board is incorporated in the state of New York, which has enacted the New York Prudent Management of Institutional Funds Act (“*NYPMIFA*”). *NYPMIFA* governs donor restricted or permanently restricted endowment funds for not-for-profit corporations. The United Board has interpreted the applicable state standards and guidelines for the prudent management of an endowment fund as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the United Board 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. The remaining portion of the donor-restricted endowment fund (i.e. the accumulated realized and unrealized gains/losses) that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the United Board. The United Board 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 United Board 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 United Board
- (7) 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 institution.
- (8) The investment policies of the United Board

### RETURN OBJECTIVES AND RISK PARAMETERS

According to policy approved by the Board of Trustees, the United Board assets are invested in a manner to preserve the real purchasing power of the assets after all withdrawals and fees by earning a total rate of return over full market cycles of 3 to 5 years which will support the spending policy stated below. Additionally, the total rate of return (net of fees) is expected to equal or exceed a passive investment in commonly quoted market indices (benchmarks) based on a long-term optimal asset allocation.

To satisfy its long-term rate-of-return objectives, the United Board relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The United Board targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2017 And 2016

---

### SPENDING POLICY

The United Board has a policy that limits annual spending that is 70% weighed to the prior year spending amount increased by inflation and 30% weighted to 4.5% of the average market value of the endowment fund's last four quarters ending on December 31, preceding the fiscal year in which the distributions are made. This policy is consistent with the United Board's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns. The Finance and Administration Committee annually reviews and approves all permanently restricted funds in accordance with NYPMIFA to determine if it's prudent to spend from the endowment.

### 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 state standards require the United Board to retain as a fund of perpetual duration. At June 30, 2017 and 2016, \$3,341 and \$100,194, respectively, of donor restricted endowment funds were below the required level and have been reclassified against the unrestricted net assets.

Endowment net asset composition by type of fund as of June 30, 2017 and 2016:

	2017			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds / pledges	\$ (3,341)	\$ 35,298,405	\$ 13,797,589	\$ 49,092,653
Funds functioning as endowment funds	<u>79,159,241</u>	<u>1,109,857</u>	<u>-</u>	<u>80,269,098</u>
Total Funds	<u>\$79,155,900</u>	<u>\$36,408,262</u>	<u>\$13,797,589</u>	<u>\$129,361,751</u>

	2016			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds / pledges	\$ (100,194)	\$ 30,247,248	\$ 13,637,437	\$ 43,784,491
Funds functioning as endowment funds	<u>69,720,119</u>	<u>992,405</u>	<u>-</u>	<u>70,712,524</u>
Total Funds	<u>\$69,619,925</u>	<u>\$31,239,653</u>	<u>\$13,637,437</u>	<u>\$114,497,015</u>

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2017 And 2016

Changes in endowment net assets for the years ended June 30, 2017 and 2016:

	<u>2017</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ 69,619,925	\$ 31,239,653	\$ 13,637,437	\$ 114,497,015
Investment return <i>(See Note 3)</i>	11,456,188	7,280,882	-	18,737,070
Contributions	200	25,000	160,152	185,352
Transfer from operations	1,186,361	-	-	1,186,361
Endowment income designated for current operations	(3,203,627)	(2,040,420)	-	(5,244,047)
Deficit balances in accumulated earnings	<u>96,853</u>	<u>(96,853)</u>	<u>-</u>	<u>-</u>
	<u>\$ 79,155,900</u>	<u>\$ 36,408,262</u>	<u>\$ 13,797,589</u>	<u>\$ 129,361,751</u>

	<u>2016</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ 76,262,952	\$ 35,988,775	\$ 13,362,591	\$ 125,614,318
Investment return <i>(See Note 3)</i>	(4,460,519)	(2,844,947)	-	(7,305,466)
Contributions	900	53,000	274,846	328,746
Transfer from operations	1,105,541	-	-	1,105,541
Endowment income designated for current operations	(3,194,109)	(2,052,015)	-	(5,246,124)
Deficit balances in accumulated earnings	<u>(94,840)</u>	<u>94,840</u>	<u>-</u>	<u>-</u>
	<u>\$ 69,619,925</u>	<u>\$ 31,239,653</u>	<u>\$ 13,637,437</u>	<u>\$ 114,497,015</u>



# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2017 And 2016

### (6) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of supporting programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited as follows:

	<b>Program Services</b>	<b>SUPPORT SERVICES</b>			<b>Total Expenses</b>
		<b>Management And General</b>	<b>Fund- Raising</b>	<b>Total Support Services</b>	
<b>2017</b>					
Grants to universities and other programs	\$ 5,068,708	\$ -	\$ -	\$ -	\$ 5,068,708
Salaries and benefits	965,374	598,022	555,158	1,153,180	2,118,554
Occupancy	114,012	47,775	51,161	98,936	212,948
Travel	93,313	36,568	27,611	64,179	157,492
Development program	45,161	-	105,187	105,187	150,348
Other	<u>24,158</u>	<u>155,005</u>	<u>22,470</u>	<u>177,475</u>	<u>201,633</u>
	<u>\$ 6,310,726</u>	<u>\$ 837,370</u>	<u>\$ 761,587</u>	<u>\$ 1,598,957</u>	<u>\$ 7,909,683</u>

	<b>Program Services</b>	<b>SUPPORT SERVICES</b>			<b>Total Expenses</b>
		<b>Management And General</b>	<b>Fund- Raising</b>	<b>Total Support Services</b>	
<b>2016</b>					
Grants to universities and other programs	\$ 3,627,714	\$ -	\$ -	\$ -	\$ 3,627,714
Salaries and benefits	939,431	590,264	554,550	1,144,814	2,084,245
Occupancy	110,343	47,640	50,168	97,808	208,151
Travel	53,100	53,553	28,027	81,580	134,680
Development program	28,928	-	75,041	75,041	103,969
Other	<u>35,871</u>	<u>136,356</u>	<u>32,734</u>	<u>169,090</u>	<u>204,961</u>
	<u>\$ 4,795,387</u>	<u>\$ 827,813</u>	<u>\$ 740,520</u>	<u>\$ 1,568,333</u>	<u>\$ 6,363,720</u>

### (7) LEASE COMMITMENT

The United Board leases office space in New York City under a lease which expires November 2020. The lease contains a provision for a basic rent amount with annual increases for building operating costs. The United Board also leases office space in Hong Kong under a lease which expires June 30, 2019. Total rent expense for the years ended June 30, 2017 and 2016 under these leases was approximately \$207,000 and \$203,000, respectively. The future basic rental commitments (exclusive of operating expense escalation) relating to these leases at June 30, 2017 are as follows:

<b>Year Ending June 30</b>	
2018	\$ 215,900
2019	215,900
2020	122,200
2021	<u>50,900</u>
	<u>\$ 604,900</u>

# UNITED BOARD FOR CHRISTIAN HIGHER EDUCATION IN ASIA

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2017 And 2016

---

### (8) RETIREMENT PLANS

Contributions are made to a voluntary, defined contribution pension plan (the “*Plan*”). The Plan, which is available to all eligible employees, is funded through payments to a custodial account arrangement with an insurance company and involves investments in mutual funds. Voluntary and employer contributions are fully vested at the time of contribution. Employer contributions for 2017 and 2016 were approximately \$236,000 and \$230,000, respectively.

The United Board also provides certain healthcare benefits for eligible retired employees and their spouses. Employees become eligible for these benefits if they retire after the age of 60 and have completed 10 years of service. These benefits were frozen for new employees hired after 1999. The amount of the accumulated post-retirement benefit obligation as of June 30, 2017 and 2016 was \$478,630 and \$560,444, respectively. The approximate cost of the benefit payments was \$44,500 and \$46,500 for 2017 and 2016, respectively.

### (9) LINE OF CREDIT

The United Board has available a \$2,500,000 line of credit which carries interest at a rate of 1% above the Prime Rate of interest and requires a minimum of \$3,125,000 in pledged assets of marketable securities as collateral. No amounts were outstanding on this line as of June 30, 2017 and 2016. The line of credit expires on October 19, 2018.

### (10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date the financial statements were available for issuance, October 2, 2017, have been evaluated in the preparation of the financial statements.