

FINANCIAL STATEMENTS



**CENTRAL
ASIA
INSTITUTE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

CENTRAL ASIA INSTITUTE

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Central Asia Institute
Bozeman, Montana

We have audited the accompanying financial statements of the Central Asia Institute (CAI), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities and change in net assets, 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.

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 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.

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 CAI as of September 30, 2020, and the change in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited CAI's 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

April 13, 2021

CENTRAL ASIA INSTITUTE
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,170,884	\$ 3,151,346
Investments	7,045,298	5,845,675
Prepaid expenses and other assets	<u>54,079</u>	<u>196,866</u>
Total current assets	<u>9,270,261</u>	<u>9,193,887</u>
PROPERTY AND EQUIPMENT		
Land	147,200	147,200
Buildings and improvements	490,054	490,054
Equipment	<u>43,361</u>	<u>43,361</u>
	680,615	680,615
Less: Accumulated depreciation	<u>(168,832)</u>	<u>(145,564)</u>
Net property and equipment	<u>511,783</u>	<u>535,051</u>
NONCURRENT ASSETS		
Investments, net of current portion	<u>-</u>	<u>1,078,574</u>
TOTAL ASSETS	<u>\$ 9,782,044</u>	<u>\$ 10,807,512</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Note payable, current	\$ -	\$ 36,247
Accounts payable and accrued liabilities	80,471	234,769
Grants payable	28,510	403,868
Refundable advances	<u>50,000</u>	<u>-</u>
Total current liabilities	<u>158,981</u>	<u>674,884</u>
NONCURRENT LIABILITIES		
Note payable, net of current portion	<u>-</u>	<u>125,368</u>
Total liabilities	<u>158,981</u>	<u>800,252</u>
NET ASSETS		
Without donor restrictions		
Undesignated	8,020,821	8,354,398
Board designated for Pioneer Fund	<u>445,000</u>	<u>445,000</u>
Total without donor restrictions	8,465,821	8,799,398
With donor restrictions	<u>1,157,242</u>	<u>1,207,862</u>
Total net assets	<u>9,623,063</u>	<u>10,007,260</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,782,044</u>	<u>\$ 10,807,512</u>

CENTRAL ASIA INSTITUTE

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 1,960,618	\$ 291,072	\$ 2,251,690	\$ 2,134,636
Investment income (loss)	526,658	-	526,658	(197,732)
In-kind contributions	8,742	-	8,742	16,711
Other revenue	11,899	-	11,899	4,417
Net assets released from donor restrictions	<u>341,692</u>	<u>(341,692)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,849,609</u>	<u>(50,620)</u>	<u>2,798,989</u>	<u>1,958,032</u>
EXPENSES				
Program Services:				
Global Outreach Program	233,342	-	233,342	319,165
Overseas Education and Projects	<u>2,195,118</u>	<u>-</u>	<u>2,195,118</u>	<u>1,557,586</u>
Total program services	<u>2,428,460</u>	<u>-</u>	<u>2,428,460</u>	<u>1,876,751</u>
Supporting Services:				
General and Administration	446,377	-	446,377	752,370
Fundraising	<u>308,349</u>	<u>-</u>	<u>308,349</u>	<u>394,527</u>
Total supporting services	<u>754,726</u>	<u>-</u>	<u>754,726</u>	<u>1,146,897</u>
Total expenses	<u>3,183,186</u>	<u>-</u>	<u>3,183,186</u>	<u>3,023,648</u>
Change in net assets	(333,577)	(50,620)	(384,197)	(1,065,616)
Net assets at beginning of year	<u>8,799,398</u>	<u>1,207,862</u>	<u>10,007,260</u>	<u>11,072,876</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,465,821</u>	<u>\$ 1,157,242</u>	<u>\$ 9,623,063</u>	<u>\$ 10,007,260</u>

CENTRAL ASIA INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020						2019	
	Program Services			Supporting Services			Total Expenses	Total Expenses
	Global Outreach Program	Overseas Education and Projects	Total Program Services	General and Administration	Fundraising	Supporting Services		
Advertising and promotion	\$ 12,400	\$ -	\$ 12,400	\$ 2,197	\$ 12,399	\$ 14,596	\$ 26,996	\$ 62,592
Depreciation	-	-	-	23,268	-	23,268	23,268	59,737
Equipment	753	1,607	2,360	7,400	1,745	9,145	11,505	3,700
Events	-	-	-	1,000	856	1,856	1,856	3,762
Fees, permits and memberships	290	9,032	9,322	4,264	30,046	34,310	43,632	71,061
Insurance	38	329	367	64,586	-	64,586	64,953	69,215
Interest	-	-	-	9,928	-	9,928	9,928	7,620
Occupancy	2,829	6,268	9,097	5,177	4,411	9,588	18,685	29,823
Office supplies	53	82	135	3,888	336	4,224	4,359	12,056
Overseas education and community health grants	-	1,821,511	1,821,511	-	-	-	1,821,511	1,306,431
Personnel costs	85,631	281,331	366,962	127,836	152,363	280,199	647,161	633,060
Postage and delivery	13,450	1,066	14,516	1,291	16,611	17,902	32,418	47,071
Professional fees	63,695	70,840	134,535	177,384	38,962	216,346	350,881	513,203
Publications	26,266	65	26,331	450	27,026	27,476	53,807	95,169
Technology	27,640	1,698	29,338	12,336	20,517	32,853	62,191	49,628
Travel	297	1,289	1,586	5,372	3,077	8,449	10,035	59,520
TOTAL	\$ 233,342	\$ 2,195,118	\$ 2,428,460	\$ 446,377	\$ 308,349	\$ 754,726	\$ 3,183,186	\$ 3,023,648

See accompanying notes to financial statements.

CENTRAL ASIA INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (384,197)	\$ (1,065,616)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	23,268	59,737
Unrealized (gain) loss on investments	(299,062)	201,382
Realized (gain) loss on sales of investments	(51,372)	137,305
Loss on sale of land	-	6,121
Receipt of donated securities	-	(22,654)
Sale of donated securities	-	22,315
Realized loss on sale of donated securities	-	339
Decrease (increase) in:		
Pledges receivable	-	188,903
Prepaid expenses and other assets	142,787	(156,246)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(154,298)	47,531
Grants payable	(375,358)	(557,257)
Refundable advances	<u>50,000</u>	<u>-</u>
Net cash used by operating activities	<u>(1,048,232)</u>	<u>(1,138,140)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of land	-	48,496
Purchase of investments	(6,009,891)	(7,570,267)
Proceeds from sale of investments	<u>6,239,276</u>	<u>10,474,785</u>
Net cash provided by investing activities	<u>229,385</u>	<u>2,953,014</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note payable	<u>(161,615)</u>	<u>(34,752)</u>
Net cash used by financing activities	<u>(161,615)</u>	<u>(34,752)</u>
Net (decrease) increase in cash and cash equivalents	(980,462)	1,780,122
Cash and cash equivalents at beginning of year	<u>3,151,346</u>	<u>1,371,224</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>2,170,884</u>	\$ <u>3,151,346</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ <u>9,928</u>	\$ <u>8,092</u>

CENTRAL ASIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Central Asia Institute (CAI) is a non-profit organization, incorporated in the State of Delaware and located in Bozeman, Montana. CAI's mission is to promote education and livelihood skills, especially for girls and women, in the remote regions of Afghanistan, Pakistan, and Tajikistan.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with CAI's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2020, CAI adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. CAI adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

CAI considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000.

CENTRAL ASIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Cash and cash equivalents (continued) -

At times during the year, CAI maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors in the accompanying Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 3 to 39 years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended September 30, 2020 totaled \$23,268.

Income taxes -

CAI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income.

CAI invests in limited partnership investments which could result in investment income that would be classified as unrelated business income; the limited partnership investments incurred losses in 2020, accordingly, a provision for income taxes was not accrued in the accompanying financial statements.

CAI is not a private foundation.

Uncertain tax positions -

For the year ended September 30, 2020, CAI has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statement of Activities and Change in Net Assets, to its current fair value.

CENTRAL ASIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Contributions -

The majority of CAI's revenue is received through contributions from international organizations, other entities, and individuals. Contributions are recognized in the appropriate category of net assets in the period received. CAI performs an analysis of the individual contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal. For contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions qualifying as conditional contributions contain a "barrier" and a right of return or right of release from obligation (and the entity has limited discretion over how funds transferred should be spent). Conditional contributions are not recognized until the conditions on which they depend are substantially met; revenue is recognized when the condition or conditions are satisfied. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances; as of September 30, 2020, CAI recorded \$50,000 of refundable advances under conditional assistance awards. CAI has not received any other conditional contributions as of September 30, 2020.

In-kind contributions -

In-kind contributions consist primarily of professional services. In-kind contributions are recorded at their fair value as of the date of the gift.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising -

CAI expenses advertising costs as incurred. Advertising expense was \$26,996 for the year ended September 30, 2020.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of CAI are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

CENTRAL ASIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Grants expense -

CAI provides assistance to local organizations in Pakistan, Tajikistan and Afghanistan. At the time of award, CAI records an expense for the current obligated value, and grantees are responsible for successfully completing the program purposes stipulated in the agreement (and must report its qualifying expenditures to CAI in order to satisfy the restrictions placed on the use of those funds), otherwise, funds must be returned to CAI or will become de-obligated.

Risks and uncertainties -

CAI invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

CAI adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. CAI accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

CAI follows the disclosure provisions of accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosure for Investment in Certain Entities that Calculate Net Asset Value Per Share (or Its Equivalent)*. The ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact CAI's operations. The overall potential impact is unknown at this time.

New accounting pronouncements (not yet adopted) -

ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. During 2020, the FASB delayed the implementation date under ASU 2020-05 for an additional year. Organizations may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019 and for interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is still permitted.

CENTRAL ASIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

New accounting pronouncements (not yet adopted) (continued) -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

CAI plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following as of September 30, 2020:

	Fair Value
U.S. equities	\$ 2,383,890
International equities	1,355,917
Mutual funds - International fixed income	71,190
U.S. fixed income	3,208,738
Limited partnership interests	25,563
NET INVESTMENTS	\$ 7,045,298

Included in net investment income are the following:

Interest and dividends	\$ 207,228
Unrealized gain on investments	299,062
Realized gain on sales of investments	51,372
Investment fees	(31,004)
NET INVESTMENT INCOME	\$ 526,658

Interest income includes interest earned on operating cash and cash equivalents.

3. BOARD DESIGNATED NET ASSETS

As of September 30, 2020, net assets without donor restrictions of \$445,000 have been designated by the Board of Directors for the "Pioneer Fund". The Pioneer Fund was established to provide sustainability to all of CAI's overseas projects and related program delivery.

CENTRAL ASIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2020:

Subject to Expenditure for Specified Purpose:	
Overseas Education and Projects	<u>\$ 1,157,242</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose Restrictions Accomplished:	
Overseas Education and Projects	<u>\$ 341,692</u>

5. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 2,170,884
Investments	<u>7,045,298</u>
Subtotal financial assets available within one year	9,216,182
Less: Donor restricted funds	<u>(1,157,242)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 8,058,940</u>
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CAI has a policy to structure its financial assets to be available and liquid as its obligations become due. As of September 30, 2020, CAI has financial assets equal to approximately 30 months of total expenses.

6. RETIREMENT PLAN

CAI provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with nine months of eligible experience. CAI provides a 100% match of each eligible employee's contribution, up to 6% of covered compensation. CAI also provides an employer discretionary contribution which is determined annually by the Board. Contributions to the plan during the year ended September 30, 2020 totaled \$21,115.

7. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, CAI has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

CENTRAL ASIA INSTITUTE

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

7. FAIR VALUE MEASUREMENT (Continued)

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market CAI has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of September 30, 2020.

- *U.S. and International Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *U.S. Fixed Income* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds - International fixed income* - Valued at the daily closing price as reported by the fund. Mutual funds held by CAI are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by CAI are deemed to be actively traded.

CAI uses net asset value (NAV) per share, or its equivalent, as a practical expedient: Certain alternative investments that are measured at fair value using the NAV (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy; however, the fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The alternative investments are held in limited partnership investments. Following is a description of the alternative investment held by CAI:

- *Debt investment funds - alpha*: Amounts within this fund are invested with two managers (i) King Street: European credit opportunities and global credit opportunities that include such strategies as distressed, stressed and out-of-favor situations, shorting of investment grade and high yield debt, capital structure trades, and deep value trades; (ii) Phoenix Capital: publicly traded distressed/stressed debt. The combination of these managers creates an attractive mix of strategic investments in high-yield and distressed debt on a global basis. These credit investments have the potential to deliver near equity-type returns, but with less risks than pure long-only equity exposure.

The table below summarizes investments held, by level within the fair value hierarchy as of September 30, 2020.

Asset Class:	Level 1	Level 2	Level 3	Total September 30, 2020
U.S. equities	\$ 2,383,890	\$ -	\$ -	\$ 2,383,890
International equities	1,355,917	-	-	1,355,917
Mutual funds - International fixed income	71,190	-	-	71,190
U.S. fixed income	<u>3,208,738</u>	<u>-</u>	<u>-</u>	<u>3,208,738</u>
TOTAL	<u>\$ 7,019,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,019,735</u>

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7. FAIR VALUE MEASUREMENT (Continued)

The following is a summary of the investments valued using NAV as a practical expedient and the related unfunded commitments and redemption restrictions associated with the investment at September 30, 2020:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Partial Redemption Notice Frequency/ Period</u>	<u>Full Redemption Notice Frequency/ Period</u>
Alternative Investments:				
Debt Investment Funds -				
Alpha	\$ <u>25,563</u>	\$ <u>-</u>	Quarterly	65 days

8. SUBSEQUENT EVENTS

In preparing these financial statements, CAI has evaluated events and transactions for potential recognition or disclosure through April 13, 2021, the date the financial statements were issued.