INTERNATIONAL CENTER OF PHOTOGRAPHY

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2017 and 2016

MARKS PANETH

ACCOUNTANTS & ADVISORS

INTERNATIONAL CENTER OF PHOTOGRAPHY

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2017 AND 2016

CONTENTS

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

New York
New Jersey
Pennsylvania
Washington, DC
Florida

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
International Center of Photography

We have audited the accompanying financial statements of International Center of Photography (the "Center") which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 International Center of Photography as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
January 26, 2018

Morison KSi
Independent member

INTERNATIONAL CENTER OF PHOTOGRAPHY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 2C and 9)	$ 4,687,067	$ 3,048,710
Contributions receivable, net (Notes 2D and 3)	1,616,793	4,322,475
Accounts receivable, net (Note 2D)	95,257	170,872
Inventory (Note 2F)	21,610	96,610
Prepaid expenses and other assets	283,113	358,148
Investments (Notes 2G, 4, 5, and 7)	13,817,452	13,353,492
Property and equipment, net (Notes 2H and 6)	28,701,187	29,111,745
Security deposits	343,682	355,131
Archives and collections (Note 2I)	-	-
TOTAL ASSETS	$ 49,566,161	$ 50,817,183
LIABILITIES		
Accounts payable and accrued expenses	$ 976,177	$ 1,579,433
Deferred revenue and refundable advances (Notes 2E and 2J)	6,971,761	2,054,539
Mortgage payable (Note 7)	13,697,448	14,087,425
TOTAL LIABILITIES	21,645,386	17,721,397
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Unrestricted		
Available for (deficit from) operations	(1,326,835)	3,810,726
Net investment in property and equipment	15,003,739	15,024,320
Total unrestricted	13,676,904	18,835,046
Temporarily restricted (Note 8)	3,576,612	3,383,481
Permanently restricted (Note 8)	10,667,259	10,877,259
TOTAL NET ASSETS	27,920,775	33,095,786
TOTAL LIABILITIES AND NET ASSETS	$ 49,566,161	$ 50,817,183

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL CENTER OF PHOTOGRAPHY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	For the Year Ended June 30, 2017				For the Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
REVENUE AND SUPPORT:								
Contributions (Notes 2D and 2E)	$ 2,064,507	$ 273,664	$ 40,000	$ 2,378,171	$ 3,271,243	$ 1,179,555	$ 20,000	$ 4,470,798
Memberships	311,481	-	-	311,481	277,963	-	-	277,963
Special events (net of direct expenses of $474,878 and $521,927 for 2017 and 2016, respectively)	849,562	-	-	849,562	913,622	-	-	913,622
Tuition (net of scholarships of $468,764 and $651,896 for 2017 and 2016, respectively)	5,161,042	-	-	5,161,042	5,348,078	-	-	5,348,078
Other program service revenue	1,397,919	-	-	1,397,919	772,841	-	-	772,841
Investment return (Notes 2G and 4)	339,877	1,139,300	-	1,479,177	(192,376)	(260,963)	-	(453,339)
Net assets released from restrictions (Note 2B)	1,469,833	(1,469,833)	-	-	1,342,166	(1,342,166)	-	-
TOTAL REVENUE AND SUPPORT	11,594,221	(56,869)	40,000	11,577,352	11,733,537	(423,574)	20,000	11,329,963
EXPENSES (Note 2L):								
Program Services	12,022,914	-	-	12,022,914	11,875,810	-	-	11,875,810
Management and general	3,356,931	-	-	3,356,931	2,752,368	-	-	2,752,368
Fundraising	1,372,518	-	-	1,372,518	1,598,615	-	-	1,598,615
TOTAL EXPENSES	16,752,363	-	-	16,752,363	16,226,793	-	-	16,226,793
Transfers (Note 8)	-	250,000	(250,000)	-	-	-	-	-
CHANGE IN TOTAL NET ASSETS	(5,158,142)	193,131	(210,000)	(5,175,011)	(4,493,256)	(423,574)	20,000	(4,896,830)
Net assets - beginning of year	18,835,046	3,383,481	10,877,259	33,095,786	23,328,302	3,807,055	10,857,259	37,992,616
NET ASSETS - END OF YEAR	$ 13,676,904	$ 3,576,612	$ 10,667,259	$ 27,920,775	$ 18,835,046	$ 3,383,481	$ 10,877,259	$ 33,095,786

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL CENTER OF PHOTOGRAPHY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Year Ended June 30, 2017					Year Ended June 30, 2016				
		Supporting Services					Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total 2017	Program Services	Management and General	Fundraising	Total Supporting Services	Total 2016
Salaries	$ 3,782,672	$ 1,985,969	$ 707,625	$ 2,693,594	$ 6,476,266	$ 3,342,736	$ 1,496,714	$ 717,233	$ 2,213,947	$ 5,556,683
Payroll taxes and benefits (Note 11)	996,891	431,477	159,306	590,783	1,587,674	825,616	407,446	113,747	521,193	1,346,809
Total salaries and related costs	4,779,563	2,417,446	866,931	3,284,377	8,063,940	4,168,352	1,904,160	830,980	2,735,140	6,903,492
Teacher and lecture fees	1,340,078	-	2,937	2,937	1,343,015	1,299,278	800	2,952	3,752	1,303,030
Professional fees	598,193	275,164	105,041	380,205	978,398	664,722	353,850	271,553	625,403	1,290,125
Supplies	608,193	32,844	8,225	41,069	649,262	1,068,537	43,103	26,366	69,469	1,138,006
Travel and transportation	174,637	25,335	10,059	35,394	210,031	183,828	58,275	9,447	67,722	251,550
Occupancy	1,872,156	175,986	63,367	239,353	2,111,509	2,811,176	103,800	36,818	140,618	2,951,794
Postage and shipping	128,668	1,919	20,232	22,151	150,819	174,465	3,207	40,188	43,395	217,860
Telephone and telecommunications	68,631	13,016	1,288	14,304	82,935	29,309	29,118	4,710	33,828	63,137
Printing	140,494	7,721	44,147	51,868	192,362	154,646	8,559	65,244	73,803	228,449
Advertising and marketing (Note 2K)	108,118	21,692	5,296	26,988	135,106	47,342	5,268	256,544	261,812	309,154
Dues and subscriptions	97,754	28,634	1,368	30,002	127,756	96,495	17,583	949	18,532	115,027
Bank and credit card fees	132,939	-	21,186	21,186	154,125	110,921	-	16,567	16,567	127,488
Data processing	60,882	155,125	20,714	175,839	236,721	31,092	129,915	20,140	150,055	181,147
Equipment rental and repair	220,452	14,640	5,187	19,827	240,279	36,383	-	500	500	36,883
Interest (Note 7)	489,069	-	-	-	489,069	503,605	-	-	-	503,605
Depreciation (Note 6)	883,580	124,732	31,183	155,915	1,039,495	325,462	44,636	13,352	57,988	383,450
Bad debt	35,809	50,900	58,500	109,400	145,209	-	27,750	-	27,750	27,750
Miscellaneous	283,698	11,777	106,857	118,634	402,332	170,197	22,344	2,305	24,649	194,846
TOTAL EXPENSES	$ 12,022,914	$ 3,356,931	$ 1,372,518	$ 4,729,449	$ 16,752,363	$ 11,875,810	$ 2,752,368	$ 1,598,615	$ 4,350,983	$ 16,226,793

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL CENTER OF PHOTOGRAPHY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (5,175,011)	$ (4,896,830)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,039,495	383,450
Noncash interest	17,980	17,980
Realized gain on sale of investments	(189,603)	(869,838)
Unrealized (gain) loss on investments	(1,178,740)	1,535,914
Bad debt	145,209	27,750
Amortization of discount on contributions receivable	5,234	(5,234)
Permanently restricted contributions	(40,000)	(20,000)
Sub-total	(5,375,436)	(3,826,808)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	2,700,448	3,640,230
Accounts receivable	(69,594)	(26,569)
Inventory	75,000	75,000
Prepaid expenses and other assets	75,035	132,270
Security deposits	11,449	(208,306)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(603,256)	664,976
Deferred revenue and refundable advances	4,917,222	1,147,322
Net Cash Provided by Operating Activities	1,730,868	1,598,115
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(6,887,628)	(3,429,848)
Proceeds from sales of investments	7,792,011	8,971,718
Purchases of property and equipment	(628,937)	(4,784,317)
Net Cash Provided by Investing Activities	275,446	757,553
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage payable	(407,957)	(393,462)
Permanently restricted contributions	40,000	20,000
Net Cash Used in Financing Activities	(367,957)	(373,462)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,638,357	1,982,206
Cash and cash equivalents - beginning of year	3,048,710	1,066,504
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,687,067	$ 3,048,710
Supplemental information		
Interest paid	$ 471,089	$ 485,625

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The International Center of Photography (the "Center") was established in 1974 to present exhibitions of photography in New York and throughout the world; offer photographic education at all levels; preserve and study important images; and provide a forum for the establishment of standards, exchange of ideas and dissemination of information. The Center is chartered by the Board of Regents of the State of New York and accredited by the American Association of Museums. The Center has several locations in New York City and New Jersey. The Center is a not-for-profit corporation under the laws of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Center's financial statements have been prepared on the accrual basis of accounting in accordance with accounting policies generally accepted in the United States of America ("U.S. GAAP").

B. The Center maintains its net assets under the following three classes:

Unrestricted

This represents net assets not subject to donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted

This represents net assets subject to donor-imposed stipulations that will be met by actions of the Center or by the passage of time. In addition, earnings on endowment assets are classified as temporarily restricted until appropriated for operations by the Board of Trustees. When a stipulated time restriction ends or purpose restriction is accomplished or endowment earnings are appropriated for operations, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted

This represents net assets subject to donor-imposed stipulations that they are maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for unrestricted or donor-specified purposes.

C. Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and are near to their maturity (three months or less at the time of purchase) except for those managed as a component of the Center's investment portfolio.

D. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. If material, the discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

As of June 30, 2017 and 2016, the Center determined that an allowance for doubtful accounts of $70,000 and $20,000, respectively, was necessary for uncollectible accounts receivable. This determination was based on a combination of factors such as a review of individual accounts outstanding, the aged basis of the receivables and historical experience.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Conditional gifts received are reported as refundable advances in the statements of financial position until the conditions are substantially met.

F. Inventory consists of books, posters and other educational materials and is stated at the lower of cost or market value.

G. Investments are stated at fair value. The fair values of alternative investments that are not readily marketable are based upon values provided by the investment managers, which are reviewed for reasonableness by management. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

H. Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. The Center capitalizes property and equipment with a cost of $1,000 or more and a useful life of greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the lesser of the life of the improvements or the lease.

I. The Center's archives and collection include over 150,000 prints by more than 1,000 photographers. The Center also maintains an extensive library of photography books and publications. These resources are maintained for public benefit, to be used in public exhibitions and for education and research activity. In accordance with accounting policies generally followed by art museums, the value of these resources has been excluded from the statements of financial position, and gifts of objects for the collection and library are excluded from the statements of activities. Pursuant to the Center's policy and generally accepted practice at art museums, proceeds from the sale of collection or library objects are used to acquire other collection or library objects. Such proceeds, together with contributions and unconditional promises to give for the purchase of items for the collection and library, are classified as temporarily restricted net assets until acquisitions are made. The cost of such acquisitions is recorded as a separate program expense.

J. Deferred revenue is revenue for activities that will occur in future fiscal years including tuition, fees for traveling exhibitions, related fees for classes and fees for special events.

K. Advertising costs are charged to operations when incurred. Advertising expenses for the years ended June 30, 2017 and 2016, amounted to $135,106 and $309,154, respectively

L. The costs of providing program and supporting services of the Center have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

M. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

N. Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-03, *"Interest – Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs"* is applicable for the year ended June 30, 2017. This update requires that debt issuance costs related to a liability be reported as a deduction from that liability on the statement of financial position. Accordingly, the Center has presented its mortgage payable net of debt issuance costs on the accompanying statements of financial position. The June 30, 2016 financial statements have been reclassified to conform to the June 30, 2017 presentation. This change had no impact on the change in net assets for the year ended June 30, 2016.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2017 and 2016, consist of the following:

	2017	2016
One year or less	$ 1,010,594	$ 4,183,392
One year to five years	770,517	298,167
	1,781,111	4,481,559
Less present value discount at 3%	(164,318)	(159,084)
	$ 1,616,793	$ 4,322,475

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30, 2017 and 2016:

	2017	2016
Cash and money market funds	$ 615,477	$ 463,094
Common stocks	6,736,051	3,778,346
Mutual funds	3,083,021	2,423,521
Fixed income	361,275	200,241
Alternative investments	3,021,628	6,488,290
	$ 13,817,452	$ 13,353,492

The components of investment activity for the years ended June 30, 2017 and 2016 are as follows:

	2016	2016
Interest and dividends	$ 165,936	$ 304,700
Realized gain	189,603	869,838
Unrealized gain (loss)	1,178,740	(1,535,914)
Investment advisory fees	(55,102)	(91,963)
	$ 1,479,177	$ (453,339)

Alternative investments consist of investments with global and offshore funds with underlying investments in private investment companies, fixed income, domestic and foreign publicly traded equity securities and derivative instruments primarily in global commodities markets. Investments in private investment companies are valued at fair value using the net assets valuations provided by underlying private investment companies. The fund managers value the underlying investments at fair value based on quoted market prices or broker dealer quotations. In the absence of quoted market prices or broker-dealer quotations, investments are valued at fair value as determined by the investment managers. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from the values that would have been realized had a ready market for these investments existed, and these differences could be material.

Investments in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

NOTE 5 – FAIR VALUE MEASUREMENTS

In determining fair value, the Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Investments in cash and money market funds, common stocks, and mutual funds are valued using market prices in active markets (Level 1). Fixed income is valued using quoted prices in inactive markets (Level 2).

Investments in alternative investments are valued at the net asset value ("NAV"), as reported by the investment managers, of shares or units held by the Center at the year end. These valuations are not meant to be indicative of the classification of the investments in the underlying portfolio of the investment in alternative investments. These funds trade and invest both long and short, in a broad range of currencies, fixed income, commodities, equities, and private investment companies, using cash markets and derivative instruments (both exchange-traded and over-the-counter). There are redemption restrictions and these investments are classified under Level 3 of the fair value hierarchy.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2017 and 2016, there were no transfers in or out of levels 1, 2 or 3.

Financial assets carried at fair value as of June 30, 2017 are classified in the table as follows:

	Level 1	Level 2	Level 3	Total 2017
ASSETS CARRIED AT FAIR VALUE				
Investments:				
Cash and money market funds	$ 615,477	$ -	$ -	$ 615,477
Common stocks	6,736,051	-	-	6,736,051
Mutual funds	3,083,021	-	-	3,083,021
Fixed income	-	361,275	-	361,275
Alternative investments	-	-	3,021,628	3,021,628
TOTAL ASSETS AT FAIR VALUE	$ 10,434,549	$ 361,275	$ 3,021,628	$ 13,817,452

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of June 30, 2016 are classified in the table as follows:

	Level 1	Level 2	Level 3	Total 2016
ASSETS CARRIED AT FAIR VALUE				
Investments:				
Cash and money market funds	$ 463,094	$ -	$ -	$ 463,094
Common stocks	3,778,346	-	-	3,778,346
Mutual funds	2,423,521	-	-	2,423,521
Fixed income	-	200,241	-	200,241
Alternative investments	-	-	6,488,290	6,488,290
TOTAL ASSETS AT FAIR VALUE	$ 6,664,961	$ 200,241	$ 6,488,290	$ 13,353,492

The reconciliation for the years ended June 30, 2017 and 2016 of Level 3 investments measured at estimated fair value follows:

	2017	2016
Balance, beginning of year	$ 6,488,290	$ 7,629,283
Redemptions	(3,842,011)	(1,200,807)
Unrealized gain	375,349	59,814
Balance, end of year	$ 3,021,628	$ 6,488,290

The following table sets forth additional disclosures of the Center's investments whose fair value is estimated using net asset value per share (or its equivalent) as of June 30, 2017.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Multiple strategy fund	$ 26,753	$ -	Annually	60 days
Limited partnerships	2,994,875	-	Quarterly	60 days
Total	$ 3,021,628	$ -		

The following table sets forth additional disclosures of the Center's investments whose fair value is estimated using net asset value per share (or its equivalent) as of June 30, 2016.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Multiple strategy funds	$ 3,642,358	$ -	Annually	60 days
Limited partnerships	2,845,932	-	Quarterly	60 days
Total	$ 6,488,290	$ -		

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2017 and 2016:

	2017	2016	Estimated Useful Lives
Land	$ 2,348,932	$ 2,348,932	-
Buildings and improvements	25,470,336	25,377,960	10-30 years
Leasehold improvements	5,620,337	11,964,821	10-30 years
Furniture and fixtures	853,398	843,037	10 years
Equipment	339,298	2,671,502	5 years
Software	715,084	715,084	5 years
Construction in progress	451,115	-	
Total cost	35,798,500	43,921,336	
Less: accumulated depreciation	(7,097,313)	(14,809,591)	
Net book value	$ 28,701,187	$ 29,111,745	

Depreciation and amortization expense for the years ended June 30, 2017 and 2016, was $1,039,495 and $383,450, respectively. During the year ended June 30, 2017, the Center wrote off fully depreciated property and equipment amounting to $8,751,773 primarily related to leasehold improvements.

NOTE 7 – MORTGAGE PAYABLE

The mortgage payable is comprised of the following as of June 30, 2017 and 2016:

	2017	2016
Mortgage payable	$ 14,107,242	$ 14,515,199
Less: deferred financing costs	(409,794)	(427,774)
	$ 13,697,448	$ 14,087,425

In April 2015, the Center entered into an agreement with BuildNYC Resource Corporation ("BuildNYC") and a bank whereby BuildNYC issued a mortgage payable in the amount of $15,000,000 to finance the purchase of retail space and the related construction to equip the space as the new location for the Center's museum. Interest and principal is paid monthly on a 25-year amortization schedule. Through October 2017, the monthly payment is $73,346 with annual interest at 3.25%. Beginning in November 2017 through March 2035, the monthly payment is $71,520 with annual interest at 3.00%. A balloon payment of approximately $4 million is due on April 1, 2035. No prepayment is permitted until 2017. Prepayment without penalty is permitted after 2020.

The mortgage is secured by the property and the Center's other assets. The agreement requires that the Center's unrestricted and temporarily restricted cash and cash equivalents and investments must be at least $3.5 million as of June 30, 2015 and December 31, 2015, $4 million as of June 30, 2016 and December 31, 2016, and $5 million as of each June 30 and December 31 thereafter. As of June 30, 2017 and 2016, the Center was in compliance with the covenant.

Future annual principal payments are scheduled as follows:

Year ending June 30:	
2018	$ 430,440
2019	448,432
2020	461,179
2021	476,489
2022	491,186
Thereafter	11,799,516
	$ 14,107,242

NOTE 7 – MORTGAGE PAYABLE (Continued)

Interest expense for the years ended June 30, 2017 and 2016, was $471,089 and $485,625, respectively.

Deferred financing costs are amortized over the life of the mortgage. Amortization expense for each of the years ended June 30, 2017 and 2016 amounted to $17,980 and is included with interest expense on the accompanying statements of functional expenses.

NOTE 8 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 and 2016 are restricted by donors for the following purposes or periods:

	2017	2016
Time and purpose restricted	$ 1,018,158	$ 1,305,253
Unappropriated endowment earnings	2,558,454	2,078,228
	$ 3,576,612	$ 3,383,481

For the years ended June 30, 2017 and 2016, net assets released from restrictions amounted to $1,469,833 and $1,342,166, respectively.

Permanently restricted net assets consist of endowment gifts from donors with income to be used as follows:

	2017	2016
Income available for unrestricted use	$ 8,108,077	$ 8,318,077
Income restricted as to use	2,559,182	2,559,182
	$ 10,667,259	$ 10,877,259

During the year ended June 30, 2017, a donor gave the Center permission to use a gift of $250,000 that was previously permanently restricted for use in a capital project. Accordingly, the Center transferred these assets to temporarily restricted net assets.

Endowment net assets consist of donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. See Note 2B for how the Center maintains its net assets.

The Center follows the New York State law known as the New York Prudent Management of Institutional Funds Act ("NYPMIFA") which, among other things, contains a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor must be reflected as temporarily restricted until appropriated by the Board. The Center's Board has interpreted NYPMIFA as allowing the Center to appropriate for expenditure or accumulate so much of an endowment fund as the Center determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument.

For donor-restricted endowment funds, the Board of the Center makes long-term investment policies. Investments consist of cash and money market funds, equity and fixed income securities, mutual funds, and alternative investments and are diversified as to minimize the risk of large losses. Asset allocations and fund managers are determined by the Investment Committee.

The Center has a policy of appropriating for distribution each year 4% of the average fair value of endowment funds over the prior twenty quarters drawn quarterly. The Board of Trustees has annually elected to increase the spending rate to 5% in each of the fiscal years since June 30, 2011. This is consistent with the Center'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 return.

NOTE 8 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Changes in endowment net assets for year ended June 30, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total 2017
Investment activity	$ 1,139,300	$ -	$ 1,139,300
Contributions	-	40,000	40,000
Transfers	-	(250,000)	(250,000)
Amount appropriated by the Board	(659,074)	-	(659,074)
Balance, beginning of year	2,078,228	10,663,573	12,741,801
Balance, end of year	$ 2,558,454	$ 10,453,573	$ 13,012,027

Changes in endowment net assets for year ended June 30, 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total 2016
Investment activity	$ (260,963)	$ -	$ (260,963)
Contributions	-	20,000	20,000
Amount appropriated by the Board	(652,009)	-	(652,009)
Balance, beginning of year	2,991,200	10,643,573	13,634,773
Balance, end of year	$ 2,078,228	$ 10,663,573	$ 12,741,801

Endowment net assets of $13,015,713, and $12,741,801 are included with cash and investments in the statements of financial position as of June 30, 2017 and 2016, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (underwater). When underwater endowment funds exist, they are classified as a reduction of unrestricted net assets. There were no deficiencies during the years ended June 30, 2017 and 2016.

NOTE 9 – CONCENTRATION

Cash and cash equivalents that potentially subject the Center to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to $250,000 per depositor. As of June 30, 2017 and 2016, there was approximately $4.3 million and $2.1 million, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. The Center believes it has no uncertain tax positions as of June 30, 2017 and 2016 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

B. The Center has various other operating leases expiring at varying dates through 2020. Rent expense for the years ended June 30, 2017 and 2016, was $1,721,201 and $1,642,205, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

Annual future minimum rent payable under noncancellable operating leases are as follows:

Year ending June 30:		
2018	$	1,568,000
2019		1,000,000
2020		178,000

NOTE 11 – TAX DEFERRED ANNUITY PLAN

The Center participates in a tax deferred annuity plan for all eligible employees. For those employees participating, contributions may be made up to the limits allowable by law. The Center will make a matching contribution of up to 5% of the employee's compensation. The Center's total contribution to the Plan for the years ended June 30, 2017 and 2016, was $213,581 and $211,700, respectively.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through January 26, 2018, the date the financial statements were issued.