INTERNATIONAL CENTER OF PHOTOGRAPHY

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2016 and 2015

MARKS PANETH

ACCOUNTANTS & ADVISORS

INTERNATIONAL CENTER OF PHOTOGRAPHY

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2016 AND 2015

CONTENTS

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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 statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 International Center of Photography as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Center as of and for the year ended June 30, 2015 were audited by other auditors whose report dated November 19, 2015, expressed an unmodified opinion on those financial statements.

Marks Paneth LLP

New York, NY
December 20, 2016

INTERNATIONAL CENTER OF PHOTOGRAPHY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents (Notes 2C, 7 and 9)	$ 3,048,710	$ 1,066,504
Contributions receivable, net (Notes 2D and 3)	4,322,475	7,957,471
Accounts receivable, net (Note 2D)	170,872	172,053
Inventory (Note 2F)	96,610	171,610
Prepaid expenses and other assets	358,148	490,418
Investments (Notes 2G, 4, 5, and 7)	13,353,492	19,561,438
Property and equipment, net (Notes 2H and 6)	29,111,745	24,710,878
Deferred financing costs (Note 7)	427,774	445,754
Security deposits	355,131	146,825
Archives and collections (Note 2I)	-	-
TOTAL ASSETS	$ 51,244,957	$ 54,722,951
LIABILITIES		
Accounts payable and accrued expenses	$ 1,579,433	$ 914,457
Deferred revenue and refundable advances (Notes 2E and 2K)	2,054,539	907,217
Mortgage payable (Note 7)	14,515,199	14,908,661
TOTAL LIABILITIES	18,149,171	16,730,335
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Unrestricted		
Available for operations	3,810,726	6,127,396
Net investment in property and equipment	15,024,320	17,200,906
Total unrestricted	18,835,046	23,328,302
Temporarily restricted (Note 8)	3,383,481	3,807,055
Permanently restricted (Note 8)	10,877,259	10,857,259
TOTAL NET ASSETS	33,095,786	37,992,616
TOTAL LIABILITIES AND NET ASSETS	$ 51,244,957	$ 54,722,951

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

INTERNATIONAL CENTER OF PHOTOGRAPHY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	For the Year Ended June 30, 2016				For the Year Ended June 30, 2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total 2016**	**Total 2015**	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**
REVENUE AND SUPPORT:								
Contributions (Notes 2D and 2E)	$ 3,271,243	$ 1,179,555	$ 20,000	$ 4,470,798	$ 2,733,967	$ 2,244,298	$ 476,783	$ 12,886
Capital contributions for real estate purchase (Note 12)	-	-	-	-	14,577,265	14,577,265	-	-
Memberships	277,963	-	-	277,963	319,002	319,002	-	-
Special events (net of direct expenses of $521,927 and $366,478 for 2016 and 2015, respectively)	913,622	-	-	913,622	1,076,455	1,076,455	-	-
Donated facility (Note 10)	-	-	-	-	1,750,000	1,750,000	-	-
Tuition (net of scholarships of $651,896 and $633,228 for 2016 and 2015, respectively)	5,348,078	-	-	5,348,078	6,434,863	6,434,863	-	-
Other program service revenue	772,841	-	-	772,841	1,579,452	1,579,452	-	-
Investment return (Notes 2G and 4)	(192,376)	(260,963)	-	(453,339)	1,098,787	552,743	546,044	-
Net assets released from restrictions (Note 2B)	1,342,166	(1,342,166)	-	-	-	863,753	(863,753)	-
TOTAL REVENUE AND SUPPORT	11,733,537	(423,574)	20,000	11,329,963	29,569,791	29,397,831	159,074	12,886
EXPENSES (Note 2L):								
Program Services	11,875,810	-	-	11,875,810	12,297,004	12,297,004	-	-
Management and general	2,752,368	-	-	2,752,368	4,584,798	4,584,798	-	-
Fundraising	1,598,615	-	-	1,598,615	1,132,106	1,132,106	-	-
TOTAL EXPENSES	16,226,793	-	-	16,226,793	18,013,908	18,013,908	-	-
CHANGE IN TOTAL NET ASSETS (Note 12)	(4,493,256)	(423,574)	20,000	(4,896,830)	11,555,883	11,383,923	159,074	12,886
Net assets - beginning of year	23,328,302	3,807,055	10,857,259	37,992,616	26,436,733	11,944,379	3,647,981	10,844,373
NET ASSETS - END OF YEAR	$ 18,835,046	$ 3,383,481	$ 10,877,259	$ 33,095,786	$ 37,992,616	$ 23,328,302	$ 3,807,055	$ 10,857,259

INTERNATIONAL CENTER OF PHOTOGRAPHY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	Year Ended June 30, 2016					Year Ended June 30, 2015				
		Supporting Services						Supporting Services		
	Program Services	Management & General	Fundraising	Total Supporting Services	Total 2016	Total 2015	Program Services	Management & General	Fundraising	Total Supporting Services
Salaries	$ 3,342,736	$ 1,496,714	$ 717,233	$ 2,213,947	$ 5,556,683	$ 6,023,880	$ 3,157,885	$ 2,193,320	$ 672,675	$ 2,865,995
Payroll taxes and benefits (Note 11)	825,616	407,446	113,747	521,193	1,346,809	1,277,506	738,750	415,246	123,510	538,756
Total salaries and related costs	4,168,352	1,904,160	830,980	2,735,140	6,903,492	7,301,386	3,896,635	2,608,566	796,185	3,404,751
Teacher and lecture fees	1,299,278	800	2,952	3,752	1,303,030	1,441,020	1,441,020	-	-	-
Professional fees	664,722	353,850	271,553	625,403	1,290,125	719,147	301,402	402,595	15,150	417,745
Supplies	1,068,537	43,103	26,366	69,469	1,138,006	907,942	875,295	25,685	6,962	32,647
Travel and transportation	183,828	58,275	9,447	67,722	251,550	289,362	245,259	31,667	12,436	44,103
Occupancy	2,811,176	103,800	36,818	140,618	2,951,794	5,107,441	4,101,081	952,335	54,025	1,006,360
Postage and shipping	174,465	3,207	40,188	43,395	217,860	194,939	182,324	3,206	9,409	12,615
Telephone and telecommunications	29,309	29,118	4,710	33,828	63,137	74,688	28,952	40,910	4,826	45,736
Printing	154,646	8,559	65,244	73,803	228,449	140,226	106,863	3,892	29,471	33,363
Advertising and marketing (Note 2K)	47,342	5,268	256,544	261,812	309,154	392,911	275,669	4,795	112,447	117,242
Dues and subscriptions	96,495	17,583	949	18,532	115,027	141,518	120,187	18,383	2,948	21,331
Bank and credit card fees	110,921	-	16,567	16,567	127,488	156,719	146,618	40	10,061	10,101
Data processing	31,092	129,915	20,140	150,055	181,147	370,753	15,897	335,581	19,275	354,856
Equipment rental and repair	36,383	-	500	500	36,883	52,084	52,084	-	-	-
Interest (Note 7)	485,625	-	-	-	485,625	226,685	171,540	51,548	3,597	55,145
Amortization	17,980	-	-	-	17,980	114,991	87,018	26,149	1,824	27,973
Depreciation (Note 6)	325,462	44,636	13,352	57,988	383,450	267,666	202,551	60,868	4,247	65,115
Bad debt	-	27,750	-	27,750	27,750	32,278	32,278	-	-	-
Miscellaneous	170,197	22,344	2,305	24,649	194,846	82,152	14,331	18,578	49,243	67,821
TOTAL EXPENSES	$ 11,875,810	$ 2,752,368	$ 1,598,615	$ 4,350,983	$ 16,226,793	$ 18,013,908	$ 12,297,004	$ 4,584,798	$ 1,132,106	$ 5,716,904

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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (4,896,830)	$ 11,555,883
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	383,450	267,666
Amortization of deferred financing costs	17,980	114,991
Realized gain on sale of investments	(869,838)	(4,326,894)
Unrealized loss on investments	1,535,914	3,464,393
Bad debt expense	27,750	32,278
Permanently restricted contributions	(20,000)	(12,886)
Sub-total	(3,821,574)	11,095,431
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	3,634,996	(6,267,827)
Accounts receivable	(26,569)	51,517
Inventory	75,000	67,941
Prepaid expenses and other assets	132,270	(51,337)
Deferred loan costs	-	(449,500)
Security deposits	(208,306)	941,600
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	664,976	144,267
Deferred revenue	1,147,322	(190,951)
Net Cash Provided by Operating Activities	1,598,115	5,341,141
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(3,429,848)	(5,082,763)
Proceeds from sales of investments	8,971,718	15,856,341
Purchases of property and equipment	(4,784,317)	(24,454,298)
Net Cash Provided by (Used in) Investing Activities	757,553	(13,680,720)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage payable	-	30,000,000
Repayment of mortgage payable	(393,462)	-
Repayment of loans payable	-	(21,121,339)
Permanently restricted contributions	20,000	12,886
Net Cash (Used in) Provided by Financing Activities	(373,462)	8,891,547
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,982,206	551,968
Cash and cash equivalents - beginning of year	1,066,504	514,536
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,048,710	$ 1,066,504
Supplemental information		
Interest paid	$ 485,625	$ 226,685

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, 2016 and 2015, the Center determined that an allowance for doubtful accounts of $20,000 was necessary for uncollectible accounts receivable. This determination was based on a combination of factors such as management's estimate of the creditworthiness of its donors, 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 includes 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, 2016 and 2015, amounted to $59,805 and $284,380, 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. Certain items in the June 30, 2015 financial statements have been reclassified to conform to the June 30, 2016 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2015.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2016 and 2015, consist of the following:

	2016	2015
One year or less	$ 4,183,392	$ 5,294,824
One year to five years	298,167	2,826,965
	4,481,559	8,121,789
Less present value discount at 3%	(159,084)	(164,318)
	$ 4,322,475	$ 7,957,471

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30, 2016 and 2015:

	2016	2015
Cash and money market funds	$ 463,094	$ 347,076
Common stocks	3,778,346	7,237,460
Mutual funds	2,423,521	4,347,619
Fixed income	200,241	-
Alternative investments	6,488,290	7,629,283
	$ 13,353,492	$ 19,561,438

The components of investment activity for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Interest and dividends	$ 304,700	$ 359,801
Realized gain	869,838	4,326,894
Unrealized loss	(1,535,914)	(3,464,393)
Investment advisory fees	(91,963)	(123,515)
	$ (453,339)	$ 1,098,787

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, 2016 and 2015, there were no transfers in or out of levels 1, 2 or 3.

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

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value as of June 30, 2015 are classified in the table as follows:

	Level 1	Level 2	Level 3	Total 2015
ASSETS CARRIED AT FAIR VALUE				
Investments:				
Cash and money market funds	$ 347,076	$ -	$ -	$ 347,076
Common stocks	7,237,460	-	-	7,237,460
Mutual funds	4,347,619	-	-	4,347,619
Alternative investments	-	-	7,629,283	7,629,283
TOTAL ASSETS AT FAIR VALUE	$ 11,932,155	$ -	$ 7,629,283	$ 19,561,438

The reconciliation for the years ended June 30, 2016 and 2015 of Level 3 investments measured at estimated fair value follows:

	2016	2015
Balance, beginning of year	$ 7,629,283	$ 7,797,543
Redemptions	(1,200,807)	-
Unrealized gain (loss)	59,814	(168,260)
Balance, end of year	$ 6,488,290	$ 7,629,283

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 fund	$ 3,642,358	$ -	Annually	60 days
Limited partnerships	2,845,932	-	Quarterly	60 days
Total	$ 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, 2015.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Multiple strategy funds	$ 4,871,611	$ -	Annually	60 days
Limited partnerships	2,757,672	-	Quarterly	60 days
Total	$ 7,629,283	$ -		

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2016 and 2015:

	2016	2015	Estimated Useful Lives
Land	$ 2,348,932	$ 2,348,932	-
Buildings and improvements	25,377,960	21,208,863	10-30 years
Leasehold improvements	11,964,821	11,960,315	10-30 years
Furniture and fixtures	843,037	679,719	10 years
Equipment	2,671,502	2,361,606	5 years
Website	715,084	577,584	5 years
Total cost	43,921,336	39,137,019	
Less: accumulated depreciation	(14,809,591)	(14,426,141)	
Net book value	$ 29,111,745	$ 24,710,878	

Depreciation and amortization expense for the years ended June 30, 2016 and 2015, was $383,450 and $267,666, respectively.

NOTE 7 – MORTGAGE PAYABLE

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, 2016 and 2015, the Center was in compliance with the covenant.

Interest expense for the years ended June 30, 2016 and 2015, was $485,625 and $226,825, respectively.

Future annual principal payments are scheduled as follows:

Year ending June 30:	
2017	$ 407,958
2018	430,440
2019	448,432
2020	461,179
2021	476,489
Thereafter	12,290,701
	$ 14,515,199

Deferred financing costs are amortized over the life of the mortgage. Amortization expense for the years ended June 30, 2016 and 2015 amounted to $17,980 and $3,746, respectively.

NOTE 8 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 and 2015 are restricted by donors for the following purposes or periods:

	2016	2015
Time and purpose restricted	$ 1,305,253	$ 815,855
Unappropriated endowment earnings	2,078,228	2,991,200
	$ 3,383,481	$ 3,807,055

For the years ended June 30, 2016 and 2015, net assets released from restrictions amounted to $1,342,166 and $863,753, respectively.

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

	2016	2015
Income available for unrestricted use	$ 8,318,077	$ 8,318,077
Income restricted as to use	2,559,182	2,539,182
	$ 10,877,259	$ 10,857,259

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, 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

Changes in endowment net assets for year ended June 30, 2015 are as follows:

	Temporarily Restricted	Permanently Restricted	Total 2015
Investment activity	$ 546,044	$ -	$ 546,044
Contributions	-	432,500	432,500
Amount appropriated by the Board	(624,402)	-	(624,402)
Balance, beginning of year	3,069,558	10,211,073	13,280,631
Balance, end of year	$ 2,991,200	$ 10,643,573	$ 13,634,773

Endowment net assets of $12,741,801, and $13,634,773 are included with cash and investments in the statements of financial position as of June 30, 2016 and 2015, 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 year ended June 30, 2016 and 2015.

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, 2016 and 2015, there was approximately $2.1 million and $100,000, 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, 2016 and 2015 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. In 1999, the Center leased space at 1133 Avenue of the Americas through December 31, 2013 from a lessor-donor at an annual rent of $1,756,000, subject to an annual 3% increase each May 1, abated to one dollar per annum on a non-transferable basis as long as the Center continued to be the occupant. On September 16, 2013, an agreement was signed that extended the Center's occupancy under the same terms through January 31, 2015. The Center moved out of the space in January 2015. The value of the donation for the year ended June 30, 2015, was $1,750,000 and is reported as donated facility revenue on the accompanying statements of activities.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

The Center has various other operating leases expiring at varying dates through 2020. Rent expense for the years ended June 30, 2016 and 2015, was $1,642,205 and $1,530,964, respectively. Annual future minimum rent payable under noncancellable operating leases are as follows:

Year ending June 30:		
2017	$	1,596,000
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, 2016 and 2015, was $211,700 and $227,409, respectively.

NOTE 12 – CAPITAL CONTRIBUTIONS AND CHANGES IN NET ASSETS

During the year ended June 30, 2015, the Center received $14,577,265 for a real estate purchase. Such funds were a one-time contribution which impacted the total change in net assets. For the year ended June 30, 2016, the Center had a decrease in total net assets of $4,896,830 compared to an increase in total net assets of $11,555,883 for the year ended June 30, 2015. The primary reason for this variance was these capital contributions.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through December 20, 2016, the date the financial statements were issued.