INTERNATIONAL CENTER OF PHOTOGRAPHY

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2018 and 2017

MARKS PANETH

ACCOUNTANTS & ADVISORS

INTERNATIONAL CENTER OF PHOTOGRAPHY

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2018 AND 2017

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 statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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
March 15, 2019

INTERNATIONAL CENTER OF PHOTOGRAPHY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2C and 9)	$ 4,321,987	$ 4,687,067
Contributions receivable, net (Notes 2D and 3)	1,713,709	1,616,793
Accounts receivable, net (Note 2D)	175,341	95,257
Inventory (Note 2F)	44,169	21,610
Prepaid expenses and other assets	485,798	283,113
Investments (Notes 2G, 4, 5, and 7)	11,245,875	13,817,452
Property and equipment, net (Notes 2H and 6)	32,920,960	28,701,187
Security deposits	103,682	343,682
Archives and collections (Note 2I)	-	-
TOTAL ASSETS	$ 51,011,521	$ 49,566,161
LIABILITIES		
Accounts payable and accrued expenses	$ 1,766,468	$ 976,177
Deferred revenue and refundable advances (Notes 2E and 2J)	4,228,268	6,971,761
Mortgage payable (Note 7)	13,284,987	13,697,448
TOTAL LIABILITIES	19,279,723	21,645,386
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Unrestricted		
Deficit	(1,875,387)	(1,326,835)
Net investment in property and equipment	19,635,973	15,003,739
Total unrestricted	17,760,586	13,676,904
Temporarily restricted (Note 8)	6,636,453	3,576,612
Permanently restricted (Note 8)	7,334,759	10,667,259
TOTAL NET ASSETS	31,731,798	27,920,775
TOTAL LIABILITIES AND NET ASSETS	$ 51,011,521	$ 49,566,161

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

INTERNATIONAL CENTER OF PHOTOGRAPHY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	For the Year Ended June 30, 2018				For the Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
REVENUE AND SUPPORT:								
Contributions (Notes 2D and 2E)	$ 2,286,426	$ 9,186,209	$ 40,000	$ 11,512,635	$ 2,064,507	$ 273,664	$ 40,000	$ 2,378,171
Memberships	261,251	-	-	261,251	311,481	-	-	311,481
Special events (net of direct expenses of $612,789 and $474,878 for 2018 and 2017, respectively)	760,963	-	-	760,963	849,562	-	-	849,562
Tuition (net of scholarships of $937,730 and $468,764 for 2018 and 2017, respectively)	4,926,235	-	-	4,926,235	5,161,042	-	-	5,161,042
Other program service revenue	1,386,870	-	-	1,386,870	1,397,919	-	-	1,397,919
Investment return (Notes 2G and 4)	210,636	1,025,669	-	1,236,305	339,877	1,139,300	-	1,479,177
Net assets released from restrictions (Note 2B)	7,152,037	(7,152,037)	-	-	1,469,833	(1,469,833)	-	-
TOTAL REVENUE AND SUPPORT	16,984,418	3,059,841	40,000	20,084,259	11,594,221	(56,869)	40,000	11,577,352
EXPENSES (Note 2L):								
Program Services	11,533,906	-	-	11,533,906	12,022,914	-	-	12,022,914
Management and general	2,915,373	-	-	2,915,373	3,356,931	-	-	3,356,931
Fundraising	1,823,957	-	-	1,823,957	1,372,518	-	-	1,372,518
TOTAL EXPENSES	16,273,236	-	-	16,273,236	16,752,363	-	-	16,752,363
Transfers (Note 8)	3,372,500	-	(3,372,500)	-	-	250,000	(250,000)	-
CHANGE IN TOTAL NET ASSETS	4,083,682	3,059,841	(3,332,500)	3,811,023	(5,158,142)	193,131	(210,000)	(5,175,011)
Net assets - beginning 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
NET ASSETS - END OF YEAR	$ 17,760,586	$ 6,636,453	$ 7,334,759	$ 31,731,798	$ 13,676,904	$ 3,576,612	$ 10,667,259	$ 27,920,775

INTERNATIONAL CENTER OF PHOTOGRAPHY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Year Ended June 30, 2018					Year Ended June 30, 2017				
		Supporting Services					Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total 2018	Program Services	Management and General	Fundraising	Total Supporting Services	Total 2017
Salaries	$ 3,548,948	$ 1,704,204	$ 810,840	$ 2,515,044	$ 6,063,992	$ 3,782,672	$ 1,985,969	$ 707,625	$ 2,693,594	$ 6,476,266
Payroll taxes and benefits (Note 11)	977,474	353,052	179,810	532,862	1,510,336	996,891	431,477	159,306	590,783	1,587,674
Total salaries and related costs	4,526,422	2,057,256	990,650	3,047,906	7,574,328	4,779,563	2,417,446	866,931	3,284,377	8,063,940
Teacher and lecture fees	1,342,188	-	-	-	1,342,188	1,340,078	-	2,937	2,937	1,343,015
Professional fees	516,022	209,079	371,482	580,561	1,096,583	598,193	275,164	105,041	380,205	978,398
Supplies	525,979	15,057	12,002	27,059	553,038	392,054	32,844	8,225	41,069	433,123
Travel and transportation	160,545	41,298	19,187	60,485	221,030	174,637	25,335	10,059	35,394	210,031
Occupancy	2,058,569	181,321	62,313	243,634	2,302,203	1,872,156	175,986	63,367	239,353	2,111,509
Postage and shipping	105,924	1,994	13,717	15,711	121,635	128,668	1,919	20,232	22,151	150,819
Telephone and telecommunications	81,682	12,810	1,603	14,413	96,095	68,631	13,016	1,288	14,304	82,935
Printing	95,967	2,768	48,504	51,272	147,239	140,494	7,721	44,147	51,868	192,362
Advertising and marketing (Note 2K)	102,484	4,559	6,574	11,133	113,617	108,118	21,692	5,296	26,988	135,106
Dues and subscriptions	90,888	28,707	1,034	29,741	120,629	97,754	28,634	1,368	30,002	127,756
Bank and credit card fees	109,549	7,434	19,603	27,037	136,586	132,939	-	21,186	21,186	154,125
Data processing	51,656	197,200	23,258	220,458	272,114	60,882	155,125	20,714	175,839	236,721
Equipment rental and repair	179,687	11,140	3,889	15,029	194,716	220,452	14,640	5,187	19,827	240,279
Interest (Note 7)	449,068	-	-	-	449,068	489,069	-	-	-	489,069
Depreciation (Note 6)	869,466	143,017	-	143,017	1,012,483	883,580	124,732	31,183	155,915	1,039,495
Bad debt	47,873	-	108,742	108,742	156,615	35,809	50,900	58,500	109,400	145,209
Miscellaneous	219,937	1,733	141,399	143,132	363,069	499,837	11,777	106,857	118,634	618,471
TOTAL EXPENSES	$ 11,533,906	$ 2,915,373	$ 1,823,957	$ 4,739,330	$ 16,273,236	$ 12,022,914	$ 3,356,931	$ 1,372,518	$ 4,729,449	$ 16,752,363

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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 3,811,023	$ (5,175,011)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,012,483	1,039,495
Noncash interest	17,980	17,980
Realized gain on sale of investments	(407,466)	(189,603)
Unrealized gain on investments	(619,420)	(1,178,740)
Bad debt	156,615	145,209
Amortization of discount on contributions receivable	(125,207)	5,234
Permanently restricted contributions	(40,000)	(40,000)
Sub-total	3,806,008	(5,375,436)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	28,291	2,700,448
Accounts receivable	(236,699)	(69,594)
Inventory	(22,559)	75,000
Prepaid expenses and other assets	(202,685)	75,035
Security deposits	240,000	11,449
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	790,291	(603,256)
Deferred revenue and refundable advances	(2,743,493)	4,917,222
Net Cash Provided by Operating Activities	1,659,154	1,730,868
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(5,728,092)	(6,887,628)
Proceeds from sales of investments	9,326,555	7,792,011
Purchases of property and equipment	(5,232,256)	(628,937)
Net Cash (Used in) Provided by Investing Activities	(1,633,793)	275,446
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage payable	(430,441)	(407,957)
Permanently restricted contributions	40,000	40,000
Net Cash Used in Financing Activities	(390,441)	(367,957)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(365,080)	1,638,357
Cash and cash equivalents - beginning of year	4,687,067	3,048,710
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,321,987	$ 4,687,067
Supplemental information		
Interest paid	$ 431,088	$ 471,089

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 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, 2018 and 2017, the Center determined that an allowance for doubtful accounts of $100,000 and $70,000, 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. During the year ended June 30, 2018, the Center received a conditional grant for a capital project in the amount of $25,000,000. Of this amount, approximately, $3,571,000 has been collected and is included on the statement of financial position as a refundable advance. The Center believes the conditions related to the grant will be satisfied during 2019 and will be recognized as a contribution.

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, 2018 and 2017, amounted to $113,617 and $135,106, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Recently Adopted Accounting Standards effective for year ended June 30, 2018, the Center adopted the guidance issued by the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-07 *Disclosure for Investments in Certain Entities that Calculate NAV.* Under the amendment, investments in entities for which fair value is calculated using the net asset value ("NAV") are no longer required to categorize within the fair value hierarchy those investments that use NAV as a practical expedient, although there must be a reconciliation of the fair value hierarchy to amounts presented in the statements of financial position. The Center has reflected the effects of this amendment as of June 30, 2018 and 2017. The adoption of this standard had no effect on the Center's net assets as of June 30, 2017.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	2018	2017
One year or less	$ 1,085,960	$ 1,010,594
One year to five years	666,860	770,517
	1,752,820	1,781,111
Less present value discount at 3%	(39,111)	(164,318)
	$ 1,713,709	$ 1,616,793

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30:

	2018	2017
Cash and money market funds	$ 224,642	$ 615,477
Common stocks	7,769,280	6,736,051
Mutual funds	686,658	3,083,021
Fixed income	601,360	361,275
Alternative investments	1,963,935	3,021,628
	$ 11,245,875	$ 13,817,452

The components of investment activity are as follows for the years ended June 30:

	2018	2017
Interest and dividends	$ 303,505	$ 165,936
Realized gain	407,466	189,603
Unrealized gain	619,420	1,178,740
Investment advisory fees	(94,086)	(55,102)
	$ 1,236,305	$ 1,479,177

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.

NOTE 4 – INVESTMENTS (Continued)

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 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, 2018 and 2017, there were no transfers in or out of levels 1, 2 or 3.

Financial assets carried at fair value or by using NAV per share as a practical expedient as of June 30, 2018 are classified in the table as follows:

	Level 1	Level 2	Total 2018
ASSETS CARRIED AT FAIR VALUE			
Investments:			
Cash and money market funds	$ 224,642	$ -	$ 224,642
Common stocks	7,769,280	-	7,769,280
Mutual funds	686,658	-	686,658
Fixed income	295,808	305,552	601,360
TOTAL ASSETS AT FAIR VALUE	$ 8,976,388	$ 305,552	$ 9,281,940
Alternative investments measured at NAV			1,963,935
Total Assets Carried at Fair Value			$ 11,245,875

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value or by using NAV as a practical expedient as of June 30, 2017 are classified in the table as follows:

	Level 1	Level 2	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
TOTAL ASSETS AT FAIR VALUE	$ 10,434,549	$ 361,275	$ 10,795,824
Alternative investments measured at NAV			3,021,628
Total Assets Carried at Fair Value			$ 13,817,452

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, 2018.

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Multiple strategy fund	$ 25,236	$ -	Annually	60 days
Limited partnerships	1,938,699	-	Quarterly	60 days
Total	$ 1,963,935	$ -		

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 funds	$ 26,753	$ -	Annually	60 days
Limited partnerships	2,994,875	-	Quarterly	60 days
Total	$ 3,021,628	$ -		

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2018	2017	Estimated Useful Lives
Land	$ 2,348,932	$ 2,348,932	-
Buildings and improvements	25,470,336	25,470,336	10-30 years
Leasehold improvements	5,649,838	5,620,337	10-30 years
Furniture and fixtures	863,898	853,398	10 years
Equipment	407,235	339,298	5 years
Software	715,084	715,084	5 years
Construction in progress (see below)	5,575,433	451,115	
Total cost	41,030,756	35,798,500	
Less: accumulated depreciation	(8,109,796)	(7,097,313)	
Net book value	$ 32,920,960	$ 28,701,187	

Depreciation and amortization expense for the years ended June 30, 2018 and 2017, was $1,012,483 and $1,039,495, respectively.

Construction in progress represents certain costs associated with the construction of a building not completed as of June 30, 2018. There are approximately $15,000,000 in additional costs anticipated to complete the construction in progress.

NOTE 7 – MORTGAGE PAYABLE

Mortgage payable is comprised of the following as of June 30:

	2018	2017
Mortgage payable	$ 13,676,801	$ 14,107,242
Less: deferred financing costs	(391,814)	(409,794)
	$ 13,284,987	$ 13,697,448

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, 2018 and 2017, the Center was in compliance with the covenant.

Future annual principal payments are scheduled as follows:

Year ending June 30:	
2019	$ 448,432
2020	461,179
2021	476,489
2022	491,186
2023	521,034
Thereafter	11,278,481
	$ 13,676,801

NOTE 7 – MORTGAGE PAYABLE (Continued)

Interest expense for the years ended June 30, 2018 and 2017, was $431,088 and $471,089, respectively.

Deferred financing costs are amortized over the life of the mortgage. Amortization expense for each of the years ended June 30, 2018 and 2017 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, 2018 and 2017 are restricted by donors for the following purposes or periods:

	2018	2017
Time and purpose restricted	$ 3,692,105	$ 1,018,158
Unappropriated endowment earnings	2,944,348	2,558,454
	$ 6,636,453	$ 3,576,612

For the years ended June 30, 2018 and 2017, net assets released from restrictions amounted to $7,152,037 and $1,469,833, respectively.

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

	2018	2017
Income available for unrestricted use	$ 4,775,577	$ 8,108,077
Income restricted as to use	2,559,182	2,559,182
	$ 7,334,759	$ 10,667,259

During the year ended June 30, 2018, the Center received permission from five of their donors to utilize their gifts of $3,372,500 for general operating expenses until such time when additional funding is available at which point the funds are to be transferred back to permanently restricted net assets. Accordingly, the Center transferred these assets to unrestricted net assets. 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.

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

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.

Changes in endowment net assets for year ended June 30, 2018 are as follows:

	Temporarily Restricted	Permanently Restricted	Total 2018
Investment activity	$ 1,025,669	$ -	$ 1,025,669
Contributions	-	40,000	40,000
Transfers	-	(3,372,500)	(3,372,500)
Amount appropriated by the Board	(639,775)	-	(639,775)
Balance, beginning of year	2,558,454	10,667,259	13,225,713
Balance, end of year	$ 2,944,348	$ 7,334,759	$ 10,279,107

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	10,877,259	12,955,487
Balance, end of year	$ 2,558,454	$ 10,667,259	$ 13,225,713

Endowment net assets of $10,065,421, and $13,012,027 are included with cash and investments in the statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017, there was approximately $3.9 million and $4.3 million, respectively, of cash and cash equivalents held by one bank that exceeded FDIC limits.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. The Center believes it has no uncertain tax positions as of June 30, 2018 and 2017 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.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

B. The Center has various other operating leases expiring at varying dates through 2020. Rent expense for the years ended June 30, 2018 and 2017, was $1,789,948 and $1,721,201, respectively.

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

Year ending June 30:		
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, 2018 and 2017, was $205,122 and $213,581, 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 March 15, 2019, the date the financial statements were available to be issued. The Center is currently negotiating with a financial institution to obtain long-term financing for approximately $18 million. The Center will use the financing for repayment of their existing mortgage (See Note 7) and for funding a capital project. A closing date by the end of March 2019 has been discussed, however, this is subject to terms and conditions set forth by the financial institution.