SCHALL & ASHENFARB Certified Public Accountants, LLC

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China Institute

FOUNDED 1926

Audited Financial Statements

June 30, 2018

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Independent Auditor's Report

To the Board of Trustees of
China Institute in America

Report on the Financial Statements

We have audited the accompanying financial statements of China Institute in America (the "Institute"), which comprise the statement of financial position as of June 30, 2018, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of China Institute in America as of June 30, 2018, and the changes in its net assets and its their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Institute's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

November 9, 2018

CHINA INSTITUTE IN AMERICA
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2018
(With comparative totals at June 30, 2017)

	6/30/18	6/30/17
Assets		
Cash and cash equivalents (Notes 2d and 2e)	$5,961,751	$4,975,697
Contributions receivable (Note 2f)	597,861	371,143
Prepaid expenses and other assets	780	130,050
Investments (Notes 2g and 3)	5,581,758	5,160,519
Security deposits	25,000	25,000
Restricted cash (Note 4)	711,341	711,341
Contributions receivable - restricted for endowment (Notes 2f and 8)	0	161,067
Cash restricted for endowment (Note 8)	245,000	0
Fixed assets, net (Notes 2h and 5)	25,317,175	25,438,605
Donated artwork held for auction (Note 2i)	162,476	162,476
Total assets	$38,603,142	$37,135,898
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$656,518	$1,029,014
Deferred revenue (Note 2k)	135,108	146,769
Conditional grant	1,600,000	0
Security deposits	120,000	0
Loans payable (Note 6)	8,526,213	8,517,516
Total liabilities	11,037,839	9,693,299
Commitments and contingencies (Note 9)		
Net assets (Note 2b):		
Unrestricted	22,440,097	24,360,556
Temporarily restricted (Note 7)	3,053,252	1,094,022
Permanently restricted (Note 8)	2,071,954	1,988,021
Total net assets	27,565,303	27,442,599
Total liabilities and net assets	$38,603,142	$37,135,898

The attached notes and auditor's report are an integral part of these financial statements.

CHINA INSTITUTE IN AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 6/30/18	Total 6/30/17
Public support and revenue:					
Public support:					
Contributions	$1,010,120	$1,852,183	$83,933	$2,946,236	$1,463,487
Government grants	288,622			288,622	339,193
Special event income (net of expenses with a direct benefit to donors) (Note 11)	1,128,424			1,128,424	981,197
Membership dues	65,838			65,838	68,606
In-kind donations	76,717			76,717	102,100
Total public support	2,569,721	1,852,183	83,933	4,505,837	2,954,583
Revenues:					
Lecture and tuition fees	825,328			825,328	736,372
Gallery catalogue and book sales	27,065			27,065	29,168
Investment income (Note 3)	230,501	197,747		428,248	458,726
Rental income	56,610			56,610	22,333
Other income	1,844			1,844	263
Total revenues	1,141,348	197,747	0	1,339,095	1,246,862
Net assets released from restrictions:					
Satisfaction of program and time restictions	90,700	(90,700)		0	0
Total public support and revenue	3,801,769	1,959,230	83,933	5,844,932	4,201,445
Expenses:					
Program services	4,019,239			4,019,239	4,266,557
Supporting services:					
Management and general	780,221			780,221	1,088,263
Fundraising	922,768			922,768	1,121,541
Total supporting services	1,702,989	0	0	1,702,989	2,209,804
Total expenses	5,722,228	0	0	5,722,228	6,476,361
Change in net assets	(1,920,459)	1,959,230	83,933	122,704	(2,274,916)
Net assets - beginning of year	24,360,556	1,094,022	1,988,021	27,442,599	29,717,515
Net assets - end of year	$22,440,097	$3,053,252	$2,071,954	$27,565,303	$27,442,599

The attached notes and auditor's report are an integral part of these financial statements.

CHINA INSTITUTE IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	Program Services				Supporting Services				
	Education Program	Gallery Program	Public Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 6/30/18	Total Expenses 6/30/17
Salaries	$1,026,378	$326,880	$320,614	$1,673,872	$257,794	$480,649	$738,443	$2,412,315	$2,189,290
Payroll taxes and employee benefits	303,944	96,799	94,944	495,687	76,341	142,335	218,676	714,363	567,239
Instructor/teacher/temporary intern payments	120,667			120,667			0	120,667	126,746
Consultants and professional	65,522	20,277	7,262	93,061	89,584	127,390	216,974	310,035	604,981
Printing and publications	58,579	5,342	2,626	66,547	17,293	6,700	23,993	90,540	52,185
Supplies, postage and shipping	36,657	3,130	1,538	41,325	44,252	3,926	48,178	89,503	133,487
Travel and lodging	114,275	7,502	2,781	124,558	7,735	11,405	19,140	143,698	115,354
Telecommunications	14,383	1,312	645	16,340	4,246	1,645	5,891	22,231	21,326
Advertising and staff training	0	30,504	18,303	48,807	24,401	48,801	73,202	122,009	192,196
Food and beverages	10,482	3,476	1,709	15,667	11,253	4,360	15,613	31,280	70,814
Gallery design and installation		167,113		167,113			0	167,113	270,230
Crating, shipping and art insurance		31,071		31,071			0	31,071	109,549
Space rental and venue costs	16,704		7,491	24,195			0	24,195	28,782
Building charges and utilities	296,245	27,015	13,278	336,538	87,454	33,883	121,337	457,875	418,695
Building charges - special assessment				0			0	0	447,395
Building services, equipment rental and maintenance	46,704	4,259	2,093	53,056	13,787	5,342	19,129	72,185	89,743
Property and liability insurance	18,553	8,164	832	27,549	18,356	2,122	20,478	48,027	97,943
Events expense	78,486	7,157	3,518	89,161	23,170	8,977	32,147	121,308	157,928
Bank charges, interest and credit card fees	7,453	673	343	8,469	3,047	1,181	4,228	12,697	12,697
Bad debt expense				0	153		153	153	0
Other expenses	18,735	1,708	840	21,283	5,531	2,143	7,674	28,957	51,324
Total expenses before depreciation	2,233,767	742,382	478,817	3,454,966	684,397	880,859	1,565,256	5,020,222	5,757,904
Depreciation	375,573	180,416	8,284	564,273	95,824	41,909	137,733	702,006	718,457
Total expenses	$2,609,340	$922,798	$487,101	$4,019,239	$780,221	$922,768	$1,702,989	$5,722,228	$6,476,361

The attached notes and auditor's report are an integral part of these financial statements.

CHINA INSTITUTE IN AMERICA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	6/30/18	6/30/17
Cash flows from operating activities:		
Change in net assets	$122,704	($2,274,916)
Adjustments to reconcile change in net assets to net cash flows provided by/(used for) operating activities:		
Depreciation	702,006	718,457
Amortization of debt issuance costs	12,697	12,697
Debt issuance costs	(4,000)	0
Realized and unrealized gain on investments	(334,260)	(373,431)
Contributions restricted for endowment	(245,000)	0
Changes in assets and liabilities:		
Contributions receivable	(65,651)	(228,938)
Prepaid expenses and other assets	129,270	(58,154)
Accounts payable and accrued expenses	(372,496)	626,359
Deferred tuition	(11,661)	(65,968)
Conditional grant	1,600,000	0
Security deposits held	120,000	0
Total adjustments	1,530,905	631,022
Net cash flows provided by/(used for) operating activities	1,653,609	(1,643,894)
Cash flows from investing activities:		
Purchase of fixed assets	(580,576)	(536,754)
Purchases of investments	(1,253,629)	(1,917,571)
Proceeds from sales of investments	1,166,650	1,568,764
Net cash flows used for investing activities	(667,555)	(885,561)
Cash flows from financing activities:		
Draws on restricted cash	0	4,289,737
Repayments of loans payable	0	(4,000,000)
Net cash flow provided by financing activities	0	289,737
Net increase/(decrease) in cash and cash equivalents	986,054	(2,239,718)
Cash and cash equivalents - beginning of year	4,975,697	7,215,415
Cash and cash equivalents - end of year	$5,961,751	$4,975,697
Supplemental disclosure of cash flow information:		
Total interest paid	$310,250	$368,050
Total income taxes paid	$0	$0

The attached notes and auditor's report are an integral part of these financial statements.

Note 1 - Nature of Entity

China Institute in America (the "Institute") offers a series of programs relating to China and Chinese culture, including art, education, music, film history, contemporary affairs, business, travel and language. The Institute also presents classes, workshops and events for adults, corporate executives, teachers, families and children.

Incorporated in 1944 in the State of New York, the Institute has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting
The financial statements of the Institute have been prepared on the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred, rather than received or paid.

b. Basis of Presentation
The Institute, as a not-for-profit organization, reports information regarding its financial position and activities according to the following classes of net assets:

- *Unrestricted* – accounts for all activity without donor-imposed restrictions.

- *Temporarily restricted* – accounts for activity based on specific donor restrictions that are expected to be satisfied by the passage of time or performance of activities.

- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity.

c. Revenue Recognition
The Institute reports contributions at the earlier of the receipt of cash or at a time a pledge becomes unconditional in nature. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, when a restriction is met in the same period the contribution is received, it is recorded as unrestricted. Amounts are released from restriction on the capital campaign based on the date the capital item is purchased.

d. Cash and Cash Equivalents
The Institute considers all liquid investments that have an initial maturity of three months or less to be cash and cash equivalents, except for cash held as part of the investment portfolio.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Institute to concentration of credit risk consist of cash, money market accounts and investment securities, which are placed with financial institutions that management deems to be creditworthy. Most accounts are insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation. At year end and at various times during the year, the Institute had material uninsured balances either due to the accounts not being insured or balances exceeding the insured levels. The Institute has not experienced any losses due to the failure of any of these institutions.

The market value of investments is subject to fluctuation and principal is not guaranteed. Management believes its investment policy is prudent for the long-term welfare of the Institute.

f. Contributions Receivable

The Institute records unconditional promises to give in the period pledged at net realizable value, if expected to be received within one year. Long-term pledges are recorded at fair value based on a risk-adjusted discount rate when considered material. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges are reviewed for collectability based on several factors including historical experience. An allowance of $15,500 has been established as of June 30, 2018.

At June 30, 2018, all outstanding receivables are due within one year.

g. Investments

Investments are stated at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities.

h. Fixed Assets

Fixed assets to which the Institute retains title and capital items purchased which benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation.

Fixed assets consist of buildings, building improvements, furniture, equipment and computers, and are carried at cost. Depreciation is charged over the assets useful life (ranging from 3 to 40 years) using the straight-line method with a one-half year convention.

During the year ended June 30, 2017, the City of New York's investment of capital funding obligated the Institute to maintain equipment for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational or artistic uses and/or related purposes approved by the City of New York.

i. Donated Artwork Held for Auction
The Institute's collection of art and artifacts has been recorded at appraised values at the time of donation. Some of the collection is to be sold at auction and the remainder is to be displayed at the Institute's premises.

j. Accrued Vacation
The Institute recognizes a liability for the amount of unused vacation that employees have earned but not used. The accrued vacation obligation was $24,031 and $25,224 at June 30, 2018 and June 30, 2017, respectively.

k. Deferred Tuition
Tuition is recognized as revenue in the period the education services are provided. Amounts collected in advance are treated as deferred tuition.

l. Donated Services
The Institute recognizes contributions of services that create or enhance non-financial assets, or require specialized skills, are provided by those who possess those skills and would typically be purchased if not donated. In-kind travel of $76,717 and $27,100 has been recognized in 2018 and 2017, respectively. Additionally, $75,000 of in-kind public relations has been recognized in 2017.

m. Advertising
Advertising expense is recognized in the period the expense has been incurred.

n. Management Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

o. Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Institute.

p. Comparative Financial Information
The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

q. Accounting for Uncertainty of Income Taxes
The Institute does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2015 and later are subject to examination by applicable taxing authorities.

r. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through November 9, 2018, the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements have been made.

s. New Accounting Pronouncements
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. The Organization has not yet evaluated the impact this standard will have on future financial statements.

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the June 30, 2020 year, with early implementation permitted, provides guidance on whether a receipt from a third party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

The Institute is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access.
Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2018 and June 30, 2017 all investments were considered to be Level 1 securities and consisted of the following:

	6/30/18	6/30/17
Money market funds	$111,453	$56,706
Mutual funds	1,679,228	1,138,895
Corporate bonds	964,360	1,007,706
Government agency bonds	18,750	19,399
Exchange traded funds	415,480	592,510
Real estate investment trusts	0	11,295
Corporate equities		
Basic and industrial good/materials	329,688	401,110
Consumer goods	280,475	227,839
Financial	354,325	358,067
Healthcare	300,277	374,171
Services	294,685	368,763
Technology	604,891	462,767
Utilities	84,417	79,657
Other	143,729	61,634
	$5,581,758	$5,160,519

Level 1 securities are valued at the closing price reported on the active market they are traded on.

Investment income for the years ended June 30, 2018 and June 30, 2017 is as follows:

	6/30/18	6/30/17
Realized & unrealized gain on investments	$334,260	$373,431
Interest and dividends	7,009	1,461
Interest and dividends - endowment	129,351	120,861
Investment fees	(42,372)	(37,027)
	$428,248	$458,726

Note 4 - Restricted Cash

In connection with the loans payable described more fully in Note 6, the Institute is required to establish separate accounts with the lender's institution to be used as a reserve for monthly interest installments as well as hold the unused proceeds of the loan, which are to be used for construction costs on the building.

Note 5 - Fixed Assets

Fixed assets consist of:

	6/30/18	6/30/17
Office condominium	$18,270,000	$18,270,000
Capitalized closing costs	247,557	247,557
Furniture and equipment	367,641	366,612
Hurricane Sandy improvements	447,395	447,395
Condominium improvements and betterments	7,061,728	7,061,728
Construction in progress	2,505,111	1,925,564
	28,899,432	28,318,856
Less: accumulated depreciation and amortization	(3,582,257)	(2,880,251)
Fixed assets - net	$25,317,175	$25,438,605

Note 6 - Loans Payable

In November 2015, The Trust for Cultural Resources of the City of New York (the "Trust") issued $13,000,000 in Series 2015 revenue bonds for the benefit of the Institute. The Institute has used the proceeds for costs associated with the construction of the new condo on Rector Street in New York City. The Trust then sold the bond proceeds to a bank.

The Institute entered into two separate mortgage loan agreements, one with a bank and the other with the Trust (the Trust in turn assigned the rights to the mortgage to the same bank). At the conclusion of these transactions, the Institute had $13,000,000 of outstanding mortgages payable.

On October 26, 2016 the Board of Trustees of the Institute approved and adopted a resolution to authorize an optional $4,000,000 redemption of the Series 2015 bonds, which took place on November 1, 2016. On November 9, 2016, the Institute and the bank signed a consent to amend the loan agreements based on this redemption, which reduced the outstanding mortgages payable to $9,000,000.

The Institute is required to make monthly interest only payments through December 1, 2018 to the bank. Principal payments begin December 1, 2018 and continue through December 1, 2035, when a balloon payment of $3,799,517 is due. The loans are collateralized by the assets and operating revenues of the Institute.

Loans payable reflected on the statement of financial position consists of the following at June 30, 2018:

	Principal	Debt Issuance Costs	Net
3.4% bank loan, due 12/1/2035	$9,000,000	$473,787	$8,526,213

In fiscal year 2016, the Institute elected to early adopt FASB ASU No. 2015-03, *Interest-Imputation of Interest – Simplifying the Presentation of Debt Issuance Costs,* which permitted the debt issuance costs to be netted with the principal amount of the loan.

Future principal payments under the loan are as follows:

Year ending:	June 30, 2019	$115,000
	June 30, 2020	234,318
	June 30, 2021	243,354
	June 30, 2022	251,879
	June 30, 2023	260,699
Thereafter		7,894,750
Total		$9,000,000

Note 7 - Temporarily Restricted Net Assets

During the years ended June 30, 2018 and June 30, 2017, net assets were released from restriction due to satisfaction of donor stipulations for the following programs:

	6/30/18	6/30/17
Exhibition: Art of the Mountain	49,379	0
Other	41,321	18,330
Capital Campaign	$0	$248,410
Anniversary Book	0	30,000
Curriculum Guide	0	24,859
Exhibitions/Conventions	0	10,557
We All Live In The Forbidden City	0	62,943
China Impact Speakers Series	0	455
Exhibition: Six Dynasties	0	136,202
Total	$90,700	$531,756

At year end, net assets are temporarily restricted by donors for the following purposes:

	6/30/18	6/30/17
Capital Campaign	$1,914,030	$310,000
Exhibitions/Conventions	0	49,379
China Summit	0	25,000
Annual Dialogue	75,000	0
Corporate Membership	85,000	0
Exhibition: Eternal Offerings	35,000	0
Other	150,872	114,040
Total program restrictions	2,259,902	498,419
Unappropriated earnings from endowment fund	793,350	595,603
Total	$3,053,252	$1,094,022

Note 8 - Permanently Restricted Net Assets

The Institute's endowment consists of individual donor-restricted funds established for a variety of purposes. The endowment includes earnings from investment gains that have not been designated for specific use by the donor and have not yet been appropriated by the board of trustees.

A gift was received during the year ended June 30, 2017 that required the Institute to transfer $100,000 of previous contributions to the endowment.

Additionally, during the year ended June 30, 2018, the Institute received $245,000 from a donor, which included the collection of a pledge of $161,067 from 2017 and an additional $83,933 which was restricted for the endowment. This amount is currently held in cash and is not part of the Institute's investments at year end.

Interpretation of Relevant Law
The Institute follows New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Board of Trustees of the Institute has interpreted NYPMIFA as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, the Institute will preserve the fair value of the original gift as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, the Institute has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Absent any specific donor stipulations, when endowment funds have earnings in excess of amounts that need to be retained permanently, these excess amounts are classified as temporarily restricted net assets until appropriated for expenditure by the Institute's governing board.

Spending Policies
In accordance with NYPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) The purposes of the Institute and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the Institute;
(7) The investment policies of the Institute;
(8) Where appropriate and circumstances would otherwise warrant alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Institute.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment and reserve fund net assets, beginning of year	$2,737,962	$595,603	$1,826,954	$5,160,519
Activities 2018:				
Interest and dividends	68,629	60,722	0	129,351
Investment fees	(22,481)	(19,891)	0	(42,372)
Unrealized and realized gain	177,344	156,916	0	334,260
Contributions	0	0	0	0
Endowment and reserve fund net assets, end of year	$2,961,454	$793,350	1,826,954	$5,581,758
Cash restricted for endowment			245,000	
Total permanently restriction			$2,071,954	

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment and reserve fund net assets, beginning of year	$2,501,142	$412,185	$1,524,954	$4,438,281
Activities 2017:				
Reclassification of prior year contribution	0	0	100,000	100,000
Interest and dividends	68,110	52,751	0	120,861
Investment fees	(20,866)	(16,161)	0	(37,027)
Unrealized and realized gain	189,576	146,828	0	336,404
Contributions	0	0	202,000	202,000
Endowment and reserve fund net assets, end of year	$2,737,962	$595,603	1,826,954	$5,160,519
Pledges received for endowment			161,067	
Total permanently restriction			$1,988,021	

Endowment Investment Policies

The Institute has adopted an investment policy for endowment assets that relies on the accumulation of interest, dividends and other market value gains for future appropriation.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Institute to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2018 or June 30, 2017.

Note 9 - Commitments and Contingencies

Government funded activities are subject to audit by applicable granting agencies. Management does not believe that any future audits will result in disallowed costs and has not established any reserves. Any future payments that may result from such audits will be recognized once amounts become known and probable of payment.

Note 10 - Employee Benefit Plan

Employees of the Institute are covered by a TIAA-CREF defined contribution plan. The Institute may, on an annual basis, contribute a discretionary match of the salaries of eligible employees to the plan. Employees may elect to contribute a portion of their salaries. Contributions under this plan are applied to individual annuities issued to each participant. Employer contributions to the plan were $164,667 and $135,479 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 11 - Special Events

A summary of the special events during the year ended June 30, 2018 is as follows:

	Gala	Chinese New Year	Spring Lunch	Total
Gross revenue	$1,027,750	$95,329	$283,675	$1,406,754
Less: expenses with a direct benefit to donors	(184,372)	(42,346)	(51,612)	(278,330)
	843,378	52,983	232,063	1,128,424
Less: other event expenses	(41,878)	(21,775)	(55,803)	(119,456)
Net income from special events	$801,500	$31,208	$176,260	$1,008,968

A summary of the special events during the year ended June 30, 2017 is as follows:

	Gala	Chinese New Year	Spring Lunch	Total
Gross revenue	$956,436	$73,981	$148,527	$1,178,944
Less: expenses with a direct benefit to donors	(139,272)	(24,000)	(34,475)	(197,747)
	817,164	49,981	114,052	981,197
Less: other event expenses	(43,934)	(3,648)	(23,479)	(71,061)
Net income from special events	$773,230	$46,333	$90,573	$910,136

Note 12 - Related Party Transaction

The Institute paid fees to a firm for architectural services that totaled $16,260 and $113,220 in 2018 and 2017, respectively. The chair of the board is a principal of the architecture firm. The transaction was approved in advance by the board after full disclosure at a properly scheduled board meeting.