SCHALL & ASHENFARB Certified Public Accountants, LLC

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China Institute

FOUNDED 1926

Audited Financial Statements

June 30, 2016

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Independent Auditors' 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, 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 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 auditors' 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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

December 13, 2016

CHINA INSTITUTE IN AMERICA
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2016
(With comparative totals at June 30, 2015)

	6/30/16	6/30/15
Assets		
Cash and cash equivalents (Notes 2d and 2e)	$7,215,415	$8,310,571
Contributions receivable (Notes 2f)	303,272	1,322,612
Prepaid expenses and other assets	71,896	119,220
Investments (Notes 2g and 3)	4,438,281	1,929,030
Security deposits	25,000	525,000
Restricted cash (Note 4)	5,001,078	0
Fixed assets, net (Notes 2h and 5)	25,620,308	21,950,731
Donated artwork held for auction (Note 2i)	162,476	162,476
Total assets	$42,837,726	$34,319,640
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$402,655	$2,464,810
Deferred tuition (Note 2k)	212,737	222,913
Loans payable (Note 7)	12,504,819	0
Total liabilities	13,120,211	2,687,723
Commitments and contingencies (Note 10)		
Net assets (Note 2b):		
Unrestricted	27,332,111	28,756,103
Temporarily restricted (Note 8)	860,450	1,350,860
Permanently restricted (Note 9)	1,524,954	1,524,954
Total net assets	29,717,515	31,631,917
Total liabilities and net assets	$42,837,726	$34,319,640

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

CHINA INSTITUTE IN AMERICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(With comparative totals for the year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 6/30/16	Total 6/30/15
Public support and revenue:					
Public support:					
Foundations and corporations				$0	$150,151
Individuals	$2,117,123	$116,400		2,233,523	792,575
Government grants	116,490			116,490	117,822
Special event income (net of expenses with a direct benefit to donors) Note 12)	189,783			189,783	1,075,444
Membership dues	98,128			98,128	52,885
In-kind donations	4,840			4,840	79,900
Total public support	2,526,364	116,400	0	2,642,764	2,268,777
Revenues, gain/(loss):					
Loss on uncollectable pledges				0	(300,000)
Lecture and tuition fees	718,699			718,699	846,251
Gallery catalogue and book sales	33,998			33,998	74,956
Investment income (Note 4)	1,197	8,109		9,306	878
Rental income	36,200			36,200	0
Other income	42,466			42,466	2,592
Total revenues, gain/(loss)	832,560	8,109	0	840,669	624,677
Net assets released from restrictions:					
Satisfaction of program and time restiction	614,919	(614,919)		0	0
Total public support and revenue	3,973,843	(490,410)	0	3,483,433	2,893,454
Expenses:					
Program services	3,799,022			3,799,022	3,250,685
Supporting services:					
Management and general	1,004,451			1,004,451	1,170,038
Fundraising	594,362			594,362	633,949
Total expenses	5,397,835	0	0	5,397,835	5,054,672
Change in net assets from operations	(1,423,992)	(490,410)	0	(1,914,402)	(2,161,218)
Non-operating activity:					
Gain on sale of property (Note 6)		0	0	0	20,859,568
Total non-operating activity	0	0	0	0	20,859,568
Total change in net assets	(1,423,992)	(490,410)	0	(1,914,402)	18,698,350
Net assets - beginning of year	28,756,103	1,350,860	1,524,954	31,631,917	12,933,567
Net assets - end of year	$27,332,111	$860,450	$1,524,954	$29,717,515	$31,631,917

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

CHINA INSTITUTE IN AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With comparative totals for the year ended June 30, 2015)

	Program Services					Supporting Services				
	Education Program	Gallery Program	Corporate Program	New Facility	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 6/30/16	Total Expenses 6/30/15
Salaries	$1,070,139	$247,558	$166,772		$1,484,469	$354,043	$362,460	$716,503	$2,200,972	$1,923,534
Payroll taxes and employee benefits	280,691	64,933	43,744		389,368	92,863	95,071	187,934	577,302	412,653
Instructor/teacher/temporary intern payments	22,864	4,455			27,319	1,950	780	2,730	30,049	24,115
Consultants and professional	99,888	12,553	1,320	$266,667	380,428	118,569	21,605	140,174	520,602	734,739
Printing and publications	2,500		1,550		4,050	1,470	27,098	28,568	32,618	73,492
Supplies, postage and shipping	72,607	6,723	2,689		82,019	25,547	6,723	32,270	114,289	106,022
Travel and lodging	110,484	19,160	810	188	130,642	5,679	7,792	13,471	144,113	146,971
Telecommunications	14,910	1,381	552		16,843	5,246	1,381	6,627	23,470	22,274
Advertising and staff training	24,465	1,895	75		26,435	170,646	1,650	172,296	198,731	41,654
Food and beverages	8,376	447	5,590	3,012	17,425	3,618	19,359	22,977	40,402	29,829
Gallery design and installation		186,932			186,932			0	186,932	57,777
Crating, shipping and art insurance		59,624			59,624			0	59,624	26,254
Space rental and venue costs	35,150				35,150		19,375	19,375	54,525	4,006
Building charges and utilities	31,729	2,938	1,175	280,641	316,483	11,164	2,938	14,102	330,585	0
Building services, equipment rental and maintenance	43,750	4,051	1,620		49,421	15,394	4,051	19,445	68,866	382,032
Property and liability insurance	43,859	4,061	1,624		49,544	15,432	4,061	19,493	69,037	58,229
Events expense	46,873	704	679		48,256	15,151	10,581	25,732	73,988	90,630
Bank charges, interest and credit card fees		7		12,697	12,704	125		125	12,829	131,984
Bad debt expense					0	55,500		55,500	55,500	290,511
Other expenses	17,179	1,585			18,764	2,864	9,437	12,301	31,065	30,229
Total expenses before depreciation	1,925,464	619,007	228,200	563,205	3,335,876	895,261	594,362	1,489,623	4,825,499	4,586,935
Depreciation				463,146	463,146	109,190		109,190	572,336	467,737
Total expenses	$1,925,464	$619,007	$228,200	$1,026,351	$3,799,022	$1,004,451	$594,362	$1,598,813	$5,397,835	$5,054,672

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

CHINA INSTITUTE IN AMERICA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(With comparative totals for the year ended June 30, 2015)

	6/30/16	6/30/15
Cash flows from operating activities:		
Change in net assets	($1,914,402)	$18,698,350
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Depreciation	572,336	467,737
Donated stock	0	10,806
Debt issuance costs/interest	(495,181)	0
Realized and unrealized loss on investments	37,841	30,217
Gain on sale of fixed assets	0	(20,859,568)
Changes in assets and liabilities:		
Contributions receivable	1,019,340	15,509
Prepaid expenses and other assets	47,324	(60,043)
Security deposits	500,000	(525,000)
Restricted cash	(5,001,078)	400,714
Donated artwork held for auction	0	2,850
Accounts payable and accrued expenses	(2,062,155)	2,044,645
Deferred tuition	(10,176)	(2,337)
Government grant advances	0	(57,500)
Total adjustments	(5,391,749)	(18,531,970)
Net cash flows (used for)/provided by operating activities	(7,306,151)	166,380
Cash flows from investing activities:		
Net proceeds on sale of fixed assets	0	20,996,706
Purchase of fixed assets	(4,241,913)	(4,942,524)
Purchases of investments	(3,802,462)	(238,955)
Proceeds from sales of investments	1,255,370	252,590
Net cash flows (used for)/provided by investing activities	(6,789,005)	16,067,817
Cash flows from financing activities:		
Proceeds from loans payable	13,000,000	0
Repayments of loans payable	0	(13,200,670)
Net cash flow provided by/(used for) financing activities	13,000,000	(13,200,670)
Net (decrease)/increase in cash and cash equivalents	(1,095,156)	3,033,527
Cash and cash equivalents - beginning of year	8,310,571	5,277,044
Cash and cash equivalents - end of year	$7,215,415	$8,310,571
Supplemental disclosure of cash flow information:		
Total interest paid	$233,278	$131,984
Total income taxes paid	$0	$0

The attached notes and auditors' 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 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* – represents all activity without donor imposed restrictions.

- *Temporarily restricted* – accounts for activity based on specific donor restrictions that are expected to be satisfied by 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 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, 2016.

At June 30, 2016, 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.

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 $27,955 and $47,467 at June 30, 2016 and June 30, 2015, 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 legal services of $4,840 and $79,900 have been recognized in 2016 and 2015, respectively.

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, 2015, 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, 2013 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 December 13, 2016, 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 – ASU No. 2016-14
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 Institute has not yet evaluated the impact this will have on future 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, 2016 and June 30, 2015 all investments were considered to be Level 1 securities and consisted of the following:

	6/30/16	6/30/15
Money market funds	$333,153	$29,069
U.S. Treasuries	98,841	99,562
Mutual funds	762,622	320,737
Corporate bonds	559,677	555,627
Government agency bonds	114,432	162,704
Exchange traded funds	418,204	53,521
Real estate investment trusts	10,899	6,668
Corporate equities	2,140,453	701,142
	$4,438,281	$1,929,030

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, 2016 and June 30, 2015 is as follows:

	6/30/16	6/30/15
Realized (loss)/gain on sales of investments	($37,482)	$33,741
Unrealized loss on investments	(359)	(63,958)
Interest and dividends	1,198	1,634
Interest and dividends - endowment	64,784	48,588
Investment fees	(18,835)	(19,127)
	$9,306	$878

Note 4 - Restricted Cash

In connection with the loans payable described more fully in Note 7, 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:

	6/30/16	6/30/15
Office condominium	$18,270,000	$18,270,000
Capitalized closing costs	247,557	247,557
Furniture and equipment	132,942	90,814
Hurricane Sandy improvements	447,395	447,395
Condominium improvements and betterments	7,239,914	0
Construction in progress	1,444,294	4,484,423
	27,782,102	23,540,189
Less: accumulated depreciation and amortization	(2,161,794)	(1,589,458)
Fixed assets - net	$25,620,308	$21,950,731

Note 6 - Gain on Sale of Property

On September 17, 2014, the Institute sold the building located at 125 East 65th Street. The following summarizes the transaction:

Gross proceeds	$22,000,000
Less: broker fees	(880,000)
Less: NYS transfer tax	(88,000)
Less: legal and other fees	(35,294)
Net proceeds from sale	20,996,706
Less: book value on assets sold	(137,138)
Net gains on sale	$20,859,568

Note 7 - Loans Payable

Loans payable consisted of the following at June 30, 2016:

	Principal	Debt Issuance Costs	Net
3.4% bank loan, due 12/1/2035	$13,000,000	$495,181	$12,504,819

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.

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 was to use the proceeds for the costs associated with the construction at the new condo on Rector Street in New York City.

On November 24, 2015, the Trust sold the bond proceeds to a bank and the Institute entered into two separate 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) totaling $13,000,000 to use towards construction at the condo. Per the terms of the agreements, the Institute makes 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 $3,960,266 is due. The loans are collateralized by the assets and operating revenues of the Institute.

Future principal payments under the loan are as follows:

Year ending:	June 30, 2017	$0
	June 30, 2018	0
	June 30, 2019	199,988
	June 30, 2020	407,996
	June 30, 2021	389,016
Thereafter		12,003,000
Total		$13,000,000

Subsequent to year end, on November 1, 2016, a $4,000,000 payment was made on the outstanding principal owed under this loan.

Note 8 - Temporarily Restricted Net Assets

During the years ended June 30, 2016 and June 30, 2015, net assets were released from restriction due to satisfaction of donor stipulations for the following programs:

	6/30/16	6/30/15
Capital Campaign	$0	$1,064,973
Development Consultant	0	76,000
Development Salaries	11,250	0
Exhibitions/Conventions	64	25,000
Teach China	54,215	12,573
We All Live In The Forbidden City	268,425	388,996
China Impact Speakers Series	10,047	84,871
Exhibitions	247,016	115,537
Other	3,902	65,791
Total program restrictions	614,919	1,833,741
Endowment fund	0	53,900
Total	$614,919	$1,887,641

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

	6/30/16	6/30/15
Exhibitions/Conventions	$59,935	$50,000
Teach China	0	54,215
Curriculum Guide	24,859	24,859
We All Live In The Forbidden City	62,943	331,368
China Impact Speakers Series	455	7,702
Exhibition: Six Dynasties	136,212	365,628
China Summit	25,000	25,000
Anniversary Book	30,000	0
Other	108,861	88,012
Total program restrictions	448,265	946,784
Unappropriated earnings from endowment fund	412,185	404,076
Total	$860,450	$1,350,860

Note 9 - 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.

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, 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment and reserve fund net assets, beginning of year	$0	$404,076	$1,524,954	$1,929,030
Activities 2016:				
Interest and dividends	0	64,784	0	64,784
Investment fees	0	(18,834)	0	(18,835)
Unrealized and realized loss	0	(37,841)	0	(37,841)
Net transfers	2,501,142	0	0	2,501,142
Endowment and reserve fund net assets, end of year	$2,501,142	$412,185	$1,524,954	$4,438,281

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

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$458,734	$1,524,954	$1,983,688
Activities 2015			
Interest and dividend income	48,588	0	48,588
Investment fees	(19,129)	0	(19,129)
Unrealized and realized loss	(30,217)	0	(30,217)
Appropriated for expenditure	(53,900)	0	(53,900)
Endowment net assets, end of year	$404,076	$1,524,954	$1,929,030

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, 2016 or June 30, 2015.

Note 10 - 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 11 - 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 $146,629 and $32,968 for the years ended June 30, 2016 and June 30, 2015, respectively.

Note 12 - Special Events

A summary of the special events during the year ended June 30, 2016 is as follows:

	Chinese New Year
Gross revenue	$267,446
Less: expense with a direct benefit to donors	(77,663)
	189,783
Less: other event expenses	(23,066)
Net income from special events	$166,717

A summary of the special events during the year ended June 30, 2015 is as follows:

	Gala	Chinese New Year	Other Events	Total
Gross revenue	$1,017,700	$204,060	$7,238	$1,228,998
Less: expenses with a direct benefit to donors	(68,932)	(79,299)	(5,323)	(153,554)
	948,768	124,761	1,915	1,075,444
Less: other event expenses	(15,290)	(1,823)	(336)	(17,449)
Net income from special events	$933,478	$122,938	$1,579	$1,057,995

Note 13 - Related Party Transaction

The Institute paid fees to a firm for architectural services that totaled $425,381 and $546,313 in 2016 and 2015, 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.