SCHALL & ASHENFARB Certified Public Accountants, LLC

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China Institute

FOUNDED 1926

Audited Financial Statements

June 30, 2017

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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, 2017, 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, 2017, 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 December 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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

October 25, 2017

CHINA INSTITUTE IN AMERICA
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2017
(With comparative totals at June 30, 2016)

	6/30/17	6/30/16
Assets		
Cash and cash equivalents (Notes 2d and 2e)	$4,975,697	$7,215,415
Contributions receivable (Note 2f)	371,143	303,272
Prepaid expenses and other assets	130,050	71,896
Investments (Notes 2g and 3)	5,160,519	4,438,281
Security deposits	25,000	25,000
Restricted cash (Note 4)	711,341	5,001,078
Contributions receivable - restricted for endowment (Notes 2f and 8)	161,067	0
Fixed assets, net (Notes 2h and 5)	25,438,605	25,620,308
Donated artwork held for auction (Note 2i)	162,476	162,476
Total assets	$37,135,898	$42,837,726
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$1,029,014	$402,655
Deferred tuition (Note 2k)	146,769	212,737
Loans payable (Note 6)	8,517,516	12,504,819
Total liabilities	9,693,299	13,120,211
Commitments and contingencies (Note 9)		
Net assets (Note 2b):		
Unrestricted	24,360,556	27,332,111
Temporarily restricted (Note 7)	1,094,022	860,450
Permanently restricted (Note 8)	1,988,021	1,524,954
Total net assets	27,442,599	29,717,515
Total liabilities and net assets	$37,135,898	$42,837,726

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, 2017
(With comparative totals for the year ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 6/30/17	Total 6/30/16
Public support and revenue:					
Public support:					
Foundations and corporations	$125,500			$125,500	$0
Individuals	393,010	$581,910	$363,067	1,337,987	2,233,523
Government grants	339,193			339,193	116,490
Special event income (net of expenses with a direct benefit to donors) (Note 11)	981,197			981,197	189,783
Membership dues	68,606			68,606	98,128
In-kind donations	102,100			102,100	4,840
Total public support	2,009,606	581,910	363,067	2,954,583	2,642,764
Revenues:					
Lecture and tuition fees	736,372			736,372	718,699
Gallery catalogue and book sales	29,168			29,168	33,998
Investment income (Note 3)	275,308	183,418		458,726	9,306
Rental income	22,333			22,333	36,200
Other income	263			263	42,466
Total revenues	1,063,444	183,418	0	1,246,862	840,669
Net assets released from restrictions:					
Satisfaction of program and time restictions	531,756	(531,756)		0	0
Total public support and revenue	3,604,806	233,572	363,067	4,201,445	3,483,433
Expenses:					
Program services	4,266,557			4,266,557	3,799,022
Supporting services:					
Management and general	1,088,263			1,088,263	1,004,451
Fundraising	1,121,541			1,121,541	594,362
Total supporting services	2,209,804	0	0	2,209,804	1,598,813
Total expenses	6,476,361	0	0	6,476,361	5,397,835
Change in net assets	(2,871,555)	233,572	363,067	(2,274,916)	(1,914,402)
Reclassification (Note 8)	(100,000)	0	100,000	0	0
Total change in net assets	(2,971,555)	233,572	463,067	(2,274,916)	(1,914,402)
Net assets - beginning of year	27,332,111	860,450	1,524,954	29,717,515	31,631,917
Net assets - end of year	$24,360,556	$1,094,022	$1,988,021	$27,442,599	$29,717,515

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, 2017
(With comparative totals for the year ended June 30, 2016)

	Program Services				Supporting Services				
	Education Program	Gallery Program	Corporate Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 6/30/17	Total Expenses 6/30/16
Salaries	$1,043,914	$255,024	$89,549	$1,388,487	$366,022	$434,781	$800,803	$2,189,290	$2,200,972
Payroll taxes and employee benefits	270,475	66,076	23,202	359,753	94,835	112,651	207,486	567,239	577,302
Instructor/teacher/temporary intern payments	126,746			126,746			0	126,746	30,049
Consultants and professional	150,414	9,364	3,121	162,899	175,930	266,152	442,082	604,981	520,602
Printing and publications	5,269	2,208		7,477	440	44,268	44,708	52,185	32,618
Supplies, postage and shipping	80,092	8,009	2,671	90,772	29,367	13,348	42,715	133,487	114,289
Travel and lodging	51,117	44,094	650	95,861	17,967	1,526	19,493	115,354	144,113
Telecommunications	12,795	1,279	427	14,501	4,691	2,134	6,825	21,326	23,470
Advertising and staff training	3,045	6,184		9,229	105,177	77,790	182,967	192,196	198,731
Food and beverages		22,535	2,857	25,392		45,422	45,422	70,814	40,402
Gallery design and installation	270,230			270,230			0	270,230	186,932
Crating, shipping and art insurance		109,549		109,549			0	109,549	59,624
Space rental and venue costs	28,016	454	312	28,782			0	28,782	54,525
Building charges and utilities	221,908	108,861	4,187	334,956	58,617	25,122	83,739	418,695	330,585
Building charges - special assessment	237,120	116,322	4,474	357,916	62,636	26,843	89,479	447,395	0
Building services, equipment rental and maintenance	47,564	23,333	897	71,794	12,564	5,385	17,949	89,743	68,866
Property and liability insurance	59,847	3,852	1,284	64,983	26,539	6,421	32,960	97,943	69,037
Events expense	77,612	56,760	3,191	137,563	8,906	11,459	20,365	157,928	73,988
Bank charges, interest and credit card fees				0	12,697		12,697	12,697	12,829
Bad debt expense				0			0	0	55,500
Other expenses	30,794	3,080	1,027	34,901	11,291	5,132	16,423	51,324	31,065
Total expenses before depreciation	2,716,958	836,984	137,849	3,691,791	987,679	1,078,434	2,066,113	5,757,904	4,825,499
Depreciation	380,782	186,799	7,185	574,766	100,584	43,107	143,691	718,457	572,336
Total expenses	$3,097,740	$1,023,783	$145,034	$4,266,557	$1,088,263	$1,121,541	$2,209,804	$6,476,361	$5,397,835

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, 2017
(With comparative totals for the year ended June 30, 2016)

	6/30/17	6/30/16
Cash flows from operating activities:		
Change in net assets	($2,274,916)	($1,914,402)
Adjustments to reconcile change in net assets to net cash flows used for operating activities:		
Depreciation	718,457	572,336
Amortization of debt issuance costs	12,697	0
Debt issuance costs/interest	0	(495,181)
Realized and unrealized (gain)/loss on investments	(373,431)	37,841
Changes in assets and liabilities:		
Contributions receivable	(228,938)	1,019,340
Prepaid expenses and other assets	(58,154)	47,324
Security deposits	0	500,000
Accounts payable and accrued expenses	626,359	(2,062,155)
Deferred tuition	(65,968)	(10,176)
Total adjustments	631,022	(390,671)
Net cash flows used for operating activities	(1,643,894)	(2,305,073)
Cash flows from investing activities:		
Purchase of fixed assets	(536,754)	(4,241,913)
Purchases of investments	(1,917,571)	(3,802,462)
Proceeds from sales of investments	1,568,764	1,255,370
Net cash flows used for investing activities	(885,561)	(6,789,005)
Cash flows from financing activities:		
Draws on restricted cash	4,289,737	0
Transfers to restricted cash	0	(5,001,078)
Proceeds from loans payable	0	13,000,000
Repayments of loans payable	(4,000,000)	0
Net cash flow provided by financing activities	289,737	7,998,922
Net decrease in cash and cash equivalents	(2,239,718)	(1,095,156)
Cash and cash equivalents - beginning of year	7,215,415	8,310,571
Cash and cash equivalents - end of year	$4,975,697	$7,215,415
Supplemental disclosure of cash flow information:		
Total interest paid	$368,050	$233,278
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* – represents 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, 2017.

At June 30, 2017, 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 $25,224 and $27,955 at June 30, 2017 and June 30, 2016, 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 $0 and $4,840 have been recognized in 2017 and 2016, respectively. Additionally, $27,100 of in-kind travel and $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, 2016, 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, 2014 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 October 25, 2017, 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.

In addition, 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 has not yet evaluated 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, 2017 and June 30, 2016 all investments were considered to be Level 1 securities and consisted of the following:

	6/30/17	6/30/16
Money market funds	$56,706	$333,153
U.S. Treasuries	0	98,841
Mutual funds	1,138,895	762,622
Corporate bonds	1,007,706	559,677
Government agency bonds	19,399	114,432
Exchange traded funds	592,510	418,204
Real estate investment trusts	11,295	10,899
Corporate equities		
Basic and industrial good/materials	401,110	394,362
Consumer goods	227,839	240,058
Financial	358,067	285,639
Healthcare	374,171	293,934
Services	368,763	305,531
Technology	462,767	432,188
Utilities	79,657	75,568
Other	61,634	113,173
	$5,160,519	$4,438,281

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, 2017 and June 30, 2016 is as follows:

	6/30/17	6/30/16
Realized gain/(loss) on sales of investments	$39,639	($37,482)
Unrealized gain/(loss) on investments	333,792	(359)
Interest and dividends	1,461	1,198
Interest and dividends - endowment	120,861	64,784
Investment fees	(37,027)	(18,835)
	$458,726	$9,306

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:

	6/30/17	6/30/16
Office condominium	$18,270,000	$18,270,000
Capitalized closing costs	247,557	247,557
Furniture and equipment	366,612	357,298
Hurricane Sandy improvements	447,395	447,395
Condominium improvements and betterments	7,061,728	7,015,558
Construction in progress	1,925,564	1,444,294
	28,318,856	27,782,102
Less: accumulated depreciation and amortization	(2,880,251)	(2,161,794)
Fixed assets - net	$25,438,605	$25,620,308

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, 2017:

	Principal	Debt Issuance Costs	Net
3.4% bank loan, due 12/1/2035	$9,000,000	$482,484	$8,517,516

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, 2018	$0
	June 30, 2019	115,000
	June 30, 2020	234,318
	June 30, 2021	243,354
	June 30, 2022	251,879
Thereafter		8,155,449
Total		$9,000,000

Note 7 - Temporarily Restricted Net Assets

During the years ended June 30, 2017 and June 30, 2016, net assets were released from restriction due to satisfaction of donor stipulations for the following programs:

	6/30/17	6/30/16
Capital Campaign	$248,410	$0
Anniversary Book	30,000	0
Curriculum Guide	24,859	0
Development Salaries	0	11,250
Exhibitions/Conventions	10,557	64
Teach China	0	54,215
We All Live In The Forbidden City	62,943	268,425
China Impact Speakers Series	455	10,047
Exhibition: Six Dynasties	136,202	0
Exhibitions	0	247,016
Other	18,330	23,902
Total	$531,756	$614,919

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

	6/30/17	6/30/16
Exhibitions/Conventions	$49,379	$59,935
China Summit	25,000	25,000
Capital Campaign	310,000	0
Curriculum Guide	0	24,859
We All Live In The Forbidden City	0	62,943
China Impact Speakers Series	0	455
Exhibition: Six Dynasties	0	136,212
Anniversary Book	0	30,000
Other	114,040	108,861
Total program restrictions	498,419	448,265
Unappropriated earnings from endowment fund	595,603	412,185
Total	$1,094,022	$860,450

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. The statement of activities reflects this as a reclassification.

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, 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 2016:				
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	

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	(18,834)
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

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, 2017 or June 30, 2016.

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 $135,479 and $146,629 for the years ended June 30, 2017 and June 30, 2016, respectively.

Note 11 - Special Events

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

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

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

Note 12 - Related Party Transaction

The Institute paid fees to a firm for architectural services that totaled $113,220 and $122,990 in 2017 and 2016, 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.