Young Audiences New York, Inc. and Affiliate

Consolidated Financial Statements
(Together with Independent Auditors' Report)

June 30, 2017 and 2016

MARKS PANETH

ACCOUNTANTS & ADVISORS

YOUNG AUDIENCES NEW YORK, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

JUNE 30, 2017 AND 2016

CONTENTS

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Young Audiences New York, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of Young Audiences New York, Inc. ("YANY") and The American Place Theatre, Inc. ("APT") (collectively, the "Agency"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
March 2, 2018

Morison KSi
Independent member

YOUNG AUDIENCES NEW YORK, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Note 2D)	$ 194,102	$ 54,051
Investments, at fair value (Notes 2E and 5)	1,741,832	1,862,818
Contributions receivable (Notes 2I, 2J and 3)	187,880	148,315
Accounts receivable (Notes 2J and 4)	78,441	242,276
Prepaid expenses	13,125	67,662
Property and equipment, net (Notes 2C and 6)	27,482	16,627
TOTAL ASSETS	$ 2,242,862	$ 2,391,749
LIABILITIES		
Accounts payable and accrued expenses	$ 155,070	$ 138,053
Deferred revenue (Note 2K)	2,442	38,230
TOTAL LIABILITIES	157,512	176,283
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2B)		
Unrestricted:		
Board designated for endowment (Note 10)	446,033	641,151
Unrestricted - other	696,703	612,788
Total unrestricted	1,142,736	1,253,939
Temporarily restricted (Notes 9 and 10)	225,483	244,396
Permanently restricted (Note 10)	717,131	717,131
TOTAL NET ASSETS	2,085,350	2,215,466
TOTAL LIABILITIES AND NET ASSETS	$ 2,242,862	$ 2,391,749

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

YOUNG AUDIENCES NEW YORK, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016	Unrestricted	Temporarily Restricted	Permanently Restricted
REVENUES:								
Fees:								
Program service revenue	$ 552,993	$ -	$ -	$ 552,993	$ 714,672	$ 714,672	$ -	$ -
Total Fees	552,993	-	-	552,993	714,672	714,672	-	-
Grants and Contributions:								
Government	178,480	-	-	178,480	219,500	186,500	33,000	-
Foundations, corporations, individuals and other (Notes 2F and 2M)	278,971	45,000	-	323,971	322,409	190,909	131,500	-
Contributions in kind (Note 2G)	20,000	-	-	20,000	36,308	36,308	-	-
Total Grants and Contributions	477,451	45,000	-	522,451	578,217	413,717	164,500	-
Special Events:								
Contributions and revenues from special events	722,782	-	-	722,782	870,436	870,436	-	-
Direct expenses from special events (Note 2H)	(212,825)	-	-	(212,825)	(213,571)	(213,571)	-	-
Total Special Events - net	509,957	-	-	509,957	656,865	656,865	-	-
Other Revenue:								
Unrealized gain (loss) on investments	47,057	15,783	-	62,840	(122,471)	(76,224)	(46,247)	-
Realized gain (loss) on investment sales	53,203	25,872	-	79,075	(13,387)	(8,332)	(5,055)	-
Interest and investment income	5,779	32,556	-	38,335	65,412	40,711	24,701	-
Total Other Revenue	106,039	74,211	-	180,250	(70,446)	(43,845)	(26,601)	-
Net Assets Released from Restrictions (Note 9)	138,124	(138,124)	-	-	-	95,000	(95,000)	-
TOTAL REVENUES	1,784,564	(18,913)	-	1,765,651	1,879,308	1,836,409	42,899	-
EXPENSES:								
Program services	1,405,821	-	-	1,405,821	1,573,930	1,573,930	-	-
Management and general	254,357	-	-	254,357	310,043	310,043	-	-
Fundraising	235,589	-	-	235,589	206,295	206,295	-	-
TOTAL EXPENSES	1,895,767	-	-	1,895,767	2,090,268	2,090,268	-	-
CHANGE IN NET ASSETS (Note 2B)	(111,203)	(18,913)	-	(130,116)	(210,960)	(253,859)	42,899	-
Net Assets - Beginning of Year	1,253,939	244,396	717,131	2,215,466	2,426,426	1,507,798	201,497	717,131
NET ASSETS - END OF YEAR	$ 1,142,736	$ 225,483	$ 717,131	$ 2,085,350	$ 2,215,466	$ 1,253,939	$ 244,396	$ 717,131

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

YOUNG AUDIENCES NEW YORK, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	For the Year Ended June 30, 2017					
		Supporting Services				
	Program Services	Management and General	Fundraising	Total	TOTAL 2017	TOTAL 2016
PERSONNEL EXPENSES						
Salaries - non-artists	$ 605,715	$ 73,339	$ 72,150	$ 145,489	$ 751,204	$ 707,228
Salaries - artists	326,576	-	-	-	326,576	422,643
Payroll taxes and employee benefits (Note 11)	134,512	16,992	12,333	29,325	163,837	172,339
Total Personnel Related Costs	1,066,803	90,331	84,483	174,814	1,241,617	1,302,210
OTHER EXPENSES						
Production and performance expenses	15,820	-	-	-	15,820	30,399
Travel and conference	42,862	347	2,870	3,217	46,079	51,199
Catering and hospitality	15,810	2,747	1,347	4,094	19,904	25,611
Dues and subscriptions	17,383	4,205	1,295	5,500	22,883	31,609
Rent (Note 8A)	61,113	8,753	6,466	15,219	76,332	95,059
Office supplies	5,020	3,085	5,090	8,175	13,195	27,085
Printing	141	5,853	7,279	13,132	13,273	9,652
Postage	538	1,855	416	2,271	2,809	1,583
Professional and consulting fees	118,969	104,845	119,849	224,694	343,663	391,996
Marketing and promotion	3,778	474	529	1,003	4,781	6,489
Telephone	6,103	139	887	1,026	7,129	12,748
Insurance	10,945	1,147	1,398	2,545	13,490	12,270
Equipment rental and maintenance	21,936	3,010	2,899	5,909	27,845	26,992
Investment and bank fees and interest	2,729	14,455	272	14,727	17,456	17,141
Bad debts	729	-	-	-	729	31,823
Costs of direct benefits to donors (Notes 2G and 2H)	-	-	212,825	212,825	212,825	213,571
Miscellaneous	15,142	6,936	509	7,445	22,587	12,906
Total Expenses Before Expenses Deducted Directly from Revenues and Depreciation and Amortization	1,405,821	248,182	448,414	696,596	2,102,417	2,300,343
Less: expenses deducted directly from revenues on the statements of activities - costs of direct benefits to donors	-	-	(212,825)	(212,825)	(212,825)	(213,571)
Depreciation and amortization	-	6,175	-	6,175	6,175	3,496
TOTAL EXPENSES	$ 1,405,821	$ 254,357	$ 235,589	$ 489,946	$ 1,895,767	$ 2,090,268

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

YOUNG AUDIENCES NEW YORK, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	For the Year Ended June 30, 2016				
		Supporting Services			
	Program Services	Management and General	Fundraising	Total	TOTAL 2016
PERSONNEL EXPENSES					
Salaries - non-artists	$ 536,635	$ 101,504	$ 69,089	$ 170,593	$ 707,228
Salaries - artists	422,643	-	-	-	422,643
Payroll taxes and employee benefits (Note 11)	137,790	15,410	19,139	34,549	172,339
Total Personnel Related Costs	1,097,068	116,914	88,228	205,142	1,302,210
OTHER EXPENSES					
Production and performance expenses	30,399	-	-	-	30,399
Travel and conference	50,257	495	447	942	51,199
Catering and hospitality	23,445	1,876	290	2,166	25,611
Dues and subscriptions	17,103	9,194	5,312	14,506	31,609
Rent (Note 8A)	73,997	14,975	6,087	21,062	95,059
Office supplies	20,097	3,671	3,317	6,988	27,085
Printing	2,112	2,500	5,040	7,540	9,652
Postage	226	605	752	1,357	1,583
Professional and consulting fees	174,979	125,979	91,038	217,017	391,996
Marketing and promotion	5,289	1,200	-	1,200	6,489
Telephone	11,554	243	951	1,194	12,748
Insurance	9,593	1,892	785	2,677	12,270
Equipment rental and maintenance	18,921	4,387	3,684	8,071	26,992
Investment and bank fees and interest	28	16,749	364	17,113	17,141
Bad debts	31,823	-	-	-	31,823
Costs of direct benefits to donors (Notes 2G and 2H)	-	-	213,571	213,571	213,571
Miscellaneous	7,039	5,867	-	5,867	12,906
Total Expenses Before Expenses Deducted Directly from Revenues and Depreciation and Amortization	1,573,930	306,547	419,866	726,413	2,300,343
Less: expenses deducted directly from revenues on the statements of activities - costs of direct benefits to donors	-	-	(213,571)	(213,571)	(213,571)
Depreciation and amortization	-	3,496	-	3,496	3,496
TOTAL EXPENSES	$ 1,573,930	$ 310,043	$ 206,295	$ 516,338	$ 2,090,268

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

YOUNG AUDIENCES NEW YORK, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (130,116)	$ (210,960)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	6,175	3,496
Bad debts	729	31,823
Unrealized (gain) loss on investments	(62,840)	122,471
Realized (gain) loss on investment sales	(79,075)	13,387
Subtotal	(265,127)	(39,783)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(40,294)	(74,678)
Accounts receivable	163,835	(86,704)
Prepaid expenses	54,537	(60,759)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	17,017	13,200
Deferred revenue	(35,788)	38,230
Net Cash Used in Operating Activities	(105,820)	(210,494)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(17,030)	(10,726)
Purchases of investments	(678,687)	(58,664)
Proceeds from investment sales	941,588	15,535
Net Cash Provided by (Used in) Investing Activities	245,871	(53,855)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under bank line of credit	(415,000)	(231,500)
Repayment of borrowings under bank line of credit	415,000	231,500
Net Cash Provided by (Used in) Financing Activities	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	140,051	(264,349)
Cash and cash equivalents - beginning of year	54,051	318,400
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 194,102	$ 54,051
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 3,402	$ 3,895

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

NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES

The consolidated financial statements of Young Audiences New York, Inc. and Affiliate (collectively, the "Agency") have been prepared by consolidating Young Audiences New York, Inc. ("YANY") and The American Place Theatre, Inc. ("APT").

For more than 60 years, YANY has been committed to providing arts education to the students of New York. Through programs (operated in the New York City metropolitan area) in music, dance, theater and the literary and visual arts that are carefully designed in collaboration with teachers and school administrators, YANY aims to unlock the power of the arts to educate and inspire all young people of New York both in school and in life.

APT is a non-profit corporation that provides educational, performance-based literacy programs. In 2012, YANY became the sole corporate member of APT.

YANY and APT have been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. As not-for-profit organizations, YANY and APT are also exempt from state and local taxes. The Agency receives a substantial portion of its revenue from New York City school districts and the New York City Department of Education. Accounts receivable are due principally from these sources.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Agency's consolidated financial statements have been prepared on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). Upon consolidation, all significant inter-company transactions are eliminated.

B. The Agency reports gifts of cash and other assets as unrestricted support unless they are received with donor stipulations that limit the use of the donated assets in which case they are reported as temporarily or permanently restricted support. Temporarily restricted net assets are those whose donor-imposed restrictions, as to a specific purpose or time, have not been met. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, or permanently restricted net assets earnings are appropriated for operations, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. The Agency reports restricted contributions whose stipulations were met in the same year as unrestricted contributions.

   Unrestricted net assets represent resources available for support of the Agency's operations over which the Board of Directors has discretionary control. The Board designated for endowment fund consists of two things:

   - Funds appropriated by the Board from permanently restricted fund earnings.
   - Discretionary transfers from operating surpluses (increases to the fund), net of appropriations to programs (decreases to the fund).

   See Note 10 for further information.

   The Agency's permanently restricted net assets represent gifts and bequests received with the donor stipulation that the principal must remain intact in perpetuity. The income (from interest, etc.) thereon is recorded as specified by the donor. In cases where there is no specification from the donor, the income is recorded as temporarily restricted net assets until appropriated by the Board.

C. Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable value. The Agency capitalizes property and equipment with a cost of $1,000 or more and a useful life of greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is less.

D. Cash equivalents consist of all highly liquid instruments purchased with original maturities of 90 days or less.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments are stated at fair value. Donated securities are recorded at fair value at the date of donation. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

F. The Agency recognizes bequests and legacies as support when the wills have passed probate and the sum is certain. There were none during the years ended June 30, 2017 and 2016.

G. The Agency records contributions in kind at their fair value. Donated services are recognized in the consolidated financial statements if the services enhance or create non-financial assets or require specialized skills. There were no donated services for the years ended June 30, 2017 and 2016. For the years ended June 30, 2017 and 2016, the Agency received donated space and a video related to special events which amounted to $20,000 and $36,308, respectively, and are reflected as contributions in kind revenue and costs of direct benefits to donors in the accompanying consolidated financial statements. The Agency receives other donated time of people that does not meet the criteria for recognition under U.S. GAAP.

H. The direct benefit costs for special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.

I. Contributions receivable are recorded at net realizable value if expected to be collected in one year and if material, multiyear receivables are recorded at the present value of their estimated future cash flows.

J. The Agency’s allowance for uncollectible receivables is based on management’s assessments and historical information. As of June 30, 2017 and 2016, no allowance was deemed necessary for accounts receivable or contributions receivable.

K. Program service fees collected in advance of the year to which they apply are recorded as deferred revenue.

L. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

M. Contributions received, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give, such as those requiring matching funds, are recognized as revenue in the period when the conditions are substantially met. Revenue from earned income sources is recognized in the period when the services are delivered.

N. Certain line items in the June 30, 2016 financial statements were reclassified to conform to the June 30, 2017 presentation. These changes had no impact on the change in net assets for the year ended June 30, 2016.

NOTE 3—CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following as of June 30, 2017 and 2016:

	2017	2016
Due in less than one year	$ 187,880	$ 148,315

NOTE 4—ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of June 30, 2017 and 2016:

	2017	2016
Program fees	$ 78,441	$ 242,276

NOTE 5—INVESTMENTS

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its assessment of fair value. The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Investments in equity securities, mutual funds and exchanged-traded funds are valued using market prices in active markets (Level 1). Investments in alternative investments are designated as Level 2. These valuations are not meant to be indicative of the classification of the investments in the underlying portfolio of the investment in alternative investments.

The Agency's investments valued at net asset value ("NAV") consist of two hedge equity funds. These funds trade and invest, both long and short, in a broad range of currencies, commodities, equities, and private investment companies, using cash markets and derivative instruments (both exchange-traded and over-the-counter). Approximately $199,288 is invested with a fund that permits quarterly redemptions. The other fund allows daily redemptions.

Financial assets carried at fair value as of June 30, 2017, are classified in the table as follows:

	Level 1	Level 2	Total 2017
Equity securities	$ 91,452	$ -	$ 91,452
Mutual funds	1,249,677	-	1,249,677
Exchanged-traded funds	81,287	-	81,287
Alternative investments	-	319,416	319,416
TOTAL ASSETS AT FAIR VALUE	$ 1,422,416	$ 319,416	$ 1,741,832

Financial assets carried at fair value as of June 30, 2016, are classified in the table as follows:

	Level 1	Level 2	Total 2016
Equity securities	$ 232,097	$ -	$ 232,097
Mutual funds	1,317,101	-	1,317,101
Alternative investments	-	313,620	313,620
TOTAL ASSETS AT FAIR VALUE	$ 1,549,198	$ 313,620	$ 1,862,818

NOTE 5—INVESTMENTS (Continued)

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2017 and 2016, there were no transfers.

Investments are subject to market volatility that could substantially change their carrying value in the near term. The investments are managed by professional investment advisors and managers within the scope of the Agency's Board-approved investment policy.

NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2017 and 2016:

	2017	2016	Estimated Useful Lives
Equipment	$ 27,517	$ 166,128	5-10 years
Leasehold improvements	4,298	78,260	7-10 years
Computer software	-	122,823	5 years
Furniture	7,954	9,664	5 years
Total cost	39,769	376,875	
Less: accumulated depreciation and amortization	(12,287)	(360,248)	
Net book value	$ 27,482	$ 16,627	

Depreciation and amortization expense amounted to $6,175 and $3,496 for the years ended June 30, 2017 and 2016, respectively. During the year ended June 30, 2017, $354,136 of fully depreciated property and equipment was written off since it was no longer in use.

NOTE 7—BANK LINE OF CREDIT

The Agency has a line of credit with a financial institution with no current expiration date. The line is secured by the Agency's investments held at the financial institution, except for the alternative investments. The Agency uses the line of credit to manage its recurring seasonal cash flow requirements. The maximum amount of credit is based on the amounts available for lending of each class of eligible securities contained in the Agency's investment accounts computed as of the close of the New York Stock Exchange ("NYSE") trading day immediately preceding the NYSE trading day on which an extension of credit is made or a specific dollar amount is selected by the Agency and approved by the financial institution. The line of credit bears interest at 4.5%. Interest expense incurred on the line of credit borrowings amounted to $3,402 and $3,895 for the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, the Agency had outstanding borrowings of $0. As of March 2, 2018, $223,993 was owed including interest.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

A. The Agency leases its office under the terms of a noncancelable lease which ended March 31, 2012. The Agency is currently on a month to month lease. For the years ended June 30, 2017 and 2016, the rent expense amounted to $76,332 and $95,059, respectively. The office lease also requires the Agency to pay (as additional rent), 17.11% of the amount by which the "operating expenses" of the building for any calendar year exceed approximately $765,000. The Agency also rents office equipment under terms of a noncancelable lease.

NOTE 8 — COMMITMENTS AND CONTINGENCIES (Continued)

Pursuant to the terms of the lease agreement, the Agency's minimum future rent payments for the years subsequent to June 30, 2017, are as follows:

	Equipment
2018	$ 10,836
2019	9,093
2020	2,044
	$ 21,973

B. The Agency believes it has no uncertain tax positions as of June 30, 2017 and 2016 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provision for uncertain tax positions.

NOTE 9—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2017 and 2016:

	2017	2016
Unappropriated earnings from donor permanently restricted funds	$ 128,983	$ 96,396
Time restrictions to be spent in future periods	51,500	33,000
Restricted for program activities	45,000	115,000
	$ 225,483	$ 244,396

Temporarily restricted net assets of $138,124 and $95,000 were released from donor restrictions during the years ended June 30, 2017 and 2016, respectively, by incurring expenses satisfying the restricted purpose of providing program expenses or the passage of time.

NOTE 10—ENDOWMENT NET ASSETS

Endowment net assets consist of donor-restricted and Board designated endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. See Note 2B for how the Agency reports its net assets.

The Agency adheres to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA creates a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor are reflected as temporarily restricted until appropriated by the Board.

The Agency's Board has interpreted NYPMIFA as allowing the Agency to appropriate for expenditure or accumulate so much of an endowment fund as the Agency determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument.

NOTE 10—ENDOWMENT NET ASSETS (Continued)

The Agency's endowment investment policy is to invest in a mix of equity securities, mutual funds, and alternative investments based on an asset allocation to satisfy its overall endowment financial and investment objectives as determined by its investment policy. The investment policy provides for an asset allocation that is designed to meet the goals of the Agency and is based on a number of factors including the projected spending needs, the maintenance of sufficient liquidity and the return objectives and risk tolerances of the Agency.

The asset allocation plan provides for diversification of assets in an effort to maximize the investment return and manage risk of the Agency consistent with market conditions. The Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Income from the endowment fund will be available for operating purposes annually, but will be limited to 5% of the five-year trailing average of the fund on a total return basis, including dividends and appreciation.

Should the Agency consider appropriating funds in excess of that amount, a favorable vote of two-thirds majority from the Board will be required. This two-thirds majority will supersede the quorum rules in the by-laws.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Agency to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature, if they occur, are deducted first in temporarily restricted net assets to the extent unappropriated net assets exist and then any remaining deficit is deducted from unrestricted net assets. The deficiencies may result from unfavorable market fluctuations that occur in the economy as a whole that may affect the amount that is required to be retained permanently. The Agency has not incurred such deficiencies in its permanently restricted funds as of June 30, 2017 and 2016 that could not be absorbed by prior unappropriated earnings reported in the temporarily restricted net asset class.

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

	Board Designated	Temporarily Restricted	Permanently Restricted	Total 2017
Investment activity:				
Interest and dividends	$ -	$ 15,783	$ -	$ 15,783
Realized gain on investments	-	25,872	-	25,872
Unrealized gain on investments	-	32,556	-	32,556
Total investment activity	-	74,211	-	74,211
Discretionary transfers (See Note 2B)	-	-	-	-
Appropriations from permanently restricted earnings (See Note 2B)	-	(41,624)	-	(41,624)
Appropriations to programs (See below)	(195,118)	-	-	(195,118)
Change in endowment net assets	(195,118)	32,587	-	(162,531)
Endowment net assets, beginning of year	641,151	96,396	717,131	1,454,678
Endowment net assets, end of year	$ 446,033	$ 128,983	$ 717,131	$ 1,292,147

NOTE 10—ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets for year ended June 30, 2016, are as follows:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total 2016
Investment activity:				
Interest and dividends	$ -	$ 24,701	$ -	$ 24,701
Realized loss on investments	-	(5,055)	-	(5,055)
Unrealized loss on investments	-	(46,247)	-	(46,247)
Total investment activity	-	(26,601)	-	(26,601)
Discretionary transfers (See Note 2B)	106,800	-	-	106,800
Appropriations to programs (See below)	(143,259)	-	-	(143,259)
Change in endowment net assets	(36,459)	(26,601)	-	(63,060)
Endowment net assets, beginning of year	677,610	122,997	717,131	1,517,738
Endowment net assets, end of year	$ 641,151	$ 96,396	$ 717,131	$ 1,454,678

The $195,118 and $143,259 for the years ended June 30, 2017 and 2016, respectively, in appropriations from the Board Designated Fund, were used to cover programmatic expenses related to the Agency's emergent place-based strategy that deepens their impact, by providing arts to children, not only in their schools, but also with their families and in their communities. See also Note 2B.

NOTE 11—RETIREMENT PLAN

The Agency sponsors a qualified defined contribution pension plan covering all eligible employees. The Agency can make contributions up to 3% of an employee's eligible salary. For the years ended June 30, 2017 and 2016, the Agency did not make any contributions to the pension plan.

NOTE 12—SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the consolidated statements of financial position through March 2, 2018, the date the consolidated financial statements were available to be issued.