

CONSOLIDATED FINANCIAL STATEMENTS

**AN CLAUDHEAMH SOLUIS, INC.
(D/B/A IRISH ARTS CENTER)**

IAC-NYC, LLC

**FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Consolidated Statements of Financial Position, as of June 30, 2018 and 2017	4
EXHIBIT B - Consolidated Statements of Activities and Changes in Net Assets, for the Years Ended June 30, 2018 and 2017	5 - 6
EXHIBIT C - Consolidated Statement of Functional Expenses, for the Year Ended June 30, 2018	7
EXHIBIT D - Consolidated Statement of Functional Expenses, for the Year Ended June 30, 2017	8
EXHIBIT E - Consolidated Statements of Cash Flows, for the Years Ended June 30, 2018 and 2017	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10 - 19

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
An Claidheamh Soluis, Inc. (d/b/a Irish Arts Center)
IAC-NYC, LLC
New York, New York

We have audited the accompanying consolidated financial statements of An Claidheamh Soluis, Inc. (d/b/a Irish Arts Center) and IAC-NYC, LLC (together "IAC"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, 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.

Auditor's 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 from 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.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRF CPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IAC as of June 30, 2018 and 2017, and the consolidated changes in its net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Friedman

November 15, 2018

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017**

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,069,104	\$ 2,947,781
Pledges receivable, net of noncurrent portion and allowance of \$111,128 in 2018 and \$172,165 in 2017	1,209,349	1,489,718
Grants receivable and contracts receivable	98,272	254,310
Prepaid expenses and other assets	74,267	67,035
Total current assets	6,450,992	4,758,844
PROPERTY AND EQUIPMENT		
Leasehold improvements	12,791	13,441
Furniture and equipment	14,810	16,030
Computer equipment	21,001	26,852
	48,602	56,323
Less: Accumulated depreciation and amortization	(21,486)	(20,143)
Net property and equipment	27,116	36,180
NONCURRENT ASSETS		
Construction in progress	8,176,192	5,674,988
Pledges receivable, net of current portion, allowance and present value discount of \$255,838 in 2018 and \$295,565 in 2017	1,135,162	1,866,768
Total noncurrent assets	9,311,354	7,541,756
TOTAL ASSETS	\$ 15,789,462	\$ 12,336,780

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 873,638	\$ 856,082
Contract advances	33,823	30,823
Total current liabilities	907,461	886,905
NET ASSETS		
Unrestricted	583,175	362,422
Temporarily restricted	14,298,826	11,087,453
Total net assets	14,882,001	11,449,875
TOTAL LIABILITIES AND NET ASSETS	\$ 15,789,462	\$ 12,336,780

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 2,778,970	\$ 3,906,360	\$ 6,685,330
In-kind contributions	206,872	-	206,872
Individual membership	66,126	-	66,126
Registration fees	131,806	-	131,806
Program ticket sales income	232,357	-	232,357
Program merchandise and concession sales	24,829	-	24,829
Interest income	378	11,580	11,958
Other revenue	7,186	-	7,186
Net assets released from donor restrictions	<u>755,384</u>	<u>(755,384)</u>	<u>-</u>
Total support and revenue	<u>4,203,908</u>	<u>3,162,556</u>	<u>7,366,464</u>
EXPENSES			
Program Services	<u>1,860,609</u>	<u>-</u>	<u>1,860,609</u>
Supporting Services:			
General and Administrative	349,194	-	349,194
Fundraising	1,053,968	-	1,053,968
Capital Campaign	<u>719,384</u>	<u>-</u>	<u>719,384</u>
Total supporting services	<u>2,122,546</u>	<u>-</u>	<u>2,122,546</u>
Total expenses	<u>3,983,155</u>	<u>-</u>	<u>3,983,155</u>
Changes in net assets before other item	220,753	3,162,556	3,383,309
OTHER ITEM			
Change in the provision on restricted pledges	<u>-</u>	<u>48,817</u>	<u>48,817</u>
Changes in net assets	220,753	3,211,373	3,432,126
Net assets at beginning of year	<u>362,422</u>	<u>11,087,453</u>	<u>11,449,875</u>
NET ASSETS AT END OF YEAR	<u>\$ 583,175</u>	<u>\$ 14,298,826</u>	<u>\$ 14,882,001</u>

AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 2,270,217	\$ 3,216,334	\$ 5,486,551
In-kind contributions	170,350	-	170,350
Individual membership	61,214	-	61,214
Registration fees	100,370	-	100,370
Program ticket sales income	225,078	-	225,078
Program merchandise and concession sales	33,792	-	33,792
Interest income	417	11,145	11,562
Other revenue	1,928	-	1,928
Net assets released from donor restrictions	<u>702,560</u>	<u>(702,560)</u>	<u>-</u>
Total support and revenue	<u>3,565,926</u>	<u>2,524,919</u>	<u>6,090,845</u>
EXPENSES			
Program Services	<u>1,791,221</u>	<u>-</u>	<u>1,791,221</u>
Supporting Services:			
General and Administrative	291,483	-	291,483
Fundraising	948,667	-	948,667
Capital Campaign	<u>670,645</u>	<u>-</u>	<u>670,645</u>
Total supporting services	<u>1,910,795</u>	<u>-</u>	<u>1,910,795</u>
Total expenses	<u>3,702,016</u>	<u>-</u>	<u>3,702,016</u>
Changes in net assets before other item	(136,090)	2,524,919	2,388,829
OTHER ITEM			
Change in the provision on restricted pledges	<u>-</u>	<u>(39,396)</u>	<u>(39,396)</u>
Changes in net assets	(136,090)	2,485,523	2,349,433
Net assets at beginning of year	<u>498,512</u>	<u>8,601,930</u>	<u>9,100,442</u>
NET ASSETS AT END OF YEAR	<u>\$ 362,422</u>	<u>\$ 11,087,453</u>	<u>\$ 11,449,875</u>

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Supporting Services</u>				<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Capital Campaign</u>		
Salaries and benefits	\$ 668,751	\$ 174,068	\$ 261,772	\$ 630,869	\$ 1,066,709	\$ 1,735,460
Contracted services	441,841	4,724	185,281	11,376	201,381	643,222
Professional fees	111,390	51,529	29,901	2,550	83,980	195,370
Space rental	51,983	805	252,260	-	253,065	305,048
Production supplies	14,153	2,237	45,281	-	47,518	61,671
Sanitation, cleaning and exterminating	9,419	2,594	3,921	-	6,515	15,934
Utilities	8,180	2,253	3,405	-	5,658	13,838
Building repairs and maintenance	6,113	1,683	2,544	-	4,227	10,340
Equipment rental	58,812	876	15,682	-	16,558	75,370
Insurance	14,758	3,836	5,799	-	9,635	24,393
Dues and subscriptions	7,055	834	1,924	-	2,758	9,813
Postage and shipping	35,515	912	8,073	1,157	10,142	45,657
Printing and reproduction	42,788	523	30,637	945	32,105	74,893
Conferences and meetings	1,072	2,160	333	-	2,493	3,565
Telephone and internet	9,226	2,535	5,286	-	7,821	17,047
Advertising and marketing	29,309	1,545	8,600	58	10,203	39,512
Travel and entertainment	298,509	67,642	156,835	70,778	295,255	593,764
Awards, prizes, and contributions	2,367	2,932	11,284	-	14,216	16,583
Depreciation and amortization	8,089	2,227	3,367	-	5,594	13,683
Uncollectible pledges	3,200	17,151	62	-	17,213	20,413
Credit card and ticket service fees	22,857	1,413	20,774	-	22,187	45,044
Bank fees	525	3,891	-	1,570	5,461	5,986
Merchandise	5,932	-	-	-	-	5,932
Miscellaneous expenses	8,765	824	947	81	1,852	10,617
TOTAL	\$ 1,860,609	\$ 349,194	\$ 1,053,968	\$ 719,384	\$ 2,122,546	\$ 3,983,155

**AN CLADHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Supporting Services</u>				<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Capital Campaign</u>		
Salaries and benefits	\$ 627,594	\$ 147,478	\$ 243,110	\$ 471,046	\$ 861,634	\$ 1,489,228
Contracted services	380,529	45,166	169,488	21,512	236,166	616,695
Professional fees	105,795	45,509	28,563	81,177	155,249	261,044
Space rental	53,732	982	203,101	-	204,083	257,815
Production supplies	14,828	2,218	45,007	-	47,225	62,053
Sanitation, cleaning and exterminating	9,910	2,141	3,565	-	5,706	15,616
Utilities	9,622	2,192	3,598	-	5,790	15,412
Building repairs and maintenance	3,079	724	1,188	-	1,912	4,991
Equipment rental	60,990	676	9,914	-	10,590	71,580
Insurance	11,352	2,668	4,380	-	7,048	18,400
Dues and subscriptions	5,334	199	456	-	655	5,989
Postage and shipping	40,052	763	7,233	317	8,313	48,365
Printing and reproduction	52,001	185	28,812	2,103	31,100	83,101
Conferences and meetings	2,034	1,910	80	-	1,990	4,024
Telephone and internet	9,778	2,265	4,994	1,214	8,473	18,251
Advertising and marketing	153,709	850	3,747	3,294	7,891	161,600
Travel and entertainment	192,463	28,444	146,316	88,075	262,835	455,298
Awards, prizes, and contributions	3,208	479	16,671	241	17,391	20,599
Depreciation and amortization	7,673	1,804	2,960	-	4,764	12,437
Uncollectible pledges	1,123	-	4,401	-	4,401	5,524
Credit card and ticket service fees	27,054	1,968	21,000	-	22,968	50,022
Bank fees	100	2,811	1	1,093	3,905	4,005
Merchandise	4,764	-	-	-	-	4,764
Miscellaneous expenses	14,497	51	82	573	706	15,203
TOTAL	\$ 1,791,221	\$ 291,483	\$ 948,667	\$ 670,645	\$ 1,910,795	\$ 3,702,016

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,432,126	\$ 2,349,433
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,683	12,437
Change in discount on noncurrent pledges receivable	16,840	7,263
Change in allowance for doubtful amounts	(117,604)	39,396
Decrease (increase) in:		
Pledges receivable	1,112,739	(253,916)
Grants receivable and contracts receivable	156,038	(80,516)
Prepaid expenses and other assets	(7,232)	52,765
Increase in:		
Accounts payable and accrued liabilities	17,556	653,839
Contract advances	<u>3,000</u>	<u>-</u>
Net cash provided by operating activities	<u>4,627,146</u>	<u>2,780,701</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for leasehold improvements	-	(8,337)
Purchase of furniture and equipment	-	(1,037)
Purchase of computer equipment	(4,619)	(15,143)
Payments for construction in progress	<u>(2,501,204)</u>	<u>(2,019,902)</u>
Net cash used by investing activities	<u>(2,505,823)</u>	<u>(2,044,419)</u>
Net increase in cash and cash equivalents	2,121,323	736,282
Cash and cash equivalents at beginning of year	<u>2,947,781</u>	<u>2,211,499</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,069,104</u>	<u>\$ 2,947,781</u>
SUPPLEMENTAL INFORMATION:		
Donated Stocks	<u>\$ 55,911</u>	<u>\$ 33,224</u>

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

An Claidheamh Soluis, Inc. (d/b/a Irish Arts Center) (IAC) is a non-profit organization, incorporated in the State of New York. IAC is a New York based arts and cultural center dedicated to projecting a dynamic image of Ireland and Irish America for the 21st century, building community with artists and audiences of all backgrounds, forging and strengthening cross-cultural partnerships, and preserving the evolving stories and traditions of Irish culture for generations to come.

IAC's multi-disciplinary programming is centered around three core areas: performance—including live music, dance, theatre, film, literature, and the humanities; exhibition—including visual arts presentations and cultural exhibitions that tell the evolving Irish story; and education—with dozens of classes per week in Irish language, history, music, and dance.

Located in New York City, a global capital of arts and culture, IAC serves as a dynamic platform for top emerging and established artists and cultural creators to reach a New York, national, and global audience, and as a gateway for other institutions to access first-rate Irish and Irish American culture.

IAC is currently developing plans to construct a new facility to serve its multi-disciplinary program (Note 2). The New Irish Arts Center will contain two performance venues, a lobby and café, studio and classroom spaces and technology capability to project IAC on the digital platform.

During fiscal year 2015, IAC established IAC-NYC, LLC, a wholly-owned limited liability company (LLC), for the purpose of holding title to property which is being conveyed by the City of New York. For the years ended June 30, 2018 and 2017, IAC-NYC, LLC did not have any financial activities.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying financial statements include the activity of IAC and IAC-NYC, LLC. The financial statements of IAC have been consolidated with IAC-NYC, LLC in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

All intercompany transactions have been eliminated in consolidation.

Cash and cash equivalents -

IAC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, IAC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Pledges and grants receivable -

Pledges and grants receivable that are expected to be collected in future years are recorded at their fair value, measured as the present value of their future cash flows.

Discounts on these amounts are computed using published interest rates based on the Federal prime rate. Amortization of the discounts is included in contributions and grants revenue.

Allowance for doubtful accounts -

Receivables are evaluated for collectibility and an allowance is adjusted as a reserve for receivables. The allowance for doubtful accounts is determined based upon a quarterly review of account balances, including the age of the balance and the historical experience with the donor or payor. In calculating the adjustment for the allowance for doubtful accounts, IAC employs both specific provisioning (based on a risk assessment of each individual receivable) and general provisioning (based on 1.25% of the annual revenue for the annual fund and 5% of overall outstanding receivables for the Capital Project). The allowance is calculated and accrued in the accompanying consolidated financial statements.

Income taxes -

IAC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. IAC is not a private foundation.

As a disregarded entity, IAC-NYC, LLC activity is reported in IAC's IRS Form 990.

Uncertain tax positions -

For the years ended June 30, 2018 and 2017, IAC has determined that it has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to fifteen years. Leasehold improvements are amortized over fifteen years. The cost of maintenance and repairs is recorded as expenses are incurred.

Depreciation and amortization expense for the years ended June 30, 2018 and 2017, totaled \$13,683 and \$12,437, respectively.

Construction in progress -

IAC is carrying out a capital project consisting of construction of a new building to enhance program services of the Center. The funding sources of this project thus far are mainly coming from the City of New York, the State of New York, the Government of Ireland, private donors and foundations (Note 2).

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Construction in progress (continued) -

IAC has capitalized \$8,176,192 and \$5,674,988 of costs through June 30, 2018 and 2017, respectively. IAC will begin depreciating the costs once the Center is operational.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of IAC and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of IAC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Revenue recognition -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated financial statements.

Income from registration and program ticket sales are recognized in the period the event is held.

In-kind contributions -

In-kind contributions are recorded at their fair value as of the date of the gift. During the years ended June 30, 2018 and 2017, IAC received contributions of goods and services with a fair value aggregating \$206,872 and \$170,350, respectively. Donated goods for the years ended June 30, 2018 and 2017 include floral arrangements, works of art, musical instruments, airline tickets, beverages and food. Donated services for the years ended June 30, 2018 and 2017 include class instruction and artist performance.

Use of estimates -

The preparation of the 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 at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New accounting pronouncements (not yet adopted) -

In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. IAC has not yet decided on a transition method. The ASU is effective for years beginning after December 15, 2018.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Consolidated Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of IAC's consolidated financial statements, it is not expected to alter IAC's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus the effective date is for fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statements of Financial Position and disclosing key information about leasing arrangements.

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements (not yet adopted) (continued) -

The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

IAC plans to adopt the new ASUs at the respective required implementation dates.

2. CAPITAL PROJECT COMMITMENTS

IAC is carrying out plans to develop, design and construct a new facility to serve its program. The New Irish Arts Center will contain a new multidisciplinary, flexible performance venue, a lobby and café, studio and classroom spaces, back-of-house support and storage spaces, and technology capability to project IAC on the digital platform, and will connect to the existing facility, which will contain a second, smaller venue, storage and office spaces.

On December 18, 2006, the State of New York awarded a grant of \$600,000 through the Empire State Development Corporation for maintenance and improvements to IAC, payable on a reimbursable basis. As of March 4, 2015, the original grant award was amended to \$500,000. As of June 30, 2015, \$190,881 had been drawn for maintenance and improvements to IAC.

In March 2017, the scope of the grant award was amended and the \$309,119 remaining was allocated to the capital project, for pre-development costs and costs associated with the temporary relocation of Cybert Tire. As of June 30, 2018, \$500,000 of the full \$500,000 award, \$309,199 of which was for the capital project, has been drawn.

On July 13, 2015, IAC was awarded an additional \$1,000,000 through the New York State Strategic Investment Program for capital costs associated with the construction of a multi-disciplinary arts facility. Additional New York State support for the capital project, received in fiscal year 2017 includes: \$2,000,000 Empire State Development Regional Council Award on December 8, 2016 (of which a grant disbursement was completed on February 9, 2018); \$1,500,000 New York State Senate, State and Municipal Facilities (SAM) grant on May 17, 2017; and two \$250,000 New York State Technology and Development Program awards through New York State Assembly confirmed in June 2017. As of June 30, 2018, the organization had also received additional verbal commitments of support from the New York State Senate in the amount of \$500,000.

The Government of Ireland has contributed \$8.33 million to the project. On December 2, 2009, the Department of Foreign Affairs made an initial payment of \$73,500 as reimbursement for project-related payments. A grant of \$3.45 million from the Emigrant Support Program (ESP) of the Department of Foreign Affairs to support the planning, development and design of the new facility was made on December 10, 2009. An additional grant in the amount of \$1.25 million was made on December 24, 2014 from the ESP of the Department of Foreign Affairs and Trade. On December 23, 2016, the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs (DAHG) awarded a grant of \$1,037,200 to support site control, architect and related project management, feasibility and due diligence, other direct consultants, environmental, and relocation costs. Additional grants of \$1,336,567 by the ESP of the Department of Foreign Affairs and Trade was received on December 21, 2017 and \$1,178,100 by the Department of Culture, Heritage, and the Gaeltacht (DCHG) was received on December 26, 2017.

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

2. CAPITAL PROJECT COMMITMENTS (Continued)

Following is a reconciliation of awards received from the ESP (under three grants) as well as the grant from DAHG/DCHG as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Award received - first grant	\$ 3,455,290	\$ 3,455,290
Cumulative interest earned	152,087	152,087
Payments made	<u>(3,607,377)</u>	<u>(3,607,377)</u>
UNSPENT BALANCE AS OF FISCAL YEAR END	<u>\$ -</u>	<u>\$ -</u>
	<u>2018</u>	<u>2017</u>
Award received - second grant (received in fiscal 2015)	\$ 136,374	\$ 1,250,000
Cumulative interest earned	-	13,132
Payments made	<u>(136,374)</u>	<u>(1,126,758)</u>
UNSPENT BALANCE AS OF FISCAL YEAR END	<u>\$ -</u>	<u>\$ 136,374</u>
	<u>2018</u>	<u>2017</u>
Award received -third grant (received in fiscal 2018)	\$ 1,336,567	\$ -
Cumulative interest earned	1,897	-
Payments made	<u>(865,283)</u>	<u>-</u>
UNSPENT BALANCE AS OF FISCAL YEAR END	<u>\$ 473,181</u>	<u>\$ -</u>
	<u>2018</u>	<u>2017</u>
Award received - DAHG (received in fiscal year 2017)	\$ 1,038,539	\$ 1,037,200
Cumulative interest earned	877	1,339
Payments made	<u>(1,039,416)</u>	<u>-</u>
UNSPENT BALANCE AS OF FISCAL YEAR END	<u>\$ -</u>	<u>\$ 1,038,539</u>
	<u>2018</u>	<u>2017</u>
Award received - DAHG (received in fiscal year 2018)	\$ 1,178,100	\$ -
Cumulative interest earned	1,654	-
Payments made	<u>(164,995)</u>	<u>-</u>
UNSPENT BALANCE AS OF FISCAL YEAR END	<u>\$ 1,014,759</u>	<u>\$ -</u>

In addition, the City of New York has also approved, through the Uniform Land Use Review Process, the sale of city-owned land, at 726/728 Eleventh Avenue and 553/555 West 51st Street, for a nominal fee, on which the new facility will be constructed. The City Planning Commission's resolution to approve the acquisition occurred August 6, 2014, and the City Council's resolution to approve the acquisition occurred on September 3, 2014. As of June 30, 2018, a total of \$65,911,733 in commitments have been received for the New Irish Arts Center project.

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

2. CAPITAL PROJECT COMMITMENTS (Continued)

Following is a reconciliation of revenue recognized in the accompanying consolidated financial statements, including all commitments received to date, as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Government of Ireland:		
Emigrant Support Program I	\$ 3,455,290	\$ 3,455,290
Emigrant Support Program II	1,250,000	1,250,000
Emigrant Support Program III	1,336,567	-
Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs	1,037,200	1,037,200
Department of Culture, Heritage, and the Gaeltacht	1,178,100	-
Department of Foreign Affairs	73,500	73,500
Interest on Government of Ireland funds	172,136	166,558
New York State:		
Empire State Development	309,119	309,119
Private donors, documented pledges and one-time gifts - Phase 1	8,136,769	7,749,466
Private donors, documented pledges and one-time gifts - Phase 2	250,000	-
Interest on Private donor funds	<u>13,052</u>	<u>7,308</u>
Total commitments recorded as revenue	<u>17,211,733</u>	<u>14,048,441</u>
City of New York - Phase 1	36,850,000	36,850,000
City of New York - Phase 2*	5,000,000	-
New York State:		
Empire State Development Regional Council Award	2,000,000	2,000,000
New York State Assembly, Strategic Investment Program	1,000,000	1,000,000
New York State Senate, State and Municipal Facilities (SAM)	1,500,000	1,500,000
New York State Technology and Development Program I	250,000	250,000
New York State Technology and Development Program II	250,000	250,000
New York State Senate	100,000	-
New York State Senate, verbal commitments	500,000	500,000
Private donors, verbal pledges	<u>1,250,000</u>	<u>1,160,000</u>
Total commitments not recorded as revenue	<u>48,700,000</u>	<u>43,510,000</u>
TOTAL CAPITAL PROJECT COMMITMENTS	<u>\$ 65,911,733</u>	<u>\$ 57,558,441</u>

* Phase 2 commitments include the renovation of the 553/555 West 51st Street property.

3. PLEDGES RECEIVABLE

As a result of its efforts to raise funds necessary to fund the planned construction of its new Irish Arts Center, IAC has received various commitments for support (in the form of multi-year pledges) in support of the capital project (of which \$2,607,333 and \$3,753,666 had not yet been collected as of June 30, 2018 and 2017, respectively). Additionally, IAC received commitments for support (in the form of pledges) in support of current programming and operating activities, of which \$104,144 and \$70,550 had not yet been collected as of June 30, 2018 and 2017, respectively.

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

3. PLEDGES RECEIVABLE (Continued)

Pledges receivable are expected to be collected from donors over several years; those pledges which are due beyond one year from the Consolidated Statements of Financial Position date have been appropriately discounted using an effective interest rate of 4.50% (the current Federal prime rate).

Following is a summary of all pledges receivable as of June 30, 2018 and 2017:

<u>Year Ending June 30,</u>	<u>2018</u>	<u>2017</u>
2018	\$ -	\$ 1,661,883
2019	1,320,477	846,333
2020	473,000	448,000
2021	373,000	348,000
2022	300,000	275,000
Thereafter	<u>245,000</u>	<u>245,000</u>
	2,711,477	3,824,216
Current allowance for uncollectible pledges	(111,128)	(172,165)
Noncurrent allowance for uncollectible pledges	(69,550)	(126,117)
Noncurrent present value discount on pledges	<u>(186,288)</u>	<u>(169,448)</u>
PLEDGES RECEIVABLE, NET OF ALLOWANCE AND DISCOUNT	<u>\$ 2,344,511</u>	<u>\$ 3,356,486</u>

At June 30, 2018, \$1,320,477 is presented above as current; of this total, \$559,144 was due from IAC's donors as of June 30, 2018 but not collected, however, \$175,600 (31% of this total) has been subsequently collected.

At June 30, 2017, \$1,661,883 is presented above as current; of this total, \$1,023,283 was due from IAC's donors as of June 30, 2017 but not collected, however, \$648,600 (63% of this total) has been subsequently collected.

In addition to documented private sector pledges for the planning, development and design of the new facility, IAC has also received verbal pledges from the private sector for the project in the amount of \$1,250,000, of which installment payments of \$782,500 have been received by IAC as of June 30, 2018; these pledges have been made by donors with a history of similar pledges and who have an ongoing relationship with IAC and as such are viewed as likely to be honored; however, because they are not documented in writing, management has not recorded the unpaid pledges as revenue.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 12,791	\$ 13,441
Furniture and equipment	14,810	16,030
Computer equipment	<u>21,001</u>	<u>26,852</u>
Total property and equipment	48,602	56,323
Less: Accumulated depreciation and amortization	<u>(21,486)</u>	<u>(20,143)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 27,116</u>	<u>\$ 36,180</u>

**AN CLAUDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

5. LINE OF CREDIT

An Claidheamh Soluis, Inc. (d/b/a Irish Arts Center) maintained a \$250,000 bank line of credit which was terminated on October 9, 2018, and a new agreement for a \$250,000 working capital line of credit was established by IAC-NYC, LLC (with a different financial institution) on the same date (see Note 8).

Amounts borrowed (under the terminated line of credit) bore interest at the bank's prime rate, with the minimum rate being 4%. The line of credit was secured by a first position on all assets of IAC. As of June 30, 2018 and 2017, there were no outstanding borrowings on the line of credit.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Capital Project	\$ 14,170,491	\$ 11,044,919
General Fundraising	10,665	33,250
Annual Gala	106,000	6,000
Production/Programming Support	11,670	2,000
Other Project Support	<u>-</u>	<u>1,284</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 14,298,826</u>	<u>\$ 11,087,453</u>

The following temporarily restricted net assets were released from donor restrictions during the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Capital Campaign	\$ 719,384	\$ 670,645
General Fundraising	28,000	-
Annual Gala	6,000	30,500
Production/Programming Support	2,000	1,205
Other Project Support	<u>-</u>	<u>210</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 755,384</u>	<u>\$ 702,560</u>

7. OFFICE LEASE

IAC leases its principal office space from the the City of New York on a month-to-month basis. During the years ended June 30, 2018 and 2017, rent expense totaled \$1,044 for each year; such amounts are included in space rental in the accompanying Consolidated Statements of Functional Expenses.

8. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, IAC has evaluated events and transactions for potential recognition or disclosure through November 15, 2018, the date the consolidated financial statements were issued.

**AN CLAIDHEAMH SOLUIS, INC. (D/B/A IRISH ARTS CENTER)
IAC-NYC, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

8. SUBSEQUENT EVENTS (Continued)

On September 19, 2018, IAC-NYC LLC entered into a Guaranteed Maximum Price (GMP) agreement with Pavarini McGovern, LLC for \$33,197,675 to construct the new Irish Arts Center.

On October 9, 2018, IAC-NYC, LLC, a single purpose entity whose sole member is An Claidheamh Soluis, Inc., entered into a Land Development Agreement, enforcement mortgage and note, restrictive covenant, deed and Zoning Lot Development Agreement (ZLDA) with the City of New York for the acquisition of public land for \$1, for the purposes of building a new Irish Arts Center at 726 11th Avenue, adjoining to the existing Irish Arts Center location at 553 West 51st Street. Upon which, IAC-NYC, LLC became the owner of a parcel of land with frontage on 11th Ave and 51st Street containing two existing buildings, one of which will be demolished and the new Irish Arts Center will be built.

On October 9, 2018, An Claidheamh Soluis, Inc. entered into a funding agreement with the Economic Development Corporation of the City of New York for \$36.75 million in funding (an award of \$36.85 million less a fee of \$100,000) toward the design and construction of the new facility. On the same day, An Claidheamh Soluis, Inc. entered into four separate grant disbursement agreements totaling \$3 million with the Dormitory Authority of the State of New York toward capital costs for the new facility.

All city and state funding agreements provide reimbursement costs upon submission of a requisition which include evidence of payment and the satisfaction of requirements per each funding agreement. On October 9, 2018, An Claidheamh Soluis, Inc. and IAC-NYC, LLC, entered into a loan agreement and note, assignment and pledge of membership interest, pledge and assignment of deposit accounts, interest rate cap agreements and cooperation agreements for a line of credit in the amount of \$9,750,000 with M&T Bank to bridge capital expenditures associated with city and state funding agreements. Borrowing on the line of credit will bear interest at an adjustable LIBOR rate plus 3.50%. IAC exercised a rate cap agreement for LIBOR at 3% which will cap the rate at a maximum total of 6.5% for the first \$7,500,000 of the line of credit. As LIBOR rate changes daily and with interest rates expected to increase, this rate agreement caps the interest rate for the duration of the loan. In addition, on October 9, 2018, An Claidheamh Soluis, Inc. and IAC-NYC, LLC, entered into a loan agreement and note, security agreement, blocked account and pledge agreement for a line of credit in the amount of \$1,500,000 with Nonprofit Finance Fund to bridge capital expenditures associated with state funding agreements as well as designated multi-year pledges from private donors. Borrowing on the line of credit will bear interest at 6%.

On October 9, 2018, An Claidheamh Soluis, Inc., entered into a loan agreement for a working capital line of credit in the amount of \$250,000 with M&T Bank, replacing an equal line of credit previously held by An Claidheamh Soluis, Inc. with Signature Bank. Borrowings on the line of credit will bear a variable rate of interest, based on the greater of (a) the rate announced by the Bank as its prime rate of interest, or (b) 4.0% (the "Interest Rate Floor").