

The Architectural League of New York, Inc.

Financial Statements

June 30, 2013

Independent Auditors' Report

Board of Directors The Architectural League of New York, Inc.

We have audited the accompanying financial statements of The Architectural League of New York, Inc. (the "League") , which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the League as of June 30, 2013, and the changes in its net assets and its 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 League's June 30, 2012 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 15, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

May 8, 2014

The Architectural League of New York, Inc.

Statement of Financial Position

June 30, 2013

(with comparative amounts at June 30, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 430,550	\$ 405,237
Grants receivable	136,820	97,825
Accounts receivable	32,107	18,406
Prepaid expenses	4,378	7,849
Investments	30,364	24,700
Other assets	20,650	20,952
Beneficial interest in perpetual trust	2,387,740	2,230,535
Property and equipment, net	<u>5,852</u>	<u>3,879</u>
	<u>\$ 3,048,461</u>	<u>\$ 2,809,383</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 33,692	\$ 35,340
Deferred membership dues	59,799	50,468
Other deferred income	<u>47,167</u>	<u>49,791</u>
Total Liabilities	<u>140,658</u>	<u>135,599</u>
Net Assets (Deficit)		
Unrestricted	36,436	(44,403)
Temporarily restricted	231,719	235,744
Permanently restricted	<u>2,639,648</u>	<u>2,482,443</u>
Total Net Assets	<u>2,907,803</u>	<u>2,673,784</u>
	<u>\$ 3,048,461</u>	<u>\$ 2,809,383</u>

The Architectural League of New York, Inc.

Statement of Activities
Year Ended June 30, 2013
(with summarized totals for the year ended June 30, 2012)

	2013			2012 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
SUPPORT AND REVENUE					
Grants and contributions	\$ 311,869	\$ 162,722	\$ -	\$ 474,591	\$ 371,052
Special events, net of expenses of \$235,690 and \$214,935	475,620	-	-	475,620	464,995
Membership dues	254,218	-	-	254,218	258,672
Sales, rentals and royalties	2,963	-	-	2,963	7,365
Admission fees	16,025	-	-	16,025	17,260
Program service fees	15,213	-	-	15,213	17,000
Investment income	197	840	-	1,037	1,139
Unrealized gain on investments	2,904	-	-	2,904	549
Other income	30,673	-	-	30,673	28,910
Change in value of beneficial interest in perpetual trust	-	-	157,205	157,205	(223,250)
Net assets released from restrictions	167,587	(167,587)	-	-	-
Total Support and Revenue	<u>1,277,269</u>	<u>(4,025)</u>	<u>157,205</u>	<u>1,430,449</u>	<u>943,692</u>
EXPENSES					
Program expenses	932,453	-	-	932,453	726,207
General and administrative expenses	114,100	-	-	114,100	164,473
Fundraising expenses	149,877	-	-	149,877	136,378
Total Expenses	<u>1,196,430</u>	<u>-</u>	<u>-</u>	<u>1,196,430</u>	<u>1,027,058</u>
Change in Net Assets	80,839	(4,025)	157,205	234,019	(83,366)
NET ASSETS					
Beginning of year	<u>(44,403)</u>	<u>235,744</u>	<u>2,482,443</u>	<u>2,673,784</u>	<u>2,757,150</u>
End of year	<u>\$ 36,436</u>	<u>\$ 231,719</u>	<u>\$ 2,639,648</u>	<u>\$ 2,907,803</u>	<u>\$ 2,673,784</u>

See notes to financial statements

The Architectural League of New York, Inc.

Statement of Functional Expenses
Year Ended June 30, 2013
(with summarized totals for the year ended June 30, 2012)

	2013			2012 Total	
	Program	Administrative and General	Fundraising		Total
Salaries and wages	\$ 427,509	\$ 80,095	\$ 104,949	\$ 612,553	\$ 567,293
Employee benefits	76,173	11,623	14,709	102,505	86,598
Professional fees	25,952	3,917	4,957	34,826	26,787
Artist fees	74,248	319	404	74,971	52,061
Rent and utilities	72,148	9,439	11,946	93,533	77,265
Printing and duplicating	17,148	497	629	18,274	13,237
Telephone and internet	12,947	1,477	1,869	16,293	15,520
Equipment expense and maintenance	1,698	117	148	1,963	6,975
Postage, messenger, shipping	4,945	95	286	5,326	8,271
Supplies	7,474	977	1,257	9,708	5,801
Insurance	6,231	946	1,198	8,375	6,351
Travel and transportation	49,935	134	190	50,259	25,540
Publications, subscriptions, memberships	2,901	199	547	3,647	4,757
Bank, credit card fees, payroll fees	15,094	2,287	2,826	20,207	17,812
Honoraria and awards	73,124	-	-	73,124	47,642
Meetings, receptions and meals	19,010	804	1,718	21,532	17,383
Exhibition and program production	7,308	-	-	7,308	4,613
Depreciation and amortization	4,236	644	814	5,694	12,713
Mills administration	27,850	-	-	27,850	28,910
Miscellaneous	6,522	530	1,430	8,482	1,529
Total Expenses	<u>\$ 932,453</u>	<u>\$ 114,100</u>	<u>\$ 149,877</u>	<u>\$ 1,196,430</u>	<u>\$ 1,027,058</u>

See notes to financial statements

The Architectural League of New York, Inc.

Statement of Cash Flows
Year Ended June 30, 2013
(with comparative amounts for the year ended June 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 234,019	\$ (83,366)
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized gain on investments	(2,904)	(549)
Donated stock	(7,578)	(5,000)
Depreciation and amortization	5,694	12,713
Change in beneficial interest in perpetual trust	(157,205)	223,250
Changes in operating assets and liabilities		
Grants and accounts receivable	(52,696)	(45,162)
Prepaid expenses and other assets	3,773	(5,497)
Accounts payable and accrued expenses	(1,648)	8,990
Deferred membership dues and other deferred income	<u>6,707</u>	<u>(5,919)</u>
Net Cash from Operating Activities	<u>28,162</u>	<u>99,460</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(7,666)	(2,224)
Sale of investments	<u>4,817</u>	<u>5,190</u>
Net Cash from Investing Activities	<u>(2,849)</u>	<u>2,966</u>
Net Change in Cash and Cash Equivalents	25,313	102,426
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>405,237</u>	<u>302,811</u>
End of year	<u>\$ 430,550</u>	<u>\$ 405,237</u>

The Architectural League Of New York, Inc.

Notes to Financial Statements
June 30, 2013

1. Organization

The Architectural League of New York, Inc. (the "League") is a not-for-profit organization incorporated in the State of New York in 1888. The League encourages and promotes the art and science of architecture and related arts and crafts. The League provides a center where fellow professionals and the public can meet, discuss architectural issues, and present and discuss the work of established and emerging architects. The League sponsors lectures and exhibitions, which are open to members and the public, in the areas of architecture, design and related arts and crafts. Books and other materials are published in connection with these lectures and exhibitions.

The League has been determined to be a non-profit organization which is not a private foundation. It is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in banks and money market funds with maturities of three months or less at the time of purchase.

Fair Value Measurements

The League follows Financial Accounting Standards Board ("FASB") guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted market prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The Architectural League Of New York, Inc.

Notes to Financial Statements
June 30, 2013

2. Summary of Significant Accounting Policies (*continued*)

Investments Valuation

Investments are carried at fair value.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are recorded at cost. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or the remaining lease term, whichever is shorter. All assets in excess of \$1,000 are capitalized.

Net Asset Presentation

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as permanently restricted, temporarily restricted or unrestricted.

Contributions

The League recognizes contributions when the donor makes an unconditional promise to give and records contributions as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, the time restriction ends or a purpose restriction ends, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction. The primary sources of revenue are grants and contributions from governments, foundations, individuals and corporations.

Statement of Functional Expenses

The revenues and costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior-Year Summarized Information

Information as of and for the year ended June 30, 2012 is presented for comparative purposes only. The notes to the financial statements and certain activity by net asset classification are not included in this report. Accordingly, 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 League's financial statements as of and for the year ended June 30, 2012, from which the summarized comparative information was derived.

The Architectural League Of New York, Inc.

Notes to Financial Statements
June 30, 2013

2. Summary of Significant Accounting Policies (*continued*)

Reclassification

Certain amounts in the 2012 financial statements have been reclassified for comparative purposes only.

Accounting for Uncertainty in Income Taxes

The League recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the League had no uncertain tax positions that would require financial statement recognition. The League is no longer subject to audits by the applicable taxing jurisdictions for periods prior to June 30, 2010.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 8, 2014.

3. Concentration of Credit Risk

Financial instruments that potentially subject the League to significant concentrations of credit risk consist principally of cash and cash equivalents. At times cash balances held at financial institutions may be in excess of federally insured limits. The League has not experienced any losses on its cash deposits.

4. Fair Value Measurements

Fair values of assets measured at fair value at June 30, are as follows:

	2013			
	Level 1	Level 2	Level 3	Total
Equity securities				
Services	\$ 8,113	\$ -	\$ -	\$ 8,113
Technology	1,980	-	-	1,980
Financial	881	-	-	881
Corporate bonds	-	19,390	-	19,390
Total Investments	10,974	19,390	-	30,364
Beneficial interest in perpetual trust	-	-	2,387,740	2,387,740
Total Assets Measured at Fair Value	<u>\$ 10,974</u>	<u>\$ 19,390</u>	<u>\$ 2,387,740</u>	<u>\$ 2,418,104</u>

The Architectural League Of New York, Inc.

Notes to Financial Statements
June 30, 2013

4. Fair Value Measurements (continued)

	2012			
	Level 1	Level 2	Level 3	Total
Equity securities				
Services	\$ 3,855	\$ -	\$ -	\$ 3,855
Technology	1,329	-	-	1,329
Financial	609	-	-	609
Corporate bonds	-	18,907	-	18,907
Total Investments	5,793	18,907	-	24,700
Beneficial interest in perpetual trust	-	-	2,230,535	2,230,535
Total Assets Measured at Fair Value	\$ 5,793	\$ 18,907	\$ 2,230,535	\$ 2,255,235

The changes in assets measured at fair value for which Level 3 inputs were used to determine fair values are as follows:

Beneficial Interest in Perpetual Trust:

Balance, beginning of year	\$ 2,230,535
Change in fair value of beneficial interest in perpetual trust	157,205
Balance, end of year	\$ 2,387,740

5. Property and Equipment

Property and equipment consist of the following as of June 30, 2013 and 2012:

	2013	2012
Furniture and equipment	\$ 143,452	\$ 135,786
Leasehold improvements	67,295	67,295
	210,747	203,081
Less accumulated depreciation	204,895	199,202
	\$ 5,852	\$ 3,879

6. Beneficial Interest in Perpetual Trust

The League is named as an income beneficiary of the J. Clawson Mills Charitable Trust (the "Trust"). The assets of the Trust are held by the Bank of New York in perpetuity and one half of the Trust income is made available to the League. The estimated fair value of the assets attributed to the Trust have been reported as beneficial interest in perpetual trust in the permanently restricted net asset class in the accompanying financial statements. Distributions from the Trust are reported as temporarily restricted net assets until appropriated and are restricted to support for research and study in architecture.

The Architectural League Of New York, Inc.

Notes to Financial Statements
June 30, 2013

7. Artwork

The League owns a piece of artwork valued at \$12,000, based on a 1993 appraisal. The artwork is included in other assets.

8. Temporarily Restricted Net Assets

The League has received contributions that are subject to purpose restrictions that can be fulfilled by actions of the League. Temporarily restricted net assets at June 30, 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
Research, scholarship and creative development	\$ 66,192	\$ 48,154
Travel grants	57,531	64,981
Architectural speculations	7,500	7,500
Digital channel	-	22,869
Next generation fund	25,496	26,837
Cultural renewal of lower Manhattan	-	12,903
Book publication	5,000	5,000
Emerging voices book	20,000	30,000
Current work program	-	5,000
5,000 LB Life program	50,000	-
Time restricted	-	12,500
	<u>\$ 231,719</u>	<u>\$ 235,744</u>

Temporarily restricted net assets released from restrictions consisted of the following for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Research, scholarship and creative development	\$ 94,201	\$ 68,504
Travel grants	8,772	5,150
Lecture series	10,000	-
Digital channel	22,869	15,131
Next generation fund	1,342	1,413
Cultural renewal of lower Manhattan	12,903	6,897
Current work program	5,000	5,000
Time restricted	12,500	-
	<u>\$ 167,587</u>	<u>\$ 102,095</u>

The Architectural League Of New York, Inc.

Notes to Financial Statements
June 30, 2013

9. Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following for the years ended June 30, 2013 and 2012:

	2013	2012
Beneficial interest in perpetual trust	\$ 2,387,740	\$ 2,230,535
Endowment fund	251,908	251,908
	<u>\$ 2,639,648</u>	<u>\$ 2,482,443</u>

10. Endowment Fund

The board established an Endowment fund in October, 1998. The fund includes permanently restricted net assets of the Felicia Clark Fund, Joseph Fund, LaRosa Fund and other contributions to the Endowment fund. Donations to the Endowment fund are held in a separate investment account. Net investment income from this fund is unrestricted.

Interpretation of Relevant Law

The board of directors of the League have interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as allowing the League to appropriate for expenditures or accumulate so much of the donor-restricted endowment fund as the League determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donors as expressed in their gift instruments except in those cases where the law allows appropriation for spending of the original gift amounts. The assets in the endowment funds shall be donor-restricted assets until appropriated for expenditure by the Board. Unless authorized by the board of directors, the appropriations from the endowment fund should not deplete the historical dollar value of the endowment fund. The following is a reconciliation of the investment activity for the fiscal year ending June 30, 2013 in the endowment fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ (557)	\$ -	\$ 251,908	\$251,351
Interest and dividends	202		-	202
Unrealized gain	1,812		-	1,812
Investment fees	(150)		-	(150)
Appropriation for expenditures	(1,307)	1,307	-	-
Balance, end of year	<u>\$ -</u>	<u>\$ 1,307</u>	<u>\$ 251,908</u>	<u>\$253,215</u>

The Architectural League Of New York, Inc.

Notes to Financial Statements
June 30, 2013

11. Lease Commitment

The League's operating lease for office space expires July 31, 2015. Future minimum annual lease payments required under the lease is as follows:

2014	\$ 66,701
2015	68,035
2016	<u>5,679</u>
	<u>\$ 140,415</u>

Rent expense for the year ended June 30, 2013 was \$64,092.

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