

The Architectural League of New York, Inc.

Financial Statements

June 30, 2015

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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 5, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP
May 16, 2016

The Architectural League of New York, Inc.

Statement of Financial Position
June 30, 2015
(with comparative amounts at June 30, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 537,897	\$ 451,565
Grants receivable	102,079	150,310
Accounts receivable	129,796	38,102
Prepaid expenses	15,454	4,069
Investments	35,058	37,774
Other assets	20,654	20,655
Beneficial interest in perpetual trust	2,643,280	2,690,563
Property, equipment and leasehold improvements, net	<u>8,504</u>	<u>16,911</u>
	<u>\$ 3,492,722</u>	<u>\$ 3,409,949</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 65,725	\$ 32,072
Deferred membership dues	66,778	60,237
Other deferred income	<u>51,475</u>	<u>57,292</u>
Total Liabilities	<u>183,978</u>	<u>149,601</u>
Net Assets (Deficit)		
Unrestricted	(68,793)	(16,192)
Temporarily restricted	284,649	334,069
Permanently restricted	<u>3,092,888</u>	<u>2,942,471</u>
Total Net Assets	<u>3,308,744</u>	<u>3,260,348</u>
	<u>\$ 3,492,722</u>	<u>\$ 3,409,949</u>

The Architectural League of New York, Inc.

Statement of Activities
Year Ended June 30, 2015
(with summarized totals for the year ended June 30, 2014)

	2015			Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SUPPORT AND REVENUE					
Grants and contributions	\$ 277,572	\$ 281,505	\$ 197,700	\$ 756,777	\$ 574,608
Special events, net of expenses of \$286,362 and \$277,243	450,938	-	-	450,938	365,535
Membership dues	284,571	-	-	284,571	273,466
Sales, rentals and royalties	24,793	-	-	24,793	4,344
Admission fees	19,205	-	-	19,205	17,330
Program service fees	10,000	-	-	10,000	22,000
Investment income	188	852	-	1,040	1,150
Realized and unrealized gain on investments	1,387	-	-	1,387	2,350
In-kind contributions	68,665	-	-	68,665	-
Other income	40,336	-	-	40,336	39,583
Change in value of beneficial interest in perpetual trust	-	-	(47,283)	(47,283)	302,823
Net assets released from restrictions	331,777	(331,777)	-	-	-
Total Support and Revenue	<u>1,509,432</u>	<u>(49,420)</u>	<u>150,417</u>	<u>1,610,429</u>	<u>1,603,189</u>
EXPENSES					
Program expenses	1,215,912	-	-	1,215,912	941,048
General and administrative expenses	206,775	-	-	206,775	134,018
Fundraising expenses	139,346	-	-	139,346	175,578
Total Expenses	<u>1,562,033</u>	<u>-</u>	<u>-</u>	<u>1,562,033</u>	<u>1,250,644</u>
Change in Net Assets (Deficit)	(52,601)	(49,420)	150,417	48,396	352,545
NET ASSETS (DEFICIT)					
Beginning of year	<u>(16,192)</u>	<u>334,069</u>	<u>2,942,471</u>	<u>3,260,348</u>	<u>2,907,803</u>
End of year	<u>\$ (68,793)</u>	<u>\$ 284,649</u>	<u>\$ 3,092,888</u>	<u>\$ 3,308,744</u>	<u>\$ 3,260,348</u>

See notes to financial statements

The Architectural League of New York, Inc.

Statement of Functional Expenses
Year Ended June 30, 2015
(with summarized totals for the year ended June 30, 2014)

	2015			2014 Total	
	Program	Administrative and General	Fundraising		Total
Salaries and wages	\$ 437,140	\$ 129,374	\$ 81,244	\$ 647,758	\$ 663,683
Employee benefits	78,843	23,334	14,654	116,831	105,960
Professional fees	27,146	8,104	5,267	40,517	38,198
Artist fees	112,302	401	420	113,123	69,167
Rent and utilities	75,178	18,768	12,199	106,145	115,101
Printing and duplicating	16,473	1,250	887	18,610	9,140
Telephone and internet	13,493	2,594	2,587	18,674	18,514
Equipment expense and maintenance	4,002	1,107	718	5,827	3,256
Postage, messenger, shipping	6,355	1,202	794	8,351	6,824
Supplies	5,862	1,510	1,282	8,654	10,054
Insurance	6,127	1,829	1,189	9,145	8,617
Travel and transportation	34,610	500	370	35,480	28,498
Publications, subscriptions, memberships	7,264	282	184	7,730	3,263
Bank, credit card fees, payroll fees	16,212	4,613	2,998	23,823	19,133
Honoraria and awards	38,132	-	-	38,132	31,317
Regrants	200,495	-	-	200,495	40,269
Meetings, receptions and meals	32,393	2,368	1,923	36,684	24,544
Exhibition and program production	4,875	2	2	4,879	9,285
Depreciation and amortization	6,587	1,966	1,278	9,831	10,473
Mills administration	33,336	-	-	33,336	30,672
Bad debt expense	3,502	1,046	680	5,228	1,927
Donated services and supplies	52,600	5,840	10,225	68,665	-
Miscellaneous	2,985	685	445	4,115	2,749
Total Expenses	\$ 1,215,912	\$ 206,775	\$ 139,346	\$ 1,562,033	\$ 1,250,644

See notes to financial statements

The Architectural League of New York, Inc.

Statement of Cash Flows
Year Ended June 30, 2015
(with comparative amounts for the year ended June 30, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 48,396	\$ 352,545
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized gain on investments	(1,387)	(2,350)
Donated stock	(19,535)	(5,060)
Depreciation and amortization	9,831	10,473
Change in beneficial interest in perpetual trust	47,283	(302,823)
Changes in operating assets and liabilities		
Grants and accounts receivable	(43,463)	(19,485)
Prepaid expenses and other assets	(11,384)	304
Accounts payable and accrued expenses	33,653	(1,620)
Deferred membership dues	6,541	438
Other deferred income	<u>(5,817)</u>	<u>10,125</u>
Net Cash from Operating Activities	<u>64,118</u>	<u>42,547</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,424)	(21,532)
Sale of investments	<u>23,638</u>	<u>-</u>
Net Cash from Investing Activities	<u>22,214</u>	<u>(21,532)</u>
Net Change in Cash and Cash Equivalents	86,332	21,015
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>451,565</u>	<u>430,550</u>
End of year	<u>\$ 537,897</u>	<u>\$ 451,565</u>

The Architectural League of New York, Inc.

Notes to Financial Statements

June 30, 2015

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 and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates.

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.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the League and/or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the League, the income on which is unrestricted.

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.

The Architectural League of New York, Inc.

Notes to Financial Statements
June 30, 2015

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

Fair Value Measurements

The League follows U.S. GAAP 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.

Investments Valuation and Investment Income Recognition

Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the specific identification basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Property, Equipment and Leasehold Improvements

Property, 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.

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. It is the League's policy to report as unrestricted those contributions with donor-imposed restrictions which are met in the same year that the contributions are received. The primary sources of revenue are grants and contributions from governments, foundations, individuals and corporations.

In-kind Contributions

Contributions of services are recognized at fair value when they are received if the services either create or enhance nonfinancial assets, or require specialized skills, and those skills are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated goods distributed are recorded as income and expense at the time they are received which is normally also the time they are placed into service or distributed.

The Architectural League of New York, Inc.

Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for amounts where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the League's historical experience, review of account balances and expectations relative to collections. Management has determined no allowance was necessary at June 30, 2015 and 2014.

Membership Dues

Membership dues are recorded as revenue during the applicable membership period. Payments received in advance from members to the League for membership dues is reflected as deferred membership dues.

Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis. 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, 2014 is presented for comparative purposes only. Certain activity by net asset classification is not included in this report. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the League's financial statements as of and for the year ended June 30, 2014, from which the summarized comparative information was derived

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 or disclosure. The League is no longer subject to audits by the applicable taxing jurisdictions for periods prior to June 30, 2012.

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 16, 2016.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

The Architectural League of New York, Inc.

Notes to Financial Statements
June 30, 2015

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:

	2015			
	Level 1	Level 2	Level 3	Total
Equity Securities				
Services	\$ 8,804	\$ -	\$ -	\$ 8,804
Communications	4,511	-	-	4,511
Technology	2,091	-	-	2,091
Financial	1,104	-	-	1,104
Corporate bonds	-	18,548	-	18,548
Total Investments	16,510	18,548	-	35,058
Beneficial interest in perpetual trust	-	-	2,643,280	2,643,280
Total Assets Measured at Fair Value	\$ 16,510	\$ 18,548	\$ 2,643,280	\$ 2,678,338
	2014			
	Level 1	Level 2	Level 3	Total
Equity Securities				
Services	\$ 7,187	\$ -	\$ -	\$ 7,187
Basic materials	4,684	-	-	4,684
Industrial goods	3,498	-	-	3,498
Technology	2,559	-	-	2,559
Financial	953	-	-	953
Corporate bonds	-	18,893	-	18,893
Total Investments	18,881	18,893	-	37,774
Beneficial interest in perpetual trust	-	-	2,690,563	2,690,563
Total Assets Measured at Fair Value	\$ 18,881	\$ 18,893	\$ 2,690,563	\$ 2,728,337

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, June 30, 2013	\$ 2,387,740
Change in fair value of beneficial interest in perpetual trust	302,823
Balance, June 30, 2014	2,690,563
Change in fair value of beneficial interest in perpetual trust	(47,283)
Balance, June 30, 2015	\$ 2,643,280

The Architectural League of New York, Inc.

Notes to Financial Statements
June 30, 2015

5. Property and Equipment

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

	2015	2014
Furniture and equipment	\$ 22,141	\$ 20,717
Leasehold improvements	36,298	36,298
	58,439	57,015
Less accumulated depreciation and amortization	49,935	40,104
	\$ 8,504	\$ 16,911

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 has 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.

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 consist of:

	2015	2014
Research, scholarship and creative development	\$ 132,558	\$ 79,196
Travel grants	51,581	55,706
Architectural speculations	7,500	7,500
Next generation fund	23,010	24,221
Housing book publication	5,000	5,000
Emerging voices book	5,000	-
League prize	40,000	-
Urban omnibus book	20,000	35,000
5,000 LB Life program	-	30,000
Sponsored project - Judd book	-	57,446
Sponsored project - Independent	-	40,000
	\$ 284,649	\$ 334,069

The Architectural League of New York, Inc.

Notes to Financial Statements
June 30, 2015

8. Temporarily Restricted Net Assets *(continued)*

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

	<u>2015</u>	<u>2014</u>
Research, scholarship and creative development	\$ 79,995	\$ 109,693
Travel grants	4,990	5,050
Next generation fund	1,211	1,275
Emerging voices book	-	20,000
Urban omnibus book	15,000	-
5,000 LB Life program	30,000	20,000
Sponsored project - Judd book	80,581	32,554
Sponsored project - Independent	<u>120,000</u>	<u>3,000</u>
	<u>\$ 331,777</u>	<u>\$ 191,572</u>

9. Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Beneficial interest in perpetual trust	\$ 2,643,280	\$ 2,690,563
Endowment fund	<u>449,608</u>	<u>251,908</u>
	<u>\$ 3,092,888</u>	<u>\$ 2,942,471</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, Genevro 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.

The Architectural League of New York, Inc.

Notes to Financial Statements
June 30, 2015

10. Endowment Fund (continued)

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 years ended June 30, 2015 and 2014 in the endowment fund:

	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2013	\$ 1,307	\$ 251,908	\$ 253,215
Interest and dividends	180	-	180
Unrealized gain	1,591	-	1,591
Investment fees	(150)	-	(150)
Balance, June 30, 2014	2,928	251,908	254,836
Contributions	-	197,700	197,700
Interest and dividends	187	-	187
Unrealized gain	1,378	-	1,378
Realized gain	300	-	300
Investment fees	(150)	-	(150)
Balance, June 30, 2015	\$ 4,643	\$ 449,608	\$ 454,251

11. Lease Commitment

The League's operating lease for office space expires July 31, 2020. Future minimum annual lease payments required under the lease is as follows:

2016	\$ 80,731
2017	83,376
2018	85,044
2019	86,744
2020	88,479
2021	7,385
	\$ 431,759

Rent expense for the years ended June 30, 2015 and 2014 was \$72,370 and \$68,715.

* * * * *