

The Architectural League of New York

Financial Statements

June 30, 2017

Independent Auditors' Report

Board of Directors

The Architectural League of New York

We have audited the accompanying financial statements of The Architectural League of New York (the "League"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

May 7, 2018

The Architectural League of New York

Statement of Financial Position
June 30, 2017
(with comparative amounts at June 30, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 964,829	\$ 910,766
Grants receivable	103,280	123,833
Pledges and other receivables	36,235	64,730
Prepaid expenses	8,918	4,248
Investments	33,093	24,207
Other assets	52,796	52,796
Beneficial interest in perpetual trust	2,704,193	2,455,517
Property, equipment and leasehold improvements, net	<u>45,903</u>	<u>8,163</u>
	<u>\$ 3,949,247</u>	<u>\$ 3,644,260</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 60,550	\$ 83,543
Deferred membership dues	68,775	71,866
Other deferred income	<u>60,000</u>	<u>54,792</u>
Total Liabilities	<u>189,325</u>	<u>210,201</u>
 Net Assets		
Unrestricted	214,032	73,051
Temporarily restricted	284,339	364,133
Permanently restricted	<u>3,261,551</u>	<u>2,996,875</u>
Total Net Assets	<u>3,759,922</u>	<u>3,434,059</u>
	<u>\$ 3,949,247</u>	<u>\$ 3,644,260</u>

See notes to financial statements

The Architectural League of New York

Statement of Activities
Year Ended June 30, 2017
(with summarized totals for the year ended June 30, 2016)

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SUPPORT AND REVENUE					
Grants and contributions	\$ 327,669	\$ 178,489	\$ 16,000	\$ 522,158	\$ 659,125
Special events, net of expenses of \$277,076 and \$256,624	633,874	-	-	633,874	664,756
Membership dues	327,193	-	-	327,193	306,747
Sales, rentals and royalties	2,625	-	-	2,625	3,394
Admission fees	17,194	-	-	17,194	13,303
Program service fees	-	-	-	-	850
Interest income	417	176	-	593	1,171
Realized and unrealized gain (loss) on investments	6,372	2,514	-	8,886	(1,839)
In-kind contributions	23,900	-	-	23,900	25,600
Other income	32,385	-	-	32,385	64,086
Change in value of beneficial interest in perpetual trust	-	-	248,676	248,676	(187,763)
Net assets released from restrictions	260,973	(260,973)	-	-	-
Total Support and Revenue	<u>1,632,602</u>	<u>(79,794)</u>	<u>264,676</u>	<u>1,817,484</u>	<u>1,549,430</u>
EXPENSES					
Program expenses	1,100,610	-	-	1,100,610	1,020,815
General and administrative expenses	266,042	-	-	266,042	266,018
Fundraising expenses	124,969	-	-	124,969	137,282
Total Expenses	<u>1,491,621</u>	<u>-</u>	<u>-</u>	<u>1,491,621</u>	<u>1,424,115</u>
Change in Net Assets	140,981	(79,794)	264,676	325,863	125,315
NET ASSETS					
Beginning of year	<u>73,051</u>	<u>364,133</u>	<u>2,996,875</u>	<u>3,434,059</u>	<u>3,308,744</u>
End of year	<u>\$ 214,032</u>	<u>\$ 284,339</u>	<u>\$ 3,261,551</u>	<u>\$ 3,759,922</u>	<u>\$ 3,434,059</u>

See notes to financial statements

The Architectural League of New York

Statement of Functional Expenses
Year Ended June 30, 2017
(with summarized totals for the year ended June 30, 2016)

	2017			Total	2016 Total
	Program	General and Administrative	Fundraising		
Salaries and wages	\$ 488,541	\$ 188,504	\$ 76,959	\$ 754,004	\$ 671,956
Employee benefits	104,214	26,133	15,913	146,260	128,238
Professional fees	69,538	13,632	8,301	91,471	90,331
Artist fees	45,626	-	-	45,626	46,883
Rent and utilities	102,241	20,883	12,716	135,840	128,697
Printing and duplicating	24,013	1,386	843	26,242	18,041
Telephone and internet	20,832	2,600	1,583	25,015	22,546
Equipment and maintenance	4,699	1,152	702	6,553	6,255
Postage, messenger, shipping	5,474	801	736	7,011	6,799
Supplies	6,185	1,417	863	8,465	6,193
Insurance	8,815	2,210	1,346	12,371	10,788
Travel and transportation	38,729	305	285	39,319	45,898
Publications, subscriptions, memberships	1,987	240	146	2,373	2,329
Bank, credit card fees, payroll fees	15,892	3,585	2,182	21,659	23,956
Honoraria and awards	34,527	-	-	34,527	25,650
Regrants	30,000	-	-	30,000	50,000
Meetings, receptions and meals	25,545	1,233	1,099	27,877	54,955
Exhibition and program production	10,350	-	-	10,350	6,701
Depreciation and amortization	3,773	948	576	5,297	8,768
Mills administration	28,435	-	-	28,435	33,336
Donated services and supplies	23,900	-	-	23,900	25,600
Books for distribution	136	34	21	191	9,150
Advertising	3,335	-	-	3,335	167
Miscellaneous	3,823	979	698	5,500	878
	<u>\$ 1,100,610</u>	<u>\$ 266,042</u>	<u>\$ 124,969</u>	<u>\$ 1,491,621</u>	<u>\$ 1,424,115</u>
Total Expenses					

See notes to financial statements

The Architectural League of New York

Statement of Cash Flows
Year Ended June 30, 2017
(with comparative amounts for the year ended June 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 325,863	\$ 125,315
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized (gain) loss on investments	(8,886)	1,839
Donated stock	-	(19,992)
Depreciation and amortization	5,297	8,768
Change in beneficial interest in perpetual trust	(248,676)	187,763
Changes in operating assets and liabilities		
Grants, pledges and other receivables	49,048	43,312
Prepaid expenses and other assets	(4,670)	(20,936)
Accounts payable and accrued expenses	(22,993)	17,818
Deferred membership dues	(3,091)	5,088
Other deferred income	<u>5,208</u>	<u>3,317</u>
Net Cash from Operating Activities	<u>97,100</u>	<u>352,292</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(43,037)	(8,427)
Sale of investments	<u>-</u>	<u>29,004</u>
Net Cash from Investing Activities	<u>(43,037)</u>	<u>20,577</u>
Net Change in Cash and Cash Equivalents	54,063	372,869
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>910,766</u>	<u>537,897</u>
 End of year	<u>\$ 964,829</u>	<u>\$ 910,766</u>

See notes to financial statements

The Architectural League of New York

Notes to Financial Statements

June 30, 2017

1. Organization

The Architectural League of New York (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

Notes to Financial Statements
June 30, 2017

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. 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 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

Notes to Financial Statements
June 30, 2017

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, 2017 and 2016.

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 are reflected as deferred membership dues.

Advertising Costs

The League expenses the costs of advertising as they are incurred. Advertising costs were \$3,335 and \$167 for the years ended June 30, 2017 and 2016, respectively.

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, 2016 is presented for comparative purposes only. Certain activity by net asset classification is not included in these financial statements. 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, 2016, 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 examinations by the applicable taxing jurisdictions for periods prior to June 30, 2014.

Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 financial statement presentation. The reclassifications had no effect on the 2016 total assets, total liabilities, total net assets or change in net assets.

The Architectural League of New York

Notes to Financial Statements
June 30, 2017

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

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 7, 2018.

3. Concentration of Credit Risk

Financial instruments that are potentially subject to concentrations of credit risk consist primarily of receivables, which are expected to be collected in the normal course of business, cash and cash equivalents, and investments. The League maintains its cash and cash equivalents and investments in what it believes to be quality financial institutions. At times, these accounts exceeded the federal and securities protection insurance limit and subjected the League to a concentration of credit risk. The League has not experienced any losses in such accounts due to such concentrations. Investment are managed by professional investment advisors and managers and with an objective of diversifying by type of investments and industry concentrations in order that no individual investment or group of investments represents a significant concentration of market risk.

4. Fair Value Measurements

Fair values of assets measured by the fair value hierarchy at June 30 are as follows:

	2017			Total
	Level 1	Level 2	Level 3	
Equity securities	\$ 33,093	\$ -	\$ -	\$ 33,093
Beneficial interest in perpetual trust	-	-	2,704,193	2,704,193
Total Assets Measured at Fair Value	<u>\$ 33,093</u>	<u>\$ -</u>	<u>\$ 2,704,193</u>	<u>\$ 2,737,286</u>

	2016			Total
	Level 1	Level 2	Level 3	
Equity securities	\$ 24,207	\$ -	\$ -	\$ 24,207
Beneficial interest in perpetual trust	-	-	2,455,517	2,455,517
Total Assets Measured at Fair Value	<u>\$ 24,207</u>	<u>\$ -</u>	<u>\$ 2,455,517</u>	<u>\$ 2,479,724</u>

The Architectural League of New York

Notes to Financial Statements
June 30, 2017

4. Fair Value Measurements *(continued)*

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

	<u>Beneficial Interest in Perpetual Trust</u>
Balance, June 30, 2015	\$ 2,643,280
Change in fair value of beneficial interest in perpetual trust	<u>(187,763)</u>
Balance, June 30, 2016	2,455,517
Change in fair value of beneficial interest in perpetual trust	<u>248,676</u>
Balance, June 30, 2017	<u>\$ 2,704,193</u>

5. Property and Equipment

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

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 38,955	\$ 30,568
Leasehold improvements	36,298	36,298
Website design	<u>34,650</u>	<u>-</u>
	109,903	66,866
Less accumulated depreciation and amortization	<u>64,000</u>	<u>58,703</u>
	<u>\$ 45,903</u>	<u>\$ 8,163</u>

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 two pieces of artwork valued at \$39,000, based on independent appraisals. The artwork is included in other assets.

The Architectural League of New York

Notes to Financial Statements
June 30, 2017

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:

	2017	2016
Architectural speculations	\$ 7,500	\$ 7,500
Diversified delivery	40,000	-
Housing book publication	5,000	5,000
Housing Atlas	35,000	35,000
League prize	10,000	40,000
Next generation fund	20,767	21,859
Research, scholarship and creative development	110,908	162,950
Sponsored projects	13,345	-
Time restricted	-	32,500
Travel grants	41,819	46,824
Typecast: Reinventing the Row House	-	7,500
Urban omnibus book	-	5,000
	\$ 284,339	\$ 364,133

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

	2017	2016
Emerging voices book	\$ -	\$ 5,000
League prize	30,000	-
Next generation fund	1,093	1,151
Research, scholarship and creative development	168,465	102,967
Sponsored projects	8,655	-
Time restricted	32,500	-
Travel grants	7,760	5,598
Typecast: Reinventing the Row House	7,500	-
Urban omnibus book	5,000	15,000
	\$ 260,973	\$ 129,716

9. Permanently Restricted Net Assets

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

	2017	2016
Beneficial interest in perpetual trust	\$ 2,704,193	\$ 2,455,517
Endowment fund	557,358	541,358
	\$ 3,261,551	\$ 2,996,875

The Architectural League of New York

Notes to Financial Statements
June 30, 2017

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 board is currently working on its endowment investment and spending policies.

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, 2017 and 2016 in the endowment fund:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2015	\$ 4,643	\$ 449,608	\$ 454,251
Contributions	-	91,750	91,750
Interest and dividends	364	-	364
Unrealized loss	(1,100)	-	(1,100)
Realized gain	1,600	-	1,600
Investment fees	(150)	-	(150)
Balance, June 30, 2016	5,357	541,358	546,715
Contributions	-	16,000	16,000
Interest and dividends	147	-	147
Unrealized gain	2,514	-	2,514
Investment fees	(150)	-	(150)
Balance, June 30, 2017	<u>\$ 7,868</u>	<u>\$ 557,358</u>	<u>\$ 565,226</u>

The Architectural League of New York

Notes to Financial Statements
June 30, 2017

11. Lease Commitment

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

2018	\$ 85,044
2019	86,744
2020	88,479
2021	<u>7,385</u>
	<u>\$ 267,652</u>

Rent expense for the years ended June 30, 2017 and 2016 was \$94,899 and \$90,745.

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