

The Architectural League of New York

Financial Statements

June 30, 2022

Independent Auditors' Report

Board of Directors The Architectural League of New York

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the League and to meet our ethical responsibilities in accordance with the ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditors' Responsibility for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 League's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the League's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

May 16, 2023

The Architectural League of New York

Statement of Financial Position June 30, 2022 (with comparative amounts at June 30, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,172,072	\$ 481,729
Grants receivable	20,300	97,700
Pledges receivable, net	367,434	1,284
Other receivables	2,286	922
Prepaid expenses	43,893	49,444
Investments	591,773	698,454
Other assets	59,301	59,301
Beneficial interest in perpetual trust	2,778,150	3,448,130
Property, equipment and leasehold improvements, net	33,504	33,716
	\$ 5,068,713	\$ 4,870,680
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 86,645	\$ 117,995
Loan payable	196,700	162,822
Deferred rent	49,430	25,237
Refundable advances	192,870	-
Deferred membership dues	82,506	126,054
Total Liabilities	608,151	432,108
 Net Assets		
Without donor restrictions	278,272	35,169
With Donor Restrictions		
Time or purpose restricted	361,907	413,040
Investments held in perpetuity	3,820,383	3,990,363
Total Net Assets	4,460,562	4,438,572
	\$ 5,068,713	\$ 4,870,680

See notes to financial statements

The Architectural League of New York

Statement of Activities
Year Ended June 30, 2022
(with summarized totals for the year ended June 30, 2021)

	2022				2021 Total
	Without Donor Restrictions	With Donor Restrictions		Total	
		Time or Purpose Restricted	Investments Held in Perpetuity		
SUPPORT AND REVENUE					
Grants and contributions	\$ 713,287	\$ 418,534	\$ 500,000	\$ 1,631,821	\$ 1,381,227
Forgiveness of loan payable	162,822	-	-	162,822	-
Special events, net of direct benefit to donors of \$246,477 and \$18,254	244,373	-	-	244,373	1,746
Membership dues	195,542	-	-	195,542	184,292
Admission fees	2,832	-	-	2,832	2,680
Program service fees	11,250	-	-	11,250	-
Interest income	386	12,421	-	12,807	11,367
Realized and unrealized (loss) gain on investments	58	(115,732)	-	(115,674)	115,546
Contributions of nonfinancial assets	-	-	-	-	35,000
Other income	75,575	-	-	75,575	43,862
Change in value of beneficial interest in perpetual trust	-	-	(669,980)	(669,980)	713,447
Net assets released from restrictions	366,356	(366,356)	-	-	-
Total Support and Revenue	<u>1,772,481</u>	<u>(51,133)</u>	<u>(169,980)</u>	<u>1,551,368</u>	<u>2,489,167</u>
EXPENSES					
Program	1,140,498	-	-	1,140,498	1,519,077
General and administrative	238,809	-	-	238,809	248,636
Fundraising	150,071	-	-	150,071	62,388
Total Expenses	<u>1,529,378</u>	<u>-</u>	<u>-</u>	<u>1,529,378</u>	<u>1,830,101</u>
Change in Net Assets	243,103	(51,133)	(169,980)	21,990	659,066
NET ASSETS					
Beginning of year	<u>35,169</u>	<u>413,040</u>	<u>3,990,363</u>	<u>4,438,572</u>	<u>3,779,506</u>
End of year	<u>\$ 278,272</u>	<u>\$ 361,907</u>	<u>\$ 3,820,383</u>	<u>\$ 4,460,562</u>	<u>\$ 4,438,572</u>

See notes to financial statements

The Architectural League of New York

Statement of Functional Expenses
Year Ended June 30, 2022
(with summarized totals for the year ended June 30, 2021)

	2022					2021
Program	General and Administrative	Fundraising	Cost of Direct Benefit to Donors	Total	Total	
Salaries and wages	\$ 584,226	\$ 148,947	\$ 92,945	\$ -	\$ 826,118	\$ 802,741
Employee benefits	98,756	24,942	16,049	-	139,747	127,885
Professional fees	73,973	17,267	10,939	-	102,179	88,986
Artist fees	31,752	-	-	-	31,752	153,464
Rent and utilities	121,178	30,498	19,032	50,364	221,072	162,877
Printing and duplicating	3,800	-	-	-	3,800	4,434
Telephone and internet	3,419	871	544	-	4,834	4,885
Web hosting	1,944	239	150	-	2,333	3,719
Software and software services	20,539	3,769	2,352	-	26,660	21,354
Equipment and maintenance	4,389	1,078	673	-	6,140	6,689
Postage, messenger, shipping	1,758	46	28	-	1,832	128
Supplies	916	206	128	-	1,250	1,836
Insurance	7,364	1,877	1,171	-	10,412	13,647
Travel and transportation	2,641	107	67	1,080	3,895	775
Publications, subscriptions, memberships	997	231	542	-	1,770	2,908
Bank, credit card fees, payroll fees	18,899	2,877	1,796	-	23,572	15,074
Honoraria and awards	32,650	-	-	-	32,650	34,050
Regrants	65,436	-	-	-	65,436	303,635
Meetings, receptions and meals	2,565	578	363	95,204	98,710	475
Exhibition and program production	159	41	25	99,829	100,054	-
Depreciation and amortization	18,495	4,715	2,942	-	26,152	22,316
Mills administration	42,515	-	-	-	42,515	39,110
Donated services and supplies	-	-	-	-	-	35,000
Advertising	1,743	422	264	-	2,429	1,783
Miscellaneous	384	98	61	-	543	584
Total Functional Expenses	1,140,498	238,809	150,071	246,477	1,775,855	1,848,355
Less direct benefit to donors	-	-	-	(246,477)	(246,477)	(18,254)
Total Expenses	\$ 1,140,498	\$ 238,809	\$ 150,071	\$ -	\$ 1,529,378	\$ 1,830,101

See notes to financial statements

The Architectural League of New York

Statement of Cash Flows
Year Ended June 30, 2022
(with comparative amounts for the year ended June 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 21,990	\$ 659,066
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized loss (gain) on investments	115,674	(115,546)
Depreciation and amortization	26,152	22,316
Forgiveness of loan payable	(162,822)	-
Donated stock	-	(76,295)
Change in beneficial interest in perpetual trust	669,980	(713,447)
Changes in operating assets and liabilities		
Grants, pledges and other receivables	(290,114)	(17,287)
Prepaid expenses and other assets	5,551	(4,242)
Accounts payable and accrued expenses	(31,350)	39,579
Deferred rent	24,193	24,953
Refundable advances	192,870	-
Deferred membership dues	(43,548)	50,253
Net Cash from Operating Activities	528,576	(130,650)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(25,940)	(1,899)
Purchase of investments	(120,106)	(173,103)
Proceeds from sale of investments	111,113	299,628
Net Cash from Investing Activities	(34,933)	124,626
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	196,700	-
Net Change in Cash and Cash Equivalents	690,343	(6,024)
CASH AND CASH EQUIVALENTS		
Beginning of year	481,729	487,753
End of year	\$ 1,172,072	\$ 481,729
NON-CASH FINANCING ACTIVITY		
Forgiveness of loan payable	\$ 162,822	\$ -

See notes to financial statements

The Architectural League of New York

Notes to Financial Statements

June 30, 2022

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 and reported as follows:

Without donor restrictions - those resources that are not subject to donor-imposed restrictions and are available for the support of operations.

With donor restrictions - represent amounts restricted by donors to be used for specific activities or at some future date, or which require the League to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the “without donor restrictions” or “with donor restrictions” net asset classes based upon stipulations by the donors.

Recent Accounting Pronouncements

As of July 1, 2021, the League adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). ASU 2020-07 brings more transparency and consistency to the presentation and disclosure of gifts in-kind. The standard does not change the accounting for gifts-in-kind, however provides matters related to presentation and disclosure.

The Architectural League of New York

Notes to Financial Statements
June 30, 2022

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

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 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 with or without donor 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 or the time or purpose restriction ends, net assets with donor restrictions are reclassified as net assets without donor restrictions 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.

The Architectural League of New York

Notes to Financial Statements
June 30, 2022

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

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets for fiscal 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Professional services	\$ -	\$35,000	Program and Administration	No associated donor restrictions	(a)

(a) Contributed services are valued at the estimated fair value based on current hourly rates for similar services

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, 2022 and 2021.

Membership Dues

Membership dues are recorded as revenue during the applicable membership period as the services or goods are provided to the members. Payments received in advance from members of the League for membership dues are reflected as deferred membership dues.

The beginning and ending contract balances were as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contract assets	\$ 1,261	\$ -	\$ -
Contract liabilities	275,376	126,054	75,801

Advertising Costs

The League expenses the costs of advertising as they are incurred. Advertising costs were \$2,429 and \$1,783 for the years ended June 30, 2022 and 2021.

The Architectural League of New York

Notes to Financial Statements

June 30, 2022

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

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services in reasonable ratios determined by management. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. For example, programs include artist fees, honoraria and awards, and regrants among others. Certain expenses attributable to more than one program or supporting function have been allocated among programs, general and administrative and fundraising. These expenses include salaries and wages, professional fees, rent and utilities, internet and web hosting and depreciation and amortization among others, which are allocated based on estimates of time and effort and building space occupied.

Prior-Year Summarized Information

Information as of and for the year ended June 30, 2021 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, 2021, from which the summarized comparative information was derived.

Reclassifications

Certain amounts reported in the 2021 financial statements have been reclassified to conform to the presentation in the 2022 financial statements. These reclassifications had no impact on the change in net assets, net assets, or cash flows.

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, 2019.

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, 2023.

The Architectural League of New York

Notes to Financial Statements
June 30, 2022

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. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation's ("FDIC") are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). During 2022, cash and investment balances exceeded the FDIC and SIPC insurable limit. The League is aware of multiple banks being transferred into government receivership and the appointment of FDIC as receiver. The League neither holds any cash or cash equivalents nor does it have any banking relationship with the affected banks.

The League's investment portfolio is managed by professional investment advisors and managers with an objective of diversifying by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of market risk. As a consequence, management believes that the concentration of credit risk is limited.

4. Fair Value Measurements

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

	2022			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 83,302	\$ -	\$ -	\$ 83,302
Mutual funds	162,391	-	-	162,391
Exchange-Traded products	176,569	-	-	176,569
Fixed Income Securities				
U.S. treasury securities	-	50,666	-	50,666
U.S. government bonds	-	3,716	-	3,716
Asset backed securities	-	58,440	-	58,440
Corporate bonds	-	56,689	-	56,689
Total Investments	422,262	169,511	-	591,773
Beneficial interest in perpetual trust	-	-	2,778,150	2,778,150
Total Assets Measured at Fair Value	<u>\$422,262</u>	<u>\$169,511</u>	<u>\$2,778,150</u>	<u>\$3,369,923</u>
	2021			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 105,036	\$ -	\$ -	\$ 105,036
Mutual funds	194,214	-	-	194,214
Exchange-Traded products	204,332	-	-	204,332
Fixed Income Securities				
U.S. treasury securities	-	111,037	-	111,037
U.S. government bonds	-	4,345	-	4,345
Asset backed securities	-	23,679	-	23,679
Corporate bonds	-	55,811	-	55,811
Total Investments	503,582	194,872	-	698,454
Beneficial interest in perpetual trust	-	-	3,448,130	3,448,130
Total Assets Measured at Fair Value	<u>\$503,582</u>	<u>\$194,872</u>	<u>\$3,448,130</u>	<u>\$4,146,584</u>

The Architectural League of New York

Notes to Financial Statements
June 30, 2022

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, 2020	\$ 2,734,683
Change in fair value of beneficial interest in perpetual trust	<u>713,447</u>
Balance, June 30, 2021	3,448,130
Change in fair value of beneficial interest in perpetual trust	<u>(669,980)</u>
Balance, June 30, 2022	<u>\$ 2,778,150</u>

5. Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 70,332	\$ 44,392
Leasehold improvements	36,298	36,298
Website design	<u>105,000</u>	<u>105,000</u>
	211,630	185,690
Less: accumulated depreciation and amortization	<u>178,126</u>	<u>151,974</u>
	<u>\$ 33,504</u>	<u>\$ 33,716</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 investments held in perpetuity class in the accompanying financial statements.

Distributions from the Trust are reported as time or purpose restricted 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 and not depreciated.

The Architectural League of New York

Notes to Financial Statements
June 30, 2022

8. Net Assets with Donor Restrictions

The League has received contributions that are subject to time restrictions and purpose restrictions that can be fulfilled by actions of the League. Net assets with donor restrictions at June 30 consist of:

	2022	2021
Architectural speculations	\$ 7,500	\$ 7,500
Core program support	-	21,000
Housing book publication	5,000	5,000
Testbeds	12,955	10,855
Office hours	71,119	25,797
Next generation fund	20,767	20,767
Research, scholarship and creative development	212,442	228,078
Time restricted	-	60,000
Travel grants	16,944	17,093
Sponsored projects	8,850	12,850
Cleaning up	-	4,100
Architects declare	6,330	-
	\$ 361,907	\$ 413,040

Net assets with donor restrictions released from restrictions consisted of the following for the years ended June 30:

	2022	2021
Core program support	\$ 21,000	\$ 92,000
Diversified delivery	-	11,340
Research, scholarship and creative development	82,385	126,747
Sponsored projects	12,063	318,970
Time restricted	60,000	8,530
Travel grants	150	150
Office hours	34,988	47,582
Testbeds	18,500	45
Cleaning up	4,100	10,900
Emerging voices	30,000	20,000
Annual program series	59,500	-
Architects declare	18,670	20,000
Urban omnibus	25,000	4,167
American roundtable	-	18,592
	\$ 366,356	\$ 679,023

The Architectural League of New York

Notes to Financial Statements

June 30, 2022

9. Investments Held in Perpetuity

Investments held in perpetuity consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Beneficial interest in perpetual trust	\$ 2,778,150	\$ 3,448,130
Endowment fund	<u>1,042,233</u>	<u>542,233</u>
	<u>\$ 3,820,383</u>	<u>\$ 3,990,363</u>

10. Lease Commitment

The League's operating lease for office space expired July 31, 2020. On October 28, 2020, the League entered into a new lease amendment extending the lease to July 31, 2030.

Future minimum annual lease payments required under the lease are as follows:

2023	\$ 128,453
2024	132,307
2025	136,276
2026	157,222
2027	163,471
Thereafter	<u>535,352</u>
	<u>\$ 1,253,081</u>

Rent expense for the years ended June 30, 2022 and 2021 was \$148,905 and \$140,118.

11. Endowment Fund

The board established an Endowment fund in October 1998. The fund includes investments held in perpetuity 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 with donor restriction.

Interpretation of Relevant Law

The board of directors of the League has 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

Notes to Financial Statements
June 30, 2022

11. Endowment Fund *(continued)*

Interpretation of Relevant Law (continued)

Under the League's current spending policy, decisions to appropriate endowment funds will be made on a fund-by-fund basis and in accordance with any specific directives on spending that the donor imposed. Should the endowment funds become large enough, an appropriate spending rate will be determined annually and applied to each such group or similarly situated funds.

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, 2022 and 2021 in the endowment fund:

	Time or Purpose Restriction	Investments Held in Perpetuity	Total
Balance, June 30, 2020	\$ 66,173	\$ 542,233	\$ 608,406
Interest and dividends	10,878	-	10,878
Realized and unrealized gain	89,517	-	89,517
Investment fees	<u>(6,569)</u>	-	<u>(6,569)</u>
Balance, June 30, 2021	159,999	542,233	702,232
Contributions	-	125,000	125,000
Interest and dividends	12,807	-	12,807
Realized and unrealized loss	(115,732)	-	(115,732)
Investment fees	<u>(7,073)</u>	-	<u>(7,073)</u>
Balance, June 30, 2022	<u>\$ 50,001</u>	<u>\$ 667,233</u>	<u>\$ 717,234</u>

At June 30, 2022 approximately \$375,000 pledged to the endowment fund, of which \$75,000 has been collected prior to the date the financial statements were available to be issued, remain uncollected and are included in pledges receivable on the accompanying statement of financial position.

The Architectural League of New York

Notes to Financial Statements
June 30, 2022

12. Liquidity and Availability of Financial Assets

The following reflects the League's financial assets as of June 30, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations.

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and cash equivalents	\$ 1,172,072	\$ 481,729
Grants receivable	20,300	97,700
Pledges receivable	107,499	1,284
Other receivables	2,286	922
Investments	591,773	698,454
Beneficial interest in perpetual trust	<u>2,778,150</u>	<u>3,448,130</u>
Total Financial Assets	<u>4,672,080</u>	<u>4,728,219</u>
Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	361,907	413,040
Restricted by donor to be held in perpetuity	<u>3,820,383</u>	<u>3,990,363</u>
	<u>4,182,290</u>	<u>4,403,403</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 489,790</u>	<u>\$ 324,816</u>

As part of the League's liquidity management strategy, the League structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The League's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of grants and contributions from donors. A majority of general expenditures over the next twelve months are financed through cash and cash equivalents, grants receivable, investments and future grants and pledges.

13. Employee Retention Credit

During 2022, the League qualified for the Employee Retention Credit ("ERC") which is a refundable payroll tax credit for employers who had operations fully or partially suspended due to orders from a governmental authority or whose revenues decreased by a specified threshold. When eligible, an entity can claim a refund in excess of the payroll taxes paid based upon the amount of qualified wages and health insurance paid. Because the amount of the credit is in excess of the payroll taxes paid, the ERC is considered a conditional government grant. Accordingly, the League has elected to follow the guidance in Accounting Standards Codification 958-605 in which conditional government grants are recognized in income as conditions are met. The League has recognized \$74,401 for the year ended June 30, 2022, which is recorded under grants and contributions on the 2022 statement of activities.

The Architectural League of New York

Notes to Financial Statements
June 30, 2022

14. Loan Payable

On April 14, 2020, the League received loan proceeds in the amount of \$162,822 under the Paycheck Protection Program (the "PPP"). The amount was forgiven in full by the United States Small Business Administration (the "SBA") on July 28, 2021. The forgiveness of the PPP loan is recorded under forgiveness of loan payable on the 2022 statement of activities.

On February 5, 2022, the League received a \$196,700 Economic Injury Disaster Loan ("EIDL") authorized by the Small Business Association. The loan is to be used solely as working capital to alleviate economic injury caused by the coronavirus disaster occurring in 2020. The loan principal interest accrued at 2.75% annually and is payable thirty years from the date of the loan. Payments will begin 24 months after the date of the loan.

Principal payments on the EIDL are payable as follows:

2023	\$	-
2024		4,420
2025		10,608
2026		10,608
2027		10,608
Thereafter		<u>160,456</u>
	\$	<u>196,700</u>

15. Pledges Receivable

Pledges receivable as of June 30, 2022 consists of an unconditional pledge to the endowment fund. Pledges receivable as of June 30, 2022, are expected to be collected as follows:

2023	\$	107,499
2024		100,000
2025		100,000
2026		<u>75,000</u>
Total Pledges Receivable		382,499
Less discount to present value		<u>(15,065)</u>
Net Pledges Receivable	\$	<u>367,434</u>

16. Risks and Uncertainties

Global and domestic economic uncertainty has resulted in substantial volatility in the global financial markets. The extent to which the League results are impacted will depend on future developments, which are highly uncertain and cannot be predicted. The amount of losses that may be recognized in subsequent periods cannot be reasonably estimated.

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