

**The Architectural League of New York, Inc.**

Financial Statements

June 30, 2014

## **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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 8, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

May 5, 2015

**The Architectural League of New York, Inc.**

Statement of Financial Position  
June 30, 2014  
(with comparative amounts at June 30, 2013)

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 451,565	\$ 430,550
Grants receivable	150,310	136,820
Accounts receivable	38,102	32,107
Prepaid expenses	4,069	4,378
Investments	37,774	30,364
Other assets	20,655	20,650
Beneficial interest in perpetual trust	2,690,563	2,387,740
Property and equipment, net	<u>16,911</u>	<u>5,852</u>
	<u>\$ 3,409,949</u>	<u>\$ 3,048,461</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 32,072	\$ 33,692
Deferred membership dues	60,237	59,799
Other deferred income	<u>57,292</u>	<u>47,167</u>
Total Liabilities	<u>149,601</u>	<u>140,658</u>
Net Assets (Deficit)		
Unrestricted	(16,192)	36,436
Temporarily restricted	334,069	231,719
Permanently restricted	<u>2,942,471</u>	<u>2,639,648</u>
Total Net Assets	<u>3,260,348</u>	<u>2,907,803</u>
	<u>\$ 3,409,949</u>	<u>\$ 3,048,461</u>

See notes to financial statements

## The Architectural League of New York, Inc.

Statement of Activities  
Year Ended June 30, 2014  
(with summarized totals for the year ended June 30, 2013)

	2014			Total	2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>SUPPORT AND REVENUE</b>					
Grants and contributions	\$ 281,430	\$ 293,178	\$ -	\$ 574,608	\$ 474,591
Special events, net of expenses of \$277,243 and \$235,690	365,535	-	-	365,535	475,620
Membership dues	273,466	-	-	273,466	254,218
Sales, rentals and royalties	4,344	-	-	4,344	2,963
Admission fees	17,330	-	-	17,330	16,025
Program service fees	22,000	-	-	22,000	15,213
Investment income	406	744	-	1,150	1,037
Unrealized gain on investments	2,350	-	-	2,350	2,904
Other income	39,583	-	-	39,583	30,673
Change in value of beneficial interest in perpetual trust	-	-	302,823	302,823	157,205
Net assets released from restrictions	191,572	(191,572)	-	-	-
Total Support and Revenue	<u>1,198,016</u>	<u>102,350</u>	<u>302,823</u>	<u>1,603,189</u>	<u>1,430,449</u>
<b>EXPENSES</b>					
Program expenses	941,048	-	-	941,048	932,453
General and administrative expenses	134,018	-	-	134,018	114,100
Fundraising expenses	175,578	-	-	175,578	149,877
Total Expenses	<u>1,250,644</u>	<u>-</u>	<u>-</u>	<u>1,250,644</u>	<u>1,196,430</u>
Change in Net Assets	(52,628)	102,350	302,823	352,545	234,019
<b>NET ASSETS (DEFICIT)</b>					
Beginning 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>
End 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>

See notes to financial statements

**The Architectural League of New York, Inc.**

Statement of Functional Expenses  
Year Ended June 30, 2014  
(with summarized totals for the year ended June 30, 2013)

	2014			2013 Total	
	Program	Administrative and General	Fundraising		Total
Salaries and wages	\$ 453,244	\$ 95,822	\$ 114,617	\$ 663,683	\$ 612,553
Employee benefits	72,363	15,298	18,299	105,960	102,505
Professional fees	27,158	4,164	6,876	38,198	34,826
Artist fees	67,320	697	1,150	69,167	74,971
Rent and utilities	90,390	9,320	15,391	115,101	93,533
Printing and duplicating	7,744	526	870	9,140	18,274
Telephone and internet	14,177	1,636	2,701	18,514	16,293
Equipment expense and maintenance	2,522	277	457	3,256	1,963
Postage, messenger, shipping	6,305	183	336	6,824	5,326
Supplies	7,864	826	1,364	10,054	9,708
Insurance	6,160	927	1,530	8,617	8,375
Travel and transportation	28,248	84	166	28,498	50,259
Publications, subscriptions, memberships	2,736	88	439	3,263	3,647
Bank, credit card fees, payroll fees	13,609	2,084	3,440	19,133	20,207
Honoraria and awards	31,317	-	-	31,317	41,436
Regrants	40,269	-	-	40,269	31,688
Meetings, receptions and meals	18,859	498	5,187	24,544	21,532
Exhibition and program production	9,285	-	-	9,285	7,308
Depreciation and amortization	7,446	1,142	1,885	10,473	5,694
Mills administration	30,672	-	-	30,672	27,850
Miscellaneous	3,360	446	870	4,676	8,482
	<u>\$ 941,048</u>	<u>\$ 134,018</u>	<u>\$ 175,578</u>	<u>\$ 1,250,644</u>	<u>\$ 1,196,430</u>
Total Expenses					

See notes to financial statements

**The Architectural League of New York, Inc.**

Statement of Cash Flows  
Year Ended June 30, 2014  
(with comparative amounts for the year ended June 30, 2013)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 352,545	\$ 234,019
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized gain on investments	(2,350)	(2,904)
Donated stock	(5,060)	(7,578)
Depreciation and amortization	10,473	5,694
Change in beneficial interest in perpetual trust	(302,823)	(157,205)
Changes in operating assets and liabilities		
Grants and accounts receivable	(19,485)	(52,696)
Prepaid expenses and other assets	304	3,773
Accounts payable and accrued expenses	(1,620)	(1,648)
Deferred membership dues and other deferred income	10,563	6,707
Net Cash from Operating Activities	42,547	28,162
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(21,532)	(7,666)
Sale of investments	-	4,817
Net Cash from Investing Activities	(21,532)	(2,849)
Net Change in Cash and Cash Equivalents	21,015	25,313
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	430,550	405,237
End of year	\$ 451,565	\$ 430,550

# The Architectural League of New York, Inc.

## Notes to Financial Statements

June 30, 2014

### 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.

#### ***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.

## **The Architectural League of New York, Inc.**

Notes to Financial Statements  
June 30, 2014

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

#### ***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***

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.

#### ***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.

#### ***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 dues paid in advance.

#### ***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, 2013 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 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, 2013, from which the summarized comparative information was derived.

## The Architectural League of New York, Inc.

Notes to Financial Statements  
June 30, 2014

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

#### ***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, 2011.

#### ***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 5, 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:

	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	<u>\$ 18,881</u>	<u>\$ 18,893</u>	<u>\$ 2,690,563</u>	<u>\$ 2,728,337</u>

**The Architectural League of New York, Inc.**

Notes to Financial Statements  
June 30, 2014

**4. Fair Value Measurements (continued)**

	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 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	\$ 2,387,740
Change in fair value of beneficial interest in perpetual trust	302,823
Balance, end of year	<u>\$ 2,690,563</u>

**5. Property and Equipment**

Property and equipment consist of the following as of June 30, 2014 and 2013:

	2014	2013
Furniture and equipment	\$ 20,717	\$ 143,452
Leasehold improvements	36,298	67,295
	57,015	210,747
Less accumulated depreciation	40,104	204,895
	<u>\$ 16,911</u>	<u>\$ 5,852</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.

**The Architectural League of New York, Inc.**

Notes to Financial Statements  
June 30, 2014

**6. Beneficial Interest in Perpetual Trust (continued)**

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, 2014 and 2013 consist of:

	2014	2013
Research, scholarship and creative development	\$ 79,196	\$ 66,192
Travel grants	55,706	57,531
Architectural speculations	7,500	7,500
Next generation fund	24,221	25,496
Book publication	5,000	5,000
Emerging voices book	-	20,000
Urban omnibus	35,000	-
5,000 LB Life program	30,000	50,000
Sponsored project - Judd book	57,446	-
Sponsored project - Independent	40,000	-
	\$ 334,069	\$ 231,719

Temporarily restricted net assets released from restrictions consisted of the following for the years ended June 30, 2014 and 2013:

	2014	2013
Research, scholarship and creative development	\$ 109,693	\$ 94,201
Travel grants	5,050	8,772
Lecture series	-	10,000
Digital channel	-	22,869
Next generation fund	1,275	1,342
Cultural renewal of lower Manhattan	-	12,903
Current work program	-	5,000
Emerging voices book	20,000	-
5,000 LB Life program	20,000	-
Sponsored project - Judd book	32,554	-
Sponsored project - Independent	3,000	-
Time restricted	-	12,500
	\$ 191,572	\$ 167,587

**The Architectural League of New York, Inc.**

Notes to Financial Statements  
June 30, 2014

**9. Permanently Restricted Net Assets**

Permanently restricted net assets consisted of the following for the years ended June 30, 2014 and 2013:

	2014	2013
Beneficial interest in perpetual trust	\$ 2,690,563	\$ 2,387,740
Endowment fund	251,908	251,908
	<u>\$ 2,942,471</u>	<u>\$ 2,639,648</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, 2014 in the endowment fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 1,307	\$ -	\$ 251,908	\$ 253,215
Interest and dividends	180	-	-	180
Unrealized gain	1,591	-	-	1,591
Investment fees	(150)	-	-	(150)
Appropriation for expenditures	(2,928)	2,928	-	-
Balance, end of year	<u>\$ -</u>	<u>\$ 2,928</u>	<u>\$ 251,908</u>	<u>\$ 254,836</u>

**The Architectural League of New York, Inc.**

Notes to Financial Statements  
June 30, 2014

**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:

2015	\$ 68,035
2016	<u>5,679</u>
	<u>\$ 73,714</u>

Rent expense for the year ended June 30, 2014 was \$68,715.

\* \* \* \* \*