

FINANCIAL STATEMENTS TOGETHER WITH
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
**THE ART STUDENTS LEAGUE OF NEW YORK AND ITS SUBSIDIARY
THE AMERICAN FINE ARTS SOCIETY, INC.**

For the years ended May 31, 2010 and 2009

The Art Students League of New York and its Subsidiary

NOTES TO FINANCIAL STATEMENTS

May 31, 2010 and 2009

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To The Board of Control
The Art Students League of New York

We have audited the accompanying statements of financial position of The Art Students League of New York and its subsidiary The American Fine Arts Society, Inc. (the "League") as of May 31, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. The financial statement is the responsibility of the League's management. 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 includes consideration of the internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Art Students League of New York as of May 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the League as of and for the year ended May 31, 2010 and 2009 taken as a whole.

The supplementary schedules of functional expenses, the art store and cafeteria operations, and the Vytlačil program revenues and expenses on pages 16 to 18 are presented for the purposes of additional analysis and are not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Morgan + Company

September 22, 2010

The Art Students League of New York and its Subsidiary

STATEMENT OF FINANCIAL POSITION

As of May 31, 2010 and 2009

	<u>ASSETS</u>	
	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 170,261	\$ 497,989
Investments	40,779,894	36,919,522
Grants and contributions receivable	12,600	513,166
Miscellaneous receivables	36,867	51,120
Accrued interest and dividends	12,507	50,307
Prepaid expenses:		
Catalogue	59,974	66,945
Insurance	69,758	47,636
Publishing	-	91,370
Other	28,452	52,495
Inventories:		
Art store	201,640	186,763
Cafeteria	3,795	3,891
Print portfolio	14,462	14,462
Total current assets	<u>41,390,210</u>	<u>38,495,666</u>
Property and equipment, net	8,795,804	9,215,559
Works of art	<u>216,158</u>	<u>216,158</u>
 Total assets	 <u>\$ 50,402,172</u>	 <u>\$ 47,927,383</u>
	 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities:		
Accounts payable and accrued expenses	\$ 328,801	\$ 263,872
Deferred revenue	258,166	263,683
Locker deposits	37,023	32,087
Tuition credits	104,999	96,307
Total liabilities	<u>728,989</u>	<u>655,949</u>
Net assets:		
Unrestricted	30,329,190	30,713,981
Temporarily restricted	6,642,163	3,956,082
Permanently restricted	12,701,830	12,601,371
Total net assets	<u>49,673,183</u>	<u>47,271,434</u>
 Total liabilities and net assets	 <u>\$ 50,402,172</u>	 <u>\$ 47,927,383</u>

The accompanying notes are an integral part of these financial statements.

The Art Students League of New York and its Subsidiary

STATEMENT OF ACTIVITIES

For the years ended May 31, 2010 and 2009

	2010			2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:								
Tuition	\$ 3,042,845	\$ -	\$ -	\$ 3,042,845	\$ 3,012,995	\$ -	\$ -	\$ 3,012,995
Contributions	317,245	243,664	100,459	661,368	718,773	1,606,307	-	2,325,080
Donated goods and services	19,469	3,000	-	22,469	10,894	-	-	10,894
Fees and other income	457,175	2,145	-	459,320	351,385	4,910	-	356,295
Investment income, net	443,954	636,846	-	1,080,800	650,963	773,688	-	1,424,651
Unrealized and realized gains and (losses) on investments, net	1,521,952	2,467,125	-	3,989,077	(5,114,637)	(6,469,785)	-	(11,584,422)
Other revenues net of expenses:								
Art store	80,667	-	-	80,667	92,207	-	-	92,207
Cafeteria	11,350	-	-	11,350	18,973	-	-	18,973
Write off of publishing costs, net	(66,370)	-	-	(66,370)	-	-	-	-
	5,828,287	3,352,780	100,459	9,281,526	(258,447)	(4,084,880)	-	(4,343,327)
Net assets released from restrictions	666,699	(666,699)	-	-	687,451	(687,451)	-	-
Total revenues and support	6,494,986	2,686,081	100,459	9,281,526	429,004	(4,772,331)	-	(4,343,327)
Expenses:								
Program services	5,734,425	-	-	5,734,425	5,473,568	-	-	5,473,568
Supporting services:								
Management and general	862,097	-	-	862,097	936,744	-	-	936,744
Fundraising	283,255	-	-	283,255	252,306	-	-	252,306
Total expenses	6,879,777	-	-	6,879,777	6,662,618	-	-	6,662,618
Change in net assets	(384,791)	2,686,081	100,459	2,401,749	(6,233,614)	(4,772,331)	-	(11,005,945)
Net assets, beginning of year	30,713,981	3,956,082	12,601,371	47,271,434	37,009,485	8,758,062	12,571,722	58,339,269
Prior period adjustment	-	-	-	-	(61,890)	(29,649)	29,649	(61,890)
Net assets, end of year	\$ 30,329,190	\$ 6,642,163	\$ 12,701,830	\$ 49,673,183	\$ 30,713,981	\$ 3,956,082	\$ 12,601,371	\$ 47,271,434

The accompanying notes are an integral part of these financial statements.

The Art Students League of New York and its Subsidiary

STATEMENT OF CASH FLOWS

For the years ended May 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Changes in net assets	\$ 2,401,749	\$ (11,005,945)
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation expense	531,363	467,636
Unrealized (gains) losses on investments	(5,595,682)	8,933,929
Realized losses on investments	1,525,794	2,572,229
Changes in operating assets and liabilities:		
Decrease (increase) in grants and contributions receivable	500,566	(513,166)
Decrease (increase) in miscellaneous receivable	14,253	(14,070)
Decrease (increase) in accrued interest receivable	37,800	(30,862)
Decrease (increase) in prepaid expenses	100,262	(18,327)
(Increase) in inventories	(14,781)	(11,854)
Increase in accounts payable	64,929	75,995
(Decrease) increase in deferred revenues	(581)	35,340
Increase in other liabilities	8,692	15,208
Net cash (used in) provided by operating activities	<u>(425,636)</u>	<u>506,113</u>
 Cash flows from investing activities:		
Decrease (increase) in investments, net	209,516	(807,968)
Purchase of property and equipment	<u>(111,608)</u>	<u>(339,779)</u>
Net cash provided by (used in) investing activities	<u>97,908</u>	<u>(1,147,747)</u>
 Net (decrease) in cash and cash equivalents	<u>(327,728)</u>	<u>(641,634)</u>
 Cash and cash equivalents, beginning of year	<u>497,989</u>	<u>1,139,623</u>
Cash and cash equivalents, end of year	<u>\$ 170,261</u>	<u>\$ 497,989</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

May 31, 2010 and 2009

NOTE 1 – ORGANIZATION

The Art Students League of New York and its wholly owned subsidiary, The American Fine Arts Society, (the "League") was formed in 1875 to establish and maintain an academic school of art, which gives instruction in painting, drawing, graphics, sculpture, applied art and illustration.

For Federal income tax purposes, the organization is classified as a 501(c)(3) organization and is exempt under Section 501(a) of the Internal Revenue code and a similar provision of the New York State income tax laws.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the League has been prepared on the accrual basis of accounting in accordance with principles generally accepted in the United States of America. The significant accounting policies are described below.

A. Basis of Presentation

The net assets of the League are reported as follows:

Unrestricted

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by the donor-imposed stipulations and are available for the general operations of the League.

Temporarily Restricted

Temporarily restricted net assets include gifts of cash and other assets received with the donor stipulations that limit the use of the donated assets. When the donor restriction expires or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted

Permanently restricted net assets include funds that have been restricted by the donor to be held in perpetuity.

The Art Students League of New York and its Subsidiary

NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2010 and 2009

NOTE 2 – (continued)

B. Principles of Consolidation

The consolidated financial statements include the accounts of The Art Students League of New York and its subsidiary The American Fine Arts Society, Inc. (A not for profit organization). The American Fine Arts Society, Inc. ("AFS") is consolidated with the League since the League owns all of the outstanding shares of AFS.

C. Cash and Cash Equivalents

The League considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

D. Investment Policy and Objective

Investments in equity securities, mutual funds, corporate bonds, and other investments are measured at fair value in the accompanying statements of financial position. Realized gains and losses (net of investment expenses) and unrealized gains and losses are reported in the statements of activities as an increases or decreases in net assets.

The League's primary investment objective is to maximize total return with minimal risk. The stated goal is to preserve capital that is intended for the League's charitable mission while generating cash flow to support current operations.

E. Endowments

Effective June 1, 2009, the League adopted Financial Accounting Standards Board (FASB) Staff Position FAS 117-1, *"Endowments of Not-For-Profit Organizations: Net Asset Clarification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure for All Endowment Funds."*

The FASB Staff Position (FSP) provides guidance on the net asset clarification of *donor-restricted endowment funds* for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. This FSP also improves disclosures about an organization's *endowment funds* (both *donor-restricted endowment funds* and *board-designated endowment funds*), whether or not the organization is subject to UPMIFA.

The Art Students League of New York and its Subsidiary

NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2010 and 2009

NOTE 2 – Endowment (continued)

The League's endowment consists of approximately forty individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the League to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation

The League follows the New York State Not-For-Profit Corporation Law (N-PCL) when adhering to donor-restricted contributions. The law preserves the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. Currently there are no gifts that require the accumulation of earnings as additions to the permanent restricted net assets is classified as unrestricted or temporarily restricted net assets based on donor stipulations.

The League considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the League and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the League
- (7) The investment policies of the League

Investment policy

The League shall be responsible for maintaining a policy of prudent investment in stocks, bonds, real estate, mutual funds, non-marketable securities such as private placements and limited partnerships, and other similar financial and trust instruments or interests. The League shall make the decisions leading to the timely purchase or sale of securities, interests, or instruments and shall make analyses of the market conditions as will, in the League's judgment, provide for both short-term and long-term investment strategies. Investments may be made on behalf of the League by independent investment managers selected by the League and regularly reviewed for performance.

Spending policy

The League can spend all investment earnings on invested funds for the restricted purposes associated with the endowment.

The Art Students League of New York and its Subsidiary

NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2010 and 2009

NOTE 2 – (continued)

F. Inventories

The League operates a store, which sells art supplies and books, and a cafeteria for the benefit of its students. The store's inventory consists of art supplies and books. The cafeteria's inventory consists of food products and related supplies. Inventories are stated at the lower of first-in, first-out cost or market.

G. Tuition and fees

Tuition and fees are usually collected from the students prior to beginning of each monthly session. Upon completion of the course by each student the related tuition and fees are recorded as revenue. Tuition and fees collected for courses commencing after the fiscal year end are recorded as deferred revenues on the statement of financial position.

H. Property and Equipment

The League capitalizes property and equipment at cost and a useful life of more than one year. Depreciation of property and equipment is provided on the straight-line method over the expected useful lives of the assets as follows:

Building and improvements	25-50 years
Property and equipment	3-10 years

I. Works of Art

The League maintains a permanent collection of paintings, drawings and sculptures of the League's instructors, students and other artists, which are held for public exhibitions and preserved by the League for this purpose. The permanent collection is not capitalized. The League has acquired other works by donation which may be sold to benefit ongoing programs.

J. In-Kind Contributions

In-kind contributions are reflected in the accompanying financial statements at the estimated fair value at the time of donation.

The Art Students League of New York and its Subsidiary

NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2010 and 2009

NOTE 2 – (continued)

K. Functional Expenses Allocation

The cost of providing the classes and other activities of the League has been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated to providing classes and to supporting services benefited. Such allocations are determined by management in accordance with donors' stipulations and/or another equitable basis.

L. Income Taxes

On June 1, 2009, the League adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of FIN 48 did not have an impact on the League's statement of financial position or statement of activities. The League does not believe its financial statements include any uncertain tax positions.

M. Use of Estimates

The preparation of the financial statement in conformity with accounting principles generally accepted on the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Reclassifications

For comparative purposes, certain amounts previously reported have been reclassified to conform to current year presentations.

The Art Students League of New York and its Subsidiary

NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2010 and 2009

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the operating accounts and held at financial institutions at May 31, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Operating accounts	\$ 41,904	\$ 80,185
Financial institutions	<u>128,357</u>	<u>417,804</u>
	<u>\$ 170,261</u>	<u>\$ 497,989</u>

The League maintains cash and cash equivalents balances in financial institutions which, at times, may exceed federally insured limits. The League has not experienced any losses in such accounts.

NOTE 4 – INVESTMENTS

On June 1, 2009, the League adopted Financial Accounting Standards Board No. 157, "*Fair Value Measurements*" ("*FAS 157*"). For financial statements, elements currently required to be measured at fair value, FAS 157 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements.

The three levels of the fair value hierarchy under FAS 157 are described below:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including League's own assumptions in determining the fair value of investments)

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

The Art Students League of New York and its Subsidiary

NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2010 and 2009

NOTE 4 – INVESTMENTS (continued)

The summary of inputs used to value the League's assets that are carried at fair value as of May 31, 2010 is as follows:

	<u>Investments</u>
Level 1	\$ 40,779,894
Level 2	-
Level 3	-
	<u>\$ 40,779,894</u>

Reconciliation of
Level 3 - Investments

Balance at May 31, 2009	\$ 900,000
Proceeds from sale	(550,000)
Realized (loss)	<u>(350,000)</u>
Balance at May 31, 2010	<u>\$ -</u>

Investments held by the League at May 31, 2010 and 2009 consisted of the following:

	<u>2010</u>		<u>2009</u>	
	Cost	Market	Cost	Market
Managed mutual funds	\$ 17,303,741	\$ 19,201,225	\$ 14,871,970	\$ 11,854,886
Index funds	11,992,374	12,569,476	14,428,202	13,097,119
Corporate stocks and fixed income securities	<u>12,153,479</u>	<u>9,009,193</u>	<u>13,884,732</u>	<u>11,967,517</u>
	<u>\$ 41,449,594</u>	<u>\$ 40,779,894</u>	<u>\$ 43,184,904</u>	<u>\$ 36,919,522</u>

The Art Students League of New York and its Subsidiary

NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2010 and 2009

NOTE 4 – INVESTMENTS (continued)

A summary of net gains on investment transactions is described below:

	<u>2010</u>	<u>2009</u>
Unrealized gains (losses)	\$ 5,595,682	\$ (8,933,929)
Realized (losses)	<u>(1,525,794)</u>	<u>(2,572,229)</u>
	4,069,888	(11,506,158)
Less: investment expenses	<u>(80,811)</u>	<u>(78,264)</u>
	<u>\$ 3,989,077</u>	<u>\$ (11,584,422)</u>

Investment income is reported in the statement of activities net of investment expenses of \$80,811 and \$81,712 for the years ended May 31, 2010 and 2009, respectively.

NOTE 5 – PREPAID EXPENSES – PUBLISHING

In 2008, the League signed an agreement with a publishing company to produce a book based on the League's archival material. The League received a guaranteed advance against its future royalties. In addition, the League incurred expenses of \$91,370 of which \$44,948 were pro-bono legal services.

In 2010, it was determined that the net realizable value of the books to the League did not exceed its costs net of the publisher advance and therefore the balance of \$66,370 was expensed.

NOTE 6 – PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at May 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Building and improvements	\$ 9,842,479	\$ 9,763,091
Land and improvements	1,133,145	1,133,145
Equipment and furniture	<u>1,298,730</u>	<u>1,266,510</u>
	12,274,354	12,162,746
Less: accumulated depreciation	<u>(3,478,550)</u>	<u>(2,947,187)</u>
	<u>\$ 8,795,804</u>	<u>\$ 9,215,559</u>

The Art Students League of New York and its Subsidiary

NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2010 and 2009

NOTE 7 – PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS

Permanently and temporarily restricted net assets at May 31, 2010 and 2009 are available to satisfy the following purposes:

	<u>2010</u>	<u>2009</u>
Permanently restricted net assets:		
Scholarships	\$ 8,347,400	\$ 8,247,400
Other support	<u>4,354,430</u>	<u>4,353,971</u>
	<u>\$ 12,701,830</u>	<u>\$ 12,601,371</u>
Temporarily restricted net assets:		
Scholarships	4,611,631	2,774,237
Other support	<u>2,030,532</u>	<u>1,181,845</u>
	<u>\$ 6,642,163</u>	<u>\$ 3,956,082</u>

NOTE 8 – CHANGES IN ENDOWMENT NET ASSETS

Changes on the permanently restricted net assets for the years ended May 31, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Endowment net assets, beginning of year	\$ 12,601,371	\$ 12,571,722
Increase by:		
Contributions	100,459	29,649
Investment returns:		
Interest and dividends, net	513,428	-
Realized gains, net	2,632,797	-
Transfers from temporarily restricted funds	<u>-</u>	<u>3,250,974</u>
	<u>3,246,684</u>	<u>3,280,623</u>
	<u>15,848,055</u>	<u>15,852,345</u>
Decrease by:		
Realized losses	598,178	752,457
Unrealized losses	-	2,498,517
Transfers to temporarily restricted funds	<u>2,548,047</u>	<u>-</u>
	<u>3,146,225</u>	<u>3,250,974</u>
Endowment net assets, end of year	<u>\$ 12,701,830</u>	<u>\$ 12,601,371</u>

The Art Students League of New York and its Subsidiary

NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2010 and 2009

NOTE 9 – DONATED SERVICES AND PROPERTY

Listed below is a description of donated services and property the League received in the years ended May 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Goods	\$ 3,000	\$ -
Legal services	<u>19,469</u>	<u>45,936</u>
	<u>\$ 22,469</u>	<u>\$ 45,936</u>

NOTE 10 – PRIOR PERIOD ADJUSTMENTS

Certain errors resulting in an overstatement of previously reported store inventory and misposting of a permanently restricted donation were discovered during the current year. Accordingly, the following changes were made to the net assets as of May 31, 2009:

Inventory Adjustment:	
Decrease unrestricted net assets	\$ (61,890)
Permanently Restricted Donation	
Increase permanently restricted net assets	29,649
Decrease temporarily restricted net assets	<u>(29,649)</u>
Total	<u>\$ (61,890)</u>

NOTE 11 – SUBSEQUENT EVENTS

In May 2009, the FASB issued Statement No. 165, "Subsequent Events" (FAS 165"), to incorporate the accounting and disclosure requirements for subsequent events into US GAAP. FAS 165 introduces new terminology, defines a date through which management must evaluate subsequent events, and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the statement of financial position date. The League adopted FAS 165 as of May 31, 2010, which was the required effective date.

The League evaluated its May 31, 2010 financial statements for subsequent events through September 22, 2010, the date the financial statements were available to be issued. The League is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

The Art Students League of New York and its Subsidiary

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended May 31, 2010
(With comparative totals for the year ended May 31, 2009)

	Program Services	Supporting Services			2009 Total Expenses
		Management and General	Fundraising	2010 Total Expenses	
Salaries	\$ 1,505,554	\$ 479,263	\$ 162,827	\$ 2,147,644	\$ 2,014,526
Payroll taxes/fringe benefits	304,182	83,827	19,470	407,479	366,402
Total salaries and fringe benefits	1,809,736	563,090	182,297	2,555,123	2,380,928
Other expenses:					
Instructors	1,561,407	-	-	1,561,407	1,540,857
Models	608,305	-	-	608,305	564,694
Professional and consulting fees	155,207	120,708	7,710	283,625	329,941
Utilities	237,190	-	-	237,190	253,467
Repairs and maintenance	150,713	3,665	-	154,378	178,287
Insurance	101,684	22,199	-	123,883	119,121
Office, computer supplies and programming	45,975	35,764	11,072	92,811	55,106
Merit scholarships and cash grants	85,806	-	-	85,806	80,200
Credit cards	79,754	-	-	79,754	69,221
Permanent collection	78,743	-	-	78,743	81,869
Classroom materials	71,872	-	-	71,872	67,348
Catalogue	69,880	-	-	69,880	75,488
Gallery and exhibitions	50,726	-	-	50,726	57,989
Printing	3,395	1,728	38,119	43,242	61,043
Telephone and internet	21,526	10,540	832	32,898	44,424
Member services	20,864	-	-	20,864	14,686
Advertising	9,777	240	10,263	20,280	22,912
Postage	1,744	4,358	10,943	17,045	15,708
Archives	11,655	-	-	11,655	11,439
Miscellaneous	90,278	64,054	4,113	158,445	181,455
Total other expenses	3,456,501	283,256	83,052	3,802,809	3,825,255
Total expenses before depreciation	5,266,237	826,346	265,349	6,357,932	6,206,183
Depreciation	468,188	35,751	17,906	521,845	456,435
Total expenses	\$ 5,734,425	\$ 862,097	\$ 283,255	\$ 6,879,777	\$ 6,662,618

This schedule should be read in conjunction with the accompanying financial statements and the notes thereto.

The Art Students League of New York and its Subsidiary

SCHEDULES OF ART STORE AND CAFETERIA OPERATIONS

For the years ended May 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Art store		
Revenues	\$ 836,781	\$ 773,174
Cost of operations:		
Inventory, beginning of year	186,763	175,308
Purchases	<u>541,252</u>	<u>475,359</u>
	728,015	650,667
Inventory, end of year	<u>201,640</u>	<u>186,763</u>
Cost of goods sold	<u>526,375</u>	<u>463,904</u>
Excess	310,406	309,270
Other expenses:		
Salaries	162,324	152,666
Payroll taxes/fringe benefits	30,651	25,329
Credit card charges	22,015	17,274
Miscellaneous		
Printing	2,494	
Office and computers	2,964	
Postage	33	
Miscellaneous	<u>472</u>	<u>-</u>
	5,963	11,410
Depreciation	<u>8,786</u>	<u>10,384</u>
Total other expenses	<u>229,739</u>	<u>217,063</u>
Excess of revenue over expenses	<u>\$ 80,667</u>	<u>\$ 92,207</u>
Cafeteria:		
Revenues	\$ 218,947	\$ 227,126
Cost of operations:		
Inventory, beginning of year	3,891	3,492
Purchases	<u>94,035</u>	<u>97,326</u>
	97,926	100,818
Inventory, end of year	<u>3,795</u>	<u>3,891</u>
Cost of goods sold	<u>94,131</u>	<u>96,927</u>
Excess	124,816	130,199
Other expenses:		
Salaries	89,437	81,353
Payroll taxes/fringe benefits	16,836	24,361
Miscellaneous	6,461	4,695
Depreciation	<u>732</u>	<u>817</u>
Total other expenses	<u>113,466</u>	<u>111,226</u>
Excess of revenue over expenses	<u>\$ 11,350</u>	<u>\$ 18,973</u>

This schedule should be read in conjunction with accompanying financial statements and notes thereto.

The Art Student League of New York and Subsidiary

SCHEDULE OF OPERATING REVENUES AND SUPPORT AND EXPENSES

VYTLACIL PROGRAMS

For the years ended May 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues and support:		
Tuition	\$ 108,185	\$ 103,120
Fees and other income	19,914	15,215
Total revenues and support	<u>128,099</u>	<u>118,335</u>
Expenses:		
Salaries	214,786	222,949
Payroll taxes/fringe benefits	43,096	43,198
Total salaries and related expenses	<u>257,882</u>	<u>266,147</u>
Other expenses:		
Instructors	50,547	53,595
Models	22,811	23,495
Utilities	22,231	25,203
Repairs and maintenance	14,763	12,492
Advertising	8,769	13,373
Classroom materials	7,096	12,692
Insurance	7,031	6,997
Telephone and internet	5,887	6,083
Office, computer supplies and programming	2,633	992
Credit cards charges	1,077	1,208
Postage	98	512
Printing	63	765
Miscellaneous	31,526	41,478
Total other expenses	<u>174,532</u>	<u>198,885</u>
Total expenses before depreciation	<u>432,414</u>	<u>465,032</u>
Depreciation	34,083	34,575
Total expenses	<u>466,497</u>	<u>499,607</u>
Excess of (expenses) over revenues and support	<u>\$ (338,398)</u>	<u>\$ (381,272)</u>

This schedule should be read in conjunction with the accompanying financial statements and notes thereto.