

CONSOLIDATED 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, 2011 and 2010

The Art Students League of New York and its Subsidiary

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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 consolidated 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, 2011 and 2010 and the related consolidated statements of activities and cash flows for the years then ended. The consolidated financial statements are 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, 2011 and 2010 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 consolidated financial statements of the League and its subsidiary as of and for the years ended May 31, 2011 and 2010 as a whole. The supplementary schedules of functional expenses and the art store and cafeteria operations on pages 15 and 16 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Morgan + Company

September 22, 2011

The Art Students League of New York and its Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of May 31, 2011 and 2010

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 391,447	\$ 170,261
Investments	47,194,899	40,779,894
Grants and contributions receivable, net	467,158	12,600
Miscellaneous receivables	39,479	36,867
Accrued interest and dividends	10,701	12,507
Prepaid expenses:		
Catalogue	23,502	59,974
Insurance	40,610	69,758
Publishing	-	-
Other	12,647	28,452
Inventories:		
Art store	214,194	201,640
Cafeteria	4,154	3,795
Print portfolio	14,462	14,462
Total current assets	<u>48,413,253</u>	<u>41,390,210</u>
Property and equipment, net	8,824,953	8,795,804
Works of art	216,158	216,158
Security deposit	<u>4,000</u>	<u>-</u>
 Total assets	 <u>\$ 57,458,364</u>	 <u>\$ 50,402,172</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 413,709	\$ 328,801
Deferred revenue	310,719	258,166
Locker deposits	39,541	37,023
Tuition credits	<u>120,836</u>	<u>104,999</u>
Total liabilities	<u>884,805</u>	<u>728,989</u>
Net assets:		
Unrestricted	32,864,218	30,329,190
Temporarily restricted	11,007,511	6,642,163
Permanently restricted	<u>12,701,830</u>	<u>12,701,830</u>
Total net assets	<u>56,573,559</u>	<u>49,673,183</u>
 Total liabilities and net assets	 <u>\$ 57,458,364</u>	 <u>\$ 50,402,172</u>

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

The Art Students League of New York and its Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended May 31, 2011 and 2010

	2011			2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:								
Tuition	\$ 3,075,352	\$ -	\$ -	\$ 3,075,352	\$ 3,042,845	\$ -	\$ -	\$ 3,042,845
Contributions	206,745	3,352,626	-	3,559,371	317,245	243,664	100,459	661,368
Donated goods and services	31,841	-	-	31,841	19,469	3,000	-	22,469
Fees and other income	459,569	-	-	459,569	457,175	2,145	-	459,320
Investment income, net	714,949	601,493	-	1,316,442	443,954	636,846	-	1,080,800
Unrealized and realized gains and (losses) on investments, net	2,824,589	2,982,650	-	5,807,239	1,521,952	2,467,125	-	3,989,077
Other revenues net of expenses:								
Art store	70,744	-	-	70,744	80,667	-	-	80,667
Cafeteria	(2,448)	-	-	(2,448)	11,350	-	-	11,350
Write off of publishing costs, net	-	-	-	-	(86,370)	-	-	(86,370)
	7,380,331	6,936,769	-	14,317,100	5,828,287	3,352,780	100,459	9,281,526
Net assets released from restrictions	2,571,421	(2,571,421)	-	-	666,699	(666,699)	-	-
Total revenues and support	9,951,752	4,365,348	-	14,317,100	6,494,986	2,686,081	100,459	9,281,526
Expenses:								
Program services	6,126,778	-	-	6,126,778	5,734,425	-	-	5,734,425
Supporting services:								
Management and general	906,923	-	-	906,923	862,097	-	-	862,097
Fundraising	383,023	-	-	383,023	283,255	-	-	283,255
Total expenses	7,416,724	-	-	7,416,724	6,879,777	-	-	6,879,777
Change in net assets	2,535,028	4,365,348	-	6,900,376	(384,791)	2,686,081	100,459	2,401,749
Net assets, beginning 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
Net assets, end of year	\$ 32,864,218	\$ 11,007,511	\$ 12,701,830	\$ 56,573,559	\$ 30,329,190	\$ 6,642,163	\$ 12,701,830	\$ 49,673,183

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

The Art Students League of New York and its Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended May 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Changes in net assets	\$ 6,900,376	\$ 2,401,749
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation expense	553,175	531,363
Unrealized (gains) on investments	(5,357,764)	(5,595,682)
Realized (gains) losses on investments	(505,871)	1,525,794
Changes in operating assets and liabilities:		
(Increase) decrease in grants and contributions receivable	(454,558)	500,566
(Increase) decrease in miscellaneous receivable	(2,612)	14,253
Decrease in accrued interest receivable	1,806	37,800
Decrease in prepaid expenses	81,425	100,262
(Increase) in inventories	(12,913)	(14,781)
(Increase) in security deposit	(4,000)	-
Increase in accounts payable	84,908	64,929
Increase (decrease) in deferred revenues	52,553	(581)
Increase in other liabilities	18,355	8,692
Net cash provided by (used in) operating activities	<u>1,354,880</u>	<u>(425,636)</u>
Cash flows from investing activities:		
(Increase) decrease in investments, net	(551,370)	209,516
Purchase of property and equipment	<u>(582,324)</u>	<u>(111,608)</u>
Net cash (used in) provided by investing activities	<u>(1,133,694)</u>	<u>97,908</u>
Net increase (decrease) in cash and cash equivalents	221,186	(327,728)
Cash and cash equivalents, beginning of year	<u>170,261</u>	<u>497,989</u>
Cash and cash equivalents, end of year	<u>\$ 391,447</u>	<u>\$ 170,261</u>

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

The Art Students League of New York and its Subsidiary
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

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 statements of the League have 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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2011 and 2010

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

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2011 and 2010

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.

In September 2010, New York State passed the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of UPMIFA. The new law eliminates the historical dollar threshold and establishes prudent spending guidelines that consider both the duration and preservation of the fund. As a result of this enactment, subject to the donor's intent as expressed in the gift agreement or similar document, a New York charitable organization may now spend the amount of the principal and the income of an endowment fund, even from an underwater fund, after considering the factors listed in the act.

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.

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.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2011 and 2010

NOTE 2 – (continued)

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.

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

The League adopted Accounting Standards Codification ("ASC") 740 "Income Taxes." ASC 740 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 adoption of this guidance did not have an impact on the League's financial statements as management believes that there are no uncertain tax positions within its financial statements. The League has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions.

The Art Students League of New York and its Subsidiary

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2011 and 2010

NOTE 2 – (continued)

M. Use of Estimates

In conformity with US GAAP, the preparation of financial statements 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 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.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the operating accounts and held at financial institutions at May 31, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Operating accounts	\$ 149,531	\$ 41,904
Financial institutions	<u>241,916</u>	<u>128,357</u>
	<u>\$ 391,447</u>	<u>\$ 170,261</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 – GRANTS AND CONTRIBUTIONS RECEIVABLE, NET

Grants and contributions receivable at May 31, 2011 consisted of current and multiyear promises to give which are collectible as follows:

One year or less	\$ 112,563
One to five years, net of present value discount of \$45,405 (5% risk-free rate of return)	<u>354,595</u>
	<u>\$ 467,158</u>

The Art Students League of New York and its Subsidiary

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2011 and 2010

NOTE 5 – 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 summary of inputs used to value the League's assets that are carried at fair value as of May 31, 2011 is as follows:

	<u>Investments</u>
Level 1	\$ 47,194,899
Level 2	-
Level 3	-
	<u>\$ 47,194,899</u>

The Art Students League of New York and its Subsidiary

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2011 and 2010

NOTE 5 – INVESTMENTS (continued)

Investments held by the League at May 31, 2011 and 2010 consisted of the following:

	2011		2010	
	Cost	Market	Cost	Market
Managed mutual funds	\$ 20,874,283	\$ 22,491,756	\$ 17,303,741	\$ 19,201,225
Index funds	12,195,341	14,769,775	11,992,374	12,569,476
Corporate stocks and fixed income securities	9,437,212	9,933,368	12,153,479	9,009,193
	<u>\$ 42,506,836</u>	<u>\$ 47,194,899</u>	<u>\$ 41,449,594</u>	<u>\$ 40,779,894</u>

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

	2011	2010
Unrealized gains	\$ 5,357,764	\$ 5,595,682
Realized gains (losses)	505,871	(1,525,794)
	5,863,635	4,069,888
Less: investment expenses	(56,396)	(80,811)
	<u>\$ 5,807,239</u>	<u>\$ 3,989,077</u>

Investment income is reported in the statement of activities net of investment expenses of \$56,396 and \$80,811 for the years ended May 31, 2011 and 2010, respectively.

NOTE 6 – PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at May 31, 2011 and 2010 is as follows:

	2011	2010
Building and improvements	\$ 10,338,992	\$ 9,842,479
Land and improvements	1,165,852	1,133,145
Equipment and furniture	1,351,808	1,298,730
	12,856,652	12,274,354
Less: accumulated depreciation	(4,031,699)	(3,478,550)
	<u>\$ 8,824,953</u>	<u>\$ 8,795,804</u>

The Art Students League of New York and its Subsidiary

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2011 and 2010

NOTE 7 – PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS

Permanently and temporarily restricted net assets at May 31, 2011 and 2010 are available to satisfy the following purposes:

	<u>2011</u>	<u>2010</u>
Permanently restricted net assets:		
Scholarships	\$ 8,347,400	\$ 8,347,400
Other support	<u>4,354,430</u>	<u>4,354,430</u>
	<u>\$ 12,701,830</u>	<u>\$ 12,701,830</u>
Temporarily restricted net assets:		
Scholarships	4,864,387	4,611,631
Other support	<u>6,143,124</u>	<u>2,030,532</u>
	<u>\$ 11,007,511</u>	<u>\$ 6,642,163</u>

NOTE 8 – CHANGES IN ENDOWMENT NET ASSETS

Changes on the permanently restricted net assets for the years ended May 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Endowment net assets, beginning of year	\$ 12,701,830	\$ 12,601,371
Increase by:		
Contributions	-	100,459
Investment returns:		
Interest and dividends, net	336,470	513,428
Realized gains, net	1,484,958	2,632,797
Transfers from temporarily restricted funds	<u>-</u>	<u>-</u>
	<u>1,821,428</u>	<u>3,246,684</u>
	<u>14,523,258</u>	<u>15,848,055</u>
Decrease by:		
Realized losses	-	598,178
Unrealized losses	-	-
Transfers to temporarily restricted funds	<u>1,821,428</u>	<u>2,548,047</u>
	<u>1,821,428</u>	<u>3,146,225</u>
Endowment net assets, end of year	<u>\$ 12,701,830</u>	<u>\$ 12,701,830</u>

The Art Students League of New York and its Subsidiary

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (continued)

May 31, 2011 and 2010

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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Goods	\$ -	\$ 3,000
Legal services	<u>31,841</u>	<u>19,469</u>
	<u>\$ 31,841</u>	<u>\$ 22,469</u>

NOTE 10 – 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, 2011, which was the required effective date.

The League evaluated its May 31, 2011 financial statements for subsequent events through September 22, 2011, 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, 2011
(With comparative totals for the year ended May 31, 2010)

	Program Services	Supporting Services			2010 Total Expenses
		Management and General	Fundraising	2011 Total Expenses	
Salaries	\$ 1,569,371	\$ 503,995	\$ 217,687	\$ 2,291,053	\$ 2,147,644
Payroll taxes/fringe benefits	321,695	88,746	27,372	437,813	407,479
Total salaries and fringe benefits	1,891,066	592,741	245,059	2,728,866	2,555,123
Other expenses:					
Instructors	1,537,163	-	-	1,537,163	1,561,407
Models	603,006	-	-	603,006	608,305
Professional and consulting fees	161,320	146,382	17,552	325,254	283,625
Utilities	246,864	-	-	246,864	237,190
Repairs and maintenance	194,140	6,982	-	201,122	154,378
Model to monument	201,080	-	-	201,080	-
Insurance	103,266	18,451	-	121,717	123,883
Gallery and exhibitions	105,396	-	-	105,396	50,726
Classroom materials	89,168	-	-	89,168	71,872
Office, computer supplies and programming	28,696	43,614	14,872	87,182	92,811
Merit scholarships and cash grants	84,000	-	-	84,000	85,806
Credit cards	81,277	-	737	82,014	79,754
Permanent collection	74,726	-	-	74,726	78,743
Catalogue	62,849	-	-	62,849	69,880
Printing	1,985	2,705	44,574	49,264	43,242
Telephone and internet	24,080	11,947	983	37,010	32,898
Transportation	27,810	-	-	27,810	-
Advertising	5,373	1,235	16,925	23,533	20,280
Member services	22,829	-	-	22,829	20,864
Archives	11,151	-	-	11,151	11,655
Postage	1,501	71	7,062	8,634	17,045
Miscellaneous	81,574	48,635	16,980	147,389	158,445
Total other expenses	3,749,254	280,222	119,685	4,149,161	3,802,809
Total expenses before depreciation	5,640,320	872,963	364,744	6,878,027	6,357,932
Depreciation	486,458	33,960	18,279	538,697	521,845
Total expenses	\$ 6,126,778	\$ 906,923	\$ 383,023	\$ 7,416,724	\$ 6,879,777

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Art store		
Revenues	\$ 830,964	\$ 836,781
Cost of operations:		
Inventory, beginning of year	201,640	186,763
Purchases	<u>531,845</u>	<u>541,252</u>
	733,485	728,015
Inventory, end of year	<u>214,194</u>	<u>201,640</u>
Cost of goods sold	<u>519,291</u>	<u>526,375</u>
Excess	311,673	310,406
Other expenses:		
Salaries	160,792	162,324
Payroll taxes/fringe benefits	42,611	30,651
Credit card charges	21,098	22,015
Miscellaneous		
Printing	-	2,494
Office and computers	4,857	2,964
Postage	37	33
Miscellaneous	<u>704</u>	<u>472</u>
	5,598	5,963
Depreciation	<u>10,830</u>	<u>8,786</u>
Total other expenses	<u>240,929</u>	<u>229,739</u>
Excess of revenues over expenses	<u>\$ 70,744</u>	<u>\$ 80,667</u>
Cafeteria:		
Revenues	\$ 257,889	\$ 218,947
Cost of operations:		
Inventory, beginning of year	3,795	3,891
Purchases	<u>107,982</u>	<u>94,035</u>
	111,777	97,926
Inventory, end of year	<u>4,154</u>	<u>3,795</u>
Cost of goods sold	<u>107,623</u>	<u>94,131</u>
Excess	150,266	124,816
Other expenses:		
Salaries	127,187	89,437
Payroll taxes/fringe benefits	15,739	16,836
Miscellaneous	6,140	6,461
Depreciation	<u>3,648</u>	<u>732</u>
Total other expenses	<u>152,714</u>	<u>113,466</u>
Excess of (expenses) over revenues	<u>\$ (2,448)</u>	<u>\$ 11,350</u>

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