

**The Art Students League of New York and its Subsidiary,  
The American Fine Arts Society, Inc.**

**Financial Report**

**May 31, 2015**

## TABLE OF CONTENTS

Independent Auditors' Report	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Financial Statements	7-16
Supplementary Information:	
Schedules of 57 <sup>th</sup> Street School and Vytlacil Operations	17
Schedules of Art Store and Cafeteria Operations	18

*Manger & Associate CPAs P.C.*  
*Certified Public Accountants*  
*295 Madison Avenue, Suite 901*  
*New York NY 10017*

---

*Phone: (212) 986-3025*

*Fax: (212) 697-3511*

## **Independent Auditors' Report**

To the Board of Directors of  
**The Art Students League of New York, Inc.**

We have audited the accompanying consolidated financial statements of the Art Students League of New York, Inc. and its subsidiary, the American Fine Arts Society, Inc. ("the League"), both not-for-profit organizations, which comprise the consolidated statements of financial position as of May 31, 2015 and 2014, and related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Art Students League of New York, Inc. and its subsidiary, the American Fine Arts Society, Inc., as of May 31, 2015 and 2014, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary schedules of 57<sup>th</sup> Street School and Vytlacil operations and the art store and cafeteria operations on pages 17 and 18, respectively, are presented for the purpose of additional analysis and are not a required part of the basic consolidated 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 audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 basic consolidated financial statements taken as a whole.

*Monaghan & Associates CPAs P.C.*

September 30, 2015

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
**Consolidated Statements of Financial Position**  
**As of May 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 160,428	\$ 861,923
Investments	82,390,359	49,784,121
Grants and contributions receivable	100,000	106,250
Miscellaneous receivables	21,089	15,932
Prepaid expenses:		
Catalogue	19,370	61,385
Insurance	52,379	49,050
Air rights transaction	-	1,060,577
Other	29,121	68,942
Inventories:		
Art store	300,703	254,899
Cafeteria	4,903	4,976
Print portfolio	14,462	14,462
Total current assets	<u>83,092,814</u>	<u>52,282,517</u>
Grants and contributions receivable, net	-	95,238
Property and equipment, net	7,972,044	8,156,594
Works of art	216,158	216,158
Security deposit	4,000	4,000
Total assets	<u>\$ 91,285,016</u>	<u>\$ 60,754,507</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 345,072	\$ 199,851
Deferred revenue	387,954	431,868
Locker deposits	48,851	48,491
Tuition credits	173,460	165,877
Total liabilities	<u>955,337</u>	<u>846,087</u>
<b>NET ASSETS</b>		
Unrestricted:		
Board-designated	30,663,107	-
Undesignated	33,813,463	34,686,885
Total unrestricted	<u>64,476,570</u>	<u>34,686,885</u>
Temporarily restricted	13,151,279	12,519,705
Permanently restricted	12,701,830	12,701,830
Total net assets	<u>90,329,679</u>	<u>59,908,420</u>
Total liabilities and net assets	<u>\$ 91,285,016</u>	<u>\$ 60,754,507</u>

*See independent auditors' report.*

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

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
**Consolidated Statements of Activities**  
**For the Years Ended May 31, 2015 and 2014**

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT</b>								
Tuition	\$ 3,610,389	\$ -	\$ -	\$ 3,610,389	\$ 3,633,768	\$ -	\$ -	\$ 3,633,768
Contributions	263,904	447,985	-	711,889	443,034	338,694	-	781,728
Sale of air rights:								
Revenue	31,800,000	-	-	31,800,000	-	-	-	-
Less: related costs of sale	(1,323,334)	-	-	(1,323,334)	-	-	-	-
Donated goods and services	-	-	-	-	-	-	-	-
Fees and other income	525,279	15,000	-	540,279	542,415	15,116	-	557,531
Special event:								
Event revenue	159,466	-	-	159,466	-	-	-	-
Less: costs of direct benefit to donors	(63,238)	-	-	(63,238)	-	-	-	-
Investment income, net	1,185,643	533,756	-	1,719,399	731,818	569,223	-	1,301,041
Unrealized and realized gains and (losses) on investments, net	1,474,926	533,077	-	2,008,003	2,716,558	2,016,282	-	4,732,840
Other revenues net of expenses:								
Art store	129,798	-	-	129,798	81,773	-	-	81,773
Cafeteria	3,578	-	-	3,578	8,084	-	-	8,084
	37,766,411	1,529,818	-	39,296,229	8,157,450	2,939,315	-	11,096,765
Net assets released from restrictions	898,244	(898,244)	-	-	1,488,751	(1,488,751)	-	-
Total revenues and support	\$ 38,664,655	\$ 631,574	\$ -	\$ 39,296,229	\$ 9,646,201	\$ 1,450,564	\$ -	\$ 11,096,765
<b>EXPENSES</b>								
Program services	6,732,637	-	-	6,732,637	6,390,246	-	-	6,390,246
Supporting services:								
Management and general	1,500,350	-	-	1,500,350	964,672	-	-	964,672
Fundraising	641,983	-	-	641,983	437,351	-	-	437,351
Total expenses	8,874,970	-	-	8,874,970	7,792,269	-	-	7,792,269
Change in net assets	29,789,685	631,574	-	30,421,259	1,853,932	1,450,564	-	3,304,496
Net assets, beginning of year	34,686,885	12,519,705	12,701,830	59,908,420	32,832,953	11,069,141	12,701,830	56,603,924
Net assets, end of year	\$ 64,476,570	\$ 13,151,279	\$ 12,701,830	\$ 90,329,679	\$ 34,686,885	\$ 12,519,705	\$ 12,701,830	\$ 59,908,420

See independent auditors' report.

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

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
**Consolidated Statements of Functional Expenses**  
**For the Years Ended May 31, 2015 and 2014**

	2015				2014			
	Supporting Services		Management		Supporting Services		Management	
	Program Services	General	Fundraising	Total Expenses	Program Services	General	Fundraising	Total Expenses
Salaries	\$ 1,673,775	\$ 563,951	\$ 328,876	\$ 2,566,602	\$ 1,561,881	\$ 530,480	\$ 277,532	\$ 2,369,893
Payroll taxes/fringe benefits	339,331	167,097	51,759	558,187	325,588	162,473	45,559	533,620
Total salaries and fringe benefits	2,013,106	731,048	380,635	3,124,789	1,887,469	692,953	323,091	2,903,513
Other expenses	1,862,176	-	-	1,862,176	1,731,428	-	-	1,731,428
Instructors	82,621	522,921	103,920	709,462	58,328	74,687	19,173	152,188
Professional and consulting fees	688,137	-	-	688,137	614,640	-	-	614,640
Models	280,873	3,190	100	284,163	235,147	3,593	-	238,740
Repairs and maintenance	241,060	-	-	241,060	245,741	-	-	245,741
Utilities	209,444	-	-	209,444	238,187	-	-	238,187
Model to monument	120,712	23,503	41,664	185,879	117,775	19,107	31,240	168,122
Informational technology	125,385	25,816	-	151,201	115,679	23,801	-	139,480
Insurance	97,762	-	-	97,762	80,261	-	-	80,261
Permanent collection	94,523	290	670	95,483	91,783	-	277	92,060
Credit card fees	74,000	-	-	74,000	64,999	-	-	64,999
Ment scholarships and cash grants	72,119	779	-	72,898	93,389	-	-	93,389
Classroom materials	69,656	-	-	69,656	63,602	-	-	63,602
Gallery and exhibitions	61,554	-	-	61,554	57,882	-	-	57,882
Catalogue	7,424	38,812	1,074	47,310	7,046	19,027	-	26,073
Telephone and internet	9,118	22,772	11,374	43,264	8,687	20,226	1,357	30,270
Office expenses	1,539	6,472	28,206	36,217	4,025	3,548	25,543	33,116
Printing	33,234	-	-	33,234	37,112	-	-	37,112
Seeds of the league	23,111	209	7,859	31,179	22,016	1,877	417	24,310
Transportation	2,653	966	19,990	23,629	1,949	-	-	15,697
Advertising	1,022	11,381	10,059	22,462	588	10,510	8,065	19,163
Postage	11,961	-	-	11,961	15,910	-	-	15,910
Member services	11,703	-	-	11,703	11,658	-	-	11,658
Archives	81,296	109,369	27,092	217,757	85,227	95,343	4,906	185,476
Miscellaneous	4,263,083	766,500	252,008	5,281,591	4,003,059	271,719	104,726	4,379,504
Total other expenses	6,276,199	1,497,548	632,643	8,406,390	5,890,528	964,672	427,817	7,283,017
Total expenses before depreciation	456,448	2,802	9,340	469,590	489,718	-	9,534	509,252
Depreciation	6,732,637	1,500,350	641,983	8,874,970	6,390,246	964,672	437,351	7,792,269
Total expenses	\$ 6,732,637	\$ 1,500,350	\$ 641,983	\$ 8,874,970	\$ 6,390,246	\$ 964,672	\$ 437,351	\$ 7,792,269

See independent auditors' report.

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

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**

**Consolidated Statements of Cash Flows  
For the Years Ended May 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	<b>\$ 30,421,259</b>	\$ 3,304,496
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation expense	<b>473,484</b>	514,631
Unrealized (gains) on investments	<b>(885,893)</b>	(2,864,215)
Realized (gains) on investments	<b>(1,149,022)</b>	(1,893,683)
Changes in operating assets and liabilities:		
Decrease in grants and contributions receivable	<b>101,488</b>	90,703
(Increase) decrease in miscellaneous receivable	<b>(5,157)</b>	36,829
Decrease (increase) in prepaid expenses	<b>1,139,084</b>	(1,150,840)
(Increase) in inventories	<b>(45,731)</b>	(6,370)
Increase (decrease) in accounts payable and accrued expenses	<b>145,221</b>	(89,439)
(Decrease) increase in deferred revenues	<b>(43,914)</b>	36,372
Increase in other liabilities	<b>7,943</b>	18,430
Net cash provided by (used in) operating activities	<u><b>30,158,762</b></u>	<u>(2,003,086)</u>
Cash flows from investing activities:		
(Increase) decrease in investments, net	<b>(30,571,323)</b>	2,724,795
Purchase of property and equipment	<b>(288,934)</b>	(154,115)
Net cash (used in) provided by investing activities	<u><b>(30,860,257)</b></u>	<u>2,570,680</u>
Net (decrease) increase in cash and cash equivalents	<b>(701,495)</b>	567,594
Cash and cash equivalents, beginning of year	<u><b>861,923</b></u>	<u>294,329</u>
Cash and cash equivalents, end of year	<u><b>\$ 160,428</b></u>	<u>\$ 861,923</u>

*See independent auditors' report.*

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



**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

---

**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 509(a)(1) of the Internal Revenue code and a similar provision of the New York State income tax laws.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Accounting Standards Codification ("ASC") 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by 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 donor-imposed stipulations that will be met either by actions of the League and/or the passage of time.

Contributions with donor-imposed restrictions are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when purpose or time restrictions are met, and recorded in the accompanying financial statements as net assets released from restrictions.

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

---

Permanently Restricted

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

**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. ("AFAS") is consolidated with the League since the League owns all of the outstanding shares of AFAS.

**Cash and Cash Equivalents**

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

**Endowments**

*Donor-designated Endowments*

The League adopted Accounting Standards Codification ("ASC") 958-205 (formerly 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*.

ASC 958-205 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); and improves disclosures about an organization's endowment funds (both donor restricted funds and funds functioning as an endowment), regardless of whether it is subject to UPMIFA. UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation.

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.

Since 2010, the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the State's version of UPMIFA, the historical dollar threshold was eliminated and prudent spending guidelines that consider both the duration and preservation of the fund was established. As a result, subject to the donor's intent as expressed in the gift agreement or similar document, a

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

---

New York charitable organization may 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

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.

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.

*Board-designated Endowment*

The Board of Control of the League designated unrestricted assets from the net proceeds of the sale of the cantilever and development rights for future renovations of the 57<sup>th</sup> Street building. These funds are held in a separate investment account, invested in low-risk investments, and will operate as a quasi-endowment. Investment income, including capital gains and losses net of investment expenses, will accumulate in the fund. The Board votes to release funds to spend on approved renovation projects.

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

---

**Fair Value of Financial Instruments**

The League adopted guidance under ASC 820 (formerly FAS 157, *Fair Value Measurements*) that established a framework for measuring fair value and expanding its disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the assets or liability and includes situations where there is little (if any) market activity for the assets or liability. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

**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.

**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

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
**Notes to Financial Statements**  
**May 31, 2015 and 2014**

---

**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.

**Contributions**

The League records contributions, both cash and in-kind, when an unconditional promise to give such assets is received from a donor. Contributions are recorded at the fair market value of the assets received and are classified as either unrestricted, temporarily restricted, or permanently restricted, depending on whether the donor has imposed a restriction on the use of such assets.

Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate determined in the year in which the contribution originates. Amortization of the discount is included in contribution revenue as payments are collected.

**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 revenue on the statements of financial position.

**Functional Expense Allocations**

The costs of providing the various programs and other activities of the League have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable bases.

**Income Taxes**

The League has adopted 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

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
Notes to Financial Statements  
May 31, 2015 and 2014

---

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 League's Forms 990, *Return of Organization Exempt for Income Tax*, for the years ended May 31, 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

**Concentrations of Credit Risk**

Financial instruments that potentially subject the League to concentrations of credit risk consist primarily of cash and cash equivalents. The League maintains cash and cash equivalent balances in various bank accounts that, at times, may exceed federally insured limits. The League's cash accounts were placed with high credit quality financial institutions. The League has not experienced, nor does it anticipate, any losses in such accounts.

The League was not in excess of federally insured limits as of May 31, 2015. As of May 31, 2014, the League was in excess of federally insured limits by \$579,566.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in 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 statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

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

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the operating accounts and held at financial institutions at May 31, 2015 and 2014 were as follows:

	2015	2014
Operating accounts	\$ 135,154	\$ 860,853
Financial institutions	25,274	1,070
	<u>\$ 160,428</u>	<u>\$ 861,923</u>

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
Notes to Financial Statements  
May 31, 2015 and 2014

**4. GRANTS AND CONTRIBUTIONS RECEIVABLE, NET**

Grants and contributions receivable at May 31, 2015 and 2014 consisted of current and multiyear promises to give which are collectible as follows:

	2015	2014
One year or less	\$ 100,000	\$ 106,250
One to four years, net of present value discount of \$4,762 (5% risk-free rate of return)	-	95,238
	<u>\$ 100,000</u>	<u>\$ 201,488</u>

**5. INVESTMENTS**

Investments at fair value held by the League at May 31, 2015 and 2014 consisted of the following:

	2015		2014	
	Cost	Market	Cost	Market
Managed mutual funds	\$ 29,015,683	\$ 31,020,250	\$ 12,896,570	\$ 14,931,055
Index funds	41,952,659	51,370,109	26,351,427	34,853,066
Total investments	<u>\$ 70,968,342</u>	<u>\$ 82,390,359</u>	<u>\$ 39,247,997</u>	<u>\$ 49,784,121</u>

The following table summarizes investments by fair value hierarchy levels as of May 31, 2015:

	Level 1	Level 2	Level 3	Total
Managed mutual funds	\$ 31,020,250	\$ -	\$ -	\$ 31,020,250
Index funds	51,370,109	-	-	51,370,109
Total investments	<u>\$ 82,390,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,390,359</u>

The following table summarizes investments by fair value hierarchy levels as of May 31, 2014:

	Level 1	Level 2	Level 3	Total
Managed mutual funds	\$ 14,931,055	\$ -	\$ -	\$ 14,931,055
Index funds	34,853,066	-	-	34,853,066
Total investments	<u>\$ 49,784,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,784,121</u>

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
Notes to Financial Statements  
May 31, 2015 and 2014

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

	<u>2015</u>	<u>2014</u>
Unrealized gains	\$ 885,893	\$ 2,864,215
Realized gains	<u>1,149,022</u>	<u>1,893,683</u>
	2,034,915	4,757,898
Less: investment expenses	<u>(26,912)</u>	<u>(25,058)</u>
	<u>\$ 2,008,003</u>	<u>\$ 4,732,840</u>

Investment income is reported in the statement of activities net of investment expenses of \$26,913 and \$25,058 for the years ended May 31, 2015 and 2014, respectively.

**6. PROPERTY AND EQUIPMENT, NET**

A summary of property and equipment at May 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 10,635,873	\$ 10,481,429
Land and improvements	1,816,532	1,811,972
Equipment and furniture	<u>1,684,666</u>	<u>1,554,736</u>
	14,137,071	13,848,137
Less: accumulated depreciation	<u>(6,165,027)</u>	<u>(5,691,543)</u>
	<u>\$ 7,972,044</u>	<u>\$ 8,156,594</u>

Total depreciation expense for the years ended May 31, 2015 and 2014 amounted to \$473,484 and \$514,631, respectively. Depreciation related to the art store and cafeteria is netted against their respective revenues on the statement of activities.

**7. COMMITMENTS**

In October 2014, the League entered into a non-cancelable operating lease for a vehicle for use at its Vytlačil location, requiring monthly payments of \$633 through November 2018.



**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
Notes to Financial Statements  
May 31, 2015 and 2014

Future minimum lease payments pursuant to the vehicle lease as of May 31, 2015, amounted to:

Year ending May 31, 2016	\$	7,594
2017		7,594
2018		7,594
2019		3,164
Total payments	\$	<u>25,946</u>

**8. PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS**

Permanently and temporarily restricted net assets at May 31, 2015 and 2014 are available to satisfy the following purposes:

	<u>2015</u>	<u>2014</u>
Permanently restricted net assets:		
Scholarships	\$ 8,322,509	\$ 8,322,509
Other support	<u>4,379,322</u>	<u>4,379,322</u>
	<u>\$ 12,701,831</u>	<u>\$ 12,701,831</u>
Temporarily restricted net assets:		
Scholarships	\$ 7,255,003	\$ 6,487,415
Other support	<u>5,896,276</u>	<u>6,032,290</u>
	<u>\$ 13,151,279</u>	<u>\$ 12,519,705</u>

**9. CHANGES IN ENDOWMENT NET ASSETS**

In July 2014, the Board of Control of the League designated the net proceeds from the sale of the cantilever and development rights of the 57<sup>th</sup> Street building, in the amount of \$30,476,666 for the purposes of renovating the 57<sup>th</sup> Street building. Investment income, including capital gains and losses net of investment expenses, will accumulate in the fund.

Composition of and changes in the Board-designated endowment net assets for the year ended May 31, 2015 are as follows:

Board-designated endowment net assets, beginning of year	\$ -
Contributions	30,476,666
Investment income, net	525,367
Realized (losses), net	(1,956)
Unrealized (losses)	(95,999)
Amounts appropriated for expenditure	<u>(240,971)</u>
Board-designated endowment net assets, end of year	<u>\$ 30,663,107</u>

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
Notes to Financial Statements  
May 31, 2015 and 2014

Composition of and changes in the permanently restricted net assets for the years ended May 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Endowment net assets, beginning of year	\$ 12,701,830	\$ 12,701,830
Increase by:		
Contributions	-	-
Investment returns:		
Interest and dividends, net	401,382	338,515
Realized gains, net	261,949	486,194
Unrealized gains	208,806	745,235
Transfers from temporarily restricted funds	<u>-</u>	<u>-</u>
	<u>872,137</u>	<u>1,569,944</u>
	<u>13,573,967</u>	<u>14,271,774</u>
Decrease by:		
Realized losses	-	-
Unrealized losses	-	-
Transfers to temporarily restricted funds	<u>872,137</u>	<u>1,569,944</u>
	<u>872,137</u>	<u>1,569,944</u>
Endowment net assets, end of year	<u>\$ 12,701,830</u>	<u>\$ 12,701,830</u>

**10. SUBSEQUENT EVENTS**

The League evaluated its May 31, 2015 financial statements for subsequent events through September 30, 2015, 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, INC.  
AND ITS SUBSIDIARY**

**Supplementary Schedules of 57th Street School and Vytlacil Operations  
For the Years Ended May 31, 2015 and 2014**

	57th Street		Vytlacil	
	2015	2014	2015	2014
<b>Revenues:</b>				
Tuition	\$ 3,536,359	\$ 3,571,128	\$ 74,030	\$ 62,640
Scholarship funding released from restriction	663,666	714,961	142,278	137,352
Fees and other income	521,554	539,037	18,725	18,494
Total revenues	4,721,579	4,825,126	235,033	218,486
<b>Expenses:</b>				
Salaries	2,362,562	2,154,794	204,040	215,099
Payroll taxes/fringe benefits	507,742	485,509	50,445	48,111
Total salaries and related expenses	2,870,304	2,640,303	254,485	263,210
<b>Other expenses:</b>				
Instructors	1,838,715	1,709,268	23,461	22,160
Models	687,350	614,640	787	1,780
Professional and consulting fees	685,602	150,408	23,860	-
Repairs and maintenance	261,862	214,131	22,301	24,609
Model to monument	209,444	200,353	-	-
Utilities	204,278	245,741	36,782	37,834
Information technology	185,750	168,068	129	54
Insurance	138,473	130,281	12,728	9,199
Permanent collection	97,762	80,261	-	-
Credit card fees	94,765	91,310	718	750
Merit scholarships and cash grants	72,500	57,320	1,500	-
Classroom materials	69,954	93,389	2,944	7,679
Gallery and exhibitions	69,656	63,602	-	-
Catalogue	61,554	57,882	-	-
Office expenses	41,517	23,359	1,747	1,491
Telephone and internet	40,210	24,582	7,100	6,911
Printing	35,471	30,495	746	2,621
Seeds of the league	33,234	37,112	-	-
Postage	22,193	2,845	269	122
Advertising	21,396	13,917	2,233	1,780
Transportation	14,372	24,188	16,807	16,318
Member services	11,961	15,910	-	-
Archives	11,703	11,658	-	-
Miscellaneous	202,859	168,945	14,898	16,530
Total other expenses	5,112,581	4,229,665	169,010	149,838
Total expenses before depreciation	7,982,885	6,869,968	423,495	413,048
Depreciation	411,441	452,971	57,149	56,282
Total expenses	8,394,326	7,322,939	480,644	469,330
Excess of (expenses) over revenues	\$ (3,672,747)	\$ (2,497,813)	\$ (245,611)	\$ (250,844)

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

**THE ART STUDENTS LEAGUE OF NEW YORK, INC.  
AND ITS SUBSIDIARY**  
**Supplementary Schedules of Art Store and Cafeteria Operations**  
**For the Years Ended May 31, 2015 and 2014**

	2015	2014
Art store		
Revenues	\$ 927,176	\$ 868,373
Cost of operations:		
Inventory, beginning of year	254,899	248,850
Purchases	600,648	551,159
	<u>855,547</u>	<u>800,009</u>
Inventory, end of year	300,703	254,899
Cost of goods sold	<u>554,844</u>	<u>545,110</u>
Excess	372,332	323,263
Other expenses:		
Salaries	163,496	169,440
Payroll taxes/fringe benefits	48,264	45,127
Credit card fees	23,165	19,992
Miscellaneous	6,280	5,201
Depreciation	1,329	1,730
Total other expenses	<u>242,534</u>	<u>241,490</u>
Excess of revenues over expenses	<u>\$ 129,798</u>	<u>\$ 81,773</u>
Cafeteria:		
Revenues	\$ 213,778	\$ 190,798
Cost of operations:		
Inventory, beginning of year	4,976	4,655
Purchases	91,177	82,687
	<u>96,153</u>	<u>87,342</u>
Inventory, end of year	4,903	4,976
Cost of goods sold	<u>91,250</u>	<u>82,366</u>
Excess	122,528	108,432
Other expenses:		
Salaries	92,702	75,978
Payroll taxes/fringe benefits	13,914	12,394
Credit card fees	1,894	2,544
Miscellaneous	6,875	5,784
Depreciation	3,565	3,648
Total other expenses	<u>118,950</u>	<u>100,348</u>
Excess of revenue over expenses	<u>\$ 3,578</u>	<u>\$ 8,084</u>

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