

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

MAY 31, 2017

WITH INDEPENDENT AUDITOR'S REPORT

The Art Students League of New York, Inc. and Subsidiary
May 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of The Art Students League of New York, Inc. (a not-for-profit corporation) (the "Organization") and American Fine Arts Society, Inc. (the "Subsidiary"), which comprise the consolidated statement of financial position as of May 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization and Subsidiary's preparation and fair presentation of the consolidated 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 Organization and Subsidiary'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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 Subsidiary as of May 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



October 3, 2017

The Art Students League of New York, Inc. and Subsidiary
Consolidated Statement of Financial Position
May 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 471,847	\$ -	\$ -	\$ 471,847
Accounts receivable	51,259	-	-	51,259
Inventory	287,427	-	-	287,427
Prepaid expenses	77,396	-	-	77,396
Security deposit	4,000	-	-	4,000
Total Current Assets	<u>891,929</u>	<u>-</u>	<u>-</u>	<u>891,929</u>
Investments	60,322,967	13,686,299	11,621,770	85,631,036
Property and equipment, at cost, net of accumulated depreciation	6,290,842	-	1,080,060	7,370,902
Collections	-	-	-	-
Total Assets	<u><u>\$ 67,505,738</u></u>	<u><u>\$ 13,686,299</u></u>	<u><u>\$ 12,701,830</u></u>	<u><u>\$ 93,893,867</u></u>
Liabilities and Net Assets				
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	\$ 644,253	\$ -	\$ -	\$ 644,253
Deferred revenue	368,451	-	-	368,451
Locker deposits	57,539	-	-	57,539
Tuition credits	266,474	-	-	266,474
Total Liabilities	<u>1,336,717</u>	<u>-</u>	<u>-</u>	<u>1,336,717</u>
Commitments and contingencies				
Net Assets				
Unrestricted				
Property and equipment, net	6,290,842	-	1,080,060	7,370,902
Board designated	34,878,044	-	-	34,878,044
Undesignated	25,000,135	-	-	25,000,135
Total Unrestricted Net Assets	<u>66,169,021</u>	<u>-</u>	<u>1,080,060</u>	<u>67,249,081</u>
Temporarily restricted net assets	-	13,686,299	-	13,686,299
Permanently restricted net assets	-	-	11,621,770	11,621,770
Total Net Assets	<u>66,169,021</u>	<u>13,686,299</u>	<u>12,701,830</u>	<u>92,557,150</u>
Total Liabilities and Net Assets	<u><u>\$ 67,505,738</u></u>	<u><u>\$ 13,686,299</u></u>	<u><u>\$ 12,701,830</u></u>	<u><u>\$ 93,893,867</u></u>

The notes to consolidated financial statements are an integral part of these statements.

The Art Students League of New York, Inc. and Subsidiary
Consolidated Statement of Activities
For the Year Ended May 31, 2017

Operating Activities	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Public Support and Other Revenue				
Public Support				
Contributions	\$ 156,431	\$ 262,511	\$ -	\$ 418,942
Fundraising benefit	335,651	-	-	335,651
Less: direct costs of fundraising benefit	(119,792)	-	-	(119,792)
Donated materials	11,678	-	-	11,678
Total Public Support	<u>383,968</u>	<u>262,511</u>	<u>-</u>	<u>646,479</u>
Other Revenue				
Tuition income	4,102,233	-	-	4,102,233
Store and cafeteria sales, net of cost of goods sold	1,220,042 (762,556)	-	-	1,220,042 (762,556)
Facility rental income	292,760	-	-	292,760
Dues and fees	172,189	-	-	172,189
Other income	122,297	-	-	122,297
Spending policy distribution (draw)	4,001,000	-	-	4,001,000
Total Other Revenue	<u>9,147,965</u>	<u>-</u>	<u>-</u>	<u>9,147,965</u>
Total Public Support and Other Revenue	<u>9,531,933</u>	<u>262,511</u>	<u>-</u>	<u>9,794,444</u>
Expenses				
Program Services	<u>8,407,349</u>	<u>-</u>	<u>-</u>	<u>8,407,349</u>
Supporting Services				
Management and General	1,416,169	-	-	1,416,169
Fundraising	475,009	-	-	475,009
Total Supporting Services	<u>1,891,178</u>	<u>-</u>	<u>-</u>	<u>1,891,178</u>
Total Expenses	<u>10,298,527</u>	<u>-</u>	<u>-</u>	<u>10,298,527</u>
Increase (Decrease) in Net Assets Before Non-Operating Activities	(766,594) *	262,511	-	(504,083)
Non-Operating Activities				
Investment income	6,647,652	1,351,077	1,362,357	9,361,086
Excess earnings	-	523,810	(523,810)	-
Spending policy distribution (draw)	(2,330,849)	(831,604)	(838,547)	(4,001,000)
Total Non-Operating Activities	<u>4,316,803</u>	<u>1,043,283</u>	<u>-</u>	<u>5,360,086</u>
Increase in Net Assets	<u>3,550,209</u>	<u>1,305,794</u>	<u>-</u>	<u>4,856,003</u>
Net assets, as previously reported, June 1, 2016	62,591,946	12,596,663	12,701,830	87,890,439
Prior period adjustments	26,866	(216,158)	-	(189,292)
Net Assets Restated, June 1, 2016	<u>62,618,812</u>	<u>12,380,505</u>	<u>12,701,830</u>	<u>87,701,147</u>
Net Assets, End of Year	<u>\$ 66,169,021</u>	<u>\$ 13,686,299</u>	<u>\$ 12,701,830</u>	<u>\$ 92,557,150</u>

* Includes depreciation expense of \$506,812

Decrease in net assets before non-operating activities and depreciation \$ (259,782)

The Art Students League of New York, Inc. and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended May 31, 2017

Cash Flows From Operating and Non-Operating Activities

Increase in net assets	\$ 4,856,003
Adjustments to reconcile increase in net assets to net cash used by operating and non-operating activities:	
Depreciation	506,812
Reinvested dividends and capital gains	(2,734,814)
Unrealized gain on investments	(6,500,740)
Realized gain on sale of investments	(442,082)
(Increase) Decrease in:	
Accounts receivable	(35,396)
Unconditional promises to give	25,000
Inventory	43,629
Prepaid expenses	81,551
Increase (Decrease) in:	
Accounts payable and accrued expenses	5,345
Deferred revenue	(19,633)
Locker deposits	1,659
Tuition credits	14,188
Net Cash Used By Operating and Non-Operating Activities	<u>(4,198,478)</u>

Cash Flows From Investing Activities

Purchase of property and equipment	(108,829)
Proceeds from sale of investments	4,001,000
Net Cash Provided By Investing Activities	<u>3,892,171</u>

Net decrease in cash and cash equivalents	(306,307)
Cash and cash equivalents, June 1, 2016	<u>778,154</u>
Cash and Cash Equivalents, May 31, 2017	<u><u>\$ 471,847</u></u>

The notes to consolidated financial statements are an integral part of these statements.

The Art Students League of New York, Inc. and Subsidiary
Notes to Consolidated Financial Statements
May 31, 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Organization

The mission of The Art Students League of New York, Inc. (the "Organization") is to educate students in the language and process of making art in an environment where anyone who wishes to pursue an art education can realize his or her full potential. The Organization fulfills its mission by offering accessible, affordable, high quality education and instruction in painting, drawing, printmaking, sculpture (including welding and bronze casting), and assemblage.

The accompanying consolidated financial statements include the accounts of The Art Students League of New York, Inc. and its wholly owned subsidiary, American Fine Arts Society, Inc. (the "Subsidiary"). The Subsidiary was formed in 1971 as a New York State corporation. The Subsidiary was formed to provide use of its facilities to the Organization. All intercompany balances and transactions have been eliminated upon consolidation.

b) Basis of Accounting

The consolidated financial statements of the Organization and Subsidiary have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

c) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

d) Fair Value Measurements

"Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price" in an orderly transaction between market participants).

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under "Fair Value Measurements and Disclosures" and the Organization's related types are described below.

Level 1: Quoted prices of identical instruments in active markets.

Level 2: Quoted prices of similar instruments in active markets; quoted prices of identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Significant inputs to the valuation model are unobservable.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The Art Students League of New York, Inc. and Subsidiary
Notes to Consolidated Financial Statements
May 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Investments

Investments in marketable securities are reported at market value in the accompanying consolidated statement of financial position. All investments are stated at their fair value. Unrealized gains and losses are included in change in net assets in the accompanying consolidated statement of activities. Investments received by gift are initially recorded at fair value at the date of receipt. Fair values for stocks, bonds and U.S. government securities are based on quoted market prices. Alternative investments are stated at fair value in the consolidated financial statements at the net asset value based on estimates provided by the management of the funds. The alternative investments are nonmarketable and the funds' management values the assets based upon the net asset value multiplied by the number of shares held. The fair values assigned to these assets do not necessarily represent amounts that might be realized upon their ultimate disposition. The amount of gain or loss associated with these investments is reflected in the accompanying consolidated financial statements. Gains and losses on sales of investments are determined using the average cost method.

f) Inventory

The Organization operates a retail store and a cafeteria, which sells art supplies and books, 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) Property and Equipment

Property and equipment acquired are recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Building, equipment and furniture are being depreciated over the useful life of the related asset using the straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal.

h) Contributions and Promises to Give

Contributions are recognized when received or when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

i) Revenue Recognition and Deferred Revenue

Tuition and facility rental income is recognized in the period that the student programs take place. Store and cafeteria income is recognized when the sale occurs. Dues and fees and other income are recorded in the period to which the fees relate.

Deferred revenue consists of deferred tuition and fees which are all recognized in the period to which the fees relate.

j) Advertising Costs

Advertising costs are charged to operations when the advertising first takes place. Advertising expense for the year ended May 31, 2017 was \$33,713.

The Art Students League of New York, Inc. and Subsidiary
Notes to Consolidated Financial Statements
May 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Collections

The Organization has accumulated certain artwork that has not been reflected in the consolidated financial statements. The collections, which were acquired through purchases and/or contributions since the Organization's inception, are not recognized as assets on the consolidated statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired.

l) Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

m) Financial Statement Presentation

The Organization and Subsidiary present its consolidated financial statements according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met by actions or by the passage of time. Unrestricted net assets are not subject to donor-imposed stipulations.

n) Tax Status and Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended May 31, 2016, 2015 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

The Subsidiary is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. The Subsidiary's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended September 30, 2016, 2015 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

The Organization and its Subsidiary believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements. There are no income tax related penalties and interest included in the accompanying consolidated financial statements.

2. RESTRICTIONS ON NET ASSETS

a) Board Designated Net Assets

The Board established the board-designated net assets, which are restricted for renovation projects and building maintenance. Transfers of these funds can only occur with Board approval. Income earned on these funds is added to the board-designated net assets. The balance of board-designated net assets was \$34,878,044 as of May 31, 2017. The funds are maintained in a separate account and all investment earnings are added to the balance of the board-designated net assets. During the year ended May 31, 2017, the Board of Directors approved a transfer of \$300,000 from this fund.

The Art Students League of New York, Inc. and Subsidiary
Notes to Consolidated Financial Statements
May 31, 2017

2. RESTRICTIONS ON NET ASSETS (CONTINUED)

b) Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following as of May 31, 2017:

Scholarships	\$ 8,095,021
Building fund	3,074,211
Acquisition of art work	1,171,957
Other programs	1,345,110
	<u>\$ 13,686,299</u>

c) Permanently Restricted Net Assets

Permanently restricted net assets are restricted for the following as of May 31, 2017:

Scholarships	\$ 8,322,508
Other programs	1,892,023
Residency program	1,680,060
Building fund	807,239
	<u>\$ 12,701,830</u>

The Organization's endowment consists of several donor-restricted endowment funds established for specific purposes. As required by generally accepted accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of 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, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations and decrements to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following facts in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund;
- b. The purposes of the Organization and the donor-restricted endowment fund;
- c. General economic conditions;
- d. The possible effect of inflation and deflation;
- e. The expected total return from income and the appreciation of investments;
- f. Other resources of the Organization; and
- g. The investment policy of the Organization.

The Art Students League of New York, Inc. and Subsidiary
Notes to Consolidated Financial Statements
May 31, 2017

2. RESTRICTIONS ON NET ASSETS (CONTINUED)

c) Permanently Restricted Net Assets (continued)

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for endowment assets with the primary goal of maintaining the original value of the endowment principal, while providing funding to programs supported by its endowment. Under this policy, the endowment assets are invested in a manner that is intended to produce income and preserve principal while assuming a very low level of investment risk. Because the funds are invested in a manner in which principal preservation is paramount, the Organization allows the spending of all current and accumulated income from the endowment.

3. CONCENTRATION OF CREDIT RISK

The Organization and Subsidiary maintain its cash and cash equivalent balances in one financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At May 31, 2017, the Organization's and Subsidiary's cash and cash equivalents uninsured balances totaled \$106,340.

The Organization and Subsidiary's investment accounts are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. At May 31, 2017, the Organization's and Subsidiary's uninsured investment balances totaled \$85,290,644. In addition, investment accounts are covered under an additional protection program. The coverage is \$149.5 million for securities and \$2 million for each customer. SIPC and the excess SIPC coverage do not protect against loss due to market fluctuation.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

a) Fair Value of Financial Instruments

The fair value and carrying amount of the Organization and Subsidiary's cash and short-term investments as of May 31, 2017 was \$471,847. Cash and short-term investments carrying amount approximates fair value because of the short maturities of those investments.

b) Fair Value Measured on Recurring Basis

Fair values of assets measured on a recurring basis at May 31, 2017 consist of mutual funds and exchange-traded funds (all Level 1). Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments consist of the following as of May 31, 2017:

	<u>Fair Value</u>	<u>Cost</u>
Mutual funds	\$ 84,459,533	\$ 76,349,261
Exchange-traded funds	1,171,503	994,393
	<u>\$ 85,631,036</u>	<u>\$ 77,343,654</u>

The Art Students League of New York, Inc. and Subsidiary
Notes to Consolidated Financial Statements
May 31, 2017

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

c) Investment Income

Investment income consists of the following for the year ended May 31, 2017:

Unrealized gain on investments	\$ 6,500,740
Interest and dividend income and capital gains	2,615,739
Realized gain on sale of investments	442,082
Investment fees	<u>(197,475)</u>
Total Investment Income	<u><u>\$ 9,361,086</u></u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31, 2017:

	<u>Life/Years</u>	
Building and improvements	20 - 30	\$ 10,691,404
Equipment and furniture	3 - 10	2,000,996
Land	n/a	1,081,000
Land improvements	25	<u>735,532</u>
Total		14,508,932
Less: accumulated depreciation		<u>(7,138,030)</u>
		<u><u>\$ 7,370,902</u></u>

Depreciation expense for the year ended May 31, 2017 was \$506,812.

6. COMMITMENTS AND CONTINGENCIES

Government supported programs are subject to audit by the granting agency.

7. EMPLOYEE BENEFIT PLAN

The Organization currently has a 401(k) salary deferral plan. The plan covers full-time employees of the Organization. The Organization matches the employee's contribution amount up to a maximum of 2% of annual salary. Employees may make contributions to the plan up to the maximum amounts allowed by the Internal Revenue Code if they wish. During the year ended May 31, 2017, the Organization contributed \$38,894.

8. DONATED MATERIALS

The Organization received donated materials during the year ended May 31, 2017 in support of its programs and operations. The fair market value has been recorded in the accompanying consolidated financial statements.

9. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The Art Students League of New York, Inc. and Subsidiary
Notes to Consolidated Financial Statements
May 31, 2017

10. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 3, 2017, the date which the consolidated financial statements were available to be issued. Management has determined that there are no subsequent events that require disclosure in these consolidated financial statements.

11. PRIOR PERIOD ADJUSTMENTS

Net assets as of June 1, 2016 have been adjusted to correct the following misstatements:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Work of art purchase: incorrectly released from unrestricted net assets	\$ 216,158	\$ (216,158)	\$ -
Deferred income: adjustment due to prior period system conversion	(24,466)	-	(24,466)
Accounts payable: adjustment for amount due for prior period liability	(157,326)	-	(157,326)
Accounts receivable: adjustment to pledge	(7,500)	-	(7,500)
	<u>\$ 26,866</u>	<u>\$ (216,158)</u>	<u>\$ (189,292)</u>

CONSOLIDATED SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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

We have audited the consolidated financial statements of The Art Students League of New York, Inc. and Subsidiary as of and for the year ended May 31, 2017, and have issued our report thereon dated October 3, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidated Schedule of Functional Expenses for the year ended May 31, 2017 is presented for the purposes of additional analysis and is not a required part of the 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements as a whole.

WithumSmith+Brown, PC

October 3, 2017

The Art Students League of New York, Inc. and Subsidiary
Consolidated Schedule of Functional Expenses
For the Year Ended May 31, 2017

	Program Expense	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$ 2,242,861	\$ 808,267	\$ 295,269	\$ 1,103,536	\$ 3,346,397
Instructors compensation	1,982,584	-	-	-	1,982,584
Payroll taxes and employee benefits	758,034	145,001	52,971	197,972	956,006
Models fees	705,974	-	-	-	705,974
Professional fees	446,987	263,303	55,209	318,512	765,499
Grants, stipends and honorariums	115,808	-	800	800	116,608
Advertising	32,676	1,037	-	1,037	33,713
Staff development	1,538	1,477	4,253	5,730	7,268
Repairs and maintenance	254,047	9,636	1,642	11,278	265,325
Utilities	260,118	10,712	1,825	12,537	272,655
Tools and supplies	119,036	12	-	12	119,048
Office supplies and expenses	12,110	7,045	701	7,746	19,856
Equipment leasing and maintenance	1,622	18,734	-	18,734	20,356
Printing, copying, and postage	78,294	14,557	38,109	52,666	130,960
Insurance	137,718	43,707	932	44,639	182,357
Information technology	181,224	21,893	13,897	35,790	217,014
Subscriptions and memberships	4,149	5,632	90	5,722	9,871
Travel and lodging	24,491	9,086	2,373	11,459	35,950
Artwork transport and handling	40,879	-	-	-	40,879
Overseas workshop expense	188,489	-	-	-	188,489
Space rentals and storage	85,182	6,662	-	6,662	91,844
Catering and hospitality	54,684	19,214	1,581	20,795	75,479
Credit card processing fees	139,145	11,284	959	12,243	151,388
Restoration and framing	14,064	-	-	-	14,064
Miscellaneous	32,441	7,439	2,251	9,690	42,131
Total expenses before depreciation	7,914,155	1,404,698	472,862	1,877,560	9,791,715
Depreciation	493,194	11,471	2,147	13,618	506,812
Total Expenses	<u>\$ 8,407,349</u>	<u>\$ 1,416,169</u>	<u>\$ 475,009</u>	<u>\$ 1,891,178</u>	<u>\$ 10,298,527</u>

See independent auditor's report on supplemental information.