THE BUFFALO FINE ARTS
ACADEMY AND AFFILIATES

Consolidated Financial Statements
June 30, 2019 and 2018
(With Independent Auditors’ Report Thereon)
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</tbody>
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* * * * *
The Board of Directors
The Buffalo Fine Arts Academy and Affiliates
Buffalo, New York:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Buffalo Fine Arts Academy and Affiliates (a non-profit organization) (the Academy), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and of cash flows for the years then ended, and the related notes to 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 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 audit 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 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 Academy’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 Academy’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 Buffalo Fine Arts Academy and Affiliates as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 1, 2019
## THE BUFFALO FINE ARTS ACADEMY AND AFFILIATES
### Consolidated Statements of Financial Position
June 30, 2019 and 2018

<table>
<thead>
<tr>
<th>Assets</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$1,238,707</td>
<td>$2,900,628</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>1,149,987</td>
<td>3,142,649</td>
</tr>
<tr>
<td>Merchandise inventories</td>
<td>338,240</td>
<td>402,152</td>
</tr>
<tr>
<td>Prepaid</td>
<td>287,629</td>
<td>370,911</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>14,213,542</td>
<td>16,073,701</td>
</tr>
<tr>
<td>Assets restricted to investment in property and equipment</td>
<td>30,148,309</td>
<td>26,328,433</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>23,997,521</td>
<td>19,020,825</td>
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<tr>
<td>Beneficial interest in trust</td>
<td>200,922</td>
<td>250,745</td>
</tr>
<tr>
<td>Investments</td>
<td>159,063,443</td>
<td>157,171,583</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$230,638,300</strong></td>
<td><strong>$225,661,627</strong></td>
</tr>
</tbody>
</table>

**Liabilities and Net Assets**

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>3,918,928</td>
<td>2,926,685</td>
</tr>
<tr>
<td>Lines of credit</td>
<td>1,860,000</td>
<td>1,385,000</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>117,077</td>
<td>555,812</td>
</tr>
<tr>
<td>Mortgage and notes payable</td>
<td>4,117,555</td>
<td>4,734,091</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>10,013,560</strong></td>
<td><strong>9,601,588</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net assets</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions</td>
<td>7,719,644</td>
<td>9,962,330</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>212,905,096</td>
<td>206,097,709</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>220,624,740</strong></td>
<td><strong>216,060,039</strong></td>
</tr>
</tbody>
</table>

| Total liabilities and net assets | $230,638,300 | $225,661,627 |

See accompanying notes to consolidated financial statements.
Support and revenues:

<table>
<thead>
<tr>
<th></th>
<th>Without donor restrictions</th>
<th>With donor restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gifts and grants:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government grants</td>
<td>$</td>
<td>-</td>
<td>638,475</td>
</tr>
<tr>
<td>Corporate and foundation support</td>
<td>335,815</td>
<td>2,270,558</td>
<td>2,606,373</td>
</tr>
<tr>
<td>Annual giving</td>
<td>768,721</td>
<td>-</td>
<td>768,721</td>
</tr>
<tr>
<td>All other gifts and grants</td>
<td>78,888</td>
<td>-</td>
<td>78,888</td>
</tr>
<tr>
<td><strong>Total gifts and grants</strong></td>
<td>1,183,424</td>
<td>2,909,033</td>
<td>4,092,457</td>
</tr>
<tr>
<td>Exhibitions</td>
<td>334,145</td>
<td>-</td>
<td>334,145</td>
</tr>
<tr>
<td>Memberships</td>
<td>449,763</td>
<td>-</td>
<td>449,763</td>
</tr>
<tr>
<td><strong>Investment income and gains in accordance with spending policy</strong></td>
<td>2,782,781</td>
<td>-</td>
<td>2,782,781</td>
</tr>
<tr>
<td>Education and other related programs</td>
<td>695,179</td>
<td>-</td>
<td>695,179</td>
</tr>
<tr>
<td>Revenue from auxiliary activities</td>
<td>2,240,256</td>
<td>-</td>
<td>2,240,256</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>3,346,705</td>
<td>(3,346,705)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total support and revenues</strong></td>
<td>11,032,253</td>
<td>(437,672)</td>
<td>10,594,581</td>
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</tbody>
</table>

Expenses:

<table>
<thead>
<tr>
<th></th>
<th>Without donor restrictions</th>
<th>With donor restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>4,028,755</td>
<td>-</td>
<td>4,028,755</td>
</tr>
<tr>
<td>Supporting services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>4,472,651</td>
<td>-</td>
<td>4,472,651</td>
</tr>
<tr>
<td>Fundraising</td>
<td>1,805,666</td>
<td>-</td>
<td>1,805,666</td>
</tr>
<tr>
<td>Auxiliary services</td>
<td>948,063</td>
<td>-</td>
<td>948,063</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>11,255,135</td>
<td>-</td>
<td>11,255,135</td>
</tr>
</tbody>
</table>

Non-operating activities:

<table>
<thead>
<tr>
<th></th>
<th>Without donor restrictions</th>
<th>With donor restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment return - net</td>
<td>511,560</td>
<td>9,289,693</td>
<td>9,801,253</td>
</tr>
<tr>
<td>Restricted contributions</td>
<td>-</td>
<td>4,712,141</td>
<td>4,712,141</td>
</tr>
<tr>
<td>Change in beneficial interest in trust</td>
<td>-</td>
<td>(26,244)</td>
<td>(26,244)</td>
</tr>
<tr>
<td>Investment income and gains allocated under spending policy to general operations</td>
<td>(2,782,781)</td>
<td>-</td>
<td>(2,782,781)</td>
</tr>
<tr>
<td>Acquisition, preservation and conservation of works of art</td>
<td>(6,460,667)</td>
<td>-</td>
<td>(6,460,667)</td>
</tr>
<tr>
<td>Net change in obligations under trust agreements</td>
<td>(18,447)</td>
<td>-</td>
<td>(18,447)</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>6,730,531</td>
<td>(6,730,531)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-operating activities</strong></td>
<td>(2,019,804)</td>
<td>7,245,059</td>
<td>5,225,255</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>(2,242,686)</td>
<td>6,807,387</td>
<td>4,564,701</td>
</tr>
</tbody>
</table>

Net assets, beginning of year

<table>
<thead>
<tr>
<th></th>
<th>Without donor restrictions</th>
<th>With donor restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,962,330</td>
<td>206,097,709</td>
<td>216,060,039</td>
<td></td>
</tr>
</tbody>
</table>

Net assets, end of year

<table>
<thead>
<tr>
<th></th>
<th>Without donor restrictions</th>
<th>With donor restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 7,719,644</td>
<td>212,905,096</td>
<td>220,624,740</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
### THE BUFFALO FINE ARTS ACADEMY AND AFFILIATES

**Consolidated Statement of Activities and Changes in Net Assets**

**Year ended June 30, 2018**

<table>
<thead>
<tr>
<th>Description</th>
<th>Without donor restrictions</th>
<th>With donor restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts and grants:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government grants</td>
<td>$ 627,000</td>
<td>$ 627,000</td>
<td>$ 627,000</td>
</tr>
<tr>
<td>Corporate and foundation support</td>
<td>2,210,794</td>
<td>2,210,794</td>
<td></td>
</tr>
<tr>
<td>Annual giving</td>
<td>744,082</td>
<td>744,082</td>
<td></td>
</tr>
<tr>
<td>All other gifts and grants</td>
<td>279,733</td>
<td></td>
<td>279,733</td>
</tr>
<tr>
<td><strong>Total gifts and grants</strong></td>
<td>1,364,708</td>
<td>2,496,901</td>
<td>3,861,609</td>
</tr>
<tr>
<td>Exhibitions</td>
<td>152,031</td>
<td></td>
<td>152,031</td>
</tr>
<tr>
<td>Memberships</td>
<td>478,643</td>
<td></td>
<td>478,643</td>
</tr>
<tr>
<td>Investment income and gains in accordance with spending policy</td>
<td>2,716,000</td>
<td></td>
<td>2,716,000</td>
</tr>
<tr>
<td>Education and other related programs</td>
<td>702,674</td>
<td></td>
<td>702,674</td>
</tr>
<tr>
<td>Revenue from auxiliary activities</td>
<td>1,323,073</td>
<td></td>
<td>1,323,073</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>(2,626,559)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total support and revenues</strong></td>
<td>9,363,688</td>
<td>(129,658)</td>
<td>9,234,030</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>3,903,726</td>
<td></td>
<td>3,903,726</td>
</tr>
<tr>
<td>Supporting services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>4,374,003</td>
<td></td>
<td>4,374,003</td>
</tr>
<tr>
<td>Fundraising</td>
<td>971,266</td>
<td></td>
<td>971,266</td>
</tr>
<tr>
<td>Auxiliary services</td>
<td>957,593</td>
<td></td>
<td>957,593</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>10,206,588</td>
<td></td>
<td>10,206,588</td>
</tr>
<tr>
<td><strong>Non-operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return - net</td>
<td>13,127,643</td>
<td></td>
<td>13,127,643</td>
</tr>
<tr>
<td>Restricted contributions</td>
<td>8,775,750</td>
<td></td>
<td>8,775,750</td>
</tr>
<tr>
<td>Change in beneficial interest in trust</td>
<td>(628)</td>
<td></td>
<td>(628)</td>
</tr>
<tr>
<td>Investment income and gains allocated under spending policy to general operations</td>
<td>(2,716,000)</td>
<td></td>
<td>(2,716,000)</td>
</tr>
<tr>
<td>Acquisition, preservation and conservation of works of art</td>
<td>(9,051,930)</td>
<td></td>
<td>(9,051,930)</td>
</tr>
<tr>
<td>Net change in obligations under trust agreements</td>
<td>(18,726)</td>
<td></td>
<td>(18,726)</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>(14,398,593)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total non-operating activities</strong></td>
<td>10,116,109</td>
<td></td>
<td>10,116,109</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>9,143,551</td>
<td></td>
<td>9,143,551</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>206,916,488</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>216,060,039</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Without donor restrictions**

**With donor restrictions**

**Total**

See accompanying notes to consolidated financial statements.
## THE BUFFALO FINE ARTS ACADEMY AND AFFILIATES
### Consolidated Statement of Functional Expenses
#### Year ended June 30, 2019

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
<th>Auxiliary Activities</th>
<th>Total Functional Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibitions</td>
<td>Education</td>
<td>Other Total</td>
<td>Management Fundraising</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>$1,136,790</td>
<td>391,074</td>
<td>385,985</td>
</tr>
<tr>
<td>Audio tour</td>
<td>-</td>
<td>2,946</td>
<td>-</td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Books and periodicals</td>
<td>5,622</td>
<td>196</td>
<td>1,161</td>
</tr>
<tr>
<td>Cleaning</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Conservation</td>
<td>22,044</td>
<td>-</td>
<td>22,044</td>
</tr>
<tr>
<td>Equipment purchases</td>
<td>7,088</td>
<td>1,517</td>
<td>4,454</td>
</tr>
<tr>
<td>Film rentals</td>
<td>-</td>
<td>3,253</td>
<td>-</td>
</tr>
<tr>
<td>Gifts</td>
<td>1,909</td>
<td>452</td>
<td>2,352</td>
</tr>
<tr>
<td>Honoraria</td>
<td>2,113</td>
<td>79,168</td>
<td>600</td>
</tr>
<tr>
<td>Installation</td>
<td>113,672</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Insurance</td>
<td>175,820</td>
<td>-</td>
<td>4,359</td>
</tr>
<tr>
<td>Licenses, dues, subscriptions and fees</td>
<td>1,362</td>
<td>3,932</td>
<td>-</td>
</tr>
<tr>
<td>Bank charges</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Outside services</td>
<td>25,657</td>
<td>7,903</td>
<td>141,203</td>
</tr>
<tr>
<td>Participation fee</td>
<td>873</td>
<td>150</td>
<td>-</td>
</tr>
<tr>
<td>Photography</td>
<td>988</td>
<td>-</td>
<td>23,784</td>
</tr>
<tr>
<td>Postage</td>
<td>480</td>
<td>-</td>
<td>5,442</td>
</tr>
<tr>
<td>Moving and relocation</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cataloging services</td>
<td>2,049</td>
<td>-</td>
<td>2,049</td>
</tr>
<tr>
<td>Printing</td>
<td>46</td>
<td>15,455</td>
<td>150,218</td>
</tr>
<tr>
<td>Professional development</td>
<td>1,923</td>
<td>4,621</td>
<td>1,500</td>
</tr>
<tr>
<td>Professional fees</td>
<td>-</td>
<td>4,820</td>
<td>-</td>
</tr>
<tr>
<td>Rentals</td>
<td>1,624</td>
<td>1,780</td>
<td>-</td>
</tr>
<tr>
<td>Supplies</td>
<td>53,474</td>
<td>14,779</td>
<td>13,357</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>5,016</td>
<td>995</td>
<td>1,833</td>
</tr>
<tr>
<td>Transportation, crating</td>
<td>542,253</td>
<td>52,459</td>
<td>2,032</td>
</tr>
<tr>
<td>Travel and entertainment</td>
<td>102,700</td>
<td>40,328</td>
<td>16,898</td>
</tr>
<tr>
<td>Occupancy</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses before depreciation and interest</strong></td>
<td><strong>2,234,676</strong></td>
<td><strong>625,828</strong></td>
<td><strong>803,356</strong></td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td><strong>201,340</strong></td>
<td><strong>56,386</strong></td>
<td><strong>72,381</strong></td>
</tr>
<tr>
<td><strong>Interest</strong></td>
<td><strong>21,218</strong></td>
<td><strong>5,942</strong></td>
<td><strong>7,628</strong></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$2,457,234</strong></td>
<td><strong>688,156</strong></td>
<td><strong>883,365</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
### Consolidated Statement of Functional Expenses

**Year ended June 30, 2018**

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
<th>Auxiliary Activities</th>
<th>Total Functional Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exhibitions</strong></td>
<td><strong>Education</strong></td>
<td><strong>Other</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>$1,239,954</td>
<td>378,329</td>
<td>347,286</td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Books and periodicals</td>
<td>3,315</td>
<td>90</td>
<td>631</td>
</tr>
<tr>
<td>Cleaning</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Conservation</td>
<td>1,325</td>
<td>-</td>
<td>1,325</td>
</tr>
<tr>
<td>Equipment purchases</td>
<td>5,867</td>
<td>1,119</td>
<td>8,726</td>
</tr>
<tr>
<td>Film rentals</td>
<td>-</td>
<td>1,113</td>
<td>-</td>
</tr>
<tr>
<td>Gifts</td>
<td>1,398</td>
<td>450</td>
<td>1,172</td>
</tr>
<tr>
<td>Honoraria</td>
<td>4,388</td>
<td>81,685</td>
<td>1,242</td>
</tr>
<tr>
<td>Installation</td>
<td>274,527</td>
<td>1,600</td>
<td>276,127</td>
</tr>
<tr>
<td>Insurance</td>
<td>532</td>
<td>- 3,049</td>
<td>3,581</td>
</tr>
<tr>
<td>Licenses, dues, subscriptions and fees</td>
<td>473</td>
<td>2,810</td>
<td>- 2,283</td>
</tr>
<tr>
<td>Maintenance contracts</td>
<td>29,147</td>
<td>- 35,001</td>
<td>64,148</td>
</tr>
<tr>
<td>Bank charges</td>
<td>-</td>
<td>- 42,586</td>
<td>15,727</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>461</td>
<td>1,45</td>
<td>506</td>
</tr>
<tr>
<td>Outside services</td>
<td>6,049</td>
<td>11,888</td>
<td>110,638</td>
</tr>
<tr>
<td>Participation fee</td>
<td>65,131</td>
<td>- 1,025</td>
<td>66,156</td>
</tr>
<tr>
<td>Photography</td>
<td>691</td>
<td>- 475</td>
<td>1,166</td>
</tr>
<tr>
<td>Postage</td>
<td>5,020</td>
<td>- 208</td>
<td>383</td>
</tr>
<tr>
<td>Moving and relocation</td>
<td>1,208</td>
<td>1,357</td>
<td>2,565</td>
</tr>
<tr>
<td>Cataloging services</td>
<td>1,927</td>
<td>-</td>
<td>1,927</td>
</tr>
<tr>
<td>Printing</td>
<td>- 10,025</td>
<td>56,386</td>
<td>66,411</td>
</tr>
<tr>
<td>Professional development</td>
<td>3,442</td>
<td>5,444</td>
<td>12,149</td>
</tr>
<tr>
<td>Professional fees</td>
<td>1,08</td>
<td>1,249</td>
<td>10,335</td>
</tr>
<tr>
<td>Rentals</td>
<td>- 1,789</td>
<td>- 1,789</td>
<td>3,120</td>
</tr>
<tr>
<td>Supplies</td>
<td>74,511</td>
<td>18,031</td>
<td>16,247</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>3,105</td>
<td>900</td>
<td>2,637</td>
</tr>
<tr>
<td>Transportation, crating</td>
<td>478,358</td>
<td>56,917</td>
<td>5,065</td>
</tr>
<tr>
<td>Travel and entertainment</td>
<td>101,546</td>
<td>22,852</td>
<td>9,896</td>
</tr>
<tr>
<td>Occupancy</td>
<td>396</td>
<td>- 396</td>
<td>792</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses before depreciation and interest</strong></td>
<td><strong>2,301,671</strong></td>
<td><strong>596,250</strong></td>
<td><strong>602,945</strong></td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td><strong>239,223</strong></td>
<td><strong>61,971</strong></td>
<td><strong>62,667</strong></td>
</tr>
<tr>
<td><strong>Interest</strong></td>
<td><strong>25,640</strong></td>
<td><strong>6,642</strong></td>
<td><strong>6,717</strong></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$2,566,534</strong></td>
<td><strong>664,863</strong></td>
<td><strong>672,329</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$ 4,564,701</td>
<td>9,143,551</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile change in net assets to net cash used in operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,117,946</td>
<td>996,201</td>
</tr>
<tr>
<td>Loss from sale of fixed assets</td>
<td>3,026</td>
<td>-</td>
</tr>
<tr>
<td>Change in beneficial interest in trust</td>
<td>26,244</td>
<td>628</td>
</tr>
<tr>
<td>Endowment fund gifts</td>
<td>(4,712,141)</td>
<td>(8,775,750)</td>
</tr>
<tr>
<td>Investment income with donor restrictions, net</td>
<td>(3,556,112)</td>
<td>(2,119,391)</td>
</tr>
<tr>
<td>Net gains on investments</td>
<td>(6,245,141)</td>
<td>(11,123,954)</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>1,992,662</td>
<td>(2,301,886)</td>
</tr>
<tr>
<td>Merchandise inventories</td>
<td>63,912</td>
<td>(60,666)</td>
</tr>
<tr>
<td>Prepaids</td>
<td>83,282</td>
<td>(60,471)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>992,243</td>
<td>(751,752)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(438,735)</td>
<td>447,419</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(6,108,113)</td>
<td>(14,606,071)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(6,097,668)</td>
<td>(1,479,429)</td>
</tr>
<tr>
<td>Investment income with donor restrictions, net</td>
<td>3,556,112</td>
<td>2,119,391</td>
</tr>
<tr>
<td>Investment income from trust</td>
<td>23,579</td>
<td>25,304</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(57,310,481)</td>
<td>(55,708,520)</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>57,843,886</td>
<td>59,856,176</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>(1,984,572)</td>
<td>4,812,922</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment fund gifts</td>
<td>4,712,141</td>
<td>8,775,750</td>
</tr>
<tr>
<td>Repayments of lines of credit</td>
<td>(11,330,213)</td>
<td>(8,457,825)</td>
</tr>
<tr>
<td>Draws on lines of credit</td>
<td>11,805,213</td>
<td>8,356,825</td>
</tr>
<tr>
<td>Repayments of mortgage and notes payable</td>
<td>(616,536)</td>
<td>(527,776)</td>
</tr>
<tr>
<td>Change in contributions receivable, net</td>
<td>1,860,159</td>
<td>3,856,330</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>6,430,764</td>
<td>12,003,304</td>
</tr>
<tr>
<td><strong>Net change in cash</strong></td>
<td>(1,661,921)</td>
<td>2,210,155</td>
</tr>
<tr>
<td><strong>Cash, beginning of year</strong></td>
<td>2,900,628</td>
<td>690,473</td>
</tr>
<tr>
<td><strong>Cash, end of year</strong></td>
<td><strong>$ 1,238,707</strong></td>
<td><strong>2,900,628</strong></td>
</tr>
<tr>
<td><strong>Supplemental disclosure of cash flow information:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash used for the purchase of works of art</td>
<td><strong>$ 2,529,665</strong></td>
<td>3,710,346</td>
</tr>
<tr>
<td>Cash used for interest expense</td>
<td><strong>$ 301,468</strong></td>
<td>294,374</td>
</tr>
<tr>
<td><strong>Supplemental disclosure of non-cash investing and financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>accounts payable and accrued expenses related to purchases of property and equipment</td>
<td>$ -</td>
<td>5,516</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
(a) Organization
The Buffalo Fine Arts Academy and Affiliates (the Academy) was incorporated in 1862 to promote, cultivate and generally foster the arts. The Academy is the oversight organization of the Albright-Knox Art Gallery (the Gallery), one of the country’s most prominent modern and contemporary art museums, as well as an important cultural and education center for Western New York. The Gallery is dedicated to serving both the local community and a wider art audience through a recognized and active program of collecting, educating, exhibiting and interpreting modern and contemporary art works, and aspiring to be one of the world’s best and most dynamic modern and contemporary art institutions.

(b) Financial Statement Presentation
Generally accepted accounting principles require that resources be classified for reporting purposes into two categories based upon the presence or absence of donor restrictions - with donor restrictions or without donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Academy’s activities and may be designated by the Academy’s Board of Directors for specific purposes. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Academy and donor restricted endowment funds. As restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

(c) Basis of Presentation
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The consolidated financial statements include the accounts of the Academy and its wholly-owned subsidiary, Albright Knox Restaurant, Inc. The consolidated financial statements also include the accounts of ALKASW, Inc., as the Academy has both an economic interest in ALKASW, Inc. and control of ALKASW, Inc. through a common Board of Directors. All significant intercompany balances and transactions have been eliminated in consolidation.

(d) Cash
Cash consists of demand deposits. The amount of cash on the consolidated statements of financial position and consolidated statements of cash flows excludes money market funds held in the investment portfolio. The Academy maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Academy has not experienced any losses in such accounts. The Academy believes it is not exposed to any significant credit risk with regards to cash. In addition, the Academy has approximately $1,072,000 and $2,883,000 of cash restricted for AK360 as of June 30, 2019 and 2018, respectively.
THE BUFFALO FINE ARTS ACADEMY AND AFFILIATES
Notes to Consolidated Financial Statements, Continued

(1) Organization and Summary of Significant Accounting Policies, Continued

(e) Accounts Receivables
The carrying amounts reported in the consolidated statements of financial position for grants, contributions, and other receivables approximate their fair value. Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the obligations to be met. It is the Academy’s policy to write off uncollectible accounts receivable when management determines the receivable will not be collected. The Academy recorded an allowance for doubtful accounts receivable of $9,000 at June 30, 2019 and 2018.

(f) Merchandise Inventories
Merchandise inventories consist of merchandise held for resale, and are stated at the lower of cost or market, with cost determined using the first-in, first-out method.

(g) Investments
Generally accepted accounting principles establish a hierarchy for the determination of fair value, as well as disclosure requirements relative to those assets and liabilities. The hierarchy identifies three levels of input. Level 1 inputs are generally quoted market prices for identical assets or liabilities, which are actively traded on an exchange. Level 2 inputs generally consist of market prices for identical assets which are not actively traded or market prices of similar assets or liabilities which are actively traded, on an exchange. Level 3 inputs are referred to as unobservable inputs and consist primarily of information derived by management where Level 1 and Level 2 inputs are not available.

The Academy has established a policy under which investments may be pooled and invested according to certain guidelines. Under New York State law, the Academy is permitted to use the income and gains derived from the net assets with donor restrictions, subject to a standard of prudence, and absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity. Accordingly, all income and realized and unrealized gains and losses are reported as with no donor restrictions or with donor restrictions, based on the presence or absence of donor stipulations as to their use.

The Academy’s spending policy stipulates that a percentage of its investments, averaged over a thirty-six month period, may be used to support its activities on an annual basis. The amounts drawn annually may deviate from this policy upon approval of the Academy’s Board of Directors.

(h) Property and Equipment
Property and equipment acquisitions over $2,500 are recorded at cost if purchased or at fair value at the date of the gift if donated. Depreciation is recorded on the straight-line method over the estimated useful lives of 50 years for buildings, 10 to 30 years for building improvements and 5 to 10 years for equipment.
(1) Organization and Summary of Significant Accounting Policies, Continued

(h) Property and Equipment, Continued

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as a contribution with a donor imposed restriction. Absent explicit donor stipulations about how long such assets must be maintained, the Academy reports the expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

(i) Net Asset Classifications

Generally accepted accounting principles provide guidance on the net asset classification of donor-restricted endowment funds that are subject to the New York Prudent Management of Institutional Funds (NYPMIFA) and include required disclosures for all endowment funds, both donor-restricted and board-restricted, whether or not they are subject to NYPMIFA. The Board of Directors, on the advice of legal counsel, has determined that the majority of the Academy’s contributions are subject to the terms of the Academy’s governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Academy.

Under the terms of the governing documents, the Board of Directors has the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as with donor restrictions are classified as net assets without donor restrictions for consolidated financial statement purposes. See note 12 for the enhanced endowment fund disclosures.

Net asset with donor restrictions consists of irrevocable charitable trusts, restricted contributions, and contributions receivable. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled net assets with donor restrictions are classified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

(j) Collection of Works of Art

It is the Academy’s policy to purchase works of art with donor restricted funds, including contributions received for such purpose, and proceeds from the deaccessioning of other works of art. It is the Academy’s policy not to capitalize its collection of works of art. Therefore, the value of art objects is not included on the consolidated statements of financial position and changes in net assets and no determination has been made of the aggregate value of such assets for financial reporting purposes. Contributions of works of art are treated in the same manner as purchases of works of art in that they are not capitalized. Proceeds from deaccessions are reflected on the consolidated statements of activities and changes in net assets as net assets with donor restrictions, based on the absence or existence of donor-imposed restrictions.
(1) Organization and Summary of Significant Accounting Policies, Continued

(k) Contributions
Contributions, including unconditional promises to give, are recognized as revenues at their
fair market value in the period received. All contributions are considered to be available
for unrestricted use unless specifically restricted by the donor. Contributions that are
designated for future periods or are restricted by the donor for specific purposes are
reported as with donor restrictions. Cost-reimbursement grants are considered
conditional obligations and are included in revenue as the related expenditures are
incurred. Pledges for contributions are recorded as they are received and allowances are
provided for amounts estimated to be uncollectible. Management closely monitors
outstanding balances and has determined that an allowance for uncollectible pledges of
$500,000 at June 30, 2019 and 2018 is necessary. For the years ended June 30, 2019 and
2018, nine and five donors accounted for 78% and 77% of total restricted contributions,
respectively.

(l) Non-operating Activities
The Academy considers gifts and other revenues restricted for long-term purposes,
purchases of works of art, dividend income, interest income, realized and unrealized
gains and losses on investments and investment management fees as non-operating
activities.

(m) Donated Services
A number of unpaid volunteers have made contributions of their time to develop and
participate in the Academy’s programs. No accounting recognition is made for the fair
market value of services provided by volunteer personnel, as no objective basis is
available to measure the value of such services.

(n) Deferred Revenue
Revenues related to exchange transactions are deferred and recognized as without donor
restrictions revenues at the time the related goods are delivered or services are provided.

(o) Subsequent Events
Management of the Academy has evaluated the effects of all subsequent events through the
date of the report which is the date which the consolidated financial statements were
available to be issued, to determine if events or transactions occurring through that date
require potential adjustment or disclosure in the consolidated financial statements.

(p) Use of Estimates
The preparation of consolidated financial statements in conformity with accounting
principles generally accepted in the United States of America requires management to
make estimates and assumptions that affect certain reported amounts and disclosures.
Accordingly, actual results could differ from those estimates.
(2) Liquidity

The Academy has approximately $1,317,000 of financial assets available within one year of the consolidated statement of financial position date consisting of $167,000 of cash and $1,150,000 of gross accounts receivable. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditures within one year of the consolidated statement of financial position date. The contributions receivable are subject to time restrictions and are expected to be collected over five to ten years. These contributions receivable are restricted for purposes of future expansion. As more fully described in note 7, the Academy has committed lines of credit in the amount of $4,000,000, which it could draw upon in the event of an unanticipated liquidity need. Additionally, the Academy has a quasi-endowment of $12,408,605. Although the Academy does not intend to spend from its quasi-endowment other than the amounts appropriated as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

(3) Beneficial Interest in Trust

During the year ended June 30, 2010, a beneficial interest in a Charitable Lead Unitrust was recorded. The Unitrust agreement states that the Trustee shall maintain control over the assets and distribute quarterly payments to the Academy. The Unitrust agreement calls for payments to the Academy through the year ended June 30, 2029. The beneficial interest in the trust has been reflected at the present value of the estimated future cash flows using a discount rate equal to the rate of return on United States Treasury 20 year constant maturity securities, 2.0% and 2.85% at June 30, 2019 and 2018, respectively, and is included in restricted contributions in the accompanying consolidated statements of activities and changes in net assets for the years ended June 30, 2019 and 2018. The value of the beneficial interest in Trust was approximately $201,000 and $251,000 at June 30, 2019 and 2018, respectively.

(4) Contributions Receivable

Contributions receivable, representing unconditional promises to give, consisted of the following at June 30:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unconditional gross promises to give:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due within one year</td>
<td>$ 3,442,944</td>
<td>3,394,589</td>
</tr>
<tr>
<td>Due in one to five years</td>
<td>12,067,371</td>
<td>14,198,865</td>
</tr>
<tr>
<td>Gross promises to give</td>
<td>15,510,315</td>
<td>17,593,454</td>
</tr>
<tr>
<td>Less unamortized discount</td>
<td>(796,773)</td>
<td>(1,019,753)</td>
</tr>
<tr>
<td></td>
<td>14,713,542</td>
<td>16,573,701</td>
</tr>
<tr>
<td>Less allowance for uncollectible pledges</td>
<td>(500,000)</td>
<td>(500,000)</td>
</tr>
<tr>
<td></td>
<td>$14,213,542</td>
<td>16,073,701</td>
</tr>
</tbody>
</table>
(4) Contributions Receivable, Continued

Pledges due in more than one year are reflected at the present value of estimated future cash flows using a discount rate to the five (5) year United States Treasury Bill yield as of June 30, 2019 and 2018, with the unamortized discount over the life of the pledges.

(5) Fair Value Measurements

The fair value of the Academy’s investments was determined by reference to quoted market prices and other relevant information generated by market transactions (Level 1), similar market transactions (Level 2) and also by significant unobservable inputs (Level 3). Investment gains, losses and income are reported in the consolidated statements of activities and changes in net assets.

The following table sets forth, by level within the fair value hierarchy, the Academy’s assets that are measured at fair value on a recurring basis as of June 30, with the exception of the partnerships and other investments, which are measured at fair value using the net asset value (NAV) practical expedient. The fair value for the partnerships and other investments is provided below to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable equity securities</td>
<td>$ 9,378,425</td>
<td>9,092,615</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>11,547,409</td>
<td>11,048,015</td>
</tr>
<tr>
<td>Equity funds</td>
<td>44,413,677</td>
<td>42,306,438</td>
</tr>
<tr>
<td>Corporate bond funds</td>
<td>31,970,446</td>
<td>32,503,081</td>
</tr>
<tr>
<td>Money market funds</td>
<td>930,491</td>
<td>1,853,983</td>
</tr>
<tr>
<td></td>
<td>98,240,448</td>
<td>96,804,132</td>
</tr>
<tr>
<td>Level 2:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pooled funds</td>
<td>14,970,154</td>
<td>14,302,301</td>
</tr>
<tr>
<td>Foreign equity securities</td>
<td>258,926</td>
<td>406,308</td>
</tr>
<tr>
<td></td>
<td>15,229,080</td>
<td>14,708,609</td>
</tr>
<tr>
<td>Investments measured at net asset value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partnerships</td>
<td>45,258,915</td>
<td>45,323,842</td>
</tr>
<tr>
<td>Other</td>
<td>335,000</td>
<td>335,000</td>
</tr>
<tr>
<td></td>
<td>45,593,915</td>
<td>45,658,842</td>
</tr>
<tr>
<td>Total investments at fair value</td>
<td>$ 159,063,443</td>
<td>157,171,583</td>
</tr>
</tbody>
</table>

The Partnerships measured at net asset value include investments in limited partnership funds of hedge funds and multi-sector global asset managers. These funds of hedge funds and certain of the multi-sector global asset managers in turn invest in several different types of hedge funds or other investment strategies.
(5) Fair Value Measurements, Continued

The unfunded commitments of the investments in the partnerships at June 30, 2019 and 2018 are $13,818,000 and $16,247,000, respectively.

Assets restricted to investment in property and equipment totaling $30,148,309 and $26,328,433 as of June 30, 2019 and 2018, respectively, are invested in a common collective trust which is measured at fair value using the NAV practical expedient.

Generally accepted accounting principles require that impaired investments, that is, investments for which the fair value is less than its cost, be evaluated as to whether such impairment is other than temporary. Since the Academy has the ability and the intent to hold the securities until a recovery in value occurs (or until maturity if necessary), no investments have been deemed impaired as of June 30, 2019.

(6) Property and Equipment

Property and equipment consisted of the following at June 30:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 85,707</td>
<td>85,707</td>
</tr>
<tr>
<td>Buildings and building improvements</td>
<td>28,948,358</td>
<td>28,636,114</td>
</tr>
<tr>
<td>Equipment</td>
<td>7,872,600</td>
<td>7,644,606</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>5,581,756</td>
<td>30,186</td>
</tr>
<tr>
<td></td>
<td>42,488,421</td>
<td>36,396,613</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(18,490,900)</td>
<td>(17,375,788)</td>
</tr>
<tr>
<td></td>
<td>$ 23,997,521</td>
<td>19,020,825</td>
</tr>
</tbody>
</table>

The Academy has begun a multi-million dollar campus expansion and renovation project (AK360). This project is expected to break ground in late 2019 and be complete by late 2021 or early 2022. The project includes a new building, underground parking and renovations to existing structures. It will be paid for through gifts from private individuals, foundations, and corporate sponsors, as well as government investments. Any amount not funded through these means will be financed, although details of that financing are not known at this time.

As of June 30, 2019 $5,581,756 has been spent on AK360 and is reflected on the financial statements as construction in progress.

Equipment under capital lease obligations as of June 30, 2019 and 2018, amounted to $84,638. Accumulated depreciation related to such equipment amounted to $63,206 and $46,278 as of June 30, 2019 and 2018, respectively.
(7) Lines of Credit

The Academy has a $2,000,000 unsecured line of credit arrangement with a bank that is used to meeting general operating needs. The line bears interest at a rate equal to LIBOR plus 2.4% (4.8375% at June 30, 2019). The outstanding balance on the line of credit was $1,860,000 and $1,385,000 at June 30, 2019 and 2018, respectively.

The Academy has an additional $2,000,000 unsecured line of credit arrangement with a bank for non-operating needs related to campus development and capital campaign projects. The line bears interest at a rate equal to LIBOR plus 2.4% (4.8375% at June 30, 2019). There was no amount outstanding as of June 30, 2019 or 2018.

(8) Mortgages and Notes Payable

Mortgages and notes payable consisted of the following at June 30:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage note payable to a bank in fixed principal of $40,000 plus variable interest at LIBOR plus 2.4% (4.8375% at June 30, 2019); secured by real property.</td>
<td>$3,928,760</td>
<td>4,408,760</td>
</tr>
<tr>
<td>Term loan payable to a bank in fixed principal payments of $6,667, plus variable interest at LIBOR plus 3.0% (5.4375% at June 30, 2019) through July 2020.</td>
<td>86,650</td>
<td>166,666</td>
</tr>
<tr>
<td>Term loan payable to a bank in fixed principal payments of $3,300 plus variable interest at LIBOR plus 3.0% (5.4375% at June 30, 2019) through December 2020.</td>
<td>81,170</td>
<td>120,770</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>20,975</td>
<td>37,895</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,117,555</strong></td>
<td><strong>4,734,091</strong></td>
</tr>
</tbody>
</table>

Required principal repayments of debt for the years subsequent to June 30, 2019 are as follows, 2020 - $616,536, 2021 - $532,259, 2022 - $480,000, 2023 - $480,000, 2024 - $480,000 and thereafter $1,528,760.

The Academy is subject to certain financial covenants under their banking agreement. As of June 30, 2019 and 2018, the Academy was in compliance with all financial covenants.

(9) Net Assets Without Donor Restrictions

The Board of Directors has designated net assets without donor restrictions for the following purposes as of June 30, 2019 and 2018:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quasi-endowment</td>
<td>$13,347,614</td>
<td>11,743,727</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(5,627,970)</td>
<td>(1,781,397)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,719,644</strong></td>
<td><strong>9,962,330</strong></td>
</tr>
</tbody>
</table>
(10) Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2019 and 2018:

<table>
<thead>
<tr>
<th>Purpose/Period</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of works of art</td>
<td>$ 91,087,302</td>
<td>90,902,532</td>
</tr>
<tr>
<td>Programs and exhibitions</td>
<td>3,199,361</td>
<td>3,521,450</td>
</tr>
<tr>
<td>Operations</td>
<td>50,188,087</td>
<td>46,703,899</td>
</tr>
<tr>
<td>Time restricted</td>
<td>200,922</td>
<td>250,745</td>
</tr>
<tr>
<td>AK360</td>
<td>48,349,458</td>
<td>50,432,349</td>
</tr>
<tr>
<td>Buildings and equipment</td>
<td>19,879,966</td>
<td>14,286,734</td>
</tr>
</tbody>
</table>

$ 212,905,096  206,097,709

(11) Net Assets Released from Donor Restriction

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by donors as follows for the years ended June 30, 2019 and 2018:

<table>
<thead>
<tr>
<th>Purpose/Period</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Art acquisitions</td>
<td>$ 4,407,639</td>
<td>4,303,161</td>
</tr>
<tr>
<td>Programs and exhibitions</td>
<td>3,346,705</td>
<td>2,626,559</td>
</tr>
<tr>
<td>AK360 initiatives</td>
<td>1,666,251</td>
<td>9,724,146</td>
</tr>
<tr>
<td>Operations</td>
<td>656,641</td>
<td>371,286</td>
</tr>
</tbody>
</table>

$ 10,077,236  17,025,152

(12) Endowment Net Assets

The endowment net assets represent the endowment fund balances within each respective category of net assets in accordance with generally accepted accounting principles.

The changes in the endowment net assets for the year ended June 30, 2019 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Without donor restrictions</th>
<th>With donor restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$ 11,743,727</td>
<td>145,427,856</td>
<td>157,171,583</td>
</tr>
<tr>
<td>Investment return, net</td>
<td>618,832</td>
<td>9,289,693</td>
<td>9,908,525</td>
</tr>
<tr>
<td>Contributions</td>
<td>1,931,768</td>
<td>136,004</td>
<td>2,067,772</td>
</tr>
<tr>
<td>Amounts appropriated for expenditure</td>
<td>(946,713)</td>
<td>(6,900,348)</td>
<td>(7,847,061)</td>
</tr>
<tr>
<td>Other changes</td>
<td>-</td>
<td>(2,237,375)</td>
<td>(2,237,375)</td>
</tr>
<tr>
<td>Change in endowment net assets</td>
<td>1,603,887</td>
<td>287,974</td>
<td>1,891,861</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$ 13,347,614</td>
<td>145,715,830</td>
<td>156,063,444</td>
</tr>
</tbody>
</table>
(12) Endowment Net Assets, Continued

The changes in the endowment net assets for the year ended June 30, 2018 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Without donor restrictions</th>
<th>With donor restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$8,728,849</td>
<td>139,782,138</td>
<td>148,510,987</td>
</tr>
<tr>
<td>Investment return, net</td>
<td>717,534</td>
<td>12,409,609</td>
<td>13,127,143</td>
</tr>
<tr>
<td>Contributions</td>
<td>3,000,000</td>
<td>19,602</td>
<td>3,019,602</td>
</tr>
<tr>
<td>Amounts appropriated for expenditure</td>
<td>(702,656)</td>
<td>(6,687,789)</td>
<td>(7,390,445)</td>
</tr>
<tr>
<td>Other changes</td>
<td></td>
<td>(95,704)</td>
<td>(95,704)</td>
</tr>
<tr>
<td>Change in endowment net assets</td>
<td>3,014,878</td>
<td>5,645,718</td>
<td>8,660,596</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$11,743,727</td>
<td>145,427,856</td>
<td>157,171,583</td>
</tr>
</tbody>
</table>

(13) Retirement Plans

The Academy provides retirement benefits for eligible employees whose employment began before April 1, 2002, through contributions to the New York State and Local Employees’ Retirement System (the System). This is a cost-sharing multiple-employer retirement system. As a participant in the System, the relative position of the Academy with respect to vested and nonvested benefits and net assets available for benefits is not determinable. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the business of the System and for custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information.

That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244. The System is noncontributory except for employees who joined the System after July 27, 1976, who can elect to contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employees to the pension accumulation fund. The Academy is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were $58,135, $59,106 and $64,087, respectively. The Academy’s contributions made to the System were equal to 100 percent of the contributions required for each year.
(13) Retirement Plans, Continued

Additionally, the Academy provides retirement benefits for eligible employees whose retirement began on or after April 1, 2002, through a defined contribution plan under IRC Section 403(b) through the Newport Group. This plan became effective in January 2016. Previously, a plan through Teachers Insurance and Annuity Association and College Retirement Equities Fund was available. No contributions to the TIAA plan were made after December 31, 2015. That plan remains open and participants are under no obligation to transfer their balances to the Newport plan. However, all elective deferrals and employer contributions as of January 1, 2016 are only made to the Newport plan. The costs to the Academy related to both plans for the years ended June 30, 2019 and 2018, were approximately $238,000 and $227,000, respectively.

(14) Federal Income Tax Status

The Academy has been informed by the Internal Revenue Service that it is exempt from Federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Management does not believe that circumstances have occurred that have altered the tax-exempt status of the Academy. The Academy has also received a determination letter that they are not a private foundation within the meaning of Section 509(a)(3) of the Internal Revenue Code. The Academy’s wholly-owned subsidiary, Albright-Knox Restaurant, Inc., is a taxable corporation. ALKASW, Inc., is also exempt under the provisions of Section 501(c)(2) of the Internal Revenue Code.

(15) Commitments

As of June 30, 2019, the Academy has committed to purchase works of art totaling approximately $2,423,000. The purchases are expected to take place during the year ending June 30, 2020. This amount has not been recorded as of June 30, 2019, as the Academy has neither possession nor title to these works of art.

(16) Functional Expenses

The Academy offers a variety of programming related to exhibitions and education as auxiliary services. All expenses related to programming, supporting services and auxiliary services are tracked and reported separately in the statements of functional expenses. Certain general administrative expenses related to the Academy as a whole have been allocated to each program based on the total expenses of each program relative to the total expenses incurred.