

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2012 calendar year, or tax year beginning **JUL 1, 2012** and ending **JUN 30, 2013**

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization BUFFALO FINE ARTS ACADEMY		D Employer identification number 16-6001555
	Doing Business As		E Telephone number 716-882-8700
	Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	G Gross receipts \$ 42,819,530.
	1285 ELMWOOD AVENUE		H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No H(b) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions)
City, town, or post office, state, and ZIP code BUFFALO, NY 14222		H(c) Group exemption number ▶	
F Name and address of principal officer: MELISSA ARENA same as C above			
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
J Website: ▶ N/A			
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation: 1862 M State of legal domicile: NY	

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: The Buffalo Fine Arts Academy was incorporated in 1862 to promote, cultivate and generally foster		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	34
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	34
	5 Total number of individuals employed in calendar year 2012 (Part V, line 2a)	5	97
	6 Total number of volunteers (estimate if necessary)	6	70
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b Net unrelated business taxable income from Form 990-T, line 34	7b	0.	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year 4,731,323.	Current Year 9,168,915.
	9 Program service revenue (Part VIII, line 2g)	2,431,534.	1,980,130.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	3,017,432.	5,861,012.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	0.	1,500,000.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	10,180,289.	18,510,057.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0.	0.
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	3,693,814.	4,058,992.
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ 465,870.		
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	9,474,725.	7,441,313.	
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	13,168,539.	11,500,305.	
19 Revenue less expenses. Subtract line 18 from line 12	-2,988,250.	7,009,752.	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year 131,285,112.	End of Year 141,438,494.
	21 Total liabilities (Part X, line 26)	7,506,383.	5,405,584.
	22 Net assets or fund balances. Subtract line 21 from line 20	123,778,729.	136,032,910.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer	Date			
	MELISSA ARENA, CFO Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name Robert J. Travis	Preparer's signature <i>[Signature]</i>	Date 10/14/12	Check if self-employed <input type="checkbox"/>	PTIN P00601319
	Firm's name ▶ CHIAMPOU TRAVIS BESAW & KERSHNER LLP	Firm's EIN ▶ 16-1468002	Firm's address ▶ 45 BRYANT WOODS NORTH AMHERST, NY 14228		
					Phone no. 716-630-2400

May the IRS discuss this return with the preparer shown above? (see instructions) Yes No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III [X]

1 Briefly describe the organization's mission: The Buffalo Fine Arts Academy was incorporated in 1862 to promote, cultivate and generally foster art in all its branches. It is the parent organization of the Albright-Knox Art Gallery, one of the Country's most prominent art museums, as well as an important cultural

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? [] Yes [X] No If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? [] Yes [X] No If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ 3,412,453. including grants of \$) (Revenue \$) PURCHASE AND CONSERVATION OF WORKS OF ART-ART PURCHASED FOR THE PERMANENT COLLECTION AND RELATED CONSERVATION ACTIVITIES

4b (Code:) (Expenses \$ 2,642,774. including grants of \$) (Revenue \$ 1,562,188.) GALLERY OPERATIONS-MAINTENANCE AND SECURITY OF THE COLLECTION AND VARIOUS ACTIVITIES RELATING TO THE PERMANENT COLLECTION

4c (Code:) (Expenses \$ 1,920,366. including grants of \$) (Revenue \$ 410,692.) EDUCATIONAL PROGRAMS AND AUXILLARY ACTIVITIES-INCLUDE TOURS, WORKSHOPS, ART CLASSES, LECTURES, CONCERTS, FILMS AND COMMUNITY PROGRAM

4d Other program services (Describe in Schedule O.) (Expenses \$ 872,015. including grants of \$) (Revenue \$ 7,250.)

4e Total program service expenses 8,847,608.

Part IV Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	X	
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ?	X	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		X
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>		X
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>		X
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>	X	
9	Did the organization report an amount in Part X, line 21, for escrow or custodial account liability; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>		X
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>	X	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	X	
b	Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>	X	
c	Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>		X
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>		X
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	X	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>		X
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>		X
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	X	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?		X
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>	X	
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? <i>If "Yes," complete Schedule F, Parts II and IV</i>		X
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? <i>If "Yes," complete Schedule F, Parts III and IV</i>		X
17	Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I</i>		X
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		X
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		X
20a	Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>		X
b	<i>If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?</i>		

Part IV Checklist of Required Schedules (continued)

	Yes	No
21 Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II		X
22 Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III		X
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J	X	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I		X
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I		X
26 Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? If "Yes," complete Schedule L, Part II	X	
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part III		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
b A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV		X
29 Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M		X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M	X	
31 Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I		X
34 Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1	X	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2		
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2		X
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19?	X	

Note. All Form 990 filers are required to complete Schedule O

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable		
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	X	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?		X
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	X	
b	If "Yes," enter the name of the foreign country: See Schedule O See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		X
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7 Organizations that may receive deductible contributions under section 170(c).			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	X	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	X	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		X
d	If "Yes," indicate the number of Forms 8282 filed during the year		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		X
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		X
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			
9 Sponsoring organizations maintaining donor advised funds.			
a	Did the organization make any taxable distributions under section 4966?		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		
10 Section 501(c)(7) organizations. Enter:			
a	Initiation fees and capital contributions included on Part VIII, line 12		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities		
11 Section 501(c)(12) organizations. Enter:			
a	Gross income from members or shareholders		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)		
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?			
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year		
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans		
c	Enter the amount of reserves on hand		
14a	Did the organization receive any payments for indoor tanning services during the tax year?		X
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O		

Form 990 (2012)

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI [X]

Section A. Governing Body and Management

Table with 3 columns: Question, Yes, No. Rows include: 1a Enter the number of voting members of the governing body at the end of the tax year (34); 1b Enter the number of voting members included in line 1a, above, who are independent (34); 2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? (X); 3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person? (X); 4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? (X); 5 Did the organization become aware during the year of a significant diversion of the organization's assets? (X); 6 Did the organization have members or stockholders? (X); 7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? (X); 7b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? (X); 8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following: a The governing body? (X); b Each committee with authority to act on behalf of the governing body? (X); 9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O (X).

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

Table with 3 columns: Question, Yes, No. Rows include: 10a Did the organization have local chapters, branches, or affiliates? (X); 10b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?; 11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? (X); 11b Describe in Schedule O the process, if any, used by the organization to review this Form 990.; 12a Did the organization have a written conflict of interest policy? If "No," go to line 13 (X); 12b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? (X); 12c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done (X); 13 Did the organization have a written whistleblower policy? (X); 14 Did the organization have a written document retention and destruction policy? (X); 15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision? a The organization's CEO, Executive Director, or top management official (X); b Other officers or key employees of the organization (X); If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).; 16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? (X); 16b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?

Section C. Disclosure

- 17 List the states with which a copy of this Form 990 is required to be filed NY
18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. [] Own website [] Another's website [X] Upon request [] Other (explain in Schedule O)
19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: MELISSA ARENA - 716-882-8700 1285 ELMWOOD AVENUE, BUFFALO, NY 14222

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) ALPHONSO O'NEIL-WHITE DIRECTOR	1.50	X					0.	0.	0.	
(2) BRUCE D. REINOSO DIRECTOR	1.50	X					0.	0.	0.	
(3) CATHERINE B. FOLEY DIRECTOR	1.50	X					0.	0.	0.	
(4) CATHERINE T. WETTLAUFER DIRECTOR	1.50	X					0.	0.	0.	
(5) CHARLES W. BANTA DIRECTOR	1.50	X					0.	0.	0.	
(6) CHRIS O'DONNELL DIRECTOR	1.50	X					0.	0.	0.	
(7) DEBORAH RONNEN DIRECTOR	1.50	X					0.	0.	0.	
(8) MONICA ANGLE DIRECTOR	1.50	X					0.	0.	0.	
(9) ELISABETH ROCHE WILMERS DIRECTOR	1.50	X					0.	0.	0.	
(10) ELIZABETH BAUMAN DIRECTOR	1.50	X					0.	0.	0.	
(11) FREDERICK G. PIERCE, II SECRETARY	1.50	X					0.	0.	0.	
(12) HELEN CAPPUCCINO, M.D. DIRECTOR	1.50	X					0.	0.	0.	
(13) JAMES W. DERRICK DIRECTOR	1.50	X					0.	0.	0.	
(14) JOHN R SANDERSON TREASURER	1.50	X					0.	0.	0.	
(15) JOHN R. YURTCHUK DIRECTOR	1.50	X					0.	0.	0.	
(16) JUDITH C. LIPSEY DIRECTOR	1.50	X					0.	0.	0.	
(17) L.N. HOPKINS, M.D. DIRECTOR	1.50	X					0.	0.	0.	

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(18) LESLIE H. ZEMSKY PRESIDENT	1.50	X						0.	0.	0.
(19) LOUIS P. CIMINELLI DIRECTOR	1.50	X						0.	0.	0.
(20) NORTHRUP R. KNOX, JR. DIRECTOR	1.50	X						0.	0.	0.
(21) PETER F. HUNT DIRECTOR	1.50	X						0.	0.	0.
(22) ROBERT J. BOJDAK DIRECTOR	1.50	X						0.	0.	0.
(23) ROBERT T. BRADY DIRECTOR	1.50	X						0.	0.	0.
(24) ROBERTA JOSEPH VICE PRESIDENT	1.50	X						0.	0.	0.
(25) SALLY GIOIA DIRECTOR	1.50	X						0.	0.	0.
(26) SCOTT E. FRIEDMAN DIRECTOR	1.50	X						0.	0.	0.
1b Sub-total								0.	0.	0.
c Total from continuation sheets to Part VII, Section A								481,021.	0.	53,843.
d Total (add lines 1b and 1c)								481,021.	0.	53,843.

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **4**

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual	X	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
NONE		

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **0**

See Part VII, Section A Continuation sheets

Part VIII Statement of Revenue

Check if Schedule O contains a response to any question in this Part VIII

		(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1 a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d				
	e Government grants (contributions)	1e	620,000.			
	f All other contributions, gifts, grants, and similar amounts not included above	1f	8,548,915.			
	g Noncash contributions included in lines 1a-1f: \$					
	h Total. Add lines 1a-1f		9,168,915.			
Program Service Revenue	2 a <u>AUXILIARY ACTIVITIES</u>	Business Code 713990	1,162,656.	1,162,656.		
	b <u>EDUCATION</u>	713990	410,692.	410,692.		
	c <u>EXHIBITIONS</u>	713990	7,250.	7,250.		
	d					
	e					
	f All other program service revenue	713990	399,532.	399,532.		
	g Total. Add lines 2a-2f		1,980,130.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		2,064,807.		2,064,807.	
	4 Income from investment of tax-exempt bond proceeds					
	5 Royalties					
	6 a Gross rents	(i) Real				
		(ii) Personal				
		b Less: rental expenses				
		c Rental income or (loss)				
	d Net rental income or (loss)					
	7 a Gross amount from sales of assets other than inventory	(i) Securities				
		(ii) Other				
		b Less: cost or other basis and sales expenses				
		c Gain or (loss)				
	d Net gain or (loss)		3,796,205.		3,796,205.	
	8 a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	a				
		b Less: direct expenses	b			
c Net income or (loss) from fundraising events						
9 a Gross income from gaming activities. See Part IV, line 19	a					
	b Less: direct expenses	b				
	c Net income or (loss) from gaming activities					
10 a Gross sales of inventory, less returns and allowances	a					
	b Less: cost of goods sold	b				
	c Net income or (loss) from sales of inventory					
Miscellaneous Revenue		Business Code				
11 a <u>Insurance Proceeds</u>	713990	1,500,000.	1,500,000.			
	b					
	c					
	d All other revenue					
	e Total. Add lines 11a-11d		1,500,000.			
12 Total revenue. See instructions.		18,510,057.	3,480,130.	0.	5,861,012.	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response to any question in this Part IX

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
<i>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</i>				
1 Grants and other assistance to governments and organizations in the United States. See Part IV, line 21				
2 Grants and other assistance to individuals in the United States. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	562,091.	393,464.	134,902.	33,725.
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	2,594,514.	1,816,160.	622,683.	155,671.
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	249,020.	174,314.	59,765.	14,941.
9 Other employee benefits	423,940.	296,758.	101,746.	25,436.
10 Payroll taxes	229,427.	160,599.	55,062.	13,766.
11 Fees for services (non-employees):				
a Management				
b Legal				
c Accounting				
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees	323,343.		323,343.	
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	781,771.	547,240.	187,625.	46,906.
12 Advertising and promotion	37,629.	26,340.	9,031.	2,258.
13 Office expenses	161,079.	112,755.	38,659.	9,665.
14 Information technology				
15 Royalties				
16 Occupancy				
17 Travel	132,116.	92,481.	31,708.	7,927.
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	72,938.	51,057.	17,505.	4,376.
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	623,887.	436,721.	149,733.	37,433.
23 Insurance				
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a PURCHASE & CONSERVATION	3,412,453.	3,412,453.	0.	0.
b UTILITIES	436,095.	305,266.	104,663.	26,166.
c HONORARIA	234,380.	164,066.	56,251.	14,063.
d REPAIRS AND MAINTENANCE	216,345.	151,441.	51,923.	12,981.
e All other expenses	1,009,277.	706,493.	242,228.	60,556.
25 Total functional expenses. Add lines 1 through 24e	11,500,305.	8,847,608.	2,186,827.	465,870.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

Check here if following SOP 98-2 (ASC 958-720)

Part X Balance Sheet

Check if Schedule O contains a response to any question in this Part X

		(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing		1 133,436.
	2	Savings and temporary cash investments		2
	3	Pledges and grants receivable, net	2,380,561.	3 1,980,694.
	4	Accounts receivable, net	164,877.	4 198,806.
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	300,000.	5 635,000.
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instr). Complete Part II of Sch L		6
	7	Notes and loans receivable, net		7
	8	Inventories for sale or use	403,304.	8 532,894.
	9	Prepaid expenses and deferred charges	50,558.	9 178,162.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 24,301,240.	
	b	Less: accumulated depreciation	10b 13,161,319.	10c 11,139,921.
	11	Investments - publicly traded securities		11
	12	Investments - other securities. See Part IV, line 11	116,026,212.	12 125,984,900.
	13	Investments - program-related. See Part IV, line 11		13
	14	Intangible assets		14
	15	Other assets. See Part IV, line 11	582,405.	15 654,681.
16	Total assets. Add lines 1 through 15 (must equal line 34)	131,285,112.	16 141,438,494.	
Liabilities	17	Accounts payable and accrued expenses	5,223,653.	17 3,104,938.
	18	Grants payable		18
	19	Deferred revenue	30,081.	19 356,141.
	20	Tax-exempt bond liabilities		20
	21	Escrow or custodial account liability. Complete Part IV of Schedule D		21
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22
	23	Secured mortgages and notes payable to unrelated third parties	416,480.	23 171,365.
	24	Unsecured notes and loans payable to unrelated third parties		24
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	1,836,169.	25 1,773,140.
	26	Total liabilities. Add lines 17 through 25	7,506,383.	26 5,405,584.
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27	Unrestricted net assets	12,845,545.	27 13,758,344.
	28	Temporarily restricted net assets	93,880,123.	28 99,300,147.
	29	Permanently restricted net assets	17,053,061.	29 22,974,419.
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30
	31	Paid-in or capital surplus, or land, building, or equipment fund		31
	32	Retained earnings, endowment, accumulated income, or other funds		32
	33	Total net assets or fund balances	123,778,729.	33 136,032,910.
	34	Total liabilities and net assets/fund balances	131,285,112.	34 141,438,494.

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	18,510,057.
2	Total expenses (must equal Part IX, column (A), line 25)	2	11,500,305.
3	Revenue less expenses. Subtract line 2 from line 1	3	7,009,752.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	123,778,729.
5	Net unrealized gains (losses) on investments	5	5,244,429.
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	136,032,910.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other		
If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		X
If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both:			
<input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis			
2b	Were the organization's financial statements audited by an independent accountant?	X	
If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:			
<input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis			
2c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	X	
If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		X
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

Form 990 (2012)

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")	2836589.	3261024.	3335091.	4731323.	9168915.	23332942.
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3	2836589.	3261024.	3335091.	4731323.	9168915.	23332942.
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						5717174.
6 Public support. Subtract line 5 from line 4.						17615768.

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4	2836589.	3261024.	3335091.	4731323.	9168915.	23332942.
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources	3046929.	2568177.	2082708.	2119439.	2064807.	11882060.
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)					1500000.	1500000.
11 Total support. Add lines 7 through 10						36715002.
12 Gross receipts from related activities, etc. (see instructions)					12	9,781,078.
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here	<input type="checkbox"/>					

Section C. Computation of Public Support Percentage

14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))	14	47.98 %
15 Public support percentage from 2011 Schedule A, Part II, line 14	15	50.13 %
16a 33 1/3% support test - 2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization	<input checked="" type="checkbox"/>	
b 33 1/3% support test - 2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization	<input type="checkbox"/>	
17a 10% -facts-and-circumstances test - 2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization	<input type="checkbox"/>	
b 10% -facts-and-circumstances test - 2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization	<input type="checkbox"/>	
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions	<input type="checkbox"/>	

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here

Section C. Computation of Public Support Percentage

15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	%

19a **33 1/3% support tests - 2012.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization

b **33 1/3% support tests - 2011.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions

Schedule B

(Form 990, 990-EZ, or 990-PF)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

▶ Attach to Form 990, Form 990-EZ, or Form 990-PF.

OMB No. 1545-0047

2012

Name of the organization

BUFFALO FINE ARTS ACADEMY

Employer identification number

16-6001555

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

501(c)(3) (enter number) organization

4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

Note. Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

Special Rules

For a section 501(c)(3) organization filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi) and received from any one contributor, during the year, a contribution of the greater of (1) \$5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h, or (ii) Form 990-EZ, line 1. Complete Parts I and II.

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III.

For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not total to more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of \$5,000 or more during the year ▶ \$ _____

Caution. An organization that is not covered by the General Rule and/or the Special Rules does not file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on Part I, line 2 of its Form 990-PF, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990-EZ, or 990-PF. Schedule B (Form 990, 990-EZ, or 990-PF) (2012)

Name of organization BUFFALO FINE ARTS ACADEMY	Employer identification number 16-6001555
--	---

Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	M&T BANK ONE FOUNTAIN PLAZA, 12TH FLOOR BUFFALO, NY 14203	\$ 200,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
2	MRS. PEG ELFVIN 33 GATES CIRCLE, APT 4A BUFFALO, NY 14209	\$ 6,000,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
3	JUDITH C. LIPSEY 901 ADMIRALS WALK BUFFALO, NY 14202	\$ 245,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)

Name of organization

Employer identification number

BUFFALO FINE ARTS ACADEMY

16-6001555

Part II Noncash Property (see instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
	_____ _____ _____	\$ _____	_____
	_____ _____ _____	\$ _____	_____
	_____ _____ _____	\$ _____	_____
	_____ _____ _____	\$ _____	_____
	_____ _____ _____	\$ _____	_____
	_____ _____ _____	\$ _____	_____
	_____ _____ _____	\$ _____	_____

Name of organization BUFFALO FINE ARTS ACADEMY	Employer identification number 16-6001555
--	---

Part III Exclusively religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations that total more than \$1,000 for the year. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this information once.) ► \$ _____
Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	

SCHEDULE D (Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990. See separate instructions.

OMB No. 1545-0047

2012 Open to Public Inspection

Name of the organization: BUFFALO FINE ARTS ACADEMY
Employer identification number: 16-6001555

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

Table with 3 columns: Question number, (a) Donor advised funds, (b) Funds and other accounts. Includes questions 1-6 regarding donor advised funds.

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

Form for Part II Conservation Easements, including questions 1-9 and a table for lines 2a-2d. Includes checkboxes for various preservation purposes.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

Form for Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets, including questions 1a-1b and 2a-2b.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

- a Public exhibition
- b Scholarly research
- c Preservation for future generations
- d Loan or exchange programs
- e Other _____

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No

b If "Yes," explain the arrangement in Part XIII and complete the following table:

	Amount
1c Beginning balance	
1d Additions during the year	
1e Distributions during the year	
1f Ending balance	

2a Did the organization include an amount on Form 990, Part X, line 21? Yes No

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	116,326,212.	121,801,500.	107,146,591.	100,629,035.	123,944,299.
b Contributions	6,097,221.	740,425.	150,000.	141,951.	16,000.
c Net investment earnings, gains, and losses	10,804,426.	-112,543.	20,806,934.	11,527,451.	-18,368,222.
d Grants or scholarships					
e Other expenditures for facilities and programs	6,607,959.	6,103,170.	6,302,025.	5,151,846.	4,963,042.
f Administrative expenses					
g End of year balance	126,619,900.	116,326,212.	121,801,500.	107,146,591.	100,629,035.

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a Board designated or quasi-endowment 9.07 %
- b Permanent endowment 90.93 %
- c Temporarily restricted endowment .00 %

The percentages in lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

- (i) unrelated organizations Yes No
- (ii) related organizations Yes No

b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? Yes No

4 Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings		19,481,515.	8,924,162.	10,557,353.
c Leasehold improvements				
d Equipment		4,804,783.	4,237,157.	567,626.
e Other		14,942.		14,942.

Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10(c).) 11,139,921.

Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) MUTUAL FUNDS	61,864,277.	End-of-Year Market Value
(B) EQUITY SECURITIES	12,063,470.	End-of-Year Market Value
(C) POOLED FUNDS	40,974,096.	End-of-Year Market Value
(D) ALTERNATIVE INVESTMENTS	11,083,057.	End-of-Year Market Value
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶	125,984,900.	

Part VIII Investments - Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) LINE OF CREDIT	1,773,140.
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	1,773,140.

2. FIN 48 (ASC 740) Footnote. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return			
1	Total revenue, gains, and other support per audited financial statements		1 23,951,472.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains on investments	2a 5,244,429.	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII.)	2d 196,986.	
e	Add lines 2a through 2d		2e 5,441,415.
3	Subtract line 2e from line 1		3 18,510,057.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	
c	Add lines 4a and 4b		4c 0.
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)		5 18,510,057.

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return			
1	Total expenses and losses per audited financial statements		1 11,763,933.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII.)	2d 263,628.	
e	Add lines 2a through 2d		2e 263,628.
3	Subtract line 2e from line 1		3 11,500,305.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	
c	Add lines 4a and 4b		4c 0.
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)		5 11,500,305.

Part XIII Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Part V, line 4: The Buffalo Fine Arts Academy intends to use the endowment funds to promote, cultivate and generally foster art in all its branches.

Part XI, Line 2d - Other Adjustments:

REVENUE OF ALBRIGHT KNOX RESTAURANT REPORTED ON SEPARATE RETURN 196,986.

Part XIII Supplemental Information (continued)

Part XII, Line 2d - Other Adjustments:

EXPENSES OF ALBRIGHT KNOX RESTAURANT REPORTED ON SEPARATE

RETURN 220,085.

EXPENSES OF ALKASW, INC. REPORTED ON SEPARATE RETURN 43,543.

Total to Schedule D, Part XII, Line 2d 263,628.

PART III LINE 4

THE ORGANIZATION'S COLLECTION INCLUDES WORKS OF MODERN AND CONTEMPORARY ART WHICH IT EXHIBITS TO FURTHER THE APPRECIATION OF MODERN AND CONTEMPORARY ART AS WELL AS EDUCATE THE GENERAL PUBLIC.

**SCHEDULE F
(Form 990)**

Statement of Activities Outside the United States

OMB No. 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Complete if the organization answered "Yes" to Form 990,
Part IV, line 14b, 15, or 16.
▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization: **BUFFALO FINE ARTS ACADEMY**
Employer identification number: **16-6001555**

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

- For grantmakers.** Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? Yes No
- For grantmakers.** Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.
- Activities per Region.** (The following Part I, line 3 table can be duplicated if additional space is needed.)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e.g., fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
UNITED KINGDOM	0	0	PROGRAM SERVICES	ART PURCHASES	271,625.
CANADA	0	0	PROGRAM SERVICES	ART PURCHASES	59,564.
ITALY	0	0	PROGRAM SERVICES	ART PURCHASES	448,520.
SWITZERLAND	0	0	PROGRAM SERVICES	ART PURCHASES	49,759.
GERMANY	0	0	PROGRAM SERVICES	ART PURCHASES	116,639.
3 a Sub-total	0	0			946,107.
b Total from continuation sheets to Part I	0	0			0.
c Totals (add lines 3a and 3b)	0	0			946,107.

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule F (Form 990) 2012

Part IV Foreign Forms

- 1 Was the organization a U.S. transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)* Yes No
- 2 Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)* Yes No
- 3 Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations. (see Instructions for Form 5471)* Yes No
- 4 Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)* Yes No
- 5 Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons With Respect To Certain Foreign Partnerships. (see Instructions for Form 8865)* Yes No
- 6 Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report. (see Instructions for Form 5713)* Yes No

Schedule F (Form 990) 2012

**SCHEDULE J
(Form 990)**

Compensation Information

OMB No. 1545-0047

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

2012

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.

Open to Public Inspection

▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Name of the organization

BUFFALO FINE ARTS ACADEMY

Employer identification number

16-6001555

Part I Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. <input type="checkbox"/> First-class or charter travel <input type="checkbox"/> Travel for companions <input type="checkbox"/> Tax indemnification and gross-up payments <input type="checkbox"/> Discretionary spending account <input type="checkbox"/> Housing allowance or residence for personal use <input type="checkbox"/> Payments for business use of personal residence <input type="checkbox"/> Health or social club dues or initiation fees <input type="checkbox"/> Personal services (e.g., maid, chauffeur, chef)		
b	If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. <input checked="" type="checkbox"/> Compensation committee <input checked="" type="checkbox"/> Independent compensation consultant <input type="checkbox"/> Form 990 of other organizations <input checked="" type="checkbox"/> Written employment contract <input type="checkbox"/> Compensation survey or study <input checked="" type="checkbox"/> Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:		
a	Receive a severance payment or change-of-control payment?	4a	X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	X
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	X
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.			
Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:		
a	The organization?	5a	X
b	Any related organization?	5b	X
If "Yes" to line 5a or 5b, describe in Part III.			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:		
a	The organization?	6a	X
b	Any related organization?	6b	X
If "Yes" to line 6a or 6b, describe in Part III.			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8	X
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9	

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2012

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) LOUIS GRACHOS DIRECTOR	(i)	249,679.	0.	0.	0.	0.	249,679.	0.
	(ii)	0.	0.	0.	0.	32,847.	32,847.	0.
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

SCHEDULE L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions With Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No. 1545-0047

2012

Open To Public Inspection

Name of the organization **BUFFALO FINE ARTS ACADEMY** Employer identification number **16-6001555**

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

1 (a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
			Yes	No

2 Enter the amount of tax incurred by the organization managers or disqualified persons during the year under section 4958 ▶ \$ _____
3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$ _____

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a or Form 990, Part IV, line 26; or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22.

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
LOUIS GRACHOS	Employee	Part V		X	300,000.	300,000.		X	X		X	
JANNE SIREN	Employee	Part V		X	335,000.	335,000.		X	X		X	
Total						▶ \$	635,000.					

Part III Grants or Assistance Benefiting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

**SCHEDULE M
(Form 990)**

Noncash Contributions

OMB No. 1545-0047

2012

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.

▶ Attach to Form 990.

Name of the organization: **BUFFALO FINE ARTS ACADEMY** Employer identification number: **16-6001555**

Part I	Types of Property	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1	Art - Works of art				
2	Art - Historical treasures				
3	Art - Fractional interests				
4	Books and publications				
5	Clothing and household goods				
6	Cars and other vehicles				
7	Boats and planes				
8	Intellectual property				
9	Securities - Publicly traded	X	14	92,910.	MARKET PRICE
10	Securities - Closely held stock				
11	Securities - Partnership, LLC, or trust interests				
12	Securities - Miscellaneous				
13	Qualified conservation contribution - Historic structures				
14	Qualified conservation contribution - Other				
15	Real estate - Residential				
16	Real estate - Commercial				
17	Real estate - Other				
18	Collectibles				
19	Food inventory				
20	Drugs and medical supplies				
21	Taxidermy				
22	Historical artifacts				
23	Scientific specimens				
24	Archeological artifacts				
25	Other ()				
26	Other ()				
27	Other ()				
28	Other ()				
29	Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement	29			14
30a	During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?				Yes No
	b If "Yes," describe the arrangement in Part II.				
31	Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?				X
32a	Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?				X
	b If "Yes," describe in Part II.				
33	If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II.				

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule M (Form 990) (2012)

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No. 1545-0047

2012

Open to Public
Inspection

Name of the organization

BUFFALO FINE ARTS ACADEMY

Employer identification number

16-6001555

Form 990, Part I, Line 1, Description of Organization Mission:

art in all its branches. It is the parent organization of the
Albright-Knox Art Gallery, one of the Country's most prominent art
museums, as well as an important cultural and educational 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 art
works, with particular emphasis on the creative accomplishments of the
20th and 21st centuries.

Form 990, Part III, Line 1, Description of Organization Mission:

and educational 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 art works, with particular emphasis on the creative
accomplishments of the 20th and 21st centuries.

Form 990, Part III, Line 4d, Other Program Services:

EXHIBITIONS-EXHIBITIONS OF VARIOUS ARTISTS WORKS WHICH ARE NOT USUALLY
INCLUDED IN THE PERMANENT COLLECTION

Expenses \$ 872,015. including grants of \$ 0. Revenue \$ 7,250.

Form 990, Part V, Line 4b, List of Foreign Countries:

Ireland, United Kingdom, British Virgin Is

Form 990, Part VI, Section A, line 6: THE ORGANIZATION HAS A BOARD OF

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule O (Form 990 or 990-EZ) (2012)

232211
01-04-13

Name of the organization

BUFFALO FINE ARTS ACADEMY

Employer identification number

16-6001555

DIRECTORS AS WELL AS A GENERAL MEMBERSHIP WHICH PATRONS OF THE ARTS MAY JOIN.

Form 990, Part VI, Section A, line 7b: AT THE ANNUAL MEETING OF THE ORGANIZATION'S MEMBERS, CERTAIN AGENDA TOPICS ARE VOTED ON TO APPROVE THE ACTIONS OF THE BOARD OF DIRECTORS.

Form 990, Part VI, Section B, line 11: EACH BOARD MEMBER HAS THE OPPORTUNITY TO REVIEW A DRAFT OF THE IRS FORM 990 PRIOR TO IT BEING FILED. ANY COMMENTS OR QUESTIONS REGARDING THE FORM ARE DIRECTED TO AND ANSWERED BY THE CFO. THEREAFTER, THE BOARD APPROVES THE 990, IT IS SIGNED BY THE CFO, AND FILED.

Form 990, Part VI, Section B, Line 12c: THE GOVERNANCE COMMITTEE OF THE BOARD OF DIRECTORS, ANNUALLY AT THE BEGINNING OF EACH PROGRAM YEAR IN OCTOBER, DISTRIBUTES A CONFLICT OF INTEREST POLICY AND A BOARD MEMBER COMMITMENT FORM. THE DEPUTY DIRECTOR'S OFFICE TRACKS THE DISTRIBUTION AND RETURN OF THESE DOCUMENTS, REVIEWS EACH FORM, NOTES ANY CONFLICT FOR THE GOVERNANCE COMMITTEE'S REVIEW, AND KEEPS THE ORIGINAL SIGNED COPIES IN A NOTEBOOK IN ITS OFFICE. THE GOVERNANCE COMMITTEE REVIEWS ALL CONFLICTS AND TAKES APPROPRIATE ACTION CONSISTENT WITH THE CONFLICTS OF INTEREST POLICY.

Form 990, Part VI, Section B, Line 15: THE PROCESS FOR DETERMINING COMPENSATION OF THE DIRECTOR AND ALL EMPLOYEES OF THE ALBRIGHT KNOX ART GALLERY (WHO ARE REQUIRED TO HAVE MUSEUM EXPERIENCE AND SKILLS) IS BASED ON PREVAILING COMPENSATION LEVELS IN THE FIELD AT THE NATIONAL LEVEL (BASED ON THE ASSOCIATION OF ART MUSEUM DIRECTORS ANNUAL SALARY SURVEY) AND REGIONAL/LOCAL LEVEL (BASED ON WESTERN NEW YORK SALARY SURVEYS). REVIEW AND

Name of the organization

BUFFALO FINE ARTS ACADEMY

Employer identification number

16-6001555

DETERMINATION OF SALARIES, BY THE PRESIDENT OF THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE FOR THE DIRECTOR'S COMPENSATION, AND BY THE HUMAN RESOURCES DEPARTMENT AND SENIOR MANAGEMENT (DIRECTOR, DEPUTY DIRECTOR, CHIEF CURATOR, CFO, COO, HEAD OF DEVELOPMENT, HEAD OF MARKETING, COMMUNICATIONS AND PUBLIC RELATIONS, FOR THEIR RESPECTIVE DEPARTMENTAL STAFF POSITIONS), IS BASED ON MID-ATLANTIC AND MIDWEST AAMD COMPENSATION TABLES.

Form 990, Part VI, Section C, Line 18: ACCORDING TO FORM 990 INSTRUCTIONS, APPLICATIONS FILED BEFORE JULY 15, 1987 NEED NOT BE MADE PUBLICLY AVAILABLE, UNLESS THE ORGANIZATION HAD A COPY ON JULY 15, 1987. THE BUFFALO FINE ARTS ACADEMY DID NOT HAVE A COPY ON JULY 15, 1987, AND HAD APPLIED FOR TAX EXEMPT STATUS IN 1940. CONSEQUENTLY, FORM 1023 IS NOT MADE PUBLICLY AVAILABLE. THE BUFFALO FINE ARTS ACADEMY WAS GRANTED 501(C)3 STATUS ON DECEMBER 19, 1940.

COPIES OF IRS FORM 990 ARE MAINTAINED IN THE DEPUTY DIRECTOR'S OFFICE AND ARE MADE AVAILBLE UPON REQUEST DURING REGULAR BUSINESS HOURS.

Form 990, Part VI, Section C, Line 19: THE BYLAWS, CONFLICT OF INTEREST POLICY, AND AUDITED FINANCIAL STATEMENTS ARE MAINTAINED IN THE DEPUTY DIRECTOR'S OFFICE AND ARE MADE AVAILABLE UPON REQUEST DURING REGULAR BUSINESS HOURS.

FORM 990, PART XI, LINE 2C

THE PROCESS HAS NOT CHANGED SINCE THE PRIOR YEAR.

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization **BUFFALO FINE ARTS ACADEMY** Employer identification number **16-6001555**

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
ALKASW, INC. - 20-2749189 1285 ELMWOOD AVENUE BUFFALO, NY 14222	HOLD TITLE TO PROPERTY, COLLECT INCOME FROM PROPERTY, AND REMIT NET	New York	501(C)(2)				X

See Part VII for Continuations

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35b, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

	Yes	No
a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity		X
b Gift, grant, or capital contribution to related organization(s)		X
c Gift, grant, or capital contribution from related organization(s)		X
d Loans or loan guarantees to or for related organization(s)	X	
e Loans or loan guarantees by related organization(s)	X	
f Dividends from related organization(s)		X
g Sale of assets to related organization(s)		X
h Purchase of assets from related organization(s)		X
i Exchange of assets with related organization(s)		X
j Lease of facilities, equipment, or other assets to related organization(s)		X
k Lease of facilities, equipment, or other assets from related organization(s)	X	
l Performance of services or membership or fundraising solicitations for related organization(s)		X
m Performance of services or membership or fundraising solicitations by related organization(s)		X
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)		X
o Sharing of paid employees with related organization(s)		X
p Reimbursement paid to related organization(s) for expenses		X
q Reimbursement paid by related organization(s) for expenses		X
r Other transfer of cash or property to related organization(s)		X
s Other transfer of cash or property from related organization(s)		X

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) ALKASW, INC.	D	560,063.	TRANSACTION COSTS
(2) ALKASW, INC.	E	58,189.	TRANSACTION COSTS
(3) ALKASW, INC.	K	99,000.	FAIR MARKET VALUE
(4) ALBRIGHT KNOX RESTAURANT, INC.	D	152,807.	TRANSACTION COSTS
(5)			
(6)			

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions).

Part II, Identification of Related Tax-Exempt Organizations:

Name of Related Organization:

ALKASW, INC.

Primary Activity: HOLD TITLE TO PROPERTY, COLLECT INCOME FROM PROPERTY,
AND REMIT NET INCOME

Form CHAR500	Annual Filing for Charitable Organizations New York State Department of Law (Office of the Attorney General) Charities Bureau - Registration Section 120 Broadway New York, NY 10271 http://www.charitiesnys.com	2012 Open to Public Inspection
This form used for Article 7-A, EPTL and dual filers (replaces forms CHAR 497, CHAR 010 and CHAR 006)		

1. General Information			
a. For the fiscal year beginning (mm/dd/yyyy) 07/01/2012 and ending (mm/dd/yyyy) 06/30/2013			
b. Check if applicable for NYS: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial filing <input type="checkbox"/> Final filing <input type="checkbox"/> Amended filing <input type="checkbox"/> NY registration pending	c. Name of organization BUFFALO FINE ARTS ACADEMY Number and street (or P.O. box if mail not delivered to street address) Room/suite 1285 ELMWOOD AVENUE City or town, state or country and ZIP + 4 BUFFALO, NY 14222	d. Fed. employer ID no. (EIN) 16-6001555	e. NY State registration no. 01-30-63
		f. Telephone number 716 882-8700	g. Email

2. Certification - Two Signatures Required			
We certify under penalties of perjury that we reviewed this report, including all attachments, and to the best of our knowledge and belief, they are true, correct and complete in accordance with the laws of the State of New York applicable to this report.			
a. President or Authorized Officer	Signature	JANNE SIREN <small>Printed Name</small>	DIRECTOR <small>Title</small>
			<small>Date</small>
b. Chief Financial Officer or Treas.	Signature	MELISSA ARENA <small>Printed Name</small>	CFO <small>Title</small>
			<small>Date</small>

3. Annual Report Exemption Information	
a. Article 7-A annual report exemption (Article 7-A registrants and dual registrants) Check <input type="checkbox"/> if total contributions from NY State (including residents, foundations, corporations, government agencies, etc.) did not exceed \$25,000 and the organization did not engage a professional fund raiser (PFR) or fund raising counsel (FRC) to solicit contributions during this fiscal year.	NOTE: An organization may claim this exemption if no PFR or FRC was used and either: 1) it received an allocation from a federated fund, United Way or incorporated community appeal and contributions from other sources did not exceed \$25,000 or 2) it received all or substantially all of its contributions from one government agency to which it submitted an annual report similar to that required by Article 7-A.
b. EPTL annual report exemption (EPTL registrants and dual registrants) Check <input type="checkbox"/> if gross receipts did not exceed \$25,000 and assets (market value) did not exceed \$25,000 at any time during this fiscal year.	
For EPTL or Article 7-A registrants claiming the annual report exemption under the one law under which they are registered and for dual registrants claiming the annual report exemptions under both laws, simply complete part 1 (General Information), part 2 (Certification) and part 3 (Annual Report Exemption Information) above. <i>Do not submit a fee, do not complete the following schedules and do not submit any attachments to this form.</i>	

4. Article 7-A Schedules	
If you did not check the Article 7-A annual report exemption above, complete the following for this fiscal year:	
a. Did the organization use a professional fund raiser, fund raising counsel or commercial co-venturer for fund raising activity in NY State? ... <input type="checkbox"/> Yes* <input checked="" type="checkbox"/> No * If "Yes", complete Schedule 4a.	
b. Did the organization receive government contributions (grants)? <input checked="" type="checkbox"/> Yes* <input type="checkbox"/> No * If "Yes", complete Schedule 4b.	

5. Fee Submitted: See last page for summary of fee requirements.	
Indicate the filing fee(s) you are submitting along with this form:	
a. Article 7-A filing fee	\$ <u>25.</u>
b. EPTL filing fee	\$ <u>1,500.</u>
c. Total fee	\$ <u>1,525.</u>
Submit only one check or money order for the total fee, payable to "NYS Department of Law"	

6. Attachments - For organizations that are not claiming annual report exemptions under both laws, see last page for required attachments ▶▶▶

**THE BUFFALO FINE ARTS
ACADEMY AND AFFILIATES**

Consolidated Financial Statements
For the Years Ended
June 30, 2013 and 2012 with
Independent Auditors' Report

THE BUFFALO FINE ARTS ACADEMY AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Buffalo Fine Arts Academy and Affiliates
Buffalo, New York

We have audited the accompanying consolidated financial statements of The Buffalo Fine Arts Academy (a non-profit organization) and Affiliates ("the Academy"), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and of cash flows for the years 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.

Auditors' 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 consolidated 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 auditors' 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 entity'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 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 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, 2013 and 2012, 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.

Chiampou Travis Besaw & Kershner LLP

September 24, 2013

THE BUFFALO FINE ARTS ACADEMY AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Gifts and grants:				
Government grants	\$ -	\$ 620,000	\$ -	\$ 620,000
Corporate and foundation support	48,295	1,792,864	-	1,841,159
Annual giving	680,517	-	-	680,517
All other gifts and grants	153,113	-	-	153,113
Total gifts and grants	881,925	2,412,864	-	3,294,789
Exhibitions	7,250	-	-	7,250
Memberships	399,532	-	-	399,532
Investment income in accordance with spending policy	1,307,450	-	-	1,307,450
Additional investment income and gains allocated to general operations	400,000	-	-	400,000
Education and other related programs	410,692	-	-	410,692
Revenue from auxiliary activities	1,162,410	-	-	1,162,410
Net assets released from restrictions	2,086,250	(2,086,250)	-	-
TOTAL SUPPORT AND REVENUES	6,655,509	326,614	-	6,982,123
EXPENSES:				
Program services	1,899,781	-	-	1,899,781
Supporting services	4,680,979	-	-	4,680,979
Auxiliary services	525,811	-	-	525,811
Depreciation	669,464	-	-	669,464
Interest expense	72,228	-	-	72,228
TOTAL EXPENSES	7,848,263	-	-	7,848,263
NON-OPERATING ACTIVITIES:				
Investment income - net	135,643	1,951,492	-	2,087,135
Interest and other income - net	12,000	-	-	12,000
Restricted contributions	-	-	6,071,358	6,071,358
Change in beneficial interest in Trust	-	(34,328)	-	(34,328)
Net realized and unrealized investment gains	587,550	8,453,084	-	9,040,634
Investment income and gains allocated under spending policy to general operations	(1,307,450)	-	-	(1,307,450)
Additional investment income and gains allocated to general operations	(400,000)	-	-	(400,000)
Acquisition, preservation and conservation of works of art	(3,568,872)	-	-	(3,568,872)
Insurance proceeds	1,500,000	-	-	1,500,000
Net change in obligations under trust agreements	(23,455)	-	-	(23,455)
Investment expenses	(21,014)	(302,329)	-	(323,343)
Net assets released from restrictions	5,124,509	(5,124,509)	-	-
TOTAL NON-OPERATING ACTIVITIES	2,038,911	4,943,410	6,071,358	13,053,679
CHANGES IN NET ASSETS	846,157	5,270,024	6,071,358	12,187,539
NET ASSETS, beginning of year	12,445,781	93,880,123	17,053,061	123,378,965
TRANSFERS OF NET ASSETS	-	150,000	(150,000)	-
NET ASSETS, end of year	<u>\$ 13,291,938</u>	<u>\$ 99,300,147</u>	<u>\$ 22,974,419</u>	<u>\$ 135,566,504</u>

See notes to consolidated financial statements.

THE BUFFALO FINE ARTS ACADEMY AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Gifts and grants:				
Government grants	\$ -	\$ 615,000	\$ -	\$ 615,000
Corporate and foundation support	392,416	1,059,434	-	1,451,850
Annual giving	726,383	-	-	726,383
All other gifts and grants	179,449	-	-	179,449
Total gifts and grants	1,298,248	1,674,434	-	2,972,682
Exhibitions	12,700	-	-	12,700
Memberships	438,531	-	-	438,531
Investment income in accordance with spending policy	1,345,548	-	-	1,345,548
Additional investment income and gains allocated to general operations	400,000	-	-	400,000
Education and other related programs	440,447	-	-	440,447
Revenue from auxiliary activities	1,541,337	-	-	1,541,337
Net assets released from restrictions	1,733,486	(1,733,486)	-	-
TOTAL SUPPORT AND REVENUES	7,210,297	(59,052)	-	7,151,245
EXPENSES:				
Program services	2,068,784	-	-	2,068,784
Supporting services	4,053,455	-	-	4,053,455
Auxiliary services	481,692	-	-	481,692
Depreciation	741,652	-	-	741,652
Interest expense	78,980	-	-	78,980
TOTAL EXPENSES	7,424,563	-	-	7,424,563
NON-OPERATING ACTIVITIES:				
Investment income - net	155,830	1,951,609	-	2,107,439
Interest and other income - net	12,000	-	-	12,000
Restricted contributions	-	162,581	1,773,877	1,936,458
Net realized and unrealized investment losses	(145,712)	(1,826,277)	-	(1,971,989)
Investment income and gains allocated under spending policy to general operations	(1,345,548)	-	-	(1,345,548)
Additional investment income and gains allocated to general operations	(400,000)	-	-	(400,000)
Acquisition, preservation and conservation of works of art	(5,713,763)	-	-	(5,713,763)
Net change in obligations under trust agreements	(21,943)	-	-	(21,943)
Investment expenses	(18,337)	(229,656)	-	(247,993)
Net assets released from restrictions	4,665,199	(4,665,199)	-	-
TOTAL NON-OPERATING ACTIVITIES	(2,812,274)	(4,606,942)	1,773,877	(5,645,339)
CHANGES IN NET ASSETS	(3,026,540)	(4,665,994)	1,773,877	(5,918,657)
NET ASSETS, beginning of year	15,472,321	98,546,117	15,279,184	129,297,622
NET ASSETS, end of year	\$ 12,445,781	\$ 93,880,123	\$ 17,053,061	\$ 123,378,965

See notes to consolidated financial statements.

THE BUFFALO FINE ARTS ACADEMY AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 12,187,539	\$ (5,918,657)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	669,464	741,652
Gain on sale of property and equipment	-	(110)
Beneficial interest in Trust	60,742	(46,190)
Endowment fund gifts	(6,097,221)	(740,425)
Investment income, net	(2,087,135)	(2,107,439)
Net gains (losses) on investments	(9,040,634)	1,971,989
Investment management fees	323,343	247,993
Changes in operating assets and liabilities:		
Grants receivable	200,924	603,429
Accounts receivable, net	(37,987)	(59,863)
Prepaid expenses	(125,986)	84,159
Merchandise inventories	(129,590)	(183,422)
Accounts payable and accrued expenses	(2,123,402)	2,104,382
Deferred revenue	326,060	(2,862)
Total adjustments	<u>(18,061,422)</u>	<u>2,613,293</u>
Net cash used in operating activities	<u>(5,873,883)</u>	<u>(3,305,364)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(413,155)	(1,272,387)
Proceeds from sale of property and equipment	-	110
Investment income, net	2,087,135	2,107,439
Investment management fees	(323,343)	(247,993)
Purchases of investments	(29,358,732)	(31,169,026)
Proceeds from sale of investments	<u>28,105,678</u>	<u>34,672,325</u>
Net cash provided by investing activities	<u>97,583</u>	<u>4,090,468</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	(131,763)	104,375
Endowment fund gifts	6,097,221	740,425
Repayments of lines of credit	(7,011,121)	(7,627,952)
Draws on lines of credit	7,091,365	7,779,576
Repayments of mortgage and notes payable	(269,876)	(635,738)
Change in contributions receivable, net	<u>138,201</u>	<u>(1,145,790)</u>
Net cash provided by (used in) financing activities	<u>5,914,027</u>	<u>(785,104)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS:	137,727	-
CASH AND CASH EQUIVALENTS, beginning of year	-	-
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 137,727</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash used for the purchase of works of art	<u>\$ 5,064,984</u>	<u>\$ 3,217,925</u>
Cash used for interest expense	<u>\$ 164,898</u>	<u>\$ 180,294</u>

See notes to consolidated financial statements.

BUFFALO FINE ARTS ACADEMY AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Buffalo Fine Arts Academy (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 educational 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.

Financial Statement Presentation – Generally accepted accounting principles require that resources be classified for reporting purposes into three categories based upon donor restrictions – unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets represent 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. Temporarily restricted net assets 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. As restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. It is the policy of the Academy to recognize as unrestricted those temporarily restricted revenues that are received and spent within the same fiscal year. Permanently restricted net assets are those whose use has been limited by donor stipulations that neither expire by passage of time nor can be fulfilled by actions of the Academy.

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.

Cash and Cash Equivalents – Cash and cash equivalents consist of demand deposits and highly liquid investments with maturities of 90 days or less. The amount of cash equivalents 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 and cash equivalents.

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 as of June 30, 2013 and 2012.

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 investment of permanently restricted net assets, 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 temporarily restricted or unrestricted, 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. The Academy's Board of Directors approved an additional allocation of \$400,000 for each of the years ended June 30, 2013 and 2012.

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.

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 restricted support. 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.

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 Act (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 temporarily restricted or permanently restricted are classified as unrestricted net assets for consolidated financial statement purposes. See Note 8 for the enhanced endowment fund disclosures.

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporarily restricted net assets consist of irrevocable charitable trusts, restricted contributions receivable, and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are classified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds. At June 30, 2013, certain donors changed the terms of their original gift instruments and accordingly, net transfers of \$150,000 between permanently restricted net assets and temporarily restricted net assets occurred.

Collection of Works of Art – It is the Academy’s policy to purchase works of art with Board designated and temporarily 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 no determination has been made of the aggregate value of such assets. 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 as temporarily restricted assets, based on the absence or existence of donor-imposed restrictions.

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 temporarily restricted or permanently restricted support that increases those net asset classes. 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 \$29,600 at June 30, 2013 and 2012 is necessary. For the year ended June 30, 2013, one donor accounted for 99% of total restricted contributions.

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.

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.

Deferred Revenues – Revenues related to exchange transactions are deferred and recognized as unrestricted revenues at the time the related goods are delivered or services are provided.

Subsequent Events – Management of the Academy has evaluated the effects of all subsequent events through September 24, 2013, 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.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. **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 June 30, 2013 rate of return on United States Treasury 20 year constant maturity securities (3.22%), and is included in temporarily restricted contributions in the accompanying consolidated statements of activities and changes in net assets for the years ended June 30, 2013 and 2012. The value of the beneficial interest in Trust was approximately \$398,000 and \$459,000 as of June 30, 2013 and 2012, respectively.

3. **CONTRIBUTIONS RECEIVABLE**

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

	2013	2012
Unconditional gross promises to give:		
Due within one year	\$ 304,941	\$ 317,279
Due in one to five years	790,000	920,000
Gross promises to give	<u>1,094,941</u>	<u>1,237,279</u>
Less: amortized discount	<u>12,411</u>	<u>16,548</u>
	1,082,530	1,220,731
Allowance for uncollectible pledges	<u>(29,600)</u>	<u>(29,600)</u>
	<u>\$ 1,052,930</u>	<u>\$ 1,191,131</u>

Pledges due in more than one year are reflected at the present value of estimated future cash flows as of June 30, 2013 and 2012, using a discount rate equal to the five (5) year United States Treasury Bill yield as of June 30, 2013 and 2012 (0.73%), with the discount amortized over the life of the pledges.

4. **INVESTMENTS**

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.

INVESTMENTS (continued)

Investments consisted of the following at June 30, 2013:

	Level 1	Level 2	Level 3	Total
Equity securities	\$ 12,063,470	\$ -	\$ -	\$ 12,063,470
Foreign equity securities	-	978,652	-	978,652
Pooled funds	-	40,974,096	-	40,974,096
Mutual funds	61,864,277	-	-	61,864,277
Other investments	<u>-</u>	<u>-</u>	10,739,405	<u>10,739,405</u>
Total investments at fair value	<u>\$ 73,927,747</u>	<u>\$ 41,952,748</u>	<u>\$ 10,739,405</u>	<u>\$ 126,619,900</u>

Investments consisted of the following at June 30, 2012:

	Level 1	Level 2	Level 3	Total
Equity securities	\$ 10,474,184	\$ -	\$ -	\$ 10,474,184
Foreign equity securities	-	728,717	-	728,717
Pooled funds	-	39,233,755	-	39,233,755
Mutual funds	57,570,493	-	-	57,570,493
Other investments	<u>-</u>	<u>-</u>	8,319,063	<u>8,319,063</u>
Total investments at fair value	<u>\$ 68,044,677</u>	<u>\$ 39,962,472</u>	<u>\$ 8,319,063</u>	<u>\$ 116,326,212</u>

The other investments 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.

The following sets forth a summary of changes in the fair value of the Academy's Level 3 assets for the year ended June 30:

	2013	2012
Balance, beginning of year	\$ 8,319,063	\$ 50,502,631
Transfers out of Level 3	-	(43,244,089)*
Investment income (losses)	(71,509)	50,382
Realized gains	588,368	-
Unrealized gains (losses)	193,852	(1,793,488)
Purchases	3,085,237	3,873,712
Sales	<u>(1,375,606)</u>	<u>(1,070,085)</u>
Balance, end of year	<u>\$ 10,739,405</u>	<u>\$ 8,319,063</u>

* The transfers from Level 3 assets to Level 2 assets occurred as a result of the expiration of liquidation restrictions on certain investments in limited partnership funds of hedge funds and multi-sector global asset managers during the year ended June 30, 2012.

4. INVESTMENTS (continued)

The following summarizes the current year relationship between the cost and fair value of investments as of and for the year ended June 30, 2013:

	Cost	Fair Value	Net Appreciation/ (Depreciation)
End of year	\$ 114,958,323	\$ 126,619,900	\$ 11,661,577
Beginning of year	109,909,064	116,326,212	<u>6,417,148</u>
Net change in unrealized appreciation			5,244,429
Realized gains - net			<u>3,796,205</u>
Net gains on investments			<u>\$ 9,040,634</u>

Investment expense, which includes advisor fees, management fees, and custodial fees, was \$323,343 and \$247,993 for the years ended June 30, 2013 and 2012, respectively.

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, 2013.

5. FAIR VALUE MEASUREMENTS

Assets subjected to measurement at fair value on a recurring basis, and the basis for determining fair value, as of June 30, 2013 and 2012, are as follows:

	2013	2012
<i>Level 1:</i>		
Marketable equity securities	\$ 12,063,470	\$ 10,474,184
Mutual Funds:		
Balanced funds	17,673,152	17,285,960
Equity funds	16,226,485	17,364,644
Corporate bond funds	16,205,525	15,482,224
Large growth funds	5,456,614	4,044,162
Small value funds	-	238,319
Money Market Funds	<u>6,302,501</u>	<u>3,155,184</u>
	<u>73,927,747</u>	<u>68,044,677</u>
<i>Level 2:</i>		
Pooled funds	40,974,096	39,233,755
Foreign equity securities	<u>978,652</u>	<u>728,717</u>
	<u>41,952,748</u>	<u>39,962,472</u>
<i>Level 3:</i>		
Partnerships	9,654,035	7,644,412
Other	<u>1,085,370</u>	<u>674,651</u>
	<u>10,739,405</u>	<u>8,319,063</u>
Total investments at fair value	<u>\$ 126,619,900</u>	<u>\$ 116,326,212</u>

5. **FAIR VALUE MEASUREMENTS (continued)**

The Level 3 investments listed above are measured at fair value based on net asset value (NAV) per share as of June 30, 2013 and 2012, respectively. The unfunded commitments at June 30, 2013 and 2012 are \$7,551,000 and \$6,283,000, respectively.

6. **PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	2013	2012
Land	\$ 85,707	\$ 85,707
Buildings and building improvements	20,615,266	19,337,745
Equipment	4,998,440	4,836,263
Construction in progress	<u>14,942</u>	<u>1,041,485</u>
	25,714,355	25,301,200
Less accumulated depreciation	<u>13,432,148</u>	<u>12,762,684</u>
	<u>\$ 12,282,207</u>	<u>\$ 12,538,516</u>

During the year ended June 30, 2012, the Academy continued the ongoing renovations on the marble staircase located on the Delaware Avenue side of the art gallery. Because this project and other ongoing projects were not yet completed as of June 30, 2012, the costs associated with these renovations were classified as construction in progress at June 30, 2012. During the year ended June 30, 2013, the stair renovation project was completed and the staircase was capitalized in the amount of \$1,040,000.

7. **LINES OF CREDIT**

The Academy has a \$2,500,000 (\$2,000,000 at June 30, 2012) unsecured line of credit arrangement with a bank that is used to meet general operating needs. The line bears interest at a rate equal to LIBOR plus 3.0% (3.1875% at June 30, 2013). The outstanding balance on the line of credit at June 30, 2013 and 2012 was \$1,728,140 and \$1,035,000, respectively.

During the year ended June 30, 2011, the Academy obtained a \$1,000,000 unsecured line of credit arrangement with a bank. This line of credit was being used for the construction project in progress at June 30, 2012. The line bears interest at a rate equal to LIBOR plus 3.0% (3.1875% at June 30, 2013). The outstanding balance on this line of credit at June 30, 2013 and 2012 was \$45,000 and \$657,896, respectively.

8. MORTGAGE AND NOTES PAYABLE

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

	2013	2012
Mortgage payable to a bank in monthly installments of \$8,172 including interest at 7.45%, through March 2016, with a final payment equal to the unpaid principal balance due April 2016, secured by a building and equipment.	\$ 956,182	\$ 980,943
Note payable to a bank, in monthly installments of \$11,189 including interest at 6.0%, through December 2014, secured by the related equipment.	171,365	291,480
Notes repaid during the year ended June 30, 2013	<u>-</u>	<u>125,000</u>
Total mortgage and notes payable	<u>\$ 1,127,547</u>	<u>\$ 1,397,423</u>

Future maturities of long-term debt subsequent to June 30, 2013 are as follows: 2014 - \$154,423; 2015 \$72,459; and 2016 - \$900,665.

The Academy is subject to certain financial covenants under their banking agreements. As of June 30, 2013 and 2012, the Academy was in compliance with all financial covenants.

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, 2013, are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,560,033	\$ 92,836,570	\$ 15,929,609	\$ 116,326,212
Interest and dividends, net of expense	114,629	1,649,163	-	1,763,792
Net realized and unrealized investment gains	587,550	8,453,084	-	9,040,634
Contributions	-	-	6,097,221	6,097,221
Amounts appropriated for expenditure	(1,707,450)	(5,124,509)	-	(6,831,959)
Other changes	<u>-</u>	<u>224,000</u>	<u>-</u>	<u>224,000</u>
Change in endowment net assets	<u>(1,005,271)</u>	<u>5,201,738</u>	<u>6,097,221</u>	<u>10,293,688</u>
Endowment net assets, end of year	<u>\$ 6,554,762</u>	<u>\$ 98,038,308</u>	<u>\$ 22,026,830</u>	<u>\$ 126,619,900</u>

9. **ENDOWMENT NET ASSETS (continued)**

The changes in the endowment net assets for the year ended June 30, 2012, are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 9,006,326	\$ 97,515,990	\$ 15,279,184	\$ 121,801,500
Interest and dividends, net of expense	137,492	1,721,954	-	1,859,446
Net realized and unrealized investment losses	(145,814)	(1,826,175)	-	(1,971,989)
Contributions	-	90,000	650,425	740,425
Amounts appropriated for expenditure	(1,745,548)	(4,665,199)	-	(6,410,747)
Other changes	<u>307,577</u>	<u>-</u>	<u>-</u>	<u>307,577</u>
Change in endowment net assets	<u>(1,446,293)</u>	<u>(4,679,420)</u>	<u>650,425</u>	<u>(5,475,288)</u>
Endowment net assets, end of year	<u>\$ 7,560,033</u>	<u>\$ 92,836,570</u>	<u>\$ 15,929,609</u>	<u>\$ 116,326,212</u>

10. **GIFTS AND GRANTS REVENUE**

Operating gifts and grants revenue for the years ended June 30 are summarized as follows:

	2013	2012
County of Erie	\$ 540,000	\$ 535,000
N.Y.S. Council on the Arts	80,000	80,000
Private	<u>2,674,789</u>	<u>2,357,682</u>
	<u>\$ 3,294,789</u>	<u>\$ 2,972,682</u>

11. 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 transaction 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 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 \$132,187, \$109,309, and \$71,178, respectively. The Academy's contributions made to the System were equal to 100 percent of the contributions required for each year.

Additionally, the Academy provides retirement benefits for eligible employees whose employment began on or after April 1, 2002 through a defined contribution plan under IRC Section 403(b), through the Teachers Insurance and Annuity Association and College Retirement Equities Fund. The costs to the Academy for the years ended June 30, 2013 and 2012 were approximately \$107,800 and \$99,600, respectively.

2. 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.

13. FUNCTIONAL EXPENSES

As required by generally accepted accounting principles, operating and non-operating expenses for the years ended June 30, 2013 and 2012 to be allocated by functional classification are summarized below:

	2013	2012
Operating and non-operating expenses:		
Operating expenses	\$ 7,848,263	\$ 7,424,563
Detailed non-operating activities:		
Acquisition, preservation and conservation of works of art	3,568,872	5,713,763
Net change in obligations under trust agreements	23,455	21,943
Investment expenses	<u>323,343</u>	<u>247,993</u>
Total expenses	<u>\$ 11,763,933</u>	<u>\$ 13,408,262</u>
Combined operating and non-operating programs:		
Gallery operations	\$ 4,600,609	\$ 5,744,087
Exhibitions	2,829,850	3,966,880
Education	593,774	519,294
Development and fund raising	309,174	303,524
Cost of sales and expenses of auxiliary activities	892,774	856,578
Management and general:		
Investment expenses	323,343	247,993
Other	<u>2,214,409</u>	<u>1,769,906</u>
Total expenses	<u>\$ 11,763,933</u>	<u>\$ 13,408,262</u>

4. COMMITMENTS

As of June 30, 2013, the Academy has committed to purchase works of art totaling approximately \$1,000,000. The purchases are expected to take place during the year ended June 30, 2014. These amounts have not been recorded as of June 30, 2013, as the Academy has neither possession nor title to these works of art.

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