

**Caramoor Center for Music
and the Arts, Inc.**

Financial Statements

December 31, 2019 and 2018

Independent Auditors' Report

Board of Trustees

Caramoor Center for Music and the Arts, Inc.

We have audited the accompanying financial statements of Caramoor Center for Music and the Arts, Inc. ("Caramoor"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caramoor Center for Music and the Arts, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

Newburgh, New York
October 14, 2020

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Caramoor Center for Music and the Arts, Inc.

Statements of Financial Position

	December 31,	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 471,635	\$ 539,190
Contributions receivable, net	2,262,917	2,539,411
Inventory	14,913	15,808
Prepaid expenses	23,940	20,439
Investments	30,501,984	27,714,920
Property and equipment, net	10,573,205	6,992,040
Art objects	<u>511,370</u>	<u>511,370</u>
	<u>\$ 44,359,964</u>	<u>\$ 38,333,178</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 647,142	\$ 596,152
Deferred revenue	77,491	62,156
Capital lease obligation	<u>39,696</u>	<u>56,360</u>
Total Liabilities	<u>764,329</u>	<u>714,668</u>
Net Assets		
Without Donor Restrictions		
Undesignated	2,682,852	2,574,561
Investment in property and equipment	10,533,509	6,935,680
Board designated funds	<u>1,768,780</u>	<u>619,469</u>
Total Without Donor Restrictions	14,985,141	10,129,710
With donor restrictions	<u>28,610,494</u>	<u>27,488,800</u>
Total Net Assets	<u>43,595,635</u>	<u>37,618,510</u>
	<u>\$ 44,359,964</u>	<u>\$ 38,333,178</u>

See notes to financial statements

Caramoor Center for Music and the Arts, Inc.

Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUE			
Contributions	\$ 2,560,839	\$ -	\$ 2,560,839
Benefit proceeds	1,096,693	-	1,096,693
Ticket sales	972,528	-	972,528
Distribution for operations from invested funds	1,375,205	-	1,375,205
Advertising	12,500	-	12,500
Donated items and services	128,761	-	128,761
Shop sales	12,352	-	12,352
Rental	117,280	-	117,280
Interest from cash equivalents	17,417	-	17,417
Net assets released from donor restrictions	<u>487,017</u>	<u>(487,017)</u>	<u>-</u>
Total Operating Revenue	<u>6,780,592</u>	<u>(487,017)</u>	<u>6,293,575</u>
OPERATING EXPENSES			
Program expenses			
Musical performances	2,961,772	-	2,961,772
Education	600,365	-	600,365
Rosen House, Gardens and Estate	<u>1,235,013</u>	<u>-</u>	<u>1,235,013</u>
Total Program Expenses	4,797,150	-	4,797,150
Supporting expenses			
Management and general	715,771	-	715,771
Fundraising	865,636	-	865,636
Benefit	<u>593,212</u>	<u>-</u>	<u>593,212</u>
Total Supporting Expenses	<u>2,174,619</u>	<u>-</u>	<u>2,174,619</u>
Total Operating Expenses	<u>6,971,769</u>	<u>-</u>	<u>6,971,769</u>
Change in Net Assets from Operations Before Depreciation	(191,177)	(487,017)	(678,194)
Depreciation	<u>(526,889)</u>	<u>-</u>	<u>(526,889)</u>
Change in Net Assets from Operations	(718,066)	(487,017)	(1,205,083)
OTHER CHANGES IN NET ASSETS			
Total return on investments net of distribution for operations from invested funds	1,748,819	1,209,921	2,958,740
Non-operating contributions	-	4,223,468	4,223,468
Net assets released from donor restrictions	<u>3,824,678</u>	<u>(3,824,678)</u>	<u>-</u>
Change in Net Assets	4,855,431	1,121,694	5,977,125
NET ASSETS			
Beginning of year	<u>10,129,710</u>	<u>27,488,800</u>	<u>37,618,510</u>
End of year	<u>\$ 14,985,141</u>	<u>\$ 28,610,494</u>	<u>\$ 43,595,635</u>

See notes to financial statements

Caramoor Center for Music and the Arts, Inc.

Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
Contributions	\$ 2,467,475	\$ -	\$ 2,467,475
Benefit proceeds	1,411,420	-	1,411,420
Ticket sales	1,096,738	-	1,096,738
Distribution for operations from invested funds	1,285,777	-	1,285,777
Advertising	12,500	-	12,500
Donated items and services	317,870	-	317,870
Shop sales	25,749	-	25,749
Rental	119,879	-	119,879
Interest from cash equivalents	7,908	-	7,908
Net assets released from donor restrictions	<u>170,875</u>	<u>(170,875)</u>	<u>-</u>
Total Operating Revenue	<u>6,916,191</u>	<u>(170,875)</u>	<u>6,745,316</u>
OPERATING EXPENSES			
Program expenses			
Musical performances	3,176,551	-	3,176,551
Education	607,734	-	607,734
Rosen House, Gardens and Estate	<u>854,105</u>	<u>-</u>	<u>854,105</u>
Total Program Expenses	4,638,390	-	4,638,390
Supporting expenses			
Management and general	597,284	-	597,284
Fundraising	1,050,758	-	1,050,758
Benefit	<u>617,603</u>	<u>-</u>	<u>617,603</u>
Total Supporting Expenses	<u>2,265,645</u>	<u>-</u>	<u>2,265,645</u>
Total Operating Expenses	<u>6,904,035</u>	<u>-</u>	<u>6,904,035</u>
Change in Net Assets from Operations Before Depreciation	12,156	(170,875)	(158,719)
Depreciation	<u>(445,480)</u>	<u>-</u>	<u>(445,480)</u>
Change in Net Assets from Operations	(433,324)	(170,875)	(604,199)
OTHER CHANGES IN NET ASSETS			
Total return on investments net of distribution for operations from invested funds	(163,497)	(3,648,348)	(3,811,845)
Non-operating contributions	-	5,641,230	5,641,230
Net assets released from donor restrictions	<u>1,599,514</u>	<u>(1,599,514)</u>	<u>-</u>
Change in Net Assets	1,002,693	222,493	1,225,186
NET ASSETS			
Beginning of year	<u>9,127,017</u>	<u>27,266,307</u>	<u>36,393,324</u>
End of year	<u>\$ 10,129,710</u>	<u>\$ 27,488,800</u>	<u>\$ 37,618,510</u>

See notes to financial statements

Caramoor Center for Music and the Arts, Inc.

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services				Supporting Services				
	Musical Performances	Education	Rosen House, Gardens and Estate	Total	Management and General	Fund-raising	Benefit	Total	Total
Salaries	\$ 614,884	\$ 267,117	\$ 506,871	\$ 1,388,872	\$ 399,781	\$ 528,472	\$ 102,252	\$ 1,030,505	\$ 2,419,377
Employee benefits	88,067	36,451	81,712	206,230	107,370	63,811	10,531	181,712	387,942
Payroll taxes	58,680	19,677	36,096	114,453	27,078	34,610	8,675	70,363	184,816
Payroll processing	-	-	-	-	18,288	-	-	18,288	18,288
Accounting and legal	-	-	-	-	44,075	-	-	44,075	44,075
Advertising	306,221	4,490	7,640	318,351	-	4,933	2,825	7,758	326,109
Bank and credit card charges	30,693	1,525	1,545	33,763	17,125	25,071	6,101	48,297	82,060
Brochures and programs	78,064	6,568	5,143	89,775	2,212	22,521	16,297	41,030	130,805
Donated services and items	2,845	1,000	997	4,842	1,100	18,419	107,431	126,950	131,792
Shop merchandise and supplies	-	-	5,222	5,222	-	-	-	-	5,222
Utilities	39,189	24,259	48,104	111,552	5,961	5,961	6,065	17,987	129,539
Equipment rental, repairs, and maintenance	257,136	19,198	176,110	452,444	33,580	54,652	90,642	178,874	631,318
Fees - artists	910,924	129,565	10,650	1,051,139	1,200	17,000	51,526	69,726	1,120,865
Fees - consultants	-	10,000	10,000	20,000	19,420	15,478	-	34,898	54,898
Fees - press agents	60,029	3,744	7,489	71,262	-	-	3,744	3,744	75,006
Fees - technical staff	178,043	6,677	174	184,894	-	648	16,701	17,349	202,243
Food and beverage	70,470	11,618	3,665	85,753	4,106	15,160	111,758	131,024	216,777
Insurance - other	57,405	25,874	46,327	129,606	6,721	6,721	-	13,442	143,048
Meetings and entertainment	2,911	-	384	3,295	2,818	1,313	-	4,131	7,426
Postage and supplies	18,131	260	6,653	25,044	16,899	21,960	3,398	42,257	67,301
Production	82,280	7,577	40,585	130,442	248	6,236	43,731	50,215	180,657
Promotions	7,659	180	28	7,867	-	7,886	5,603	13,489	21,356
Restoration	-	-	227,739	227,739	-	-	-	-	227,739
Security systems	16,960	2,162	1,858	20,980	1,524	-	450	1,974	22,954
Space rentals	3,055	500	2,915	6,470	-	-	-	-	6,470
Telephone	21,677	7,498	6,999	36,174	3,946	8,998	2,499	15,443	51,617
Bad debt expense	-	-	-	-	-	2,650	-	2,650	2,650
Travel and accommodations	56,449	14,425	107	70,981	2,319	3,136	2,983	8,438	79,419
Total Operating Expenses	2,961,772	600,365	1,235,013	4,797,150	715,771	865,636	593,212	2,174,619	6,971,769
Depreciation	105,378	105,378	158,067	368,823	52,689	52,688	52,689	158,066	526,889
Totals	\$ 3,067,150	\$ 705,743	\$ 1,393,080	\$ 5,165,973	\$ 768,460	\$ 918,324	\$ 645,901	\$ 2,332,685	\$ 7,498,658

See notes to financial statements

Caramoor Center for Music and the Arts, Inc.

Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services				Supporting Services				
	Musical Performances	Education	Rosen House, Gardens and Estate	Total	Management and General	Fund-raising	Benefit	Total	Total
Salaries	\$ 611,932	\$ 270,801	\$ 419,159	\$ 1,301,892	\$ 305,394	\$ 588,740	\$ 90,530	\$ 984,664	\$ 2,286,556
Employee benefits	81,173	33,145	69,459	183,777	74,768	79,219	8,640	162,627	346,404
Payroll taxes	58,310	19,838	30,130	108,278	21,245	38,253	6,619	66,117	174,395
Payroll processing	-	-	-	-	14,026	-	-	14,026	14,026
Accounting and legal	347	-	-	347	43,775	-	-	43,775	44,122
Advertising	310,918	5,689	4,000	320,607	12	4,626	1,436	6,074	326,681
Bank and credit card charges	32,483	1,623	1,626	35,732	7,550	25,975	6,472	39,997	75,729
Brochures and programs	74,291	5,226	2,961	82,478	1,575	52,862	16,030	70,467	152,945
Donated services and items	143,887	-	12,498	156,385	5,030	16,549	96,069	117,648	274,033
Shop merchandise and supplies	-	-	14,124	14,124	-	-	-	-	14,124
Utilities	38,676	20,740	41,802	101,218	4,968	4,968	5,185	15,121	116,339
Equipment rental, repairs, and maintenance	255,310	12,865	118,161	386,336	33,895	59,951	111,736	205,582	591,918
Fees - artists	995,630	151,350	13,650	1,160,630	1,000	12,250	43,100	56,350	1,216,980
Fees - consultants	-	-	-	-	25,299	43,714	-	69,013	69,013
Fees - press agents	55,375	3,350	6,700	65,425	-	10,000	3,350	13,350	78,775
Fees - technical staff	189,726	5,961	385	196,072	88	1,393	17,531	19,012	215,084
Food and beverage	63,847	11,328	1,966	77,141	9,540	47,932	141,419	198,891	276,032
Insurance - other	52,070	23,114	49,404	124,588	16,905	6,080	-	22,985	147,573
Meetings and entertainment	3,289	172	185	3,646	4,045	1,122	46	5,213	8,859
Postage and supplies	21,857	2,888	3,506	28,251	17,458	20,973	4,627	43,058	71,309
Production	83,999	6,670	10,017	100,686	109	7,719	49,798	57,626	158,312
Promotions	5,175	-	-	5,175	20	13,376	6,195	19,591	24,766
Restoration	-	-	44,391	44,391	-	-	-	-	44,391
Security systems	19,412	2,141	2,015	23,568	1,541	-	450	1,991	25,559
Space rentals	5,034	-	-	5,034	-	-	-	-	5,034
Telephone	23,060	8,044	7,508	38,612	4,311	9,653	2,681	16,645	55,257
Temporary help	-	-	-	-	-	594	-	594	594
Travel and accommodations	50,750	22,789	458	73,997	4,730	4,809	5,689	15,228	89,225
Total Operating Expenses	<u>3,176,551</u>	<u>607,734</u>	<u>854,105</u>	<u>4,638,390</u>	<u>597,284</u>	<u>1,050,758</u>	<u>617,603</u>	<u>2,265,645</u>	<u>6,904,035</u>
Depreciation	<u>133,644</u>	<u>89,096</u>	<u>89,096</u>	<u>311,836</u>	<u>33,412</u>	<u>66,821</u>	<u>33,411</u>	<u>133,644</u>	<u>445,480</u>
Totals	<u>\$ 3,310,195</u>	<u>\$ 696,830</u>	<u>\$ 943,201</u>	<u>\$ 4,950,226</u>	<u>\$ 630,696</u>	<u>\$ 1,117,579</u>	<u>\$ 651,014</u>	<u>\$ 2,399,289</u>	<u>\$ 7,349,515</u>

See notes to financial statements

Caramoor Center for Music and the Arts, Inc.

Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,977,125	\$ 1,225,186
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	526,889	445,480
Net realized gains on sale of investments	(139,552)	(1,366,463)
Unrealized (appreciation) depreciation on investments	(3,481,574)	4,489,577
Contributions restricted for capital and endowment	(4,223,468)	(5,641,230)
Net change in operating assets and liabilities	<u>(35,909)</u>	<u>(1,225,594)</u>
Net Cash from Operating Activities	<u>(1,376,489)</u>	<u>(2,073,044)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	6,612,109	8,361,723
Purchase of investments	(5,778,047)	(10,312,898)
Purchase of property and equipment	<u>(4,108,054)</u>	<u>(2,066,076)</u>
Net Cash from Investing Activities	<u>(3,273,992)</u>	<u>(4,017,251)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from contributions restricted for capital and endowment	4,599,590	6,017,352
Principal payments on capital lease	<u>(16,664)</u>	<u>(15,348)</u>
Net Cash from Financing Activities	<u>4,582,926</u>	<u>6,002,004</u>
Net Change in Cash and Cash Equivalents	(67,555)	(88,291)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>539,190</u>	<u>627,481</u>
End of year	<u>\$ 471,635</u>	<u>\$ 539,190</u>
SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash paid during the year for interest	\$ 960	\$ 960

See notes to financial statements

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

1. Organization and Taxation

Caramoor Center for Music and the Arts, Inc. (“Caramoor”) – a unique Westchester County setting of Italianate architecture and gardens – enriches the lives of its audiences through innovative and diverse musical performances of the highest quality, mentors young professional musicians, and engages young children through interactive educational experiences that deepen their relationship to and understanding of music.

Caramoor is a charitable organization and is exempt from federal income taxes under Sections 501(c)(3) and 509(a)(2) of the Internal Revenue Code of 1986 as amended.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Policies

- (i) Effective January 1, 2019, Caramoor adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance.

The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. This guidance also requires new or expanded disclosures related to judgments made by entities when following this framework.

Analysis of various provisions of this standard resulted in no significant changes in the way Caramoor recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The new guidance requires Caramoor to not recognize revenue until it is probable of collection. Based on Caramoor’s strong collection experience, management has concluded that all revenue recognized is probable of collection.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Policies (continued)

- (ii) Effective January 1, 2019, Caramoor adopted Accounting Standards Update (“ASU”) ASU 2018-08, Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way Caramoor recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Net Asset Presentation

Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of Caramoor. Net assets with donor restrictions are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature or satisfied by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be held in perpetuity.

Revenue Recognition

Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the same period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue from advance ticket sales are recognized when the event occurs. Revenue and support from special events are recognized when realizable and earned.

Operating Measure

Caramoor has elected to present an operating measure in its statement of activities. Accordingly, items affecting operations are segregated from those not affecting operations. Among items not affecting operations are a portion of investment income not used for operations, contributions restricted for capital purposes or otherwise permanently restricted and net assets released from restrictions to finance property improvements.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurement of Financial Instruments

Caramoor follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the Net Asset Value ("NAV") as a practical expedient for fair value are not categorized within the fair value hierarchy.

Caramoor's financial instruments consist of cash and investments. The carrying value of investments are based on quoted market prices where available or other appropriate valuation methodologies. The estimated fair value of certain limited partnership investments and real estate funds is based on valuations provided by the external investment managers as of December 31, 2019 and 2018. Because the limited partnerships and real estate funds are not readily marketable, their estimated value is subject to uncertainty and therefore may be materially different from the value that would have been used had a ready market existed.

Investments Valuation and Income Recognition

Investments are carried at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Cash and Cash Equivalents

Caramoor considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Contributions and Other Receivables

Contributions receivable are recorded when the contribution is received, or in the case of unconditional promises to give, when the promise is made. An estimate of uncollectible promises has been made and included as an offset to contributions receivable. Caramoor believes all other receivables are current and collectible.

All unconditional pledges receivable greater than one year are recorded at their estimated realizable value on a discounted basis. The discount is recognized as a reduction in contribution revenue and is amortized over the duration of the pledges.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Property and Equipment

Property and equipment is recorded at cost, or at fair value as of the date of the gift, if received by gift. Real estate received by gift from Walter T. Rosen and Lucie B. Rosen (90 acres of land) is stated at its assessed value at the date of the gift in 1968. Caramoor capitalizes property and equipment acquisitions that have estimated useful lives longer than one year and depreciates its long-lived tangible assets, except those designated as works of art, using the straight-line method. The estimated useful lives currently in use are 15-50 years for buildings and the garden, 23-40 years for the theatre, 3-25 years for equipment, 4-5 years for automobiles and trucks and 5-10 years for furniture and fixtures.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the period of disposition. The cost of maintenance and repairs is charged to expense as incurred.

Capitalized Construction Costs

Capitalized construction costs related to costs incurred in the pre-construction phase of the project are added to the cost of the underlying assets.

Art Objects

Art objects are recorded at the appraised value at the date of donation, or at cost when purchased or improved. Items include furniture and decorative and fine works of art donated in 1968.

Deferred Revenue

Deferred revenue consists of payments received for events to take place at a future date and is recognized as revenue in the period when the event occurs.

Donated Items and Services

Donated items consist of items received by Caramoor for consumption, décor, or auctions held in relation to special events. These amounts are recorded as both revenue and expense at their estimated fair values at the date of receipt. Caramoor recognizes the fair value of donated services which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Contributed services which do not meet these criteria are not recognized as revenue and are not reported in the accompanying financial statements.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation without affecting previously reported net assets or changes in net assets.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Functional Expense Reporting

The financial statements report certain categories of expenses that are attributable to program and supporting services of Caramoor. Therefore, these expenses require an allocation using a reasonable basis that is consistently applied. The expenses that are allocated include salaries and personnel costs which are allocated based on estimates of time and effort and other expenses which include office and administrative expenses which are allocated based on the functions receiving the benefit.

Advertising Costs

Advertising costs are expensed as incurred.

Accounting for Uncertainty in Income Taxes

Caramoor recognizes the effects of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Caramoor had no uncertain tax positions that would require financial statement recognition and/or disclosure.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date the financial statements were available to be issued, which date is October 14, 2020.

3. Concentrations of Credit Risk

Financial instruments that potentially subject Caramoor to concentrations of credit risk consist primarily of cash, investments and receivables. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation insurance limit. Caramoor's investments in TIFF investments comprise 95.97% and 93.45% of total investments at December 31, 2019 and 2018. In 2019, no single donor accounted for more than 10% of total revenue. In 2018, one single donor accounted for approximately 12% of total revenue. Caramoor's receivables are primarily from its Trustees and other long standing contributors. Caramoor believes that its cash, investments and receivables do not present a material credit risk.

4. Contributions Receivable

Contributions receivable, net consist of the following at December 31:

	2019	2018
Due in less than one year	\$1,071,668	\$1,200,586
Due in one to five years	1,202,424	1,300,000
Due in more than five years	-	50,000
Total Pledge Receivable	2,274,092	2,550,586
Allowance for doubtful accounts	(11,175)	(11,175)
Contributions Receivable, Net	<u>\$2,262,917</u>	<u>\$2,539,411</u>

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

5. Endowments, Investments and Investment Return

Interpretation of Law

Caramoor follows the provisions of the New York State Uniform Prudent Management of Institutional Funds Act (“NYPMIFA”). Consistent with its interpretation of NYPMIFA, Caramoor classified as donor restricted net assets held in perpetuity as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not held in perpetuity are subject to appropriation in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Return Objectives and Risk Parameters

Caramoor maintains various donor-restricted endowment funds and Board designated quasi-endowment funds whose purpose is to provide long term support for its programs and facilities. Caramoor has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while attempting to maintain purchasing power of the endowment assets.

Caramoor utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub classes. The overall investment objective of the Caramoor donor-restricted endowment funds and Board designated quasi-endowment funds (collectively, the “Endowment”) is to provide the greatest level of support for operating expenses and capital maintenance of Caramoor consistent with the preservation of purchasing power of the Endowment. To balance the current and future needs for operating and maintenance support, Caramoor’s investment policy seeks to maintain or enhance the real (inflation-adjusted) purchasing power of the Endowment, net of payments pursuant to the spending policy described below. This objective leads to an equity-oriented investment strategy, which in turn implies that the total market value and amount available to support Caramoor’s operations will likely fluctuate from year to year. The investment performance objective is to attain, over a majority of market cycles, an annualized real total return, net of fees, of at least 5% per annum.

Spending Rate Methods

Caramoor has adopted a policy of annually expending amounts from its invested funds maintained as donor-restricted endowment and Board designated quasi-endowment funds to support current operations based on five percent of a three-year quarterly average fair value of investments held. In 2018, the Board approved a distribution for 2018 based on five percent of investments fair value as of September 30, 2017 to reflect the significant increase in the endowment’s corpus. In 2019, the Board approved a distribution for 2019 based on five percent of the investments fair value for the previous four quarters ending September 30, 2018. In addition, with the approval of its Trustees, Caramoor has used Board designated quasi-endowment funds for operating and capital purposes.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

5. Endowments, Investments and Investment Return (continued)

The following is a reconciliation of the activity in the endowment funds for 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2018	<u>\$2,079,328</u>	<u>\$ 23,683,787</u>	<u>\$ 25,763,115</u>
Contributions and pledge collections	-	768,331	768,331
Distribution from Board designated quasi-endowment	<u>(470,851)</u>	-	<u>(470,851)</u>
Subtotal	<u>(470,851)</u>	<u>768,331</u>	<u>297,480</u>
Investment income, net	253,078	448,428	701,506
Unrealized appreciation	<u>26,191</u>	<u>3,586,905</u>	<u>3,613,096</u>
Total Investment Income	<u>279,269</u>	<u>4,035,333</u>	<u>4,314,602</u>
Expenditure of amounts appropriated	<u>(118,966)</u>	<u>(1,256,240)</u>	<u>(1,375,206)</u>
Total return on endowment fund investments net of distribution for operations	<u>160,303</u>	<u>2,779,093</u>	<u>2,939,396</u>
Balance, December 31, 2019	<u>\$ 1,768,780</u>	<u>\$ 27,231,211</u>	<u>\$ 28,999,991</u>
Comprised of the Following			
Donor-restricted funds	\$ -	\$ 27,231,211	\$ 27,231,211
Board designated funds	1,768,780	-	<u>1,768,780</u>
			28,999,991
Investments not considered endowments			<u>1,501,993</u>
Total Investments			<u>\$ 30,501,984</u>

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

5. Endowments, Investments and Investment Return (continued)

The following is a reconciliation of the activity in the endowment funds for 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2017	<u>\$ 2,426,656</u>	<u>\$ 24,986,959</u>	<u>\$ 27,413,615</u>
Contributions and pledge collections	-	2,218,287	2,218,287
Distribution from Board designated quasi-endowment	<u>(49,004)</u>	-	<u>(49,004)</u>
Subtotal	<u>(49,004)</u>	<u>2,218,287</u>	<u>2,169,283</u>
Investment income, net	38,929	565,251	604,180
Unrealized depreciation	<u>(202,204)</u>	<u>(2,935,982)</u>	<u>(3,138,186)</u>
Total Investment Income	<u>(163,275)</u>	<u>(2,370,731)</u>	<u>(2,534,006)</u>
Expenditure of amounts appropriated	<u>(135,049)</u>	<u>(1,150,728)</u>	<u>(1,285,777)</u>
Total return on endowment fund investments net of distribution for operations	<u>(298,324)</u>	<u>(3,521,459)</u>	<u>(3,819,783)</u>
Balance, December 31, 2018	<u><u>\$ 2,079,328</u></u>	<u><u>\$ 23,683,787</u></u>	<u><u>\$ 25,763,115</u></u>
Comprised of the Following			
Donor-restricted funds	\$ -	\$ 25,143,646	\$ 25,143,646
Board designated funds	619,469 *	-	<u>619,469</u>
			25,763,115
Investments not considered endowments			<u>1,951,805</u>
Total Investments			<u><u>\$ 27,714,920</u></u>

* See explanation below for difference

Underwater Endowment Funds with Deficiencies

If donor-restricted endowment funds held in perpetuity have experienced losses below the donor-restricted amount of such funds due to market fluctuations, U.S. GAAP requires that such excess losses be reflected in the net assets without donor restrictions of Caramoor. Donor-restricted endowment funds were not underwater as of December 31, 2019.

(*) Deficiencies of this nature exist in fourteen donor-restricted endowment funds, which together have an original gift value of \$20,431,238, a current fair value of \$18,971,379, and a deficiency of \$1,459,859 as of December 31, 2018.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

5. Endowments, Investments and Investment Return (continued)

The following are major categories of investments measured at fair value on a recurring basis at December 31 grouped by the fair value hierarchy:

Description	2019	2018
Level 2 Investments		
Pooled mutual funds	\$ 1,892,331	\$ 2,147,758
TIFF Multi-asset		
Equities	18,429,214	16,071,293
Bonds	5,033,530	3,260,842
Other hedging assets	<u>3,599,244</u>	<u>3,959,594</u>
Total Level 2 Investments	28,954,319	25,439,487
Alternative investments		
Real estate funds (1)	107,881	155,619
Private equity (1)	210,109	303,530
Invested cash	<u>1,229,675</u>	<u>1,816,284</u>
Total Investments	<u>\$ 30,501,984</u>	<u>\$ 27,714,920</u>

(1) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in the total column of this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Information regarding alternative investments measured at NAV using the practical expedient at December 31, 2019, is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Eligible)	Redemption Notice Period
Real estate funds (see "a" below)	\$107,881	\$ 148,391	N/A	N/A
Private equity funds (see "b" below)	210,109	75,000	N/A	N/A

Information regarding alternative investments measured at NAV using the practical expedient at December 31, 2019, is as follows:

- a. This category is comprised of funds of funds which invest primarily in real estate and natural resource partnerships. The primary objective is to preserve and enhance capital values during periods of high inflation and to provide positive investment returns during other periods. It is estimated that the underlying assets of the fund will be liquidated over the next 1 to 9 years.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

5. Endowments, Investments and Investment Return *(continued)*

- b. This category consists of funds of funds which invest primarily in private equity investment partnerships. The primary objective is to generate returns in excess of those provided by publicly traded equity markets. It is estimated that the underlying assets of the fund will be liquidated over 6 years.

Investment return is calculated as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends from investments	\$ 725,052	\$ 616,619
Investment fees	(12,233)	(19,573)
Net realized gains on sale of investments	139,552	1,366,463
Unrealized appreciation (depreciation) on investments	<u>3,481,574</u>	<u>(4,489,577)</u>
	<u>\$ 4,333,945</u>	<u>\$ (2,526,068)</u>
Total return on investments is reflected in the statement of activities as follows:		
Distribution for operations from investment funds	\$ 1,375,205	\$ 1,285,777
Total return on investments net of distribution for operations from investment funds	<u>2,958,740</u>	<u>(3,811,845)</u>
	<u>\$ 4,333,945</u>	<u>\$ (2,526,068)</u>

6. Risks and Uncertainties

Alternative Investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Investments are carried at fair value. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

7. Property and Equipment

Property and equipment, net, consists of the following at December 31:

	2019	2018
Land	\$ 58,531	\$ 58,531
Buildings and theatre	7,349,980	7,189,489
Garden	250,557	250,557
Equipment	5,516,171	3,591,079
Vehicles	164,922	149,107
Furniture and fixtures	735,131	715,262
Land improvements	1,013,250	891,574
Construction-in-progress	3,680,870	1,815,759
	<u>18,769,412</u>	<u>14,661,358</u>
Less accumulated depreciation	<u>8,196,207</u>	<u>7,669,318</u>
	<u>\$ 10,573,205</u>	<u>\$ 6,992,040</u>

Caramoor completed the final phase of the five-year \$7.5 million Rosen House Restoration and Improvement Project in 2019, with the focus on the Music Room and Dining Room. Caramoor also began work on the \$5.7 million Visitor Experience Project focused on the outdoor experience. Work includes upgrading utility infrastructure, ADA accessibility, visitor amenities, building a permanent box office, improving landscaping, and making Friends Field a permanent outdoor venue. Construction-in-progress consists of expenditures incurred on the Visitors Experience Project at Caramoor that have not been placed into service.

In 2017, Caramoor acquired an asset under a capital lease agreement. The cost of the equipment totals \$80,661 and accumulated amortization totaled \$39,681 and \$24,317 as of December 31, 2019 and 2018.

8. Capital Lease Obligation

Caramoor's office equipment lease extends through August 2022. Future minimum lease payments at December 31, 2019 are as follows:

2020	\$ 16,308
2021	16,308
2022	<u>10,872</u>
Minimum Lease Payments	43,488
Less amounts representing interest	<u>(3,792)</u>
Present Value of Minimum Obligations under Capital Leases	<u>\$ 39,696</u>

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

9. Liquidity and Availability

Caramoor's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of program revenue.

At December 31, 2019, Caramoor has an endowment fund of \$29 million, approximately \$1.8 million of which is in a board-designated fund, \$24.1 million in investments to be held in perpetuity and \$3.1 million of accumulated income to be expended per donor restrictions. Caramoor's board designated fund is, at the Board of Trustees' discretion, to be drawn upon in the event of need by Caramoor. The investments held in perpetuity generate income which is used in connection with the donor's wishes.

The following reflects Caramoor's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use within one year of that date because of donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for operations and other reserves that could be drawn upon if the Board of Trustees approves that action.

Total financial assets available to meet cash needs for general expenditures within one year at December, 31 are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 471,635	\$ 539,190
Contributions receivables due in one year	1,071,668	2,539,411
Investments	<u>30,501,984</u>	<u>27,714,920</u>
Financial assets at year end	32,045,287	30,793,521
Less amounts unavailable for general expenditures due to:		
Perpetual in nature	(24,568,570)	(24,247,369)
Subject to satisfaction of donor purpose restrictions	(4,041,924)	(3,241,431)
Board designated funds	(1,768,780)	(577,704)
Plus amounts available for general expenditures due to:		
Appropriation from endowment for general expenditure in subsequent year	<u>1,363,418</u>	<u>1,374,238</u>
Financial assets at year end available to meet cash needs for general expenditures	<u>\$ 3,029,431</u>	<u>\$ 4,101,255</u>

As part of Caramoor's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Caramoor invests cash in excess of daily requirements in short-term investments. Although Caramoor does not intend to spend from its board designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts could be made available if necessary.

In 2020, Caramoor opened a \$2 million line of credit to pay for capital expenditures for the Visitors Experience Project. Borrowings are expected to be repaid upon collection of the multi-year contribution receivable restricted by donors for the project.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

10. Net Assets with Donor Restrictions

Net assets with donor restrictions consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specific purpose		
Capital improvements and maintenance	\$ 595,047	\$ 1,397,328
Musical performances	1,046,525	670,969
Education	1,337,351	821,884
Programs	<u>922,743</u>	<u>135,471</u>
Total Purpose Restrictions	<u>3,901,666</u>	<u>3,025,652</u>
Subject to the passage of time		
Time restricted	<u>140,258</u>	<u>215,779</u>
Perpetual in nature		
Capital improvements and maintenance	\$ 1,624,447	\$ 1,624,447
Musical performances	4,650,987	4,648,487
Education	4,121,048	4,103,848
Operations	<u>14,172,088</u>	<u>13,870,587</u>
Total Perpetual in Nature	<u>24,568,570</u>	<u>24,247,369</u>
Total With Donor Restrictions	<u>\$ 28,610,494</u>	<u>\$ 27,488,800</u>

Donor-restricted net assets were released from restrictions for the following purposes during the years ended December 31:

	<u>2019</u>	<u>2018</u>
Operating		
Programs	\$ 487,017	\$ 170,875
Non-operating		
Capital projects	3,824,678	1,559,514

11. Board Designated Funds

Caramoor maintains a reserve fund to be used for future capital improvements and operations amounting to \$1,768,780 and \$619,469 at December 31, 2019 and 2018. It is reflected as board designated net assets without donor restrictions on the statements of financial position.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

12. Net Change in Operating Assets and Liabilities

The net change in operating, assets and liabilities reported for cash flow purposes consisted of the following for the year ended December 31:

	<u>2019</u>	<u>2018</u>
Decrease (Increase) in:		
Contributions receivable	\$ (99,628)	\$ (1,557,441)
Other receivables	-	900
Inventory	895	(1,016)
Prepaid expenses	(3,501)	26,734
Increase (Decrease) in:		
Accounts payable and accrued expenses	50,990	306,047
Deferred revenue	<u>15,335</u>	<u>(818)</u>
	<u>\$ (35,909)</u>	<u>\$ (1,225,594)</u>

13. Pension Plan

Caramoor has a defined contribution pension plan covering eligible employees. Annually, 3% of employee compensation is contributed by Caramoor to the plan. Caramoor will also match up to 1% of employee compensation. At the discretion of the Board of Trustees, Caramoor may also contribute up to another 3% of employee compensation. There was no discretionary contribution made in 2019 or 2018. Pension expense for the years ended December 31, 2019 and 2018 totaled \$83,861 and \$75,894.

14. Contingencies

From time to time, various claims and litigation generally incident to the conduct of normal business are pending or may arise against Caramoor. In the opinion of management of Caramoor, taking into account insurance coverage, losses, if any, from the resolution of pending litigation should not have a material effect on Caramoor's financial position or results of operations. As of December 31, 2019, there was no known pending litigation.

15. Subsequent Events

Subsequent to year end, the COVID-19 pandemic has resulted in substantial volatility in the global financial markets. As a result, Caramoor's investment portfolio has incurred a decline in its fair value since December 31, 2019. On March 13, 2020, Caramoor temporarily closed to the public and cancelled all of its public events in the spring and summer season. However, Caramoor developed a new summer plan, Summer 20/2.0, to present livestream, in-person live concerts, and to open as a park to the extent allowed by governing agencies. Caramoor is also assessing changes to its normal fall programming to provide online viewing options.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

15. Subsequent Events *(continued)*

Caramoor applied for and received a Paycheck Protection Program loan (“PPP loan”) in the amount of \$458,753 from the Small Business Administration. Interest payments on the PPP loan will be at a rate of 1.0% per annum. Management expects a significant portion of the PPP loan to be forgiven in accordance with the terms of the program.

These events have no impact on the 2019 financial statements, however the full extent of any adverse impact on the results of operations, financial position and cash flows in 2020 cannot be reasonably estimated at this time.

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