



**The Elaine Kaufman Cultural Center
Lucy Moses School for Music and Dance
d/b/a Kaufman Music Center**

**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended August 31, 2024 and 2023

THE ELAINE KAUFMAN CULTURAL CENTER
LUCY MOSES SCHOOL FOR MUSIC AND DANCE
d/b/a KAUFMAN MUSIC CENTER

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED AUGUST 31, 2024 AND 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Elaine Kaufman Cultural Center
Lucy Moses School for Music and Dance
d/b/a Kaufman Music Center
New York, NY

Opinion

We have audited the financial statements of The Elaine Kaufman Cultural Center/ Lucy Moses School for Music and Dance (the "Kaufman Music Center"), which comprise the statements of financial position as of August 31, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Kaufman Music Center as of August 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Kaufman Music Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kaufman Music Center's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

CBIZ CPAs P.C.
685 Third Avenue
New York, NY 10017

Phone: 212.503.8800
cbizcpas.com



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Kaufman Music Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kaufman Music Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CBIZ CPAs P.C.¹

New York, NY
January 22, 2025

¹In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

**THE ELAINE KAUFMAN CULTURAL CENTER
LUCY MOSES SCHOOL FOR MUSIC AND DANCE
d/b/a KAUFMAN MUSIC CENTER
STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2024 AND 2023**

	2024	2023
Assets		
Cash and cash equivalents (Notes 2C and 12)	\$ 2,240,027	\$ 2,366,982
Investments (Notes 2G and 4)	18,664,056	16,890,872
Accounts receivable, net (Notes 2E and 2I)	7,465	13,282
Contributions receivable, net (Notes 2D and 5)	3,074,288	1,955,398
Government grants receivable (Note 2M)	158,268	101,370
Lease receivable - operating (Note 2L)	214,880	107,440
Accrued interest and other receivables	70,294	158,085
Prepaid expenses and other assets	158,325	102,533
Property and equipment, net (Notes 2F and 6)	8,578,728	9,295,814
Total assets	\$ 33,166,331	\$ 30,991,776
Liabilities		
Accounts payable and accrued expenses	\$ 207,587	\$ 178,816
Accrued salaries payable	115,893	115,277
Deferred revenue - ticket sales (Notes 2I and 2K)	367,394	386,828
Deferred revenue - tuition and other fees (Note 2I)	683,636	849,783
Total liabilities	1,374,510	1,530,704
Commitments and Contingencies (Note 7)		
Net Assets (Note 2B)		
Without donor restrictions	15,645,412	16,698,240
With donor restrictions (Notes 8 and 9)	16,146,409	12,762,832
Total net assets	31,791,821	29,461,072
Total liabilities and net assets	\$ 33,166,331	\$ 30,991,776

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

**THE ELAINE KAUFMAN CULTURAL CENTER
LUCY MOSES SCHOOL FOR MUSIC AND DANCE
d/b/a KAUFMAN MUSIC CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023**

	Year Ended August 31, 2024			Year Ended August 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Tuition and related revenues (Notes 2I and 2J) (net of scholarships of \$175,390 in 2024 and \$124,659 in 2023)	\$ 3,509,904	\$ -	\$ 3,509,904	\$ 3,122,272	\$ -	\$ 3,122,272
Presentation/facilities services (Note 2K)	1,543,847	-	1,543,847	1,584,412	-	1,584,412
Contributions (Notes 2H and 2M)	2,035,346	2,013,338	4,048,684	1,691,135	928,498	2,619,633
Contributions-in-kind (Note 2H)	48,339	-	48,339	53,073	-	53,073
Special events (Note 2O) (net of direct expenses of \$117,813 in 2024 and \$116,155 in 2023)	472,306	-	472,306	561,951	-	561,951
Rental income (Notes 2L and 10)	967,222	-	967,222	966,960	-	966,960
Government grants (Note 2M)	253,328	-	253,328	321,895	-	321,895
Contracted services	55,725	-	55,725	64,572	-	64,572
Investment return, net (Notes 2G and 4)	137,115	2,676,281	2,813,396	31,848	712,916	744,764
Other income	10,739	-	10,739	2,578	-	2,578
Net assets released from restrictions (Notes 2B and 8)	1,306,042	(1,306,042)	-	1,385,553	(1,385,553)	-
Total revenues, gains and other support	10,339,913	3,383,577	13,723,490	9,786,249	255,861	10,042,110
Expenses (Note 2N)						
Program expenses	10,059,324	-	10,059,324	9,361,164	-	9,361,164
Supporting services:						
Management and general	214,349	-	214,349	285,272	-	285,272
Fundraising	1,119,068	-	1,119,068	1,077,103	-	1,077,103
Total supporting services	1,333,417	-	1,333,417	1,362,375	-	1,362,375
Total expenses	11,392,741	-	11,392,741	10,723,539	-	10,723,539
Excess (deficiency) of revenues, gains and other support over expenses	(1,052,828)	3,383,577	2,330,749	(937,290)	255,861	(681,429)
Other changes in net assets						
Note receivable forgiveness (Note 13)	-	-	-	(65,281)	-	(65,281)
Termination of interest in Opus 118 (Notes 1 and 13)	-	-	-	(74,125)	(37,901)	(112,026)
Change in Net Assets	(1,052,828)	3,383,577	2,330,749	(1,076,696)	217,960	(858,736)
Net Assets, Beginning of Year	16,698,240	12,762,832	29,461,072	17,774,936	12,544,872	30,319,808
Net Assets, End of Year	\$ 15,645,412	\$ 16,146,409	\$ 31,791,821	\$ 16,698,240	\$ 12,762,832	\$ 29,461,072

THE ELAINE KAUFMAN CULTURAL CENTER
LUCY MOSES SCHOOL FOR MUSIC AND DANCE
d/b/a KAUFMAN MUSIC CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2024
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2023)

	Program Services									Supporting Services			Total	
	Lucy Music School	Special Music School K-8	Special Music School H.S.	Theatre Program	Presentations/Facilities Services	Face The Music/Luna Lab	Library	Special Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	2024	2023
Salaries	\$ 2,572,353	\$ 1,043,456	\$ 826,947	\$ 334,780	\$ 1,083,551	\$ 57,944	\$ 16,230	\$ 20,983	\$ 5,956,244	\$ 51,290	\$ 684,997	\$ 736,287	\$ 6,692,531	\$ 6,405,523
Payroll taxes and employee benefits (Note 11)	453,744	200,086	132,134	53,853	288,627	12,241	6,911	16,182	1,163,778	11,923	159,921	171,844	1,335,622	1,213,373
Total salaries and related expenses	3,026,097	1,243,542	959,081	388,633	1,372,178	70,185	23,141	37,165	7,120,022	63,213	844,918	908,131	8,028,153	7,618,896
Supplies and printing	28,692	3,023	3,791	16,968	73,874	296	66	4,618	131,328	6,110	33,173	39,283	170,611	178,073
Office expenses	15,869	3,554	4,018	3,583	15,482	143	135	90	42,874	13,720	27,042	40,762	83,636	66,288
Equipment rental and maintenance	36,139	18,452	4,163	1,733	42,681	1,489	359	-	105,016	7,581	27,487	35,068	140,084	110,861
Professional services	137,693	43,494	39,753	28,236	107,228	5,156	501	-	362,061	180,383	112,617	293,000	655,061	569,426
Advertising promotional materials	17,290	554	1,253	6,838	35,786	-	-	24,154	85,875	1,330	-	1,330	87,205	41,460
Cultivation expenses	9,461	1,598	680	242	2,743	94	-	-	14,818	7,421	27,458	34,879	49,697	39,725
Piano tuning and instrumental	23,646	9,186	12,683	3,250	58,880	-	-	-	107,645	-	500	500	108,145	104,080
Graphic artist	-	-	-	600	-	-	-	-	600	500	-	500	1,100	-
Artists' fees	13,750	3,750	10,000	56,200	241,651	1,000	-	-	326,351	-	4,000	4,000	330,351	281,177
Travel, publications and conventions	6,026	1,250	5,578	4,867	16,030	-	682	175	34,608	2,732	3,226	5,958	40,566	11,169
Concession expense	-	-	-	-	18,367	-	-	-	18,367	-	-	-	18,367	13,682
Service charges	68,149	1,511	1,070	6,601	38,823	209	-	-	114,363	-	16,322	16,322	130,685	125,565
Space rental	360	222	640	-	412	-	-	1,000	2,634	-	-	-	2,634	1,860
Marketing expenses	50,366	14,923	3,731	3,731	70,885	3,731	-	-	147,367	-	39,174	39,174	186,541	168,999
Building expense	172,122	268,854	2,098	25,612	186,375	2,098	5,426	-	662,585	14,470	46,449	60,919	723,504	708,768
Depreciation (Note 6)	202,010	315,540	2,463	30,060	218,738	2,463	6,369	-	777,643	16,982	54,515	71,497	849,140	846,833
Bad debt	-	-	-	-	-	-	-	-	-	7,688	-	7,688	7,688	15,495
Bank charges	-	-	-	-	-	-	-	-	-	2,127	-	2,127	2,127	2,468
Sundry	125	-	1,341	-	3,701	-	-	-	5,167	7,336	-	7,336	12,503	10,230
Subtotal	3,807,795	1,929,453	1,052,343	577,154	2,501,834	86,864	36,679	67,202	10,059,324	331,593	1,236,881	1,568,474	11,627,798	10,915,055
Less: investment advisory fees (Note 4)	-	-	-	-	-	-	-	-	-	(117,244)	-	(117,244)	(117,244)	(75,361)
Less: direct special events expenses (Note 20)	-	-	-	-	-	-	-	-	-	-	(117,813)	(117,813)	(117,813)	(116,155)
Total Expenses	\$ 3,807,795	\$ 1,929,453	\$ 1,052,343	\$ 577,154	\$ 2,501,834	\$ 86,864	\$ 36,679	\$ 67,202	\$ 10,059,324	\$ 214,349	\$ 1,119,068	\$ 1,333,417	\$ 11,392,741	\$ 10,723,539

**THE ELAINE KAUFMAN CULTURAL CENTER
LUCY MOSES SCHOOL FOR MUSIC AND DANCE
d/b/a KAUFMAN MUSIC CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023**

	Program Services									Supporting Services			2023
	Lucy Music School	Special Music School K-8	Special Music School H.S.	Theatre Program	Presentations/Facilities Services	Face The Music/Luna Lab	Library	Special Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,372,531	\$ 1,023,239	\$ 695,861	\$ 313,553	\$ 1,099,320	\$ 123,125	\$ 14,020	\$ 22,691	\$ 5,664,340	\$ 53,571	\$ 687,612	\$ 741,183	\$ 6,405,523
Payroll taxes and employee benefits (Note 11)	407,208	193,045	126,604	48,532	254,954	14,621	3,116	14,638	1,062,718	11,188	139,467	150,655	1,213,373
Total salaries and related expenses	2,779,739	1,216,284	822,465	362,085	1,354,274	137,746	17,136	37,329	6,727,058	64,759	827,079	891,838	7,618,896
Supplies and printing	32,729	2,824	4,689	17,912	83,813	896	755	1,361	144,979	2,864	30,230	33,094	178,073
Office expenses	11,628	2,736	4,567	1,617	14,051	97	358	86	35,140	9,151	21,997	31,148	66,288
Equipment rental and maintenance	29,382	15,118	1,419	804	34,599	1,420	201	-	82,943	7,672	20,246	27,918	110,861
Professional services	83,741	18,292	35,034	30,722	106,529	3,391	889	209	278,807	171,680	118,939	290,619	569,426
Advertising promotional materials	-	-	-	-	-	-	-	-	-	41,460	-	41,460	41,460
Cultivation expenses	5,540	3,287	1,079	776	3,750	635	-	-	15,067	6,543	18,115	24,658	39,725
Piano tuning and instrumental	21,954	10,233	6,967	3,200	59,696	400	550	480	103,480	-	600	600	104,080
Artists' fees	-	-	-	78,995	142,864	4,718	-	53,000	279,577	-	1,600	1,600	281,177
Publication and conventions	195	46	269	4,097	3,488	-	-	-	8,095	1,349	1,725	3,074	11,169
Concession expense	184	-	-	-	13,498	-	-	-	13,682	-	-	-	13,682
Service charges	65,208	1,763	-	6,182	34,301	673	-	-	108,127	71	17,367	17,438	125,565
Space rental	-	835	-	-	-	-	1,025	-	1,860	-	-	-	1,860
Marketing expenses	45,630	13,520	3,380	3,380	64,219	3,380	-	-	133,509	-	35,490	35,490	168,999
Building expense	168,616	263,378	2,055	25,090	182,579	2,055	5,316	-	649,089	14,176	45,503	59,679	708,768
Depreciation (Note 6)	201,462	314,683	2,456	29,978	218,144	2,456	6,351	-	775,530	16,936	54,367	71,303	846,833
Bad debt	-	-	-	-	-	-	-	-	-	15,495	-	15,495	15,495
Bank charges	3	-	-	12	46	-	-	-	61	2,407	-	2,407	2,468
Sundry	42	700	-	-	3,418	-	-	-	4,160	6,070	-	6,070	10,230
Subtotal	3,446,053	1,863,699	884,380	564,850	2,319,269	157,867	32,581	92,465	9,361,164	360,633	1,193,258	1,553,891	10,915,055
Less: investment advisory fees (Note 4)	-	-	-	-	-	-	-	-	-	(75,361)	-	(75,361)	(75,361)
Less: direct special events expenses (Note 20)	-	-	-	-	-	-	-	-	-	-	(116,155)	(116,155)	(116,155)
Total Expenses	\$ 3,446,053	\$ 1,863,699	\$ 884,380	\$ 564,850	\$ 2,319,269	\$ 157,867	\$ 32,581	\$ 92,465	\$ 9,361,164	\$ 285,272	\$ 1,077,103	\$ 1,362,375	\$ 10,723,539

**THE ELAINE KAUFMAN CULTURAL CENTER
LUCY MOSES SCHOOL FOR MUSIC AND DANCE
d/b/a KAUFMAN MUSIC CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,330,749	\$ (858,736)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	849,140	846,833
Realized (gain) loss on investments	(135,684)	201,620
Unrealized gain on investments	(2,387,373)	(722,431)
Bad debt expense	7,688	15,495
Contributions to restricted endowment funds	(65,492)	(166,681)
Contributed capital assets	(48,339)	(53,073)
Change in discount on pledges receivable	35,346	(27,142)
Subtotal	586,035	(764,115)
(Increase) decrease in assets:		
Accounts receivable	(1,871)	(17,030)
Contributions receivable	(1,154,236)	3,876,479
Government grants receivable	(56,898)	(4,440)
Lease receivable - operating	(107,440)	(107,440)
Accrued interest and other receivables	87,791	(62,066)
Prepaid expenses and other assets	(55,792)	152,968
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	28,771	(11,273)
Accrued salaries payable	616	(117,376)
Deferred revenue - ticket sales	(19,434)	67,378
Deferred revenue - tuition and other fees	(166,147)	46,498
Net Cash (Used in) Provided by Operating Activities	(858,605)	3,059,583
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment additions	(83,715)	(36,291)
Proceeds from sales and redemptions of investments	3,808,228	1,501,970
Purchases of investments	(3,058,355)	(5,793,001)
Net Cash Provided by (Used in) Investing Activities	666,158	(4,327,322)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions to restricted endowment funds	65,492	166,681
Net Cash Used in Financing Activities	65,492	166,681
NET DECREASE IN CASH AND CASH EQUIVALENTS	(126,955)	(1,101,058)
Cash and cash equivalents - beginning of year	2,366,982	3,468,040
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,240,027	\$ 2,366,982
SUPPLEMENTAL CASH FLOW INFORMATION		
Termination of interest in Opus 118	\$ -	\$ 112,026
Note receivable forgiveness - Related party, Opus 118	\$ -	\$ 65,281
Contributed capital assets	\$ 48,339	\$ 53,073

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

**THE ELAINE KAUFMAN CULTURAL CENTER
LUCY MOSES SCHOOL FOR MUSIC AND DANCE
d/b/a KAUFMAN MUSIC CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023**

NOTE 1—DESCRIPTION OF THE ORGANIZATION

The Elaine Kaufman Cultural Center Lucy Moses School for Music and Dance (“the Kaufman Music Center”), founded on the belief that the arts are essential to the human experience and a vital component of education for everyone, is a unique and innovative center for music education and performance in New York City, providing music education and performance programs for more than 75,000 New Yorkers of all ages and ability levels each year through the Lucy Moses School, Special Music School, Merkin Concert Hall and a vibrant musical theater program.

The Kaufman Music Center is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is a publicly supported organization as described in Section 509(a). The Kaufman Music Center’s activities are funded primarily through tuition, contributions and special events.

In 2012, Opus 118 Harlem School of Music (“Opus 118”) entered into a partnership with the Kaufman Music Center. This relationship enabled Opus 118 to share the Kaufman Music Center’s administrative resources and better position Opus 118 to meet growing student needs, ensuring that Opus 118 continued to provide affordable, high-quality music instruction to the next generation of students in the Harlem community.

Effective September 1, 2014, the Kaufman Music Center became the sole member of Opus 118. Effective September 1, 2022, the Kaufman Music Center’s interest in Opus 118 was terminated. Opus 118 now operates as an independent organization (See Note 13).

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Presentation*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts of 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, and those differences could be material.
- B. ***Net Asset Presentation*** – Net assets and revenues, gains and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:
- Without donor restrictions – net assets that are not subject to donor-imposed stipulations over which the Board of Trustees has discretionary control.
 - With donor restrictions – represents net assets whose use by the Kaufman Music Center is limited by donor-imposed restrictions as to a specific purpose or time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. In addition, this class includes assets with donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity and unappropriated earnings on endowment.
- C. ***Cash and Cash Equivalents*** – Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase, except for cash equivalents held as part of Kaufman Music Center’s investment portfolio.
- D. ***Contributions Receivable*** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

**THE ELAINE KAUFMAN CULTURAL CENTER
LUCY MOSES SCHOOL FOR MUSIC AND DANCE
d/b/a KAUFMAN MUSIC CENTER
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- E. **Accounts Receivable and Allowance for Credit Losses** – Accounts receivable consist primarily of unpaid tuition and other fees. Accounts receivable are presented net of allowances for credit losses. Management evaluates the need for an allowance for credit losses applicable to its accounts based on various factors including age of the receivable, a review of payments subsequent to year-end, reasonable and supportable forecasts and management’s evaluation of the collectability of the related accounts. As of August 31, 2024 and 2023, management determined that an allowance for credit losses of \$38,202 and \$33,309, respectively, was necessary for accounts receivable. There was no allowance needed for contributions and government grants receivable as of August 31, 2024 and 2023.

The following table summarizes the activity related to the allowance for credit losses for the year ended August 31, 2024 under the current expected credit losses (“CECL”) methodology (See Note 2P):

Balance, August 31, 2023	\$	33,309
Charge-offs		-
Provision for credit losses		<u>4,893</u>
Balance, August 31, 2024	<u>\$</u>	<u>38,202</u>

- F. **Property and Equipment** – Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets. The Kaufman Music Center capitalizes property and equipment with a cost of \$1,000 or more and a useful life greater than one year. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	40 years
Building improvements	25 - 40 years
Furniture, equipment and instruments	5 - 10 years

- G. **Investments and Fair Value Measurements** – Investments are carried at estimated fair value in the accompanying financial statements. The statements of activities include net return on investments consisting of interest and dividend income, realized and unrealized gains and losses, net of management and custodial fees. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

- H. **Donated Goods and Services** – The Kaufman Music Center records contributed goods and services at their fair value on the date of receipt. It is the policy of the Kaufman Music Center to record the estimated fair value of certain in-kind donations as property and equipment in its financial statements, and similarly increase contribution revenue by a like amount. Donated goods, consisting of musical instruments, amounted to approximately \$48,000 and \$53,000 for the years ended August 31, 2024 and 2023, respectively, and were without donor restrictions.
- I. **Program Service Revenue** – Service revenue is derived from contracts with customers. Revenue is reported at the amount that reflects the consideration to which the Kaufman Music Center expects to be entitled in exchange for providing the contracted services. Service revenue from tuition and fees is recognized after the services are performed or after the Kaufman Music Center has completed its portion of the contract. Receivables are due in full when performance obligations are satisfied.

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NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition and related revenues are recognized on the accrual basis. Tuition and related revenues are billed in advance of services rendered, and revenues are recognized as lessons and the related services are provided. Payments received in advance are recorded as deferred income and recognized in the fiscal year that educational services are provided.

The beginning and ending receivables and deferred revenue balances are as follows:

	<u>August 31, 2024</u>	<u>August 31, 2023</u>	<u>September 1, 2022</u>
Accounts receivable, net	\$ 7,465	\$ 13,282	\$ 11,747
Deferred revenue	\$ 1,051,030	\$ 1,236,611	\$ 1,122,735

- J. **Scholarships** – The policy of the Kaufman Music Center has been to award scholarships to deserving students in lieu of accepting only students who have the ability to pay full tuition. Scholarships are netted against revenues in the statements of activities.
- K. **Presentation/Facilities Services** – Presentation/facilities services include concert division revenues, which the Kaufman Music Center recognizes when events occur. Payments received in advance of the events are deferred until recognized.
- L. **Rental Income** – Rental income is recorded on a straight-line basis per the amounts and terms based upon the signed lease.
- M. **Government Grants** – Government grants are nonexchange transactions and accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08. Grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return. The Kaufman Music Center did not receive advances from the governmental grants as of August 31, 2024 and 2023.
- N. **Functional Allocation of Expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, insurance, and other, which are allocated on the basis of estimates of time and effort.

- O. **Special Events Direct Costs** – The direct costs of special events include expenses for the benefit of the donor and are included net of contribution revenue on the accompanying statements of activities. For example, meals and facilities rental are considered direct costs of special events.
- P. **Recently Adopted Accounting Standards** – On September 1, 2023, the Kaufman Music Center adopted FASB ASU 2016-03, *Financial Instruments – Credit Losses*, (Topic 326), *Measurement of Credit Losses on Financial Instruments* (Accounting Standards Codification “ASC” 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit losses (“CECL”) methodology. CECL requires an estimate of the credit losses for the remaining estimated life of the financial asset using historical experience, current condition and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost and will be presented at the net amount expected to be collected by using an allowance for credit losses. The adoption had no effect on the change in net assets as previously reported.
- Q. **Reclassification** – Certain prior year amounts have been reclassified to conform to the current year presentation.

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NOTE 3—LIQUIDITY AND AVAILABILITY

The Kaufman Music Center regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Kaufman Music Center has various sources of liquidity at its disposal, including cash and cash equivalents and receivables that provide funding for operations. In addition to financial assets available to meet general expenditures over the next 12 months, the Kaufman Music Center anticipates collecting sufficient revenue to cover general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of August 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,240,027	\$ 2,366,982
Investments	18,664,056	16,890,872
Contributions receivable, net	3,074,288	1,955,398
Government grants receivable	158,268	101,370
Lease receivable – operating	214,880	107,440
Accounts receivable, net	<u>7,465</u>	<u>13,282</u>
Total financial assets	24,358,984	21,435,344
Less: total net assets with donor restrictions*	<u>16,146,409</u>	<u>12,762,832</u>
Financial assets available to meet general expenditures within one year	<u>\$ 8,212,575</u>	<u>\$ 8,672,512</u>

*A portion of the appropriations for expenditure from The Kaufman Music Center's endowment funds made in accordance with the endowment spending policy as described in Note 9 are available to meet general expenditures and are used for that purpose.

NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1 – Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Kaufman Music Center has the ability to access at the measurement date.

Level 2 - Inputs based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 - Inputs are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of August 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash Equivalents	\$ 1,897,217	\$ -	\$ -	\$ 1,897,217
Corporate Bonds	2,830,291	731,098	10,087	3,571,476
Municipal Bonds	-	260,499	-	260,499
Common Stock	12,387,211	-	-	12,387,211
Mutual Funds	<u>547,653</u>	<u>-</u>	<u>-</u>	<u>547,653</u>
	<u>\$ 17,662,372</u>	<u>\$ 991,597</u>	<u>\$ 10,087</u>	<u>\$ 18,664,056</u>

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NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of August 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash Equivalents	\$ 5,511,868	\$ -	\$ -	\$ 5,511,868
Corporate Bonds	2,936,751	541,916	1,030	3,479,697
Municipal Bonds	25,670	262,773	-	288,443
Common Stock	7,069,511	-	-	7,069,511
Mutual Funds	<u>541,353</u>	<u>-</u>	<u>-</u>	<u>541,353</u>
	<u>\$ 16,085,153</u>	<u>\$ 804,689</u>	<u>\$ 1,030</u>	<u>\$ 16,890,872</u>

There were no reclassifications of investments in and out of level 3 securities.

Investment activity consisted of the following for the years ended August 31:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 407,583	\$ 299,314
Realized gain/(loss) on investments, net	135,684	(201,620)
Unrealized gain on investments, net	<u>2,387,373</u>	<u>722,431</u>
	2,930,640	820,125
Less: investment advisory fees	<u>(117,244)</u>	<u>(75,361)</u>
Net investment income	<u>\$ 2,813,396</u>	<u>\$ 744,764</u>

NOTE 5—CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net are due to be collected as follows as of August 31:

	<u>2024</u>	<u>2023</u>
Within one year	\$ 1,363,255	\$ 1,093,146
After one year but less than five years	<u>1,803,127</u>	<u>919,000</u>
	3,166,382	2,012,146
Less discount to present value (3.8% - 4.5%)	<u>(92,094)</u>	<u>(56,748)</u>
Total	<u>\$ 3,074,288</u>	<u>\$ 1,955,398</u>

NOTE 6—PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of August 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 993,154	\$ 993,154
Building	3,799,308	3,799,308
Building improvements	20,255,250	20,214,398
Furniture, equipment and instruments	<u>2,843,781</u>	<u>2,752,579</u>
	27,891,493	27,759,439
Less: accumulated depreciation	<u>(19,312,765)</u>	<u>(18,463,625)</u>
Property and equipment, net	<u>\$ 8,578,728</u>	<u>\$ 9,295,814</u>

For the years ended August 31, 2024 and 2023, depreciation expense amounted to \$849,140 and \$846,833, respectively. As described in Note 1, the Kaufman Music Center's interest in Opus 118 was terminated

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NOTE 6—PROPERTY AND EQUIPMENT, NET (CONTINUED)

effective September 1, 2022 and Kaufman Music Center's accounts are no longer consolidated with Opus 118. Accordingly, Opus 118's furniture, equipment and instruments of \$126,055 and accumulated depreciation of \$103,215 were removed from property and equipment as reported above as of that date.

NOTE 7—COMMITMENTS AND CONTINGENCIES

The Kaufman Music Center believes it has no uncertain tax positions as of August 31, 2024 and 2023, in accordance with FASB ASC Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 8—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the purposes listed below as of August 31:

	<u>2024</u>	<u>2023</u>
Donor restricted endowment subject to spending policy and appropriations		
Chorale	\$ 150,000	\$ 150,000
Library	553,831	553,831
Lucy Moses School	300,000	300,000
Merkin Concert Hall	200,000	200,000
Operating (including contributions receivable)	11,142,556	8,881,237
Scholarship	822,108	822,108
Special Music School	<u>167,472</u>	<u>167,472</u>
Total subject to spending policy and appropriations	<u>13,335,967</u>	<u>11,074,648</u>
Subject to expenditure for specified purpose and the passage of time		
Special Music School	1,730,650	489,000
Music and arts programs	232,996	256,171
Capital Building (New York City)	821,796	918,013
Reserve Fund (loans)	<u>25,000</u>	<u>25,000</u>
Total subject to expenditure for specified purpose and the passage of time	<u>2,810,442</u>	<u>1,688,184</u>
Total net assets with donor restrictions	<u>\$ 16,146,409</u>	<u>\$ 12,762,832</u>

Net assets released from donor restrictions by either passage of time or meeting the donors' restrictions amounted to \$1,306,042 and \$1,385,553 for the years ended August 31, 2024 and 2023, respectively.

NOTE 9—ENDOWMENT FUNDS

The New York Prudent Management of Institutional Funds Act ("NYPMIFA") imposes guidelines on the management and investment of endowment funds. NYPMIFA replaced the prior law which was the Uniform Management of Institutional Funds Act ("UMIFA"). NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered without donor restrictions will be reflected as net assets with donor restrictions until appropriated.

The Board of Trustees has interpreted NYPMIFA as allowing the Kaufman Music Center to appropriate for expenditure or accumulate so much of an endowment fund as the Kaufman Music Center determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in a donor-restricted endowment fund shall be donor-restricted assets until appropriated for expenditure

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NOTE 9—ENDOWMENT FUNDS (CONTINUED)

by the Board of Trustees. To satisfy its long-term objectives, the Kaufman Music Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Kaufman Music Center targets a diverse asset allocation that places an equal emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

The Kaufman Music Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the funds; availability of other funding sources; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation/depreciation of investments; and the investment policy of the Kaufman Music Center, as enforced by the Finance Committee of the Board of Trustees.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Kaufman Music Center to retain as a fund of perpetual duration. Deficiencies of this nature, if they occur, are reported in net assets with donor restrictions. The deficiencies may result from unfavorable market fluctuations that occur in the economy as a whole that may affect the donor restricted endowment fund where the fair market value of the donor restricted endowment fund falls below the amount that is required to be retained permanently. At August 31, 2024, funds with original gift values of \$1,525,939, fair values of \$1,363,561 and deficiencies of \$162,378 were reported in net assets with donor restrictions. At August 31, 2023, funds with original gift values of \$1,725,939, fair values of \$1,523,036 and deficiencies of \$202,903 were reported in net assets with donor restrictions. During the years ended August 31, 2024 and 2023, the Board of Trustees appropriated \$58,500 and \$55,700, respectively, from underwater endowment funds.

To preserve purchasing power, the Kaufman Music Center limits its spending of investment return to a percentage of a calculated base, unless otherwise specified by the donor. For the fiscal years ended August 31, 2024 and 2023, the Kaufman Music Center made available to be spent 4% of the average market value of the funds for the twelve quarters ending on February 28 of the preceding year.

The following table summarizes the changes in the Kaufman Music Center's endowment net assets for the years ended August 31, 2024 and 2023:

Endowment net assets, August 31, 2022	\$ 10,761,900
Appropriation for expenditures	(465,660)
Contributions	65,492
Interest and dividends	249,324
Investment return	<u>463,592</u>
Endowment net assets, August 31, 2023	<u>\$ 11,074,648</u>
Appropriation for expenditures	(581,643)
Contributions	166,681
Interest and dividends	311,359
Investment return	<u>2,364,922</u>
Endowment net assets, August 31, 2024	<u>\$ 13,335,967</u>

NOTE 10—RENTAL INCOME

On August 31, 2012, the Kaufman Music Center signed an extension of the license agreement with The New York City School Construction Authority (the "Authority") for use of space for the Special Music School for ten years, expiring September 1, 2022. On August 10, 2023, the Kaufman Music Center and the Authority extended a renewal license agreement for a ten-year term commencing August 31, 2022, expiring on September 1, 2032. The Authority has the option to terminate the licensing agreement upon providing 30 days' notice of intent.

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NOTE 10—RENTAL INCOME (CONTINUED)

Lease income is included in the statements of activities as part of rental income and is recognized on a straight-line basis over the term of the license agreement. Cash receipts from the lease are classified within cash flows from operating activities on the statements of cash flows. For the years ended August 31, 2024 and 2023, the amount of lease income recognized was \$967,222 and \$966,960, respectively.

The lease space consists of approximately 21,500 square feet of interior space and approximately 3,300 square feet of exterior space, which is included in the Kaufman Music Center's property and equipment as noted in Note 6.

Future minimum payments, presuming no election to terminate the agreement, are as follows:

2025	\$	913,240
2026		913,240
2027		966,960
2028		966,960
2029		1,020,680
Thereafter		3,169,480

NOTE 11—EMPLOYEE BENEFIT PLAN

The Kaufman Music Center has a defined contribution plan with Teachers Insurance and Annuity Association ("TIAA"). Eligible employees may receive up to a 7% annual contribution depending on length of service. Pension expense for the years ended August 31, 2024 and 2023 was \$195,437 and \$157,891, respectively.

NOTE 12—CONCENTRATIONS

Cash and cash equivalents that potentially subject the Kaufman Music Center to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accounts are insured up to \$250,000 per depositor, per insured institution. As of August 31, 2024 and 2023, there was approximately \$898,000 and \$1,324,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 13—RELATED PARTY TRANSACTIONS/CHANGE IN REPORTING ENTITY

On June 22, 2012, the Kaufman Music Center signed an agreement to loan \$50,000 to Opus 118. The funds were transferred to Opus 118 on August 13, 2012. Interest accrued annually at a rate of 3%. The entire principal and interest balances were due thirty days after written demand by the Kaufman Music Center. The note was secured by an interest in Opus 118's personal property. The Kaufman Music Center had not demanded payment on the loan in prior years.

The Kaufman Music Center charged Opus 118 \$33,185 for administrative services during the year ended August 31, 2022. Opus 118 owed the Kaufman Music Center \$2,261 as of August 31, 2022 for expenses that the Kaufman Music Center paid on behalf of Opus 118.

As described in Note 1, effective September 1, 2022, the Kaufman Music Center terminated its interest in Opus 118 and Opus 118 now operates as an independent organization. As part of the termination, balances owed by Opus 118 to the Kaufman Music Center in the amount of \$65,281, were forgiven effective September 1, 2022.

NOTE 14—SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 22, 2025, the date the financial statements were available to be issued.