

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

Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 31, 2018

Caramoor Center for Music and the Arts, Inc.

Statements of Financial Position

	December 31,	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 627,481	\$ 393,778
Contributions receivable, net	1,358,092	1,230,504
Accounts receivable	900	4,265
Inventory	14,792	14,317
Prepaid expenses	47,173	67,224
Investments	28,886,859	19,309,238
Property and equipment, net	5,371,444	4,661,850
Art objects	511,370	532,870
	<u>\$ 36,818,111</u>	<u>\$ 26,214,046</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 290,105	\$ 360,108
Deferred revenue	62,974	51,555
Capital lease obligation	71,708	-
Total Liabilities	<u>424,787</u>	<u>411,663</u>
Net Assets		
Unrestricted		
Undesignated	1,066,963	289,499
Investment in property and equipment	5,299,736	4,661,850
Board designated	2,760,318	3,609,301
Total Unrestricted	9,127,017	8,560,650
Temporarily restricted	4,746,221	3,138,766
Permanently restricted	22,520,086	14,102,967
Total Net Assets	<u>36,393,324</u>	<u>25,802,383</u>
	<u>\$ 36,818,111</u>	<u>\$ 26,214,046</u>

See notes to financial statements

Caramoor Center for Music and the Arts, Inc.

Statement of Activities
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE				
Contributions	\$ 3,564,690	\$ -	\$ -	\$ 3,564,690
Benefit proceeds	1,020,440			1,020,440
Ticket sales	1,207,499	-	-	1,207,499
Distribution for operations from invested funds	676,356	-	-	676,356
Advertising	12,500	-	-	12,500
Donated services and items	186,728			186,728
Shop sales	18,170	-	-	18,170
Rental	92,747	-	-	92,747
Interest from cash equivalents	11,294	-	-	11,294
Net assets released from restrictions by purpose satisfaction	<u>197,616</u>	<u>(197,616)</u>	-	-
Total Operating Revenue	<u>6,988,040</u>	<u>(197,616)</u>	-	<u>6,790,424</u>
OPERATING EXPENSES				
Program expenses				
Musical Performances	3,262,941	-	-	3,262,941
Education	903,832	-	-	903,832
Rosen House, Gardens and Estate	<u>803,188</u>	-	-	<u>803,188</u>
Total Program Expenses	4,969,961	-	-	4,969,961
Supporting expenses				
Management and general	654,270	-	-	654,270
Fundraising	836,062	-	-	836,062
Benefit	<u>577,129</u>	-	-	<u>577,129</u>
Total Supporting Expenses	<u>2,067,461</u>	-	-	<u>2,067,461</u>
Total Operating Expenses	<u>7,037,422</u>	-	-	<u>7,037,422</u>
Change in Net Assets from Operations Before Depreciation	(49,382)	(197,616)	-	(246,998)
Depreciation	<u>(415,228)</u>	-	-	<u>(415,228)</u>
Change in Net Assets from Operations	(464,610)	(197,616)	-	(662,226)
OTHER CHANGES IN NET ASSETS				
Total return on investments net of distribution for operations from invested funds	233,174	2,089,990	-	2,323,164
Non-operating contributions	-	357,950	8,333,633	8,691,583
Gain on sale of art objects	238,420	-	-	238,420
Net assets released from restrictions				
Restrictions satisfied	559,383	(559,383)	-	-
Donor re-designation	<u>-</u>	<u>(83,486)</u>	<u>83,486</u>	<u>-</u>
Change in Net Assets	566,367	1,607,455	8,417,119	10,590,941
NET ASSETS				
Beginning of year	<u>8,560,650</u>	<u>3,138,766</u>	<u>14,102,967</u>	<u>25,802,383</u>
End of year	<u>\$ 9,127,017</u>	<u>\$ 4,746,221</u>	<u>\$ 22,520,086</u>	<u>\$ 36,393,324</u>

See notes to financial statements

Caramoor Center for Music and the Arts, Inc.

Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUE				
Contributions	\$ 3,728,454	\$ -	\$ -	\$ 3,728,454
Benefit proceeds	1,368,751			1,368,751
Ticket sales	1,119,193	-	-	1,119,193
Distribution for operations from invested funds	558,903	-	-	558,903
Advertising	12,740	-	-	12,740
Donated services and items	160,599			160,599
Shop sales	16,809	-	-	16,809
Rental	151,997	-	-	151,997
Interest from cash equivalents	1,761	-	-	1,761
Net assets released from restrictions by purpose satisfaction	<u>288,567</u>	<u>(288,567)</u>	<u>-</u>	<u>-</u>
Total Operating Revenue	<u>7,407,774</u>	<u>(288,567)</u>	<u>-</u>	<u>7,119,207</u>
OPERATING EXPENSES				
Program expenses				
Musical Performances	3,523,370	-	-	3,523,370
Education	816,993	-	-	816,993
Rosen House, Gardens and Estate	<u>785,300</u>	<u>-</u>	<u>-</u>	<u>785,300</u>
Total Program Expenses	5,125,663	-	-	5,125,663
Supporting expenses				
Management and general	684,883	-	-	684,883
Fundraising	877,897	-	-	877,897
Benefit	<u>586,021</u>	<u>-</u>	<u>-</u>	<u>586,021</u>
Total Supporting Expenses	<u>2,148,801</u>	<u>-</u>	<u>-</u>	<u>2,148,801</u>
Total Operating Expenses	<u>7,274,464</u>	<u>-</u>	<u>-</u>	<u>7,274,464</u>
Change in Net Assets from Operations Before Depreciation	133,310	(288,567)	-	(155,257)
Depreciation	<u>(281,252)</u>	<u>-</u>	<u>-</u>	<u>(281,252)</u>
Change in Net Assets from Operations	(147,942)	(288,567)	-	(436,509)
OTHER CHANGES IN NET ASSETS				
Total return on investments net of				
distribution for operations from invested funds	(39,545)	(10,248)	-	(49,793)
Non-operating contributions	-	540,680	1,691,063	2,231,743
Gain on sale of art objects	3,090,755	-	-	3,090,755
Net assets released from restrictions				
Restrictions satisfied	<u>1,198,171</u>	<u>(1,198,171)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	4,101,439	(956,306)	1,691,063	4,836,196
NET ASSETS				
Beginning of year	<u>4,459,211</u>	<u>4,095,072</u>	<u>12,411,904</u>	<u>20,966,187</u>
End of year	<u>\$ 8,560,650</u>	<u>\$ 3,138,766</u>	<u>\$ 14,102,967</u>	<u>\$ 25,802,383</u>

See notes to financial statements

Caramoor Center for Music and the Arts, Inc.

Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services				Supporting Services				
	Musical Performances	Education	Rosen House, Gardens and Estate	Total	Management and General	Fund-raising	Benefit	Total	Total
Salaries	\$ 787,881	\$ 342,464	\$ 388,831	\$ 1,519,176	\$ 362,222	\$ 519,661	\$ 110,821	\$ 992,704	\$ 2,511,880
Employee benefits	78,608	32,930	59,720	171,258	52,468	55,557	11,886	119,911	291,169
Payroll taxes	68,213	24,950	28,627	121,790	24,626	35,429	7,788	67,843	189,633
Payroll processing	-	-	-	-	13,139	-	-	13,139	13,139
Accounting and legal	13,218	-	-	13,218	44,532	-	-	44,532	57,750
Advertising	301,548	7,090	3,765	312,403	-	4,428	4,872	9,300	321,703
Bank and credit card charges	30,732	1,534	1,558	33,824	2,803	23,946	6,126	32,875	66,699
Brochures and programs	77,599	5,001	7,180	89,780	3,086	19,475	14,728	37,289	127,069
Donated services and items	65,240	-	7,344	72,584	1,000	16,593	94,878	112,471	185,055
Shops	-	-	12,062	12,062	-	-	-	-	12,062
Utilities	38,493	23,264	46,925	108,682	5,404	5,405	5,608	16,417	125,099
Equipment rental, repairs, and maintenance	249,383	21,590	119,588	390,561	38,452	50,815	80,808	170,075	560,636
Fees - artists	967,715	290,405	10,750	1,268,870	6,400	1,000	42,420	49,820	1,318,690
Fees - consultants	2,500	-	7,890	10,390	35,452	40,066	-	75,518	85,908
Fees - press agents	60,222	3,764	7,528	71,514	-	-	3,764	3,764	75,278
Fees - technical staff	153,421	22,862	1,905	178,188	-	1,500	16,676	18,176	196,364
Food and beverage	59,376	21,371	3,142	83,889	13,853	16,580	120,894	151,327	235,216
Insurance - other	54,564	24,094	51,673	130,331	17,537	6,414	-	23,951	154,282
Meetings and entertainment	5,697	431	251	6,379	2,373	1,324	-	3,697	10,076
Postage and supplies	32,184	612	3,265	36,061	20,040	16,485	4,286	40,811	76,872
Production	96,276	32,730	8,881	137,887	416	7,028	43,880	51,324	189,211
Promotions	8,982	-	8	8,990	42	3,857	4,901	8,800	17,790
Restoration	-	-	24,810	24,810	-	-	-	-	24,810
Security systems	9,732	1,696	2,476	13,904	2,052	-	200	2,252	16,156
Space rentals	18,819	6,128	-	24,947	-	-	-	-	24,947
Telephone	11,961	4,098	3,825	19,884	2,210	4,918	1,366	8,494	28,378
Temporary help	-	-	-	-	-	569	-	569	569
Travel and accommodations	70,577	36,818	1,184	108,579	6,163	5,012	1,227	12,402	120,981
Total Operating Expenses	<u>3,262,941</u>	<u>903,832</u>	<u>803,188</u>	<u>4,969,961</u>	<u>654,270</u>	<u>836,062</u>	<u>577,129</u>	<u>2,067,461</u>	<u>7,037,422</u>
Depreciation	<u>124,569</u>	<u>83,046</u>	<u>83,046</u>	<u>290,661</u>	<u>31,142</u>	<u>62,283</u>	<u>31,142</u>	<u>124,567</u>	<u>415,228</u>
Totals	<u>\$ 3,387,510</u>	<u>\$ 986,878</u>	<u>\$ 886,234</u>	<u>\$ 5,260,622</u>	<u>\$ 685,412</u>	<u>\$ 898,345</u>	<u>\$ 608,271</u>	<u>\$ 2,192,028</u>	<u>\$ 7,452,650</u>

See notes to financial statements

Caramoor Center for Music and the Arts, Inc.

Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services				Supporting Services				
	Musical Performances	Education	Rosen House, Gardens and Estate	Total	Management and General	Fund-raising	Benefit	Total	Total
Salaries	\$ 668,590	\$ 264,830	\$ 347,760	\$ 1,281,180	\$ 340,861	\$ 496,781	\$ 99,801	\$ 937,443	\$ 2,218,623
Employee benefits	65,202	30,603	62,283	158,088	91,937	53,259	12,434	157,630	315,718
Payroll taxes	57,887	21,257	26,241	105,385	22,461	33,428	7,830	63,719	169,104
Payroll processing	-	-	-	-	7,656	-	-	7,656	7,656
Accounting and legal	-	-	20,752	20,752	41,959	-	-	41,959	62,711
Advertising	292,643	7,344	7,421	307,408	950	6,806	5,700	13,456	320,864
Bank and credit card charges	26,614	1,578	1,349	29,541	6,504	20,597	5,313	32,414	61,955
Brochures and programs	74,380	7,772	5,806	87,958	2,593	20,864	14,788	38,245	126,203
Donated services and items	136,064	-	1,609	137,673	-	16,892	128,835	145,727	283,400
Shops	-	-	7,219	7,219	-	-	-	-	7,219
Utilities	39,985	20,417	41,257	101,659	4,884	4,885	5,104	14,873	116,532
Equipment rental, repairs, and maintenance	242,306	24,312	102,181	368,799	46,591	54,821	86,399	187,811	556,610
Fees - artists	1,144,942	331,142	9,910	1,485,994	1,150	4,300	25,170	30,620	1,516,614
Fees - consultants	191,062	-	44,322	235,384	59,159	81,048	-	140,207	375,591
Fees - press agents	61,901	3,869	14,475	80,245	-	-	3,869	3,869	84,114
Fees - technical staff	163,594	15,672	910	180,176	-	468	17,104	17,572	197,748
Food and beverage	54,198	13,059	1,622	68,879	3,097	36,930	112,516	152,543	221,422
Insurance - other	54,413	23,990	51,294	129,697	17,055	6,344	-	23,399	153,096
Meetings and entertainment	2,930	221	514	3,665	6,353	1,287	70	7,710	11,375
Postage and supplies	53,217	2,371	3,032	58,620	17,659	18,722	3,785	40,166	98,786
Production	67,449	9,235	8,008	84,692	25	6,773	47,263	54,061	138,753
Promotions	8,448	-	23	8,471	-	6,968	4,268	11,236	19,707
Restoration	-	-	20,700	20,700	-	-	-	-	20,700
Security systems	7,343	1,689	1,534	10,566	2,814	-	220	3,034	13,600
Space rentals	17,623	5,425	(538)	22,510	-	-	-	-	22,510
Telephone	13,960	4,392	4,099	22,451	2,198	5,270	1,464	8,932	31,383
Temporary help	-	-	-	-	-	575	-	575	575
Travel and accommodations	78,619	27,815	1,517	107,951	8,977	879	4,088	13,944	121,895
Total Operating Expenses	3,523,370	816,993	785,300	5,125,663	684,883	877,897	586,021	2,148,801	7,274,464
Depreciation	81,564	56,250	56,250	194,064	22,500	42,188	22,500	87,188	281,252
Totals	\$ 3,604,934	\$ 873,243	\$ 841,550	\$ 5,319,727	\$ 707,383	\$ 920,085	\$ 608,521	\$ 2,235,989	\$ 7,555,716

See notes to financial statements

Caramoor Center for Music and the Arts, Inc.

Statements of Cash Flows

	<u>Years Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,590,941	\$ 4,836,196
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	415,228	281,252
Net realized gains on sale of investments	(2,150,060)	(80,039)
Unrealized depreciation on investments	153,735	239,708
Gain on sale of art objects	(238,420)	(3,090,755)
Permanently restricted contributions	(8,333,633)	(1,691,063)
Net change in operating assets and liabilities	<u>50,404</u>	<u>266,733</u>
Net Cash from Operating Activities	<u>488,195</u>	<u>762,032</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	9,522,259	5,585,752
Purchase of investments	(17,103,555)	(9,530,548)
Proceeds from sale of art objects	259,920	3,239,255
Purchase of property and equipment	<u>(1,044,161)</u>	<u>(1,429,252)</u>
Net Cash from Investing Activities	<u>(8,365,537)</u>	<u>(2,134,793)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	8,119,998	1,348,731
Principal payments on capital lease	<u>(8,953)</u>	<u>-</u>
Net Cash from Financing Activities	<u>8,111,045</u>	<u>1,348,731</u>
Net Change in Cash and Cash Equivalents	233,703	(24,030)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>393,778</u>	<u>417,808</u>
End of year	<u>\$ 627,481</u>	<u>\$ 393,778</u>
SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash paid during the year for interest	\$ 560	\$ -
Non-cash Financing Transactions		
Capital lease obligation incurred for new equipment	80,661	-

See notes to financial statements

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

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 and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Caramoor and the changes therein are classified and reported as unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Contributions restricted for Caramoor’s operating programs whose restrictions are met in the same reporting period are reported as unrestricted.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions are recorded as temporarily or permanently restricted net assets and revenue and support if they are received with donor imposed stipulations that limit their use. Donor restrictions expire by either the passage of stipulated time or the accomplishment of the stated purposes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions that are received and expended in the same period are considered unrestricted.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Permanently restricted contributions are those funds whose use is limited by donor imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Board of Trustees. Permanently restricted net assets are comprised of endowed funds, the income from which is to be used for programs and capital improvements.

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.

Fair Value Measurement of Financial Instruments

Caramoor follows U.S. GAAP 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, 2017 and 2016. Caramoor believes the carrying amount of these financial instruments is a reasonable estimate of fair value. 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 for such investments existed.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Investments Valuation

Investments are carried at fair value. The fair value of alternative investments has been estimated using the NAV as reported by management of the respective alternative investment fund as a practical expedient for fair value.

Investment Income Recognition

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.

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 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.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

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

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. During 2017 and 2016, Caramoor sold a portion of its art objects resulting in a gain of \$238,420 and \$3,090,755. The Board of Trustees designated the proceeds from the sales for the benefit of the Rosen House and remaining art objects.

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.

Functional Expense Reporting

Expenses are classified according to the programs and support functions for which they were incurred. Certain common costs have been allocated based on management's estimate of the benefit provided.

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.

Reclassifications

Certain amounts in 2016 financial statements have been reclassified to conform to the 2017 presentation. These reclassifications have had no effect on net assets.

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 31, 2018.

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 95.40% and 89.64% of total investments at December 31, 2017 and 2016. 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.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

4. Contributions Receivable

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

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 999,267	\$ 1,241,679
Due in one to five years	<u>370,000</u>	<u>-</u>
Total Pledge Receivable	1,369,267	1,241,679
Allowance for doubtful accounts	<u>(11,175)</u>	<u>(11,175)</u>
Contributions Receivable, Net	<u>\$ 1,358,092</u>	<u>\$ 1,230,504</u>

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations 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. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Caramoor 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.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

5. Endowments, Investments and Investment Return (continued)

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 addition, with the approval of its Trustees, Caramoor has used Board designated quasi-endowment funds for operating and capital purposes.

If permanently restricted endowment funds have experienced losses below the permanently restricted amount of such funds due to market fluctuations, U.S. GAAP requires that such excess losses be absorbed by the unrestricted net assets of Caramoor and that future gains be allocated to unrestricted net assets until such losses have been restored. The aggregate amount by which Caramoor's donor restricted endowment funds are below their historic cost was \$-0- and \$20,853 at December 31, 2017 and 2016. During 2017 and 2016, \$20,853 and \$68,984 was restored.

The following is a reconciliation of the activity in the endowment funds for 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2016	\$ 2,207,412	\$1,765,157	\$13,155,300	\$ 17,127,869
Contributions and pledge collections	-		7,987,212	7,987,212
Distribution from Board designated quasi-endowment	<u>(13,888)</u>	<u>-</u>	<u>-</u>	<u>(13,888)</u>
Subtotal	<u>(13,888)</u>	<u>-</u>	<u>7,987,212</u>	<u>7,973,324</u>
Investment income, net	106,186	896,096	-	1,002,282
Unrealized appreciation	<u>169,128</u>	<u>1,817,368</u>	<u>-</u>	<u>1,986,496</u>
Total Investment Income	<u>275,314</u>	<u>2,713,464</u>	<u>-</u>	<u>2,988,778</u>
Distribution for operations from invested funds	<u>(42,182)</u>	<u>(634,174)</u>	<u>-</u>	<u>(676,356)</u>
Total return on investment net of distribution for operations from invested funds	<u>233,132</u>	<u>2,079,290</u>	<u>-</u>	<u>2,312,422</u>
Balance, December 31, 2017	<u>\$ 2,426,656</u>	<u>\$3,844,447</u>	<u>\$21,142,512</u>	<u>\$ 27,413,615</u>
Comprised of the Following				
Donor-restricted funds	\$ -	\$3,844,447	\$21,142,512	\$ 24,986,959
Board designated funds	2,426,656	-	-	<u>2,426,656</u>
				27,413,615
Investments not considered endowments				<u>1,473,244</u>
Total Investments				<u>\$ 28,886,859</u>

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

5. Endowments, Investments and Investment Return (continued)

The following is a reconciliation of the activity in the endowment funds for 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2015	\$ 402,557	\$1,765,270	\$11,798,930	\$ 13,966,757
Board designated	2,000,000	-	-	2,000,000
Contributions and pledge collections	-	-	1,356,370	1,356,370
Distribution from Board designated quasi-endowment	<u>(134,717)</u>	<u>-</u>	<u>-</u>	<u>(134,717)</u>
Subtotal	<u>1,865,283</u>	<u>-</u>	<u>1,356,370</u>	<u>3,221,653</u>
Investment income, net	195,966	462,371	-	658,337
Unrealized depreciation	<u>(68,478)</u>	<u>(91,497)</u>	<u>-</u>	<u>(159,975)</u>
Total Investment Income	<u>127,488</u>	<u>370,874</u>	<u>-</u>	<u>498,362</u>
Distribution for operations from invested funds	<u>(187,916)</u>	<u>(370,987)</u>	<u>-</u>	<u>(558,903)</u>
Total return on investment net of distribution for operations from invested funds	<u>(60,428)</u>	<u>(113)</u>	<u>-</u>	<u>(60,541)</u>
Balance, December 31, 2016	<u>\$ 2,207,412</u>	<u>\$1,765,157</u>	<u>\$13,155,300</u>	<u>\$ 17,127,869</u>
Comprised of the Following				
Donor-restricted funds	\$ -	\$1,765,157	\$13,155,300	\$ 14,920,457
Board designated funds	2,207,412	-	-	<u>2,207,412</u>
				17,127,869
Investments not considered endowments				<u>2,181,369</u>
Total Investments				<u>\$ 19,309,238</u>

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

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	2017	2016
Level 2 Investments		
Pooled mutual funds	\$ 1,103,454	\$ 1,578,756
TIFF Multi-asset		
Equities	16,325,053	8,766,086
Bonds	3,075,735	1,418,043
Other hedging assets	4,258,709	2,062,607
Total Level 2 Investments	24,762,951	13,825,492
Alternative investments		
TIFF Absolute Return Pool (1)	2,303,923	2,311,833
Real estate funds (1)	167,895	190,341
Private equity (1)	322,730	337,028
Invested cash	1,329,360	2,644,544
Total Investments	\$ 28,886,859	\$ 19,309,238

(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, 2017, is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
TIFF Absolute Return Pool (see "a" below)	\$2,303,923	\$ -	Quarterly	100 days
Real estate funds (see "b" below)	167,895	150,891	N/A	N/A
Private equity funds (see "c" below)	322,730	76,500	N/A	N/A
	\$2,794,548	\$ 227,391		

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

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

Information regarding alternative investments measured at NAV using the practical expedient at December 31, 2017, is as follows:

- a. This category is comprised of a fund of funds which invests in multiple hedge funds which pursue long/short equity, event driven, capital structure arbitrage, fixed income and other investment strategies. The primary objective is to generate an annualized return equal to or greater than the 91 day treasury bills plus 5%, net of all costs, over rolling three-year periods.
- b. 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.
- c. 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.

The Investment Fund for Foundations (“TIFF”)

TIFF is a non-profit organization, the mission of which is to improve the investment return of endowed non-profit organizations.

TIFF Absolute Return Pool

The objective of the Absolute Return Pool is to generate, over three-year periods, an annualized return greater than 91-day treasury bills plus 5%, net of all costs. Its secondary objective is to produce real return over a rolling 12-month time period. The pool holds domestic and international holdings. The NAV of the Fund is determined monthly using the market value or fair value if market data is unavailable, of all of the underlying securities held. Caramoor may redeem $\frac{1}{4}$ of its holdings in this fund each quarter, subject to a 100 day notice period. The fair value of the Fund was \$2,303,923 and \$2,311,833 at December 31, 2017 and 2016.

TIFF Real Estate Partners I (“REP I”)

The Fund’s objective is to assist members in maintaining endowment purchasing power by generating returns in a manner that will cause members’ total portfolios to be less volatile than would be the case if capital committed to REP 1 were instead invested in an index fund that attempts to track the broad U.S. stock market. A secondary objective is to generate annualized returns that are at least 300 basis points above the consumer price index inflation, with the potential for much higher returns if the underlying managers perform as well in the future as they have prior to the inception of the Fund. The Fund has a 15-year term which expired on December 31, 2016, subject to extension at the TIFF Advisory Services, Inc.’s discretion for up to five consecutive one-year periods (extended through December 31, 2018). The fair value of the Fund was \$25,948 and \$31,411 at December 31, 2017 and 2016.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

5. Endowments, Investments and Investment Return (continued)

The Investment Fund for Foundations (“TIFF”) (continued)

TIFF Partners V-US

The Fund has a United States investment focus and the objective of the Fund is to assist members in maintaining endowment purchasing power by generating returns materially greater than those provided by broad United States stock market (as measured by the Wilshire 5000 Total Market Index). The Fund has a 12-year term which expired December 31, 2015, subject to extension at the discretion of TIFF Advisory Services, Inc. for up to five one-year periods (extended through December 31, 2018). The fair value of the Fund was \$82,820 and \$117,724 at December 31, 2017 and 2016.

TIFF Private Equity Partners 2005

The Fund’s objective is to assist members in maintaining endowment purchasing power by generating returns materially greater than those provided by global stock markets (as measured by the Morgan Stanley Capital International World Index). It has a 12-year term which expired on December 31, 2017, subject to extension at TIFF Advisory Services, Inc.’s discretion for up to five consecutive one-year periods (extended through December 31, 2018). The fair value of the Fund was \$239,910 and \$219,304 at December 31, 2017 and 2016.

TIFF Realty & Resources 2008

The Fund’s primary objective is to generate a net internal rate of return over the life of the Fund’s term at least equal to the positive percentage increase in the Consumer Price Index plus 500 basis points per annum, assuming both modest gross domestic product growth and low and stable price inflation during such term. A secondary objective is to invest in real assets the evolving market values of which tend to correlate imperfectly if at all with the changing market values of publicly-traded US stocks and high quality bonds, offering the potential to dampen the volatility of endowment portfolios otherwise invested primarily in such stocks and bonds. Lastly, during periods of high general price inflation, as measured by the CPI, the Fund seeks to generate returns materially in excess of those achievable under less inflationary market conditions. It has a 15-year term expiring December 31, 2022, subject to extension at the discretion of TIFF Advisory Services, Inc. for up to seven consecutive one-year periods. The fair value of the Fund was \$141,947 and \$158,930 at December 31, 2017 and 2016.

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

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

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

	<u>2017</u>	<u>2016</u>
Interest and dividends from investments	\$ 1,051,877	\$ 696,004
Investment fees	(48,682)	(27,225)
Net realized gains on sale of investments	2,150,060	80,039
Unrealized depreciation on investments	<u>(153,735)</u>	<u>(239,708)</u>
	<u>\$ 2,999,520</u>	<u>\$ 509,110</u>
Total return on investments is reflected in the statement of activities as follows:		
Distribution for operations from investment funds	\$ 676,356	\$ 558,903
Total return on investments net of		
distribution for operations from investment funds	<u>2,323,164</u>	<u>(49,793)</u>
	<u>\$ 2,999,520</u>	<u>\$ 509,110</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, 2017 and 2016

7. Property and Equipment

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

	<u>2017</u>	<u>2016</u>
Land	\$ 58,531	\$ 58,531
Buildings and theatre	6,163,189	6,129,968
Garden	250,557	250,557
Equipment	3,457,943	2,923,554
Vehicles	132,607	132,607
Furniture and fixtures	715,262	711,723
Land improvements	881,470	723,143
Construction-in-progress	<u>935,722</u>	<u>540,373</u>
	12,595,281	11,470,456
Less accumulated depreciation	<u>7,223,837</u>	<u>6,808,606</u>
	<u>\$ 5,371,444</u>	<u>\$ 4,661,850</u>

Construction in progress consists of expenditures incurred on various projects at Caramoor that have not been placed into service. These include work performed on heating, chimney, drainage and roof projects.

In 2017, Caramoor acquired an asset under a capital lease agreement. The cost of the equipment totaled \$80,661 and accumulated amortization totaled \$8,593 as of December 31, 2017.

8. Capital Lease Obligation

Caramoor's office equipment lease extends through August 2022. Future minimum lease payments at December 31, 2017 are as follows:

2018	\$16,308
2019	16,308
2020	16,308
2021	16,308
2022	<u>10,872</u>
Minimum Lease Payments	76,104
Less amounts representing interest	<u>(4,396)</u>
Present Value of Minimum Obligations under Capital Leases	<u>\$71,708</u>

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

9. Operating Leases

Caramoor has various operating lease agreements for equipment expiring through 2020. The following minimum annual lease payments as of December 31, 2016 are payable as follows:

2018	\$ 3,535
2019	3,535
2020	<u>884</u>
	<u>\$ 7,954</u>

10. Restrictions on Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Capital improvements and maintenance	\$ 1,649,032	\$ 697,784
Musical performances	1,220,182	803,358
Education	1,490,709	1,071,462
Programs	180,487	264,882
Operations	112,116	90,293
Time restricted	<u>93,695</u>	<u>210,987</u>
	<u>\$ 4,746,221</u>	<u>\$ 3,138,766</u>

Permanently Restricted Net Assets

Permanently restricted net assets represent gifts that have been restricted by the donor in perpetuity, the income of which is expendable to support the following at December 31:

	<u>2017</u>	<u>2016</u>
Capital improvements and maintenance	\$ 1,624,447	\$ 1,120,152
Musical performances	4,345,987	3,453,894
Education	3,594,448	3,535,840
Operations	<u>12,955,204</u>	<u>5,993,081</u>
	<u>\$ 22,520,086</u>	<u>\$ 14,102,967</u>

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

10. Restrictions on Net Assets (continued)

Net Assets Released from Restrictions

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

	<u>2017</u>	<u>2016</u>
Operating Programs	\$ 197,616	\$ 288,567
Non-operating Capital projects	559,383	1,198,171

11. Board Designated Funds

Caramoor maintains a reserve fund to be used for future capital improvements and operations amounting to \$2,760,318 and \$3,609,301 at December 31, 2017 and 2016. It is reflected as board designated under unrestricted net assets on the statements of financial position.

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>2017</u>	<u>2016</u>
Decrease (Increase) in:		
Contributions receivable	\$ 86,047	\$ 80,278
Other receivables	3,365	(4,265)
Inventory	(475)	(4,626)
Prepaid expenses	20,051	(36,505)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(70,003)	244,792
Deferred revenue	11,419	(12,941)
	<u>\$ 50,404</u>	<u>\$ 266,733</u>

Caramoor Center for Music and the Arts, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

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. Pension expense for the years ended December 31, 2017 and 2016 totaled \$76,610 and \$79,873.

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.

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