

**The Music Conservatory  
of Westchester, Inc.**

Financial Statements

June 30, 2024 and 2023

## Independent Auditors' Report

**Board of Trustees**  
**The Music Conservatory of Westchester, Inc.**

### Opinion

We have audited the accompanying financial statements of The Music Conservatory of Westchester, Inc. (the "Conservatory") (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Conservatory as of June 30, 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. 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 Conservatory 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 Conservatory's ability to continue as a going concern within 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 generally accepted auditing standards will always detect a material misstatement when it exists.

**Auditors' Responsibilities for the Audit of the Financial Statements (*continued*)**

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.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Conservatory'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 Conservatory'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.

*PKF O'Connor Davies, LLP*

Newburgh, New York  
November 12, 2024

**The Music Conservatory of Westchester, Inc.**

Statements of Financial Position

	June 30,	
	2024	2023
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,330,553	\$ 1,259,207
Investments	840,511	799,842
Accounts receivable (less allowance for credit losses of \$2,150 and allowance for bad debt of \$-0-)	68,164	71,493
Promises to give	55,265	63,214
Prepaid expenses and other current assets	22,840	23,489
Total Current Assets	2,317,333	2,217,245
Other Assets		
Investments held for endowment purposes	1,281,351	1,192,437
Land, property and equipment, net	6,455,431	6,762,776
Right-of-use assets, operating	8,642	9,202
Total Other Assets	7,745,424	7,964,415
	\$ 10,062,757	\$ 10,181,660
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 231,719	\$ 222,958
Deferred tuition	344,419	301,859
Mortgage payable, net, current portion	160,675	147,083
Short-term lease liabilities, operating	7,655	7,665
Total Current Liabilities	744,468	679,565
Long-Term Liabilities		
Mortgage payable, net, net of current portion	2,485,372	2,646,046
Long-term lease liabilities, operating	1,101	1,647
Total Long-Term Liabilities	2,486,473	2,647,693
Total Liabilities	3,230,941	3,327,258
Net Assets		
Without donor restrictions	5,178,987	5,430,892
With donor restrictions	1,652,829	1,423,510
Total Net Assets	6,831,816	6,854,402
	\$ 10,062,757	\$ 10,181,660

See notes to financial statements

**The Music Conservatory of Westchester, Inc.**

Statement of Activities  
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE AND SUPPORT AND RECLASSIFICATIONS</b>			
Operating Revenue			
Tuition	\$ 1,792,566	\$ -	\$ 1,792,566
Scholarships and discounts on lessons	<u>(248,519)</u>	<u>-</u>	<u>(248,519)</u>
Net Tuition	1,544,047	-	1,544,047
Contracted services	652,966	-	652,966
Investment return	41,374	149,091	190,465
Other	<u>15,886</u>	<u>-</u>	<u>15,886</u>
Total Operating Revenue	<u>2,254,273</u>	<u>149,091</u>	<u>2,403,364</u>
Support			
Public agencies	47,000	66,377	113,377
Foundations and corporations	40,237	229,250	269,487
Individuals	68,676	52,185	120,861
Contributed non-financial assets	98,280	-	98,280
Special events, net of direct donor benefits of \$75,215	<u>199,449</u>	<u>86,014</u>	<u>285,463</u>
Total Support	<u>453,642</u>	<u>433,826</u>	<u>887,468</u>
Net Assets Released From Restrictions			
Time and purpose restrictions released	293,421	(293,421)	-
Appropriated endowment earnings	<u>60,177</u>	<u>(60,177)</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>353,598</u>	<u>(353,598)</u>	<u>-</u>
Total Operating Revenue and Support and Reclassifications	<u>3,061,513</u>	<u>229,319</u>	<u>3,290,832</u>
<b>OPERATING EXPENSES</b>			
Program Expenses			
Instruction	2,262,143	-	2,262,143
Outreach program	470,873	-	470,873
Performances	<u>55,457</u>	<u>-</u>	<u>55,457</u>
Total Program Expenses	<u>2,788,473</u>	<u>-</u>	<u>2,788,473</u>
Supporting Expenses			
Management and general	194,578	-	194,578
Fundraising	<u>442,803</u>	<u>-</u>	<u>442,803</u>
Total Supporting Expenses	<u>637,381</u>	<u>-</u>	<u>637,381</u>
Total Operating Expenses	<u>3,425,854</u>	<u>-</u>	<u>3,425,854</u>
Change in Net Assets From Operations Before Rental Income	<u>(364,341)</u>	<u>229,319</u>	<u>(135,022)</u>
Rental Income, net	<u>112,436</u>	<u>-</u>	<u>112,436</u>
Change in Net Assets	(251,905)	229,319	(22,586)
<b>NET ASSETS</b>			
Beginning of year	<u>5,430,892</u>	<u>1,423,510</u>	<u>6,854,402</u>
End of year	<u>\$ 5,178,987</u>	<u>\$ 1,652,829</u>	<u>\$ 6,831,816</u>

See notes to financial statements

**The Music Conservatory of Westchester, Inc.**

Statement of Activities  
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE AND SUPPORT AND RECLASSIFICATIONS</b>			
Operating Revenue			
Tuition	\$ 1,528,291	\$ -	\$ 1,528,291
Scholarships and discounts on lessons	<u>(204,884)</u>	<u>-</u>	<u>(204,884)</u>
Net Tuition	1,323,407	-	1,323,407
Contracted services	565,372	-	565,372
Investment return	28,867	115,704	144,571
Other	<u>23,303</u>	<u>-</u>	<u>23,303</u>
Total Operating Revenue	<u>1,940,949</u>	<u>115,704</u>	<u>2,056,653</u>
Support			
Public agencies	72,500	261,859	334,359
Foundations and corporations	33,543	200,250	233,793
Individuals	425,749	73,065	498,814
Contributed non-financial assets	74,915	-	74,915
Special events, net of direct donor benefits of \$56,695	<u>202,500</u>	<u>67,994</u>	<u>270,494</u>
Total Support	<u>809,207</u>	<u>603,168</u>	<u>1,412,375</u>
Net Assets Released From Restrictions			
Time and purpose restrictions released	985,198	(985,198)	-
Appropriated endowment earnings	<u>75,986</u>	<u>(75,986)</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>1,061,184</u>	<u>(1,061,184)</u>	<u>-</u>
Total Operating Revenue and Support and Reclassifications	<u>3,811,340</u>	<u>(342,312)</u>	<u>3,469,028</u>
<b>OPERATING EXPENSES</b>			
Program Expenses			
Instruction	2,093,167	-	2,093,167
Outreach program	431,440	-	431,440
Performances	<u>56,848</u>	<u>-</u>	<u>56,848</u>
Total Program Expenses	<u>2,581,455</u>	<u>-</u>	<u>2,581,455</u>
Supporting Expenses			
Management and general	185,308	-	185,308
Fundraising	<u>475,324</u>	<u>-</u>	<u>475,324</u>
Total Supporting Expenses	<u>660,632</u>	<u>-</u>	<u>660,632</u>
Total Operating Expenses	<u>3,242,087</u>	<u>-</u>	<u>3,242,087</u>
Change in Net Assets From Operations Before Rental Income	<u>569,253</u>	<u>(342,312)</u>	<u>226,941</u>
Rental Income, net	<u>98,108</u>	<u>-</u>	<u>98,108</u>
Change in Net Assets	667,361	(342,312)	325,049
<b>NET ASSETS</b>			
Beginning of year	<u>4,763,531</u>	<u>1,765,822</u>	<u>6,529,353</u>
End of year	<u>\$ 5,430,892</u>	<u>\$ 1,423,510</u>	<u>\$ 6,854,402</u>

See notes to financial statements

**The Music Conservatory of Westchester, Inc.**

Statement of Functional Expenses  
Year Ended June 30, 2024

	Program Expenses				Supporting Services			Total
	Instruction	Outreach Program	Performances	Total	Management and General	Fundraising	Total	
<b>PERSONNEL COSTS</b>								
Administrative salaries	\$ 660,959	\$ 62,922	\$ 3,263	\$ 727,144	\$ 118,782	\$ 208,485	\$ 327,267	\$ 1,054,411
Faculty salaries	690,771	323,436	9,177	1,023,384	-	-	-	1,023,384
Payroll taxes and employee benefits	174,023	51,485	244	225,752	12,544	30,901	43,445	269,197
Total Personnel Costs	<u>1,525,753</u>	<u>437,843</u>	<u>12,684</u>	<u>1,976,280</u>	<u>131,326</u>	<u>239,386</u>	<u>370,712</u>	<u>2,346,992</u>
<b>OTHER THAN PERSONNEL COSTS</b>								
Professional fees	65,101	5,361	2,544	73,006	44,030	13,017	57,047	130,053
Artist fees	6,860	-	600	7,460	-	-	-	7,460
Interest and bank charges	61,940	2,924	4,697	69,561	2,427	734	3,161	72,722
Processing fees	44,319	333	-	44,652	175	10,329	10,504	55,156
Supplies and music	16,162	1,852	269	18,283	1,780	7,440	9,220	27,503
Software and subscriptions	15,867	432	-	16,299	2,198	2,627	4,825	21,124
Printing and postage	777	78	-	855	125	269	394	1,249
Travel and entertainment	1,674	-	-	1,674	63	1,300	1,363	3,037
Membership dues	2,275	-	-	2,275	450	546	996	3,271
Advertising and marketing	64,872	-	-	64,872	-	27,313	27,313	92,185
Telephone	5,843	620	-	6,463	995	1,736	2,731	9,194
Utilities	64,569	3,037	4,913	72,519	1,125	707	1,832	74,351
Insurance	24,252	1,141	1,846	27,239	423	266	689	27,928
Building repairs and maintenance	55,514	2,528	5,029	63,071	1,083	694	1,777	64,848
Food, tickets and event venues	-	-	-	-	-	206,667	206,667	206,667
Credit losses	-	-	-	-	2,150	-	2,150	2,150
Lease expense	5,767	606	-	6,373	970	1,697	2,667	9,040
Depreciation	300,598	14,118	22,875	337,591	5,258	3,290	8,548	346,139
Total Other Than Personnel Costs	<u>736,390</u>	<u>33,030</u>	<u>42,773</u>	<u>812,193</u>	<u>63,252</u>	<u>278,632</u>	<u>341,884</u>	<u>1,154,077</u>
Total Expenses Including Direct Donor Benefits	2,262,143	470,873	55,457	2,788,473	194,578	518,018	712,596	3,501,069
Direct Donor Benefits	-	-	-	-	-	(75,215)	(75,215)	(75,215)
Total Expenses	<u>\$ 2,262,143</u>	<u>\$ 470,873</u>	<u>\$ 55,457</u>	<u>\$ 2,788,473</u>	<u>\$ 194,578</u>	<u>\$ 442,803</u>	<u>\$ 637,381</u>	<u>\$ 3,425,854</u>

See notes to financial statements

**The Music Conservatory of Westchester, Inc.**

Statement of Functional Expenses  
Year Ended June 30, 2023

	Program Expenses				Supporting Services			Total
	Instruction	Outreach Program	Performances	Total	Management and General	Fundraising	Total	
<b>PERSONNEL COSTS</b>								
Administrative salaries	\$ 608,408	\$ 63,133	\$ 3,185	\$ 674,726	\$ 118,917	\$ 208,281	\$ 327,198	\$ 1,001,924
Faculty salaries	607,180	267,063	8,880	883,123	-	-	-	883,123
Payroll taxes and employee benefits	154,714	43,540	144	198,398	12,425	29,096	41,521	239,919
Total Personnel Costs	<u>1,370,302</u>	<u>373,736</u>	<u>12,209</u>	<u>1,756,247</u>	<u>131,342</u>	<u>237,377</u>	<u>368,719</u>	<u>2,124,966</u>
<b>OTHER THAN PERSONNEL COSTS</b>								
Professional fees	34,483	4,487	591	39,561	35,464	21,959	57,423	96,984
Artist fees	12,695	-	-	12,695	-	-	-	12,695
Interest and bank charges	70,762	3,077	5,388	79,227	5,176	855	6,031	85,258
Processing fees	39,136	172	-	39,308	160	9,416	9,576	48,884
Supplies and music	16,659	1,561	1,251	19,471	947	10,537	11,484	30,955
Software and subscriptions	13,162	284	-	13,446	1,614	3,397	5,011	18,457
Printing and postage	222	25	-	247	211	128	339	586
Travel and entertainment	1,022	-	-	1,022	-	-	-	1,022
Membership dues	1,336	-	-	1,336	450	667	1,117	2,453
Advertising and marketing	63,518	1,250	2,500	67,268	-	28,247	28,247	95,515
Telephone	5,559	619	-	6,178	1,033	1,759	2,792	8,970
Utilities	77,569	3,494	5,871	86,934	1,376	845	2,221	89,155
Insurance	24,197	1,119	1,837	27,153	391	264	655	27,808
Building repairs and maintenance	55,257	1,640	4,168	61,065	979	887	1,866	62,931
Documentary	-	25,615	-	25,615	-	-	-	25,615
Food, tickets and event venues	-	-	-	-	-	210,676	210,676	210,676
Lease expense	5,669	607	-	6,276	1,026	1,698	2,724	9,000
Depreciation	301,619	13,754	23,033	338,406	5,139	3,307	8,446	346,852
Total Other Than Personnel Costs	<u>722,865</u>	<u>57,704</u>	<u>44,639</u>	<u>825,208</u>	<u>53,966</u>	<u>294,642</u>	<u>348,608</u>	<u>1,173,816</u>
Total Expenses Including Direct Donor Benefits	2,093,167	431,440	56,848	2,581,455	185,308	532,019	717,327	3,298,782
Direct Donor Benefits	-	-	-	-	-	(56,695)	(56,695)	(56,695)
Total Expenses	<u>\$ 2,093,167</u>	<u>\$ 431,440</u>	<u>\$ 56,848</u>	<u>\$ 2,581,455</u>	<u>\$ 185,308</u>	<u>\$ 475,324</u>	<u>\$ 660,632</u>	<u>\$ 3,242,087</u>

See notes to financial statements



**The Music Conservatory of Westchester, Inc.**

Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (22,586)	\$ 325,049
Adjustments to reconcile change in net assets to net cash from operating activities		
Credit losses	2,150	-
Realized gain on sale of investments	(104,614)	(19,970)
Unrealized gain on investments	(12,103)	(67,014)
Depreciation	387,432	388,144
Amortization of debt issuance costs	21,730	32,951
Amortization of right-of-use assets	9,040	8,996
Donated equipment	(47,600)	-
Net change in operating assets and liabilities		
Accounts receivable	1,179	(1,744)
Promises to give	7,949	142,868
Prepaid expenses and other current assets	649	(3,905)
Accounts payable and accrued expenses	8,761	11,025
Deferred tuition	42,560	108,955
Lease liabilities, operating	(9,036)	(8,888)
Net Cash from Operating Activities	285,511	916,467
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land, property and equipment	(32,487)	(123,106)
Proceeds from sale of investments	400,875	1,171,833
Purchase of investments	(413,741)	(1,081,596)
Net Cash from Investing Activities	(45,353)	(32,869)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on trade account used to finance capital expenditures	-	(176,133)
Principal payments on mortgage payable	(168,812)	(163,337)
Net Cash from Financing Activities	(168,812)	(339,470)
Net Change in Cash and Cash Equivalents	71,346	544,128
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	1,259,207	715,079
End of year	\$ 1,330,553	\$ 1,259,207

See notes to financial statements

## **The Music Conservatory of Westchester, Inc.**

Notes to Financial Statements  
June 30, 2024 and 2023

### **1. Organization**

The Music Conservatory of Westchester, Inc. (the “Conservatory”) operates a school of music instruction in White Plains, New York and promotes music education and appreciation through outreach programs and performances in Westchester County, New York, Fairfield County, Connecticut, and surrounding areas.

The Conservatory is a not-for-profit corporation organized under the not-for-profit laws of the State of New York, and chartered as an education corporation by the Education Department of the State of New York. The Conservatory has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3) and has been classified as an organization that is not a private foundation under Section 509(a) and has been designated as a publicly supported organization under Section 170(b)(1)(A)(vi). Contributions to the Conservatory are tax-deductible within the limitations prescribed by the Internal Revenue Code.

### **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.

#### ***Adoption of New Accounting Pronouncement***

In June 2016, the Financial Accounting Standards Board issued an accounting pronouncement related to the measurement of credit losses on financial instruments. This pronouncement and subsequently issued Accounting Standards Updates, clarified certain provisions of the new guidance, changed the incurred loss model for most financial assets and required the use of an expected loss model for instruments measured at amortized cost and certain other instruments that are not measured at fair value through the change in net assets. Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of this guidance on July 1, 2023 expanded the Conservatory’s required disclosures for its expected credit losses for accounts receivable but did not have a material effect on its financial statements.

## The Music Conservatory of Westchester, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

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

#### ***Net Asset Presentation***

Net assets are classified based on the presence or absence of donor imposed restrictions. Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

*Without donor restrictions* – consist of resources available for the general support of the Conservatory's operations. Net assets without donor restrictions may be used at the discretion of the Conservatory's management and Board of Trustees (the "Board").

*With donor restrictions* – some donor imposed restrictions represent amounts restricted by donors for specific activities of the Conservatory or to be used at some future date. The Conservatory records contributions as with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as net assets with donor restrictions until the assets are placed in service.

#### ***Revenue from Contracts with Customers***

The Conservatory follows U.S. GAAP revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Revenue is measured as the amount of consideration the Conservatory expects to be entitled to recover in exchange for providing services. Tuition and contractual services are accounted for as exchange transactions. The Conservatory offers variable consideration in the form of scholarships and discounts. The Conservatory uses a portfolio approach as a practical expedient to account for categories of contracts as collective groups, rather than recognizing revenue on an individual contract basis. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

The Conservatory has elected the practical expedient and does not adjust the promised amount of consideration from fees for services for the effects of a significant financing component due to the Conservatory's expectation that the period between the time the service is provided and the time that revenue is received for that service will be one year or less.

Based on the Conservatory's strong collection experience, the Conservatory has concluded that all revenue recognized is probable of collection.

## The Music Conservatory of Westchester, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

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

#### ***Recognition of Contributions***

Contributions, including unconditional promises to give, are recognized as revenue at fair value in the period received. Unconditional promises to give that are due beyond one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are recognized when the conditions upon which they depend have been substantially met.

Contributions to be held in perpetuity 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. Net assets held in perpetuity are comprised of endowed funds, the income from which is to be used for programs and capital improvements. Endowment investment earnings stipulated for specific purposes are recorded as revenue with donor restrictions and appropriated for operating purposes in accordance with donor designations or determined by the Board for undesignated endowment earnings.

#### ***Tuition Revenue, Scholarships and Discounts***

Tuition is recorded as a contract liability of deferred revenue when billed to the student and recognized as revenue during the semester as lessons/classes are completed. Scholarship awards and discounts applied to tuition billings are recorded as a reduction of accounts receivable and recognized as a reduction of revenues at the time revenue from completed lessons/classes are recognized.

#### ***Contractual Services and Scholarships***

Contractual service revenues are recognized ratably as services are provided in accordance with the contractual agreement.

#### ***Special Events***

The Conservatory records revenue from special events net of cost of direct benefit to donors. Revenues and expenses incurred relative to special events, such as a benefit concert, gala, golf outing or festival, are recognized upon occurrence of the respective event.

#### ***Contributed Non-financial Assets***

Donated non-cash assets are recorded at their fair value at the date of donation. Donated services that create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at fair value in the period the service is provided.

## **The Music Conservatory of Westchester, Inc.**

Notes to Financial Statements  
June 30, 2024 and 2023

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

#### ***Rental Income***

Rental income is recorded on the straight line basis over the life of the lease and is presented on the statement of activities as rental income, net.

#### ***Operating Measure***

The Conservatory has elected to present an operating measure in its statements of activities. Accordingly, items affecting operations are segregated from those not affecting operations. Items not affecting operations are rental income net of expenses for property owned by the Conservatory the sole purpose of which is for rental income.

#### ***Cash and Cash Equivalents***

Except for those cash equivalents which are included in the Conservatory's investment portfolio which are held for long-term investment purposes, cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

#### ***Accounts Receivable and Allowance for Credit Losses***

Prior to July 1, 2023, accounts receivable were recorded at the amount invoiced less an allowance for doubtful accounts. The net amount of accounts receivable and corresponding allowance for doubtful accounts were presented on the statement of financial position. Receivable balances were assessed at every reporting date for collectability and an allowance was recorded if the receivable was considered uncollectible. Subsequent to July 1, 2023, accounts receivable are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. The amount of accounts receivable and corresponding allowance for credit losses are presented on the statements of financial position. The Conservatory maintains allowances for credit losses resulting from the expected failure or inability of its customers to make required payments. The Conservatory recognizes the allowance for credit losses at inception and reassesses at every reporting date based on the asset's expected collectability. The allowance is based on multiple factors including historical experience with bad debts, the credit quality of the customer base, the aging of such receivables and current macroeconomic conditions, as well as expectations of conditions in the future, if applicable. The Conservatory's allowance for credit losses is based on the assessment of the collectability of assets pooled together with similar risk characteristics.

The Conservatory records a provision for expected credit losses using a historical loss-rate method based on the ratio of its historical write-offs to its average trade accounts receivable. At each reporting period, the Conservatory assesses whether financial assets in a pool continue to display similar risk characteristics. If particular receivables no longer display risk characteristics that are similar to those of the receivables in the pool, the Conservatory may determine that it needs to move those receivables to a different pool or perform an individual assessment of expected credit losses for those specific receivables.

## **The Music Conservatory of Westchester, Inc.**

Notes to Financial Statements  
June 30, 2024 and 2023

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

#### ***Promises to Give and Allowance for Doubtful Accounts***

Unconditional promises to give are recorded when the promise is made. When applicable an estimate of uncollectible promises has been made and included as an offset to promises to give. No allowance for doubtful accounts was deemed necessary at June 30, 2024 and 2023.

All promises to give 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 promise. All promises to give were due within one year or less at June 30, 2024 and 2023.

#### ***Fair Value Measurement of Financial Instruments***

The Conservatory follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted process 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.

The value of the Conservatory's investments by input level are included in note 6 to the financial statements.

#### ***Investment Valuation***

Investments are carried at 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.

#### ***Leases***

The Conservatory's leases consist of office equipment leases for a copier and a postage machine, with lease terms that range from 2 to 5 years, and determines if an arrangement is a lease at inception. Operating leases are included in right-of-use assets, operating ("ROU assets"), short-term lease liabilities, operating and long-term lease liabilities, operating on the accompanying statements of financial position.

## The Music Conservatory of Westchester, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

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

#### ***Leases (continued)***

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The leases do not provide an implicit borrowing rate. The Conservatory uses their incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Conservatory will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Conservatory's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Conservatory has lease agreements with lease and non-lease components, which are generally accounted for separately. For the office equipment leases, the Conservatory accounts for the lease and non-lease components as a single lease component. Variable lease components in these leases are maintenance and are recognized in operating expenses in the period in which the obligation is incurred.

Short-term leases, which have an initial term of 12 months or less, are not recorded on the statements of financial position.

#### ***Land, Property and Equipment***

Land, property and equipment purchases over \$2,500 and with useful lives greater than one year are capitalized and stated at cost less accumulated depreciation. Donated assets are capitalized at fair value at the time of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (see note 7).

#### ***Impairment of Long-Lived Assets***

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Conservatory records impairment losses on long-lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment charges were recognized as of June 30, 2024 and 2023.

#### ***Debt Issuance Costs***

Debt issuance costs are reported on the statements of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt using the interest method. The Conservatory reflects amortization of debt issuance costs within interest expense. For the years ended June 30, 2024 and 2023, amortization of debt issuance costs was \$21,730 and \$32,951.

## **The Music Conservatory of Westchester, Inc.**

Notes to Financial Statements  
June 30, 2024 and 2023

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

#### ***Debt Issuance Costs (continued)***

At June 30, 2024 and 2023, debt issuance costs were \$42,078 and \$63,808, net of accumulated amortization of \$77,073 and \$55,343.

#### ***Advertising and Marketing Costs***

Advertising and marketing costs are charged to expense as incurred and approximated \$92,000 and \$96,000 for the years ended June 30, 2024 and 2023.

#### ***Accounting for Uncertainty in Income Taxes***

The Conservatory recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Conservatory had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Conservatory is no longer subject to examination by applicable taxing jurisdictions for periods prior to June 30, 2021.

#### ***Functional Expenses Allocation***

The financial statements report certain categories of expenses that are attributable to program and supporting services of the Conservatory. Therefore, these expenses require an allocation using a reasonable basis that is consistently applied. The expenses that are allocated include salaries and personnel costs which are allocated based on estimates of time and effort and other expenses which include professional fees, artist fees, interest and bank charges, processing fees, supplies and music, software and subscriptions, printing and postage, travel and entertainment, membership dues, advertising and marketing, telephone, utilities, insurance, building repairs and maintenance, food, tickets and event venues, credit losses, lease expense and depreciation which are allocated based on the functions receiving the benefit.

#### ***Reclassifications***

Certain amounts in the 2023 financial statements have been reclassified to conform to the 2024 presentation. These reclassifications have had no effect on the previously reported net assets or change in net assets.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 12, 2024.



## The Music Conservatory of Westchester, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 3. Concentrations

#### *Concentrations of Credit Risk*

Financial instruments that potentially subject the Conservatory to concentrations of credit and market risk consist principally of cash and cash equivalents, on deposit with financial institutions and investments held at financial institutions. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation (“FDIC”) are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation (“SIPC”) are insured up to \$500,000 (\$250,000 for cash holdings). At times cash balances may exceed the FDIC and/or the SIPC limit.

At June 30, 2024 and 2023, the Conservatory’s uninsured cash and cash equivalents, balances on deposit totaled approximately \$974,000 and \$871,000. At June 30, 2024 and 2023 the Conservatory’s uninsured investment holdings totaled approximately \$1,622,000 and \$1,483,000.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment, investment advisor, investment manager or group of investments represents a significant concentration of credit risk.

#### *Concentrations of Revenue and Support*

As of and for the year ended June 30, 2024 two donors represented 30% of accounts receivable, net and three donors represented approximately 63% of promises to give, net.

As of and for the year ended June 30, 2023, one donor represented approximately 11% of total revenue and support, two donors represented 29% of accounts receivable, net and three donors represented approximately 62% of promises to give, net.

### 4. Contract Receivable and Liability

The following are the contract receivable and liability balances at June 30:

	2024	2023	2022
Tuition receivables, net	5,476	\$ 4,222	\$ 2,361
Contract services receivables	60,400	67,271	65,650
	<u>\$ 65,876</u>	<u>\$ 71,493</u>	<u>\$ 68,011</u>
Deferred tuition	<u>\$ 344,419</u>	<u>\$ 301,859</u>	<u>\$ 192,904</u>

## The Music Conservatory of Westchester, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 5. Availability of Financial Assets and Liquidity

Financial assets available for general expenditures within one year of June 30 are as follows:

	<u>2024</u>	<u>2023</u>
Total assets	\$ 10,062,757	\$ 10,181,660
Less:		
Net assets with donor restrictions	1,652,829	1,423,510
Board designated net assets	895,884	895,884
Net assets with donor restrictions expected to be expensed in less than one year	(221,195)	(167,895)
Prepaid expenses and other current assets	22,840	23,489
Land, property and equipment, net	6,455,431	6,762,776
Right-of-use assets, operating	<u>8,642</u>	<u>9,202</u>
	<u>\$ 1,248,326</u>	<u>\$ 1,234,694</u>

The Conservatory's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for tuition and a concentration of contributions received near the end of the fiscal year. To help manage liquidity needs, the Conservatory maintains a line of credit with a bank that is drawn upon as needed to manage cash flow (see note 9).

The Conservatory also maintains governing board-designated funds for capital improvements totaling \$150,000 as of June 30, 2024 and 2023. As of June 30, 2024 and 2023, the Board maintains an operating reserve totaling \$695,884. Certain endowment account investments are primarily funding financial need scholarships. As of June 30, 2024 and 2023, the Board maintains funds for outreach programs and scholarships totaling \$50,000.

The Board has the ability to vote to temporarily fund a short-term priority issue, by using restricted endowment funds, with the commitment to replenish the endowment fund with interest. The available restricted endowment balance at June 30, 2024 and 2023 is \$469,822 and \$380,908.

### 6. Endowments, Investments and Investment Return

#### *Interpretation of Law*

The Conservatory follows the provisions of the New York State Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). Consistent with its interpretation of NYPMIFA, the Conservatory classified as net assets held in perpetuity (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 Music Conservatory of Westchester, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 6. Endowments, Investments and Investment Return *(continued)*

#### *Interpretation of Law (continued)*

The remaining portion of the donor restricted endowment fund that is not classified as net assets held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Conservatory in a manner consistent with the standard of prudence prescribed by NYPMIFA.

#### *Return Objectives and Risk Parameters*

The Conservatory maintains various donor-restricted endowment funds whose purpose is to provide long-term support for its education programs, primarily scholarships, operations and capital maintenance. The Conservatory 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.

The Conservatory utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub classes. The overall investment objective of the Conservatory's donor-restricted endowment funds is to provide the greatest level of support for scholarships, operating expenses and capital maintenance of the Conservatory consistent with the preservation of purchasing power of the Endowment. To balance the current and future needs for operating and maintenance support, the Conservatory'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 the Conservatory's operations will likely fluctuate from year to year.

The investment performance objective is to attain a 15 year distributed time horizon with an expected return of 5.0% - 6.0% per annum over the long term with a moderate level of risk.

#### *Spending Rate Methods*

The Conservatory has adopted a policy of annually expending amounts from its invested funds maintained as donor-restricted endowment to support education programs and current operations based on five percent of a three-year quarterly rolling market value of investments held.

#### *Underwater Endowment Funds*

If donor-restricted endowment funds held in perpetuity have experienced losses below the donor-restricted amount of such funds due to market fluctuations, U.S. GAAP guidance requires that such excess losses be reflected in net assets with donor restrictions. None of the Conservatory's donor restricted endowment funds were below historical cost at June 30, 2024 and 2023.

**The Music Conservatory of Westchester, Inc.**

Notes to Financial Statements  
June 30, 2024 and 2023

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

The following is a reconciliation of the activity in the endowment funds during the year ended June 30, 2024:

	With Donor Restrictions		Total
	Purpose Restricted	Held in Perpetuity	
Balance, beginning of year	\$ 380,908	\$ 811,529	\$ 1,192,437
Investment income	136,988	-	136,988
Capital appreciation	12,103	-	12,103
Appropriated for expenditure	(60,177)	-	(60,177)
Balance, end of year	\$ 469,822	\$ 811,529	1,281,351
Investments not considered endowments			840,511
Total Investments			\$ 2,121,862

The following is a reconciliation of the activity in the endowment funds during the year ended June 30, 2023:

	With Donor Restrictions		Total
	Purpose Restricted	Held in Perpetuity	
Balance, beginning of year	\$ 308,417	\$ 811,529	\$ 1,119,946
Investment income	48,690	-	48,690
Capital appreciation	67,014	-	67,014
Appropriated for expenditure	(43,213)	-	(43,213)
Balance, end of year	\$ 380,908	\$ 811,529	1,192,437
Investments not considered endowments			799,842
Total Investments			\$ 1,992,279

The following are major categories of investments measured at fair value on a recurring basis categorized by the fair value hierarchy at June 30:

Unadjusted Quoted Prices (Level 1)	2024	2023
Exchange Traded Funds		
Equities portfolio	\$ 832,339	\$ 717,091
Bond portfolio	1,066,705	1,205,808
REIT portfolio	59,553	59,411
Government Securities	149,946	-
Total Investments at Fair Value	2,108,543	1,982,310
Cash held for investments	13,319	9,969
Total Investments	\$ 2,121,862	\$ 1,992,279

## The Music Conservatory of Westchester, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 6. Endowments, Investments and Investment Return *(continued)*

The Conservatory invests in various debt and equity securities. These investment securities are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, market and other risks depending on the nature of the specific investment. Therefore, it is reasonably possible that these factors will result in changes in the value of the Conservatory's investments which could materially affect amounts reported in the financial statements.

Investment return consisted of the following for the years ended June 30:

	2024	2023
Interest and dividends	\$ 73,748	\$ 57,587
Realized gains	104,614	19,970
Unrealized gains	12,103	67,014
	\$ 190,465	\$ 144,571

### 7. Land, Property and Equipment, Net

Land, property and equipment, net consisted of the following at June 30:

	Useful life (years)	2024	2023
Land, Property and Equipment Used in Operations:			
Land and land improvements	-	\$ 725,856	\$ 725,856
Building and improvements	10-40	1,327,110	1,264,120
Equipment	1-5	8,968,559	8,951,462
		11,021,525	10,941,438
Accumulated depreciation		(5,668,400)	(5,322,261)
		5,353,125	5,619,177
Commercial Rental Property:			
Land	-	426,734	426,734
Building	40	1,650,334	1,650,334
		2,077,068	2,077,068
Accumulated depreciation		(974,762)	(933,469)
		1,102,306	1,143,599
Land, Property and Equipment, net		\$ 6,455,431	\$ 6,762,776

### Liens on Property and Equipment

As discussed in note 10, certain operating and commercial rental assets are subject to liens related to their respective financing arrangements.

## The Music Conservatory of Westchester, Inc.

### Notes to Financial Statements June 30, 2024 and 2023

#### 8. Leases

The Conservatory has operating leases for a copier and a postage machine. These leases have remaining lease terms of 15 months and include options to extend the leases up to 1 year.

The components of operating lease cost and other required information were as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Lease Cost:		
Operating lease expense	\$ 9,353	\$ 9,000
Other Information:	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term		
Operating leases	15 months	19 months
Weighted average discount rate		
Operating leases	5.96%	3.63%

The following table presents information about the amount and timing of cash flows arising from the Conservatory's operating leases as of June 30, 2024:

2025	\$ 7,887
2026	577
2027	<u>577</u>
Total future minimum lease payments	9,041
Less: imputed interest	<u>(285)</u>
Total lease liabilities	<u>\$ 8,756</u>

#### 9. Line of Credit

The Conservatory maintains a line of credit agreement with a bank that provides for up to \$160,000 in borrowings. The line of credit is payable on demand and bears interest at the bank's prime rate plus .5%. At June 30, 2024 and 2023, the interest rate was 9% and 8.5%. At June 30, 2024 and 2023, there was no outstanding balance. The line is secured by a first priority lien on the Conservatory's buildings and educational facility center located at 214-216 Central Avenue, White Plains, New York. As additional security, the Conservatory has assigned tenant leases and rents to the bank.

#### 10. Mortgages Payable

On December 21, 2021, the Conservatory entered into a mortgage loan with a bank for \$3,100,000 (the "mortgage note"). The mortgage note is due in monthly installments of \$22,100 of principal and interest commencing January 21, 2022 through December 21, 2031, the maturity date, at which time the remaining outstanding principal balance and any unpaid accrued interest is due.

The mortgage note bears interest at 3.41% per annum and is based on a fifteen-year amortization schedule.

## The Music Conservatory of Westchester, Inc.

Notes to Financial Statements  
June 30, 2024 and 2023

### 10. Mortgages Payable (continued)

The mortgage note is secured by a first priority lien on the Conservatory's buildings and educational facility center located at 214-216 Central Avenue, White Plains, New York. As additional security, the Conservatory has assigned tenant leases and rents to the bank.

The mortgage note may be prepaid in whole or in part at any time by the Conservatory subject to a prepayment fee as defined in the note agreement. However, the Conservatory can make one prepayment each year of the loan or any amount not exceeding 15% of the outstanding principal balance without incurring a prepayment fee. The outstanding balance on the mortgage payable is \$2,646,047, net of debt issuance costs, at June 30, 2024.

The future scheduled principal payments for the mortgage payable as of June 30, 2024 are as follows:

2025	\$	175,005
2026		181,152
2027		187,515
2028		193,910
2029		200,914
Thereafter		<u>1,749,629</u>
		2,688,125
Unamortized debt issuance costs		<u>(42,078)</u>
	\$	<u>2,646,047</u>

Interest expense for the mortgage payable was \$96,382 and \$69,552 for the years ended June 30, 2024 and 2023.

The future amortization of debt issuance costs as of June 30, 2024 is as follows:

2025	\$	14,330
2026		9,450
2027		6,232
2028		4,110
2029		2,710
Thereafter		<u>5,246</u>
	\$	<u>42,078</u>

### 11. Contributed Non-financial Assets and Services

The Conservatory's policy related to contributed non-financial assets and services is to utilize the assets received to carry out the mission of the Conservatory. If an asset is received that does not allow the Conservatory to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

**The Music Conservatory of Westchester, Inc.**

Notes to Financial Statements  
June 30, 2024 and 2023

**11. Contributed Non-financial Assets and Services (continued)**

Contributed non-financial assets and services consisted of the following for the years ended June 30:

Nonfinancial Asset	2024 Contributions	2023 Contributions	Monetized or Utilized	Utilization in Function	Donor Restrictions	Valuation Technique
Miscellaneous items for charity auction	\$ 24,430	\$ 48,890	Monetized	Fundraising	None	Current purchase prices
Promotional services	26,250	25,000	Utilized	Fundraising	None	Current service rates
Performance supplies	-	1,025	Utilized	Program service	None	Current purchase prices
Musical instruments	47,600	-	Utilized	Program service	None	Current purchase prices
	<u>\$ 98,280</u>	<u>\$ 74,915</u>				

**12. Facility Sharing Under Operating Agreement**

The Conservatory shares part of the 216 property with Dance in Education Fund, Inc. (“DEF”), an unrelated entity, under an extended operating agreement through December 31, 2021. Under the agreement, the Conservatory was due to receive \$65,000 of income annually. As of the date of these financial statements, the Conservatory is negotiating a new lease with the unrelated entity and the entity has continued to pay the monthly amount stipulated in the agreement. For the years ended June 30, 2024 and 2023, the Conservatory recognized \$65,000 in income. For the year ended June 30, 2021, the Conservatory was due to receive \$65,000 of income, of which \$41,092 remained receivable as of June 30, 2023, and a full reserve had been recorded. During the year-ended June 30, 2024, management forgave the Dance Studio of its obligation for the remaining receivable of \$44,752, which included an amount due for utility charges of \$3,660. As of June 30, 2024, the receivable and reserve were written-off. Facility sharing reimbursements are included in contracted services in the statements of activities.

**13. Rental of Commercial Property**

The Conservatory leases the building at 214 Central Avenue to Faust Harrison Pianos, Inc. (“FHP”). Effective September 2019, FHP entered into an agreement with the Conservatory for the first five-year renewal option period ending January 31, 2026. Terms of this lease also require that FHP reimburse the Conservatory for all assessed real estate taxes on the property and pay its own utility and maintenance costs. Under the terms of the lease, the rent increases each February based on the Consumer Price Index for New York/New Jersey.

Following are the future minimum rental payments due June 30:

2025	\$ 223,867
2026	<u>130,589</u>
	<u>\$ 354,456</u>



**The Music Conservatory of Westchester, Inc.**

Notes to Financial Statements  
June 30, 2024 and 2023

**13. Rental of Commercial Property**

***Leased Property Net Rental Income***

Net rental income recorded as non-operating income in the statements of activities was as follows for the years ended June 30:

	2024	2023
Income From Rental Property		
Rental income	\$ 220,186	\$ 210,563
Reimbursement by tenant	46,271	45,057
	266,457	255,620
Cost of Rental		
Real estate taxes	46,271	45,047
Insurance costs	18,623	17,248
Interest expense	38,692	40,743
Building repairs and maintenance	450	-
Depreciation of property	41,293	41,293
Amortization of deferred financing costs	8,692	13,181
	154,021	157,512
	\$ 112,436	\$ 98,108

**14. Tax Deferred Annuity Plan**

The Conservatory maintains a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code. Eligible employees may make voluntary salary reduction contributions to the plan up to the limitations provided in the Internal Revenue Code. The Conservatory does not contribute to the plan.

**15. Net Assets**

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2024	2023
<i>Perpetual in nature:</i>		
Endowment fund	\$ 811,529	\$ 811,529
<i>Purpose:</i>		
Scholarships	97,716	79,851
Healing Our Heroes	212,271	128,762
Outreach program	29,380	16,695
Operations	476,933	386,673
Capital improvements	25,000	-
	\$ 1,652,829	\$ 1,423,510

**The Music Conservatory of Westchester, Inc.**

Notes to Financial Statements  
June 30, 2024 and 2023

**15. Net Assets**

Net assets without donor restrictions are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 4,283,103	\$ 4,535,008
Board designated operating reserve	695,884	695,884
Board designated for capital improvements	150,000	150,000
Board designated for outreach programs and scholarships	<u>50,000</u>	<u>50,000</u>
	<u>\$ 5,178,987</u>	<u>\$ 5,430,892</u>

Net assets were released from donor restrictions as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Scholarships	\$ 107,540	\$ 64,849
Healing Our Heroes	50,074	83,350
Outreach program	109,717	112,367
Operations	86,267	75,986
Capital improvements	<u>-</u>	<u>724,632</u>
Total Restrictions Released	<u>\$ 353,598</u>	<u>\$ 1,061,184</u>

**16. Supplemental Disclosure of Cash Flow Information**

	<u>Year Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash paid for interest	\$ 109,732	\$ 122,036
Non-cash Investing and Financing Activities		
Acquisition of land, property and equipment financed with accounts payable and accrued expenses	-	11,917
Right-of-use assets obtained in exchange for new operating lease liabilities	8,480	-

**17. Related Party Transactions**

For the years ended June 30, 2024 and 2023, the Conservatory received contributions from board members and their affiliates totaling \$101,291 and \$129,502. Promises to give from board members were \$18,774 and \$10,506 at June 30, 2024 and 2023.

**The Music Conservatory of Westchester, Inc.**

Notes to Financial Statements  
June 30, 2024 and 2023

**18. Contingencies**

***Legal***

From time to time the Conservatory is involved in litigation arising in the normal course of business. Management estimates that such matters will be resolved without material adverse effect on the Conservatory's future financial position, liquidity and changes in net assets.

\* \* \* \* \*