The Music Conservatory of Westchester, Inc.

Financial Statements

June 30, 2025 and 2024

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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, 2025 and 2024, 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, 2025 and 2024, 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.

PKF O'CONNOR DAVIES LLP
32 Fostertown Road, Newburgh, NY 12550 I Tel: 845.565.5400 I Fax: 845.565.9487 I www.pkfod.com

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 6, 2025

The Music Conservatory of Westchester, Inc.

Statements of Financial Position

	June 30, 2025	June 30, 2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,009,566	$ 1,330,553
Investments	726,779	840,511
Accounts receivable, net of allowance for credit losses of $2,150 in 2025 and 2024	73,127	68,164
Promises to give	186,596	55,265
Prepaid expenses and other current assets	25,547	22,840
Total Current Assets	2,021,615	2,317,333
Other Assets		
Investments held for endowment purposes	1,372,872	1,281,351
Land, property and equipment, net	6,446,938	6,455,431
Right-of-use assets, operating	33,128	8,642
Total Other Assets	7,852,938	7,745,424
	$ 9,874,553	$ 10,062,757
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 234,423	$ 231,719
Deferred tuition	340,180	344,419
Mortgage payable, net, current portion	171,702	160,675
Short-term lease liabilities, operating	7,263	7,655
Total Current Liabilities	753,568	744,468
Long-Term Liabilities		
Mortgage payable, net, net of current portion	2,313,669	2,485,372
Long-term lease liabilities, operating	25,977	1,101
Total Long-Term Liabilities	2,339,646	2,486,473
Total Liabilities	3,093,214	3,230,941
Net Assets		
Without donor restrictions	4,924,251	5,178,987
With donor restrictions	1,857,088	1,652,829
Total Net Assets	6,781,339	6,831,816
	$ 9,874,553	$ 10,062,757

See notes to financial statements

The Music Conservatory of Westchester, Inc.

Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT AND RECLASSIFICATIONS			
Operating Revenue			
Tuition	$ 1,849,773	$ -	$ 1,849,773
Scholarships and discounts on lessons	(214,911)	-	(214,911)
Net Tuition	1,634,862	-	1,634,862
Contracted services	704,193	-	704,193
Investment return	36,512	119,134	155,646
Other	23,496	-	23,496
Total Operating Revenue	2,399,063	119,134	2,518,197
Support			
Public agencies	43,045	266,978	310,023
Foundations and corporations	90,607	155,000	245,607
Individuals	63,549	27,923	91,472
Contributed non-financial assets	75,616	-	75,616
Special events, net of direct donor benefits of $80,420	215,469	101,522	316,991
Total Support	488,286	551,423	1,039,709
Net Assets Released From Restrictions			
Time and purpose restrictions released	438,685	(438,685)	-
Appropriated endowment earnings	27,613	(27,613)	-
Total Net Assets Released from Restrictions	466,298	(466,298)	-
Total Operating Revenue and Support and Reclassifications	3,353,647	204,259	3,557,906
OPERATING EXPENSES			
Program Expenses			
Instruction	2,435,383	-	2,435,383
Outreach program	532,630	-	532,630
Performances	62,048	-	62,048
Total Program Expenses	3,030,061	-	3,030,061
Supporting Expenses			
Management and general	215,446	-	215,446
Fundraising	484,427	-	484,427
Total Supporting Expenses	699,873	-	699,873
Total Operating Expenses	3,729,934	-	3,729,934
Change in Net Assets From Operations Before Rental Income	(376,287)	204,259	(172,028)
Rental Income, net	121,551	-	121,551
Change in Net Assets	(254,736)	204,259	(50,477)
NET ASSETS			
Beginning of year	5,178,987	1,652,829	6,831,816
End of year	$ 4,924,251	$ 1,857,088	$ 6,781,339

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
OPERATING REVENUE AND SUPPORT AND RECLASSIFICATIONS			
Operating Revenue			
Tuition	$ 1,792,566	$ -	$ 1,792,566
Scholarships and discounts on lessons	(248,519)	-	(248,519)
Net Tuition	1,544,047	-	1,544,047
Contracted services	652,966	-	652,966
Investment return	41,374	149,091	190,465
Other	15,886	-	15,886
Total Operating Revenue	2,254,273	149,091	2,403,364
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	199,449	86,014	285,463
Total Support	453,642	433,826	887,468
Net Assets Released From Restrictions			
Time and purpose restrictions released	293,421	(293,421)	-
Appropriated endowment earnings	60,177	(60,177)	-
Total Net Assets Released from Restrictions	353,598	(353,598)	-
Total Operating Revenue and Support and Reclassifications	3,061,513	229,319	3,290,832
OPERATING EXPENSES			
Program Expenses			
Instruction	2,262,143	-	2,262,143
Outreach program	470,873	-	470,873
Performances	55,457	-	55,457
Total Program Expenses	2,788,473	-	2,788,473
Supporting Expenses			
Management and general	194,578	-	194,578
Fundraising	442,803	-	442,803
Total Supporting Expenses	637,381	-	637,381
Total Operating Expenses	3,425,854	-	3,425,854
Change in Net Assets From Operations Before Rental Income	(364,341)	229,319	(135,022)
Rental Income, net	112,436	-	112,436
Change in Net Assets	(251,905)	229,319	(22,586)
NET ASSETS			
Beginning of year	5,430,892	1,423,510	6,854,402
End of year	$ 5,178,987	$ 1,652,829	$ 6,831,816

See notes to financial statements

The Music Conservatory of Westchester, Inc.

Statement of Functional Expenses
Year Ended June 30, 2025

	Program Expenses				Supporting Services			
	Instruction	Outreach Program	Performances	Total	Management and General	Fundraising	Total	Total
PERSONNEL COSTS								
Administrative salaries	$ 707,883	$ 65,186	$ 5,224	$ 778,293	$ 127,442	$ 223,996	$ 351,438	$ 1,129,731
Faculty salaries	725,468	360,715	9,992	1,096,175	-	-	-	1,096,175
Payroll taxes and employee benefits	172,287	54,206	399	226,892	13,801	32,622	46,423	273,315
Total Personnel Costs	1,605,638	480,107	15,615	2,101,360	141,243	256,618	397,861	2,499,221
OTHER THAN PERSONNEL COSTS								
Professional fees	72,688	5,790	2,929	81,407	49,413	11,233	60,646	142,053
Artist fees	29,327	-	-	29,327	-	-	-	29,327
Interest and bank charges	56,064	2,646	4,144	62,854	3,778	886	4,664	67,518
Processing fees	48,773	458	-	49,231	304	12,330	12,634	61,865
Supplies and music	37,701	4,207	49	41,957	2,240	6,842	9,082	51,039
Software and subscriptions	19,441	622	-	20,063	2,348	5,678	8,026	28,089
Printing and postage	1,149	37	-	1,186	88	253	341	1,527
Travel and entertainment	3,964	-	-	3,964	407	1,041	1,448	5,412
Membership dues	2,704	-	-	2,704	450	790	1,240	3,944
Advertising and marketing	65,676	-	-	65,676	-	26,466	26,466	92,142
Telephone	5,901	595	-	6,496	937	1,662	2,599	9,095
Utilities	67,262	3,164	5,118	75,544	1,172	736	1,908	77,452
Insurance	27,509	1,383	1,963	30,855	2,048	739	2,787	33,642
Building repairs and maintenance	75,917	3,513	8,560	87,990	4,851	933	5,784	93,774
Documentary	-	15,000	-	15,000	-	-	-	15,000
Food, tickets and event venues	-	-	-	-	-	233,889	233,889	233,889
Lease expense	4,615	478	-	5,093	747	1,347	2,094	7,187
Depreciation	311,054	14,630	23,670	349,354	5,420	3,404	8,824	358,178
Total Other Than Personnel Costs	829,745	52,523	46,433	928,701	74,203	308,229	382,432	1,311,133
Total Expenses Including Direct Donor Benefits	2,435,383	532,630	62,048	3,030,061	215,446	564,847	780,293	3,810,354
Direct Donor Benefits	-	-	-	-	-	(80,420)	(80,420)	(80,420)
Total Expenses	$ 2,435,383	$ 532,630	$ 62,048	$ 3,030,061	$ 215,446	$ 484,427	$ 699,873	$ 3,729,934

See notes to financial statements

The Music Conservatory of Westchester, Inc.

Statement of Functional Expenses
Year Ended June 30, 2024

	Program Expenses				Supporting Services			
	Instruction	Outreach Program	Performances	Total	Management and General	Fundraising	Total	Total
PERSONNEL COSTS								
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	1,525,753	437,843	12,684	1,976,280	131,326	239,386	370,712	2,346,992
OTHER THAN PERSONNEL COSTS								
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	736,390	33,030	42,773	812,193	63,252	278,632	341,884	1,154,077
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	$ 2,262,143	$ 470,873	$ 55,457	$ 2,788,473	$ 194,578	$ 442,803	$ 637,381	$ 3,425,854

See notes to financial statements

The Music Conservatory of Westchester, Inc.

Statements of Cash Flows

	Year Ended June 30, 2025	Year Ended June 30, 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (50,477)	$ (22,586)
Adjustments to reconcile change in net assets to net cash from operating activities		
Credit losses	-	2,150
Realized gain on sale of investments	(8,998)	(104,614)
Unrealized gain on investments	(84,090)	(12,103)
Depreciation	400,190	387,432
Amortization of debt issuance costs	14,329	21,730
Amortization of right-of-use assets	12,256	9,040
Donated equipment	(4,500)	(47,600)
Net change in operating assets and liabilities		
Accounts receivable	(4,963)	1,179
Promises to give	(131,331)	7,949
Prepaid expenses and other current assets	(2,707)	649
Accounts payable and accrued expenses	2,704	8,761
Deferred tuition	(4,239)	42,560
Lease liabities, operating	(12,258)	(9,036)
Net Cash from Operating Activities	125,916	285,511
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, property and equipment	(387,197)	(32,487)
Proceeds from sale of investments	177,858	400,875
Purchase of investments	(62,559)	(413,741)
Net Cash from Investing Activities	(271,898)	(45,353)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage payable	(175,005)	(168,812)
Net Change in Cash and Cash Equivalents	(320,987)	71,346
CASH AND CASH EQUIVALENTS		
Beginning of year	1,330,553	1,259,207
End of year	$ 1,009,566	$ 1,330,553
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 103,595	$ 109,732

See notes to financial statements

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)(ii). 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.

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.

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

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.

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.

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

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.

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

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.

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

Accounts Receivable and Allowance for Credit Losses (continued)

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.

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, 2025 and 2024.

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, 2025 and 2024.

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.

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

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.

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).

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

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, 2025 and 2024.

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, 2025 and 2024, amortization of debt issuance costs was $14,329 and $21,730.

At June 30, 2025 and 2024, debt issuance costs were $27,749 and $42,078, net of accumulated amortization of $91,402 and $77,073.

Advertising and Marketing Costs

Advertising and marketing costs are charged to expense as incurred and approximated $92,000 for the years ended June 30, 2025 and 2024.

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, 2022.

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.

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

Reclassifications

Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 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 6, 2025.

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.

During the year ended June 30, 2025, the Conservatory began participating in a sweep program under which balances in excess of $50,000 from two of their bank accounts are transferred overnight into omnibus deposit accounts managed by a custodian. These omnibus accounts are held at FDIC-insured institutions. Under FDIC regulations, insurance coverage may "pass through" to each beneficial owner if the custodian and the financial institutions maintain appropriate records. Accordingly, the Conservatory's balances in omnibus accounts are subject to FDIC insurance limits of $250,000 per bank, per ownership category. Amounts in excess of these limits are not insured. As such, while the omnibus structure reduces the Conservatory's exposure to carrying uninsured funds in a single operating account, certain balances may remain in excess of insured thresholds. The balances at June 30, 2025 in the two sweep accounts amounted to approximately $835,000.

At June 30, 2025 and 2024, the Conservatory's uninsured cash and cash equivalents, balances on deposit totaled approximately $-0- and $974,000. At June 30, 2025 and 2024 the Conservatory's uninsured investment holdings totaled approximately $1,600,000 and $1,622,000.

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.

3. Concentrations *(continued)*

Concentrations of Revenue and Support

As of and for the year ended June 30, 2025, one donor accounted for approximately 20% of total support and 80% of total promises to give. As of June 30, 2024, three donors accounted for approximately 63% of promises to give.

As of June 30, 2025, three customers accounted for approximately 42% of accounts receivable. As of June 30, 2024, two customers accounted for approximately 30% of accounts receivable.

4. Contract Receivable and Liability

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

	2025	2024	2023
Tuition receivables, net	$ 1,528	$ 5,476	$ 4,222
Contract services receivables	69,311	60,400	67,271
	$ 70,839	$ 65,876	$ 71,493
Deferred tuition	$ 340,180	$ 344,419	$ 301,859

5. Availability of Financial Assets and Liquidity

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

	2025	2024
Total assets	$ 9,874,553	$ 10,062,757
Less:		
Net assets with donor restrictions, less construction in progress	1,578,873	1,652,829
Board designated net assets	895,884	895,884
Net assets with donor restrictions expected to be expensed in less than one year	(325,646)	(221,195)
Prepaid expenses and other current assets	25,547	22,840
Land, property and equipment, net	6,446,938	6,455,431
Right-of-use assets, operating	33,128	8,642
	$ 1,219,829	$ 1,248,326

5. Availability of Financial Assets and Liquidity *(continued)*

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, 2025 and 2024. As of June 30, 2025 and 2024, the Board maintains an operating reserve totaling $695,884. Certain endowment account investments are primarily funding financial need scholarships. As of June 30, 2025 and 2024, 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, 2025 and 2024 is $561,343 and $469,822.

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 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.

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

Return Objectives and Risk Parameters

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, 2025 and 2024.

The following is a reconciliation of the activity in the endowment funds during the year ended June 30, 2025:

	With Donor Restrictions		
	Purpose Restricted	Held in Perpetuity	Total
Balance, beginning of year	$ 469,822	$ 811,529	$ 1,281,351
Investment income	35,044	-	35,044
Capital appreciation	84,090	-	84,090
Appropriated for expenditure	(27,613)	-	(27,613)
Balance, end of year	$ 561,343	$ 811,529	1,372,872
Investments not considered endowments			726,779
Total Investments			$ 2,099,651

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		
	Purpose Restricted	Held in Perpetuity	Total
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 are major categories of investments measured at fair value on a recurring basis categorized by the fair value hierarchy at June 30:

	2025	2024
Unadjusted Quoted Prices (Level 1)		
Exchange Traded Funds		
Equities portfolio	$ 927,771	$ 832,339
Bond portfolio	795,647	1,066,705
REIT portfolio	72,352	59,553
Total Level 1 Investments	1,795,770	1,958,597
Other Observable Inputs (Level 2)		
Government securities	299,000	149,946
Total Investments at Fair Value	2,094,770	2,108,543
Cash held for investments	4,881	13,319
Total Investments	$ 2,099,651	$ 2,121,862

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.

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

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

	2025	2024
Interest and dividends	$ 62,558	$ 73,748
Realized gains	8,998	104,614
Unrealized gains	84,090	12,103
	$ 155,646	$ 190,465

7. Land, Property and Equipment, Net

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

	Useful life (years)	2025	2024
Used in Operations:			
Land and land improvements	-	$ 725,856	$ 725,856
Building and improvements	10-40	8,995,794	8,968,559
Equipment	1-5	1,409,762	1,327,110
Construction in progress	-	278,215	-
		11,409,627	11,021,525
Accumulated depreciation		(6,026,578)	(5,668,400)
		5,383,049	5,353,125
Commercial Rental Property:			
Land	-	426,734	426,734
Building	40	1,653,929	1,650,334
		2,080,663	2,077,068
Accumulated depreciation		(1,016,774)	(974,762)
		1,063,889	1,102,306
Land, Property and Equipment, net		$ 6,446,938	$ 6,455,431

Construction in progress costs at June 30, 2025 consist of a heating, ventilation, and air conditioning replacement project to be completed by October 31, 2025.

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.

8. Leases

The Conservatory has operating leases for a copier and a postage machine. These leases have remaining lease terms ranging from 24 to 52 months and include options to extend the leases up to 1 year.

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

	2025	2024
Lease Cost:		
Operating lease expense	$ 13,729	$ 9,353
Other Information:		
Weighted average remaining lease term		
Operating leases	51 months	15 months
Weighted average discount rate		
Operating leases	5.85%	5.96%
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 36,742	$ 8,480

The following table presents information about the amount and timing of cash flows arising from the Conservatory's operating leases as of June 30, 2025:

2026	$ 8,929
2027	8,929
2028	8,352
2029	8,352
2030	2,784
Total future minimum lease payments	37,346
Less: imputed interest	(4,106)
Total lease liabilities	$ 33,240

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, 2025 and 2024, the interest rate was 8% and 9%. At June 30, 2025 and 2024, 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 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 $2,485,371, net of debt issuance costs, at June 30, 2025.

The future scheduled principal payments for the mortgage payable as of June 30, 2025 are as follows:

2026	$ 181,152
2027	187,515
2028	193,910
2029	200,914
2030	207,971
Thereafter	1,541,658
	2,513,120
Unamortized debt issuance costs	(27,749)
	$ 2,485,371

Interest expense for the mortgage payable was $90,190 and $96,382 for the years ended June 30, 2025 and 2024.

10. Mortgages Payable *(continued)*

The future amortization of debt issuance costs as of June 30, 2025 is as follows:

2026	$ 9,450
2027	6,232
2028	4,110
2029	2,710
2030	1,787
Thereafter	3,460
	$ 27,749

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.

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

Nonfinancial Asset	2025 Contributions	2024 Contributions	Monetized or Utilized	Utilization in Function	Donor Restrictions	Valuation Technique
Miscellaneous items for charity auction	$ 24,174	$ 24,430	Monetized	Fundraising	None	Current purchase prices
Food, beverages and gifts	21,942	-	Utilized	Fundraising	None	Current purchase prices
Promotional services	25,000	26,250	Utilized	Fundraising	None	Current service rates
Musical instruments	4,500	47,600	Utilized	Program service	None	Current purchase prices
	$ 75,616	$ 98,280				

12. Facility Sharing Under Operating Agreement

The Conservatory shares part of the 216 property with the Steffi Nossen Dance Foundation, Inc. ("DF"), an unrelated entity, under an extended operating agreement through December 31, 2026. Under the agreement, the Conservatory is due to receive $66,300 of income annually for the period January through December 31, 2025 and $66,289 for the period January through December 31, 2026. For the years ended June 30, 2025 and 2024, the Conservatory recognized approximately $66,000 and $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 May 2025, FHP entered into an agreement with the Conservatory for the second five-year renewal option period ending January 31, 2031. 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.

The future minimum rental payments to be received are as follows for the years ending June 30:

2026	$ 233,493
2027	233,493
2028	233,493
2029	233,493
2030	233,493
Thereafter	136,204
	$ 1,303,669

Leased Property Net Rental Income

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

	2025	2024
Income From Rental Property:		
Rental income	$ 227,878	$ 220,186
Reimbursement by tenant	47,164	46,271
	275,042	266,457
Cost of Rental:		
Real estate taxes	47,164	46,271
Insurance costs	20,497	18,623
Interest expense	36,076	38,692
Building repairs and maintenance	2,010	450
Depreciation of property	42,012	41,293
Amortization of debt issuance costs	5,732	8,692
	153,491	154,021
	$ 121,551	$ 112,436

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 were restricted for the following purposes at June 30:

	2025	2024
Perpetual in nature:		
Endowment fund	$ 811,529	$ 811,529
Purpose:		
Scholarships	103,305	97,716
Healing Our Heroes	1,585	212,271
Outreach program	204,684	29,380
Operations	585,985	476,933
Capital improvements	150,000	25,000
	$ 1,857,088	$ 1,652,829

Net assets without donor restrictions consist of the following at June 30:

	2025	2024
Undesignated	$ 4,028,367	$ 4,283,103
Board designated operating reserve	695,884	695,884
Board designated for capital improvements	150,000	150,000
Board designated for outreach programs and scholarships	50,000	50,000
	$ 4,924,251	$ 5,178,987

Net assets were released from donor restrictions for the following purposes during the years ended June 30:

	2025	2024
Scholarships	$ 86,943	$ 107,540
Healing Our Heroes	134,135	50,074
Outreach program	121,028	109,717
Construction	63,496	-
Operations	60,696	86,267
Total Restrictions Released	$ 466,298	$ 353,598

16. Related Party Transactions

For the years ended June 30, 2025 and 2024, the Conservatory received contributions from board members and their affiliates approximating $95,000 and $101,000. Promises to give from board members were approximately $6,000 and $19,000 at June 30, 2025 and 2024.

17. 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.

* * * * *