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

Financial Statements
(Together with Independent Auditors' Report)

Years Ended August 31, 2025 and 2024

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

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED AUGUST 31, 2025 AND 2024

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of The Elaine Kaufman Cultural Center/ Lucy Moses School for Music and Dance (the "Kaufman Music Center"), which comprise the statements of financial position as of August 31, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Kaufman Music Center as of August 31, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Kaufman Music Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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 Kaufman Music Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kaufman Music Center's ability to continue as a going concern for a reasonable period of time.

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

CBIZ CPAs P.C.

New York, NY
February 9, 2026

THE ELAINE KAUFMAN CULTURAL CENTER
LUCY MOSES SCHOOL FOR MUSIC AND DANCE
d/b/a KAUFMAN MUSIC CENTER
STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2025 AND 2024

	2025	2024
Assets		
Cash and cash equivalents (Notes 2C and 12)	$ 2,447,294	$ 2,240,027
Investments (Notes 2G and 4)	20,509,748	18,664,056
Accounts receivable, net (Notes 2E and 2I)	71,283	7,465
Contributions receivable, net (Notes 2D and 5)	2,047,901	3,074,288
Government grants receivable (Note 2M)	83,385	158,268
Rental receivable (Notes 2L and 10)	268,600	214,880
Accrued interest and other receivables	37,351	70,294
Prepaid expenses and other assets	137,721	158,325
Property and equipment, net (Notes 2F and 6)	7,844,931	8,578,728
Total assets	$ 33,448,214	$ 33,166,331
Liabilities		
Accounts payable and accrued expenses	$ 139,953	$ 207,587
Accrued salaries payable	136,370	115,893
Deferred revenue - ticket sales (Notes 2I and 2K)	489,343	367,394
Deferred revenue - tuition and other fees (Note 2I)	682,710	683,636
Total liabilities	1,448,376	1,374,510
Commitments and Contingencies (Note 7)		
Net Assets (Note 2B)		
Without donor restrictions	14,891,052	15,645,412
With donor restrictions (Notes 8 and 9)	17,108,786	16,146,409
Total net assets	31,999,838	31,791,821
Total liabilities and net assets	$ 33,448,214	$ 33,166,331

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

THE ELAINE KAUFMAN CULTURAL CENTER
LUCY MOSES SCHOOL FOR MUSIC AND DANCE
d/b/a KAUFMAN MUSIC CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	Year Ended August 31, 2025			Year Ended August 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Tuition and related revenues (Notes 2I and 2J) (net of scholarships of $206,194 in 2025 and $175,390 in 2024)	$ 3,646,693	$ -	$ 3,646,693	$ 3,509,904	$ -	$ 3,509,904
Presentation/facilities services (Note 2K)	1,718,129	-	1,718,129	1,543,847	-	1,543,847
Contributions (Note 2D)	2,124,826	1,386,884	3,511,710	2,035,346	2,013,338	4,048,684
Contributions-in-kind (Note 2H)	8,094	-	8,094	48,339	-	48,339
Special events (Note 2O) (net of direct expenses of $136,941 in 2025 and $117,813 in 2024)	608,841	-	608,841	472,306	-	472,306
Rental income (Notes 2L and 10)	966,960	-	966,960	967,222	-	967,222
Government grants (Note 2M)	211,945	-	211,945	253,328	-	253,328
Contracted services	49,126	-	49,126	55,725	-	55,725
Investment return, net (Notes 2G and 4)	79,927	1,305,923	1,385,850	137,115	2,676,281	2,813,396
Other income	3,700	-	3,700	10,739	-	10,739
Net assets released from restrictions (Notes 2B and 8)	1,730,430	(1,730,430)	-	1,306,042	(1,306,042)	-
Total revenues, gains and other support	11,148,671	962,377	12,111,048	10,339,913	3,383,577	13,723,490
Expenses (Note 2N)						
Program expenses	10,399,655	-	10,399,655	10,059,324	-	10,059,324
Supporting services:						
Management and general	461,044	-	461,044	214,349	-	214,349
Fundraising	1,042,332	-	1,042,332	1,119,068	-	1,119,068
Total supporting services	1,503,376	-	1,503,376	1,333,417	-	1,333,417
Total expenses	11,903,031	-	11,903,031	11,392,741	-	11,392,741
Change in Net Assets	(754,360)	962,377	208,017	(1,052,828)	3,383,577	2,330,749
Net Assets, Beginning of Year	15,645,412	16,146,409	31,791,821	16,698,240	12,762,832	29,461,072
Net Assets, End of Year	$ 14,891,052	$ 17,108,786	$ 31,999,838	$ 15,645,412	$ 16,146,409	$ 31,791,821

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

THE ELAINE KAUFMAN CULTURAL CENTER
LUCY MOSES SCHOOL FOR MUSIC AND DANCE
d/b/a KAUFMAN MUSIC CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2025
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2024)

	Program Services							Supporting Services			Total	
	Lucy Music School	Special Music School K-8	Special Music School H.S.	Theatre Program	Presentations/ Facilities Services	Library	Total Program Services	Management and General	Fundraising	Total Supporting Services	2025	2024
Salaries	$ 2,751,233	$ 1,085,478	$ 864,355	$ 379,772	$ 1,078,824	$ 6,550	$ 6,166,212	$ 85,659	$ 607,391	$ 693,050	$ 6,859,262	$ 6,692,531
Payroll taxes and employee benefits (Note 11)	499,662	207,809	137,930	55,378	286,530	4,091	1,191,400	18,718	139,479	158,197	1,349,597	1,335,622
Total salaries and related expenses	3,250,895	1,293,287	1,002,285	435,150	1,365,354	10,641	7,357,612	104,377	746,870	851,247	8,208,859	8,028,153
Supplies and printing	32,323	2,923	4,362	21,699	76,333	18	137,658	6,095	39,083	45,178	182,836	170,611
Office expense	17,950	3,199	3,047	1,142	18,364	224	43,926	17,828	38,542	56,370	100,296	83,636
Equipment rental and maintenance	34,082	17,042	1,362	2,230	67,561	504	122,781	15,890	35,336	51,226	174,007	140,084
Professional services	98,512	25,469	33,861	36,269	119,033	303	313,447	397,256	117,962	515,218	828,665	655,061
Advertising and promotional materials (Note 2P)	25,302	-	-	2,160	48,048	-	75,510	275	475	750	76,260	87,205
Cultivation expenses	8,958	1,441	1,338	143	4,315	-	16,195	15,820	23,075	38,895	55,090	49,697
Piano tuning and instrumental	19,207	10,220	12,719	4,500	65,682	-	112,328	-	750	750	113,078	108,145
Graphic Fees	-	-	-	-	-	-	-	-	-	-	-	1,100
Artists' fees	16,000	9,000	20,350	65,000	211,725	-	322,075	-	2,250	2,250	324,325	330,351
Travel, publications and conventions	10,347	264	5,022	1,860	29,685	712	47,890	1,014	2,792	3,806	51,696	40,566
Concession expense	-	-	-	-	20,158	-	20,158	-	-	-	20,158	18,367
Service charges	77,503	1,275	1,113	7,523	36,520	-	123,934	-	23,077	23,077	147,011	130,685
Space rental	-	-	-	-	-	-	-	-	-	-	-	2,634
Marketing expenses	56,126	15,483	3,871	3,871	73,544	-	152,895	-	40,643	40,643	193,538	186,541
Building expense	202,305	312,195	2,436	29,741	218,254	6,301	771,232	16,803	53,937	70,740	841,972	723,504
Depreciation (Note 2H)	204,346	315,345	2,461	30,041	218,603	6,365	777,161	16,973	54,481	71,454	848,615	849,140
Bad debt expense	-	-	-	-	-	-	-	8,108	-	8,108	8,108	7,688
Bank charges	-	-	-	-	-	-	-	2,767	-	2,767	2,767	2,127
Sundry	-	-	1,000	-	3,853	-	4,853	617	-	617	5,470	12,503
Subtotal	4,053,856	2,007,143	1,095,227	641,329	2,577,032	25,068	10,399,655	603,823	1,179,273	1,783,096	12,182,751	11,627,798
Less: investment advisory fees (Note 4)	-	-	-	-	-	-	-	(142,779)	-	(142,779)	(142,779)	(117,244)
Less: direct special events expenses (Note 2O)	-	-	-	-	-	-	-	-	(136,941)	(136,941)	(136,941)	(117,813)
Total Expenses	$ 4,053,856	$ 2,007,143	$ 1,095,227	$ 641,329	$ 2,577,032	$ 25,068	$ 10,399,655	$ 461,044	$ 1,042,332	$ 1,503,376	$ 11,903,031	$ 11,392,741

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

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

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

THE ELAINE KAUFMAN CULTURAL CENTER
LUCY MOSES SCHOOL FOR MUSIC AND DANCE
d/b/a KAUFMAN MUSIC CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 208,017	$ 2,330,749
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	848,615	849,140
Realized gain on investments	(4,637,272)	(135,684)
Unrealized loss (gain) on investments	3,376,967	(2,387,373)
Bad debt expense	8,108	7,688
Contributions to restricted endowment funds	(775,060)	(166,681)
Contributed capital assets	(8,094)	(48,339)
Change in discount on pledges receivable	(57,500)	35,346
Subtotal	(1,036,219)	484,846
(Increase) decrease in assets:		
Accounts receivable	(71,926)	(1,871)
Contributions receivable	1,083,887	(1,154,236)
Government grants receivable	74,883	(56,898)
Lease receivable - operating	(53,720)	(107,440)
Accrued interest and other receivables	32,943	87,791
Prepaid expenses and other assets	20,604	(55,792)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(67,634)	28,771
Accrued salaries payable	20,477	616
Deferred revenue - ticket sales	121,949	(19,434)
Deferred revenue - tuition and other fees	(926)	(166,147)
Net Cash Provided by (Used in) by Operating Activities	124,318	(959,794)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment additions	(106,724)	(83,715)
Proceeds from sales and redemptions of investments	18,279,023	3,808,228
Purchases of investments	(18,864,410)	(3,058,355)
Net Cash (Used in) Provided by Investing Activities	(692,111)	666,158
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions to restricted endowment funds	775,060	166,681
Net Cash Provided by Financing Activities	775,060	166,681
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	207,267	(126,955)
Cash and cash equivalents - beginning of year	2,240,027	2,366,982
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,447,294	$ 2,240,027
SUPPLEMENTAL CASH FLOW INFORMATION		
Contributed capital assets, musical instruments	$ 8,094	$ 48,339

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

NOTE 1—DESCRIPTION OF THE ORGANIZATION

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

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Presentation*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

B. ***Net Asset Presentation –*** Net assets and revenues, gains and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

   - Without donor restrictions – net assets that are not subject to donor-imposed stipulations over which the Board of Trustees has discretionary control.
   - With donor restrictions – represents net assets whose use by the Kaufman Music Center is limited by donor-imposed restrictions as to a specific purpose or time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. In addition, this class includes assets with donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity and unappropriated earnings on endowment.

C. ***Cash and Cash Equivalents*** – Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase, except for cash equivalents held as part of Kaufman Music Center's investment portfolio.

D. ***Contributions, Contributions Receivable and Allowance for Doubtful Accounts*** – Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are recorded as with donor restrictions if they are received with donor restrictions that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

   Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Also, the Kaufman Music Center estimates the allowance for doubtful accounts based on management's evaluation of the creditworthiness of its donors and grantors, the aged basis of its receivables, as well as the economic conditions and historical information. There was no allowance needed for contributions receivable as of August 31, 2025 or 2024.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ***Accounts Receivable and Allowance for Credit Losses –*** Accounts receivable consist primarily of unpaid tuition and other fees. Accounts receivable are presented net of allowances for credit losses. Management evaluates the need for an allowance for credit losses applicable to its accounts based on various factors including age of the receivable, a review of payments subsequent to year-end, reasonable and supportable forecasts and management's evaluation of the collectability of the related accounts. As of August 31, 2025 and 2024, management determined that an allowance for credit losses of $41,365 and $38,202, respectively, was necessary for accounts receivable.

The following table summarizes the activity related to the allowance for credit losses for the years ended August 31, 2025 and 2024 under the current expected credit losses ("CECL") methodology:

	2025	2024
Balance, beginning of year	$ 38,202	$ 33,309
Charge-offs	-	-
Provision for credit losses	3,163	4,893
Balance, end of year	$ 41,365	$ 38,202

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

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

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

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

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

H. ***Donated Goods and Services*** – The Kaufman Music Center records contributed goods and services at their fair value on the date of receipt. It is the policy of the Kaufman Music Center to record the estimated fair value of donated musical instruments and other music equipment as property and equipment and revenue in its financial statements. The musical instruments and equipment are used for the Kaufman Music Center's musical programs. Donated goods consisting of musical instruments and other equipment, amounted to approximately $8,000 and $48,000 for the years ended August 31, 2025 and 2024, respectively, and were donated without donor restrictions.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. ***Program Service Revenue*** – Service revenue is derived from contracts with customers. Revenue is reported at the amount that reflects the consideration to which the Kaufman Music Center expects to be entitled in exchange for providing the contracted services. Service revenue from tuition, ticket sales and fees is recognized after the services are performed or after the Kaufman Music Center has completed its portion of the contract. Receivables are due in full when performance obligations are satisfied.

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

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

	August 31, 2025	August 31, 2024	September 1, 2023
Accounts receivable, net	$ 71,283	$ 7,465	$ 13,282
Deferred revenue	$ 1,172,053	$ 1,051,030	$ 1,236,611

J. ***Scholarships*** – The policy of the Kaufman Music Center has been to award scholarships to deserving students in lieu of accepting only students who have the ability to pay full tuition. Scholarships are netted against revenues in the statements of activities.

K. ***Presentation/Facilities Services*** – Presentation/facilities services include concert division revenues, which the Kaufman Music Center recognizes when events occur. Payments received in advance of the events are deferred until recognized.

L. ***Rental Income*** – Rental income is recorded on a straight-line basis per the amounts and terms based upon the signed lease. See Note 10 for details.

M. ***Government Grants*** – Government grants are nonexchange transactions and accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08. Grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return. The Kaufman Music Center did not receive advances from the governmental grants as of August 31, 2025 and 2024.

N. ***Functional Allocation of Expenses*** – The costs of program and supporting services activities have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

O. ***Special Events Direct Costs*** – The direct costs of special events include expenses for the benefit of the donor and are included net of contribution revenue on the accompanying statements of activities. For example, meals and facilities rental are considered direct costs of special events.

P. ***Advertising Expenses -*** Advertising costs are charged to operations when incurred. Advertising expenses for the years ended August 31, 2025 and 2024 amounted to $76,260 and $87,205, respectively.

NOTE 3—LIQUIDITY AND AVAILABILITY

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

NOTE 3—LIQUIDITY AND AVAILABILITY (CONTINUED)

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

	2025	2024
Cash and cash equivalents	$ 2,447,294	$ 2,240,027
Investments	20,509,748	18,664,056
Contributions receivable, net	2,047,901	3,074,288
Government grants receivable	83,385	158,268
Rental receivable	268,600	214,880
Accounts receivable, net	108,634	7,465
Total financial assets	25,465,562	24,358,984
Less: total net assets with donor restrictions*	17,108,786	16,146,409
Financial assets available to meet general expenditures within one year	$ 8,356,776	$ 8,212,575

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

NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

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

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

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

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of August 31, 2025:

	Level 1	Level 2	Total
Cash Equivalents	$ 1,291,416	$ -	$ 1,291,416
Corporate Bonds	4,008,193	343,531	4,351,724
Municipal Bonds	-	109,476	109,476
Common Stock	14,556,877	-	10,562,322
Mutual Funds	200,255	-	4,194,810
	$ 20,056,741	$ 453,007	$ 20,509,748

Kaufman Music Center did not have level 3 investments as of August 31, 2025.

NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

There were no reclassifications of investments in and out of level 3 securities for the years ended August 31, 2025 and 2024.

Investment income, net consisted of the following for the years ended August 31:

	2025	2024
Interest and dividends	$ 268,324	$ 407,583
Realized gain on investments, net	4,637,272	135,684
Unrealized (loss) gain on investments, net	(3,376,967)	2,387,373
	1,528,629	2,930,640
Less: investment advisory fees	(142,779)	(117,244)
Investment income, net	$ 1,385,850	$ 2,813,396

NOTE 5—CONTRIBUTIONS RECEIVABLE, NET

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

	2025	2024
Within one year	$ 1,223,702	$ 1,363,255
After one year but less than five years	858,793	1,803,127
	2,082,495	3,166,382
Less: discount to present value (3.5% - 3.8%)	(34,594)	(92,094)
Total	$ 2,047,901	$ 3,074,288

NOTE 6—PROPERTY AND EQUIPMENT, NET

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

	2025	2024
Land	$ 993,154	$ 993,154
Building	3,799,308	3,799,308
Building improvements	20,323,501	20,255,250
Furniture, equipment and instruments	2,890,348	2,843,781
	28,006,311	27,891,493
Less: accumulated depreciation	(20,161,380)	(19,312,765)
Property and equipment, net	$ 7,844,931	$ 8,578,728

For the years ended August 31, 2025 and 2024, depreciation expense amounted to $848,615 and $849,140, respectively.

Included in Building is leased space used for rental as described in Note 10.

NOTE 7—COMMITMENTS AND CONTINGENCIES

The Kaufman Music Center believes it has no uncertain tax positions as of August 31, 2025 and 2024, in accordance with FASB ASC Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 8—NET ASSETS WITH DONOR RESTRICTIONS

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

	2025	2024
Donor restricted endowment subject to spending policy and appropriations		
Chorale	$ 150,000	$ 150,000
Library	585,379	553,831
Lucy Moses School	350,000	300,000
Merkin Concert Hall	200,000	200,000
Operating (including contributions receivable)	12,489,024	11,142,556
Scholarship	822,161	822,108
Special Music School	242,472	167,472
Total subject to spending policy and appropriations	14,839,036	13,335,967
Subject to expenditure for specified purpose and the passage of time		
Special Music School	1,124,196	1,730,650
Music and arts programs	394,975	232,996
Capital Building (New York City)	725,579	821,796
Reserve Fund (loans)	25,000	25,000
Total subject to expenditure for specified purpose and the passage of time	2,269,750	2,810,442
Total net assets with donor restrictions	$ 17,108,786	$ 16,146,409

Net assets released from donor restrictions by either passage of time or meeting the donors' restrictions amounted to $1,730,430 and $1,306,042 for the years ended August 31, 2025 and 2024, respectively.

NOTE 9—ENDOWMENT FUNDS

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

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

NOTE 9—ENDOWMENT FUNDS (CONTINUED)

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

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Kaufman Music Center to retain as a fund of perpetual duration. Deficiencies of this nature, if they occur, are reported in net assets with donor restrictions. The deficiencies may result from unfavorable market fluctuations that occur in the economy as a whole that may affect the donor restricted endowment fund where the fair market value of the donor restricted endowment fund falls below the amount that is required to be retained permanently. At August 31, 2025, funds with original gift values of $1,800,012, fair values of $1,641,024 and deficiencies of $158,988 were reported in net assets with donor restrictions. At August 31, 2024, funds with original gift values of $1,525,939, fair values of $1,363,561 and deficiencies of $162,378 were reported in net assets with donor restrictions. During the years ended August 31, 2025 and 2024, the Board of Trustees appropriated $65,289 and $58,500, respectively, from underwater endowment funds.

To preserve purchasing power, the Kaufman Music Center limits its spending of investment return to a percentage of a calculated base, unless otherwise specified by the donor. For the fiscal years ended August 31, 2025 and 2024, the Kaufman Music Center made available to be spent 4% of the average market value of the funds for the twelve quarters ending on February 28 of the preceding year.

The following table summarizes the changes in the Kaufman Music Center's endowment net assets for the years ended August 31, 2025 and 2024:

Endowment net assets, August 31, 2023	$ 11,074,648
Appropriation for expenditures	(581,643)
Contributions	166,681
Interest and dividends	311,359
Investment return	2,364,922
Endowment net assets, August 31, 2024	13,335,967
Appropriation for expenditures	(577,914)
Contributions	775,060
Interest and dividends	214,751
Investment return	1,091,172
Endowment net assets, August 31, 2025	$ 14,839,036

NOTE 10—RENTAL INCOME

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

NOTE 10—RENTAL INCOME (CONTINUED)

Rental income is included in the statements of activities as part of rental income and is recognized on a straight-line basis over the term of the license agreement. For the years ended August 31, 2025 and 2024, the amount of rental income recognized was $966,960 and $967,222, respectively.

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

Future minimum payments after August 31, 2025, presuming no election to terminate the agreement, are as follows:

2026	$ 913,240
2027	966,960
2028	966,960
2029	1,020,680
2030	1,020,680
Thereafter	2,148,800
Total	$ 7,037,320

NOTE 11—EMPLOYEE BENEFIT PLAN

The Kaufman Music Center has a defined contribution plan with Teachers Insurance and Annuity Association ("TIAA"). Eligible employees may receive up to a 7% annual contribution depending on length of service. Pension expense for the years ended August 31, 2025 and 2024 was $216,419 and $195,437, respectively.

NOTE 12—CONCENTRATIONS

Cash and cash equivalents that potentially subject the Kaufman Music Center to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accounts are insured up to $250,000 per depositor, per insured institution. As of August 31, 2025 and 2024, there was approximately $2,329,000 and $898,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 13—SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 9, 2026, the date the financial statements were available to be issued.