

THE CURTIS INSTITUTE OF MUSIC

Financial Statements

Years Ended May 31, 2019 and 2018



Independent Auditors' Report

Board of Trustees
The Curtis Institute of Music
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of The Curtis Institute of Music (the "Institute"), which comprise the statements of financial position as of May 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Curtis Institute of Music as of May 31, 2019 and 2018, 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.

Wipfli LLP

October 21, 2019
Philadelphia, Pennsylvania

The Curtis Institute of Music

Statements of Financial Position

<i>As of May 31, 2019 and 2018</i>	2019	2018
ASSETS		
Cash and cash equivalents	\$ 302,831	\$ 991,204
Receivables:		
Unconditional promises to give	37,424,934	46,539,827
Other receivables	82,641	459,784
Investments, at fair value:		
Endowment	169,103,801	167,288,256
Life income and annuity	1,968,518	2,372,002
Student loans receivable, net	787,150	833,085
Land, buildings and equipment	88,990,116	89,727,488
Split-interest assets	1,158,350	1,127,273
Other assets	668,951	625,974
TOTAL ASSETS	\$ 300,487,292	\$ 309,964,893
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit	\$ 465,579	\$ 465,579
Accounts payable and accrued expenses	1,833,573	2,696,376
Due to The Mary Louise Curtis Bok Foundation	240,403	-
Split-interest liabilities	1,760,261	1,867,448
Other liabilities	63,896	110,266
Loans payable	1,750,312	1,950,117
Total Liabilities	6,114,024	7,089,786
NET ASSETS		
Without donor restrictions		
Board-designated	44,621,315	47,299,312
Undesignated	84,542,527	85,924,929
	129,163,842	133,224,241
With donor restrictions	165,209,426	169,650,866
Total Net Assets	294,373,268	302,875,107
TOTAL LIABILITIES AND NET ASSETS	\$ 300,487,292	\$ 309,964,893

See Accompanying Notes to Financial Statements

The Curtis Institute of Music

Statements of Activities

<i>Years Ended May 31, 2019 and 2018</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND SUPPORT						
The Mary Louise Curtis Bok Foundation	\$ 4,447,840	\$ -	\$ 4,447,840	\$ 4,564,152	\$ -	\$ 4,564,152
Endowment spending payout	2,266,296	6,170,039	8,436,335	2,061,789	5,164,312	7,226,101
Contributions	5,310,187	373,562	5,683,749	3,839,941	852,096	4,692,037
Room, board and other fees, net of financial aid	2,402,001	-	2,402,001	2,320,083	-	2,320,083
Other	624,939	-	624,939	571,123	-	571,123
Net assets released from restrictions						
Endowment	6,170,039	(6,170,039)	-	5,164,312	(5,164,312)	-
Other	1,162,539	(1,162,539)	-	1,709,317	(1,709,317)	-
Total Operating Revenues and Support	22,383,841	(788,977)	21,594,864	20,230,717	(857,221)	19,373,496
OPERATING EXPENSES						
Program services	17,302,968	-	17,302,968	16,232,340	-	16,232,340
Management and general expenses	4,362,895	-	4,362,895	4,171,701	-	4,171,701
Fundraising and development expenses	1,393,596	-	1,393,596	1,759,490	-	1,759,490
Total Operating Expenses	23,059,459	-	23,059,459	22,163,531	-	22,163,531
Change in Net Assets from Operations	(675,618)	(788,977)	(1,464,595)	(1,932,814)	(857,221)	(2,790,035)
NONOPERATING CHANGES						
Contributions	447,509	3,696,398	4,143,907	4,814,749	3,862,451	8,677,200
Gain from insurance proceeds	-	-	-	646,901	-	646,901
Campaign expenses	(990,279)	-	(990,279)	(1,168,688)	-	(1,168,688)
Amortization of discount and change in actuarial assumptions on split-interest agreements	-	(150,015)	(150,015)	-	(126,904)	(126,904)
Investment return in excess of (less than) amounts designated as Endowment Spending Payout	(2,842,011)	(7,198,846)	(10,040,857)	1,455,327	4,163,333	5,618,660
Nonoperating Changes in Net Assets	(3,384,781)	(3,652,463)	(7,037,244)	5,748,289	7,898,880	13,647,169
Total Change in Net Assets	(4,060,399)	(4,441,440)	(8,501,839)	3,815,475	7,041,659	10,857,134
NET ASSETS - beginning of year	133,224,241	169,650,866	302,875,107	129,408,766	162,609,207	292,017,973
NET ASSETS - end of year	\$ 129,163,842	\$ 165,209,426	\$ 294,373,268	\$ 133,224,241	\$ 169,650,866	\$ 302,875,107

See Accompanying Notes to Financial Statements

The Curtis Institute of Music

Statement of Functional Expenses

<i>Year Ended May 31, 2019</i>	PROGRAM SERVICES						Fundraising and Development	Total
	Instructional Programs	Artistic Programs and Performances	Academic Support and Student Services	Total	Management and General	Total		
Salaries and wages	\$ 4,001,234	\$ 1,288,926	\$ 811,693	\$ 6,101,853	\$ 2,394,990	\$ 921,320	\$ 9,418,163	
Employee benefits	1,410,007	177,732	154,034	1,741,773	307,880	242,399	2,292,052	
Advertising and promotion	-	-	-	-	220,754	58,272	279,026	
Depreciation	968,951	179,002	1,025,366	2,173,319	217,939	84,248	2,475,506	
Development and training	-	25,075	2,733	27,808	73,459	10,995	112,262	
Dining service and catering	-	120,990	23,707	144,697	604,760	161,079	910,536	
Fellowships	295,146	-	-	295,146	-	-	295,146	
Information technology	148,618	40,389	231,358	420,365	49,715	171,038	641,118	
Instrument maintenance	99,693	-	-	99,693	-	-	99,693	
Insurance	91,470	24,858	142,394	258,722	30,266	11,700	300,688	
Operation of plant and maintenance	562,704	152,923	875,978	1,591,605	186,187	71,974	1,849,766	
Production costs	-	2,111,041	-	2,111,041	-	-	2,111,041	
Professional fees and services	-	10,485	233,144	243,629	374,489	82,394	700,512	
Student aid and awards	1,716,568	-	-	1,716,568	-	-	1,716,568	
Supplies and other	73,068	32,566	442,711	548,345	312,936	102,967	964,248	
Travel	468,481	17,850	3,363	489,694	23,220	31,789	544,703	
Total expenses by function	9,835,940	4,181,837	3,946,481	17,964,258	4,796,595	1,950,175	24,711,028	
Non-cash financial aid awarded (included in revenues)	(661,290)	-	-	(661,290)	-	-	(661,290)	
Campaign expenses (included in nonoperating changes)	-	-	-	-	(433,700)	(556,579)	(990,279)	
Total operating expenses	\$ 9,174,650	\$ 4,181,837	\$ 3,946,481	\$ 17,302,968	\$ 4,362,895	\$ 1,393,596	\$ 23,059,459	

See Accompanying Notes to Financial Statements

The Curtis Institute of Music

Statement of Functional Expenses

<i>Year Ended May 31, 2018</i>	PROGRAM SERVICES						
	Instructional Programs	Artistic Programs and Performances	Academic Support and Student Services	Total	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 3,366,994	\$ 1,120,016	\$ 894,247	\$ 5,381,257	\$ 2,438,786	\$ 1,276,739	\$ 9,096,782
Employee benefits	1,371,497	177,350	153,702	1,702,549	257,742	320,725	2,281,016
Advertising and promotion	-	3,992	-	3,992	31,102	81,860	116,954
Depreciation	973,997	182,727	1,046,704	2,203,428	222,474	86,002	2,511,904
Development and training	-	23,126	1,050	24,176	60,864	32,397	117,437
Dining service and catering	-	97,458	20,943	118,401	592,562	161,071	872,034
Fellowships	299,084	-	-	299,084	-	-	299,084
Information technology	164,593	44,731	256,227	465,551	66,499	21,540	553,590
Instrument maintenance	111,440	-	-	111,440	-	-	111,440
Insurance	92,099	25,029	143,373	260,501	30,474	11,779	302,754
Operation of plant and maintenance	576,726	156,734	897,807	1,631,267	190,827	73,767	1,895,861
Production costs	-	1,948,646	-	1,948,646	-	-	1,948,646
Professional fees and services	-	4,316	171,347	175,663	399,296	237,435	812,394
Student aid and awards	1,610,650	-	-	1,610,650	-	-	1,610,650
Supplies and other	49,050	20,949	395,754	465,753	244,199	158,271	868,223
Travel	447,685	15,923	1,025	464,633	43,357	60,111	568,101
Total expenses by function	9,063,815	3,820,997	3,982,179	16,866,991	4,578,182	2,521,697	23,966,870
Non-cash financial aid awarded (included in revenues)	(634,651)	-	-	(634,651)	-	-	(634,651)
Campaign expenses (included in nonoperating changes)	-	-	-	-	(406,481)	(762,207)	(1,168,688)
Total operating expenses	\$ 8,429,164	\$ 3,820,997	\$ 3,982,179	\$ 16,232,340	\$ 4,171,701	\$ 1,759,490	\$ 22,163,531

See Accompanying Notes to Financial Statements

The Curtis Institute of Music

Statements of Cash Flows

<i>Years Ended May 31, 2019 and 2018</i>	2019	2018
OPERATING ACTIVITIES		
Change in net assets	\$ (8,501,839)	\$ 10,857,134
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,475,506	2,511,904
Gifts in kind	(1,100,737)	(3,396,085)
Net realized and unrealized (gains) losses on investments	5,755,159	(9,331,801)
Change in reserve for uncollectible promises to give	(3,610)	115,023
Change in reserve on student loans	213,512	92,359
Changes in operating assets and liabilities		
(Increase) decrease in		
Receivables	(2,247,579)	(4,892,198)
Split-interest assets	(31,077)	729,294
Other assets	(42,977)	(60,716)
Increase (decrease) in		
Accounts payable and accrued expenses	(862,804)	362,357
Due to The Mary Louise Curtis Bok Foundation	240,403	112,630
Split-interest liabilities	(107,187)	(104,978)
Other liabilities	(46,370)	(22,470)
Net Cash Used in Operating Activities	(4,259,600)	(3,027,547)
INVESTING ACTIVITIES		
Purchase of building improvements and equipment	(637,397)	(1,145,571)
Purchase of investments	(47,559,923)	(32,963,747)
Proceeds from sale of investments	40,392,704	22,644,901
Student loans made	(314,250)	(305,545)
Principal collected on student loans	146,673	129,798
Net Cash Used in Investing Activities	(7,972,193)	(11,640,164)
FINANCING ACTIVITIES		
Contributions received restricted for long-term purposes	11,743,225	15,215,134
Payments on loans payable	(199,805)	(210,735)
Net Cash Provided by Financing Activities	11,543,420	15,004,399
NET CHANGE IN CASH AND CASH EQUIVALENTS	(688,373)	336,688
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	991,204	654,516
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 302,831	\$ 991,204
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash was paid during the years for		
Interest	\$ 84,602	\$ 69,605

See Accompanying Notes to Financial Statements

The Curtis Institute of Music

Notes to Financial Statements

Note 1: Organization

The Curtis Institute of Music (the "Institute") located in Philadelphia, Pennsylvania was founded in 1924 to educate and train exceptionally gifted young musicians to engage a global community through music. The Institute is a tuition-free music conservatory that is supported primarily through endowment and annual giving.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The Institute reports information regarding its financial position and activities in two net asset categories according to externally (donor) imposed restrictions, as follows:

- Net Assets Without Donor Restrictions are those assets that are available for the support of operations and whose use is not subject to donor restriction. This category of net assets also includes those designated by the Board of Trustees for a particular reserve or to function as endowment funds.
- Net Assets With Donor Restrictions include assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature and will be met either by the actions of the Institute or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other highly liquid investments with an original maturity date of three months or less.

Investments

The Institute's investments are reported at fair value. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment earnings or losses are included in the statements of activities as increases or decreases in net assets without donor restrictions unless the earnings or losses are restricted by donor or law.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Curtis Institute of Music

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Unconditional Promises to Give

Unconditional promises to give are recognized as contributions when the promise is received. Contributions due to be received within the next year are recorded at their net realizable value. Contributions due to be collected in future years are recorded at the present value of their net realizable value, using an appropriate discount rate applicable to the years in which the promises are expected to be received. The reserve for uncollectible promises to give is based on management's evaluation of the collectibility of individual promises.

Student Loans Receivable, Net

Student loans receivable are carried at unpaid principal plus accrued interest, less an allowance for loan losses. The allowance for loan losses is increased by charges to the change in net assets and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Institute's past loan loss experience, specific impaired loans, adverse situations that may affect the student's ability to repay, concentration of credit risk and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Institute's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, or for other reasons. The allowance for student loan losses is approximately \$964,000 and \$750,000 as of May 31, 2019 and 2018, respectively. There were no write-offs of student loans during the years ended May 31, 2019 and 2018.

Interest income on loans begins to accrue generally six months after a student graduates or six months after a student ceases attending the Institute on at least a part-time basis. The interest is calculated using the simple-interest method on principal amounts outstanding.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Loan origination and commitment fees, as well as interest income, are used to offset interest expense on funds borrowed by the Institute for use in granting the loans along with expenses resulting from the use of a third-party loan processor.

There were no loans on which the Institute ceased accruing interest at May 31, 2019 and 2018. At May 31, 2019 and 2018, the total recorded investment in loans past due ninety days or more and still accruing interest amounted to approximately \$468,000 and \$313,000, respectively.

The Curtis Institute of Music

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Land, Buildings and Equipment

Land, buildings and equipment are carried at cost or, in the case of gifts, at estimated market value on the date of gift. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (40 years), furniture and fixtures (10 years), musical equipment other than fine instruments (20 years), equipment (10 years) and computers (3 years).

Split-Interest Assets

Split-interest assets represent charitable remainder trust arrangements in which a donor established and funded a trust with a third-party with specified distributions to be made to a designated beneficiary over the trust's term. At the termination of the agreement, the remaining assets in the trust pass on to the Institute for its use. As the Institute is not the trustee and does not exercise control over the assets contributed to the trust, the agreement is recognized at fair value. The portion of the trust attributable to the present value of the future benefits to be received by the Institute is recorded in the statements of activities as a donor-restricted contribution in the period the trust is established. The present value of the estimated future payments (\$1,158,350 and \$1,127,273 at May 31, 2019 and 2018, respectively) is calculated using discount rates of 4.0% to 8.0% and the expected life expectancy of the beneficiaries. There was no contribution revenue recognized on these arrangements for the years ended May 31, 2019 and 2018.

Split-Interest Liabilities

The Institute records assets, liabilities and revenue relating to gifts donated in the form of split-interest agreements for which it serves as trustee. The types of split-interest agreements include gift annuities, pooled life income funds and charitable remainder unitrusts. The assets received are recorded at their fair value at the time of receipt as restricted support in accordance with donor-imposed restrictions until a stipulated time restriction ends or specified condition is met. Assets recorded under these agreements (\$4,685,382 and \$5,534,679 at May 31, 2019 and 2018, respectively) are included in investments in the statements of financial position and distributions are made to beneficiaries and the Institute in accordance with the respective split-interest agreements. Liabilities represent the net present value of expected future payments of income earned or a fixed percentage of the assets owed to the beneficiaries designated by the donors on the basis of their estimated life expectancies. Contribution revenues are recognized at the amount of the difference of assets received and expected future payments. Over the term of the agreements, amortization of the discount on the liability and effects of changes in the life expectancy of the beneficiary are recorded as adjustments to the liability and amortization of discount and change in actuarial assumptions on split-interest agreements. There were no gifts received during the years ended May 31, 2019 and 2018.

Contributions

Contributions of cash and other assets, including unconditional promises to give, are recognized as revenues in the period the unconditional promise is given and are reported as net assets without donor restriction considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate.

The Curtis Institute of Music

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Gifts of cash and other noncapital assets are reported as contribution revenue with donor restrictions if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

Gifts of land, buildings, equipment and other long-lived assets are reported as contribution revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as contribution revenue with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, the Institute reports expirations of donor restrictions when the long-lived assets are placed in service.

Financial Aid

Room, board and other fees are recorded gross at the Institute's normal rates for all students. Financial aid given on the basis of financial need is netted against gross room, board and other fees for reporting in the financial statements. Total financial aid netted against gross room, board and other fees is approximately \$661,000 and \$635,000 for the years ended May 31, 2019 and 2018, respectively.

Collections

All contributions of works of art, historical treasures, fine instruments and similar assets have been recognized at their estimated fair value at the date of receipt based upon appraisals or similar valuations. All such items, whether contributed or purchased, have been capitalized, but are not depreciated.

Allocation of Functional Expenses

The costs of program and supporting service activities have been presented on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses that are attributed to more than one program or supporting function have been allocated among the programs and supporting services benefits. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee benefits, which are allocated according to department headcount, as well as operation of plant and maintenance, depreciation, information technology and insurance, which are allocated on a square footage basis.

The Curtis Institute of Music

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is defined as 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. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, Revenue Recognition, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for the Institute's year ending May 31, 2020. The Institute is currently evaluating the impact of the provisions of ASC 606.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Amendments in this Update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and determining whether a transaction is conditional. ASU No. 2018-08 is effective for the Institute's year ending May 31, 2020. The Institute is currently evaluating the impact of the provisions of these amendments in this Update.

The Curtis Institute of Music

Notes to Financial Statements

Note 3: Liquidity and Availability

As of May 31, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, are as follows:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ -	\$ 554,051
Receivables:		
Unconditional promises to give	1,287,907	1,800,061
Other receivables	82,641	459,784
Student loans receivable, net	83,865	129,800
Board designations:		
Draw from endowment	9,059,006	7,753,768
Total financial assets available within one year	10,513,419	10,697,464
Total financial assets and liquidity resources available within one year		
Bank lines of credit	534,421	534,421
Expected contribution from related supporting organization	4,418,178	4,447,840
Total financial assets and liquidity resources available within one year	\$ 15,466,018	\$ 15,679,725

The Institute's endowment funds consist of donor-restricted endowments and funds designated by the Board of Trustees as endowments. Income generated from donor-restricted endowments is generally for student assistance and ongoing operating expenses of the Institute.

The Institute's cash flows have seasonal variations during the year attributable to student billing for room, board and other fees, quarterly contributions received from a related supporting organization (Note 15), as well as certain concentrations of contributions received at calendar and fiscal year end. To manage its liquidity and cash flows, the Institute management draws upon its approved endowment payout as needed during the year.

In addition, as of May 31, 2019 and 2018, the Institute had \$44,621,315 and \$47,299,312 in funds functioning as endowment by Board designation. If necessary, some of these funds could be made available for general expenditure with approval by the Board of Trustees.

The Curtis Institute of Music

Notes to Financial Statements

Note 4: Unconditional Promises to Give

Unconditional promises to give are discounted at rates ranging from 1.2% to 5.8%. The amounts to be received under these promises as of May 31, 2019 and 2018 are as follows:

	2019	2018
Receivable in less than one year	\$ 17,031,786	\$ 12,817,044
Receivable in one year to five years	28,494,560	42,544,175
Total unconditional promises to give	45,526,346	55,361,219
Less: Reserve for uncollectible promises to give	(3,366,476)	(3,370,126)
Less: Effect of discount to net present value	(4,734,936)	(5,451,266)
Unconditional Promises to Give - Net	\$ 37,424,934	\$ 46,539,827

Included in unconditional promises to give are contributions with donor restrictions to be held in perpetuity totaling approximately \$27,500,000 and \$36,600,000 as of May 31, 2019 and 2018, respectively, for student assistance, maintenance of facilities and ongoing operating expenses of the Institute.

Note 5: Investments

Investments at May 31, 2019 and 2018 consist of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Endowment				
Temporary investments	\$ 15,342,258	\$ 15,342,258	\$ 11,323,902	\$ 11,323,902
Mutual and exchange-traded funds	76,608,188	87,212,869	63,495,438	75,373,576
Commodity funds	2,107,013	1,917,259	1,946,766	1,778,930
Commingled funds	45,636,148	45,797,430	52,473,742	59,235,192
Hedge funds	10,190,624	17,974,286	10,512,448	18,038,961
Real estate funds	487,213	859,699	805,566	1,537,695
	150,371,444	169,103,801	140,557,862	167,288,256
Life income and annuity				
Mutual funds	1,865,653	1,968,518	2,018,450	2,372,002
Total	\$ 152,237,097	\$ 171,072,319	\$ 142,576,312	\$ 169,660,258

Temporary investments consist of endowment funds held in money market instruments. These funds are available to be appropriated for distribution or invested in other instruments per the Institute's endowment spending and investment policies, respectively.

These investments are exposed to various risks such as market volatility, interest rate and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the values of these securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The Curtis Institute of Music

Notes to Financial Statements

Note 6: Investment Return Reconciliation

The Institute recognizes endowment spending payout using a total return policy to be used to support current operations. For the years ended May 31, 2019 and 2018, the spending rate approved by the Board of Trustees was 5.0% and 5.3%, respectively. At the beginning of each fiscal year, the Board of Trustees approves an annual revenue recognition rate, not in excess of state law, based on the average market value of the combined investment portfolio of the Institute and The Mary Louise Curtis Bok Foundation (the "Foundation") for the prior 20 quarters through the calendar year-end preceding the current fiscal year.

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended May 31, 2019 and 2018:

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 1,106,374	\$ 3,044,263	\$ 4,150,637	\$ 945,718	\$ 2,567,242	\$ 3,512,960
Net realized and unrealized gains (losses)	(1,682,089)	(4,073,070)	(5,755,159)	2,571,398	6,760,403	9,331,801
Total return on investment portfolio	(575,715)	(1,028,807)	(1,604,522)	3,517,116	9,327,645	12,844,761
Investment return designated as Endowment Spending Payout	2,266,296	6,170,039	8,436,335	2,061,789	5,164,312	7,226,101
Investment returns in excess of (less than) amounts designated as Endowment Spending Payout	\$ (2,842,011)	\$ (7,198,846)	\$ (10,040,857)	\$ 1,455,327	\$ 4,163,333	\$ 5,618,660

The Curtis Institute of Music

Notes to Financial Statements

Note 7: Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Institute's financial instruments that are measured at fair value:

	May 31, 2019			
	Level 1	Level 2	Level 3	Total
Endowment Investments:				
Temporary investments	\$ 15,342,258	\$ -	\$ -	\$ 15,342,258
Mutual and exchange-traded funds				
Equity	60,969,354	-	-	60,969,354
Fixed income	26,243,515	-	-	26,243,515
Life income and annuity investments:				
Mutual and exchange-traded funds				
Fixed income	564,822	-	-	564,822
Global blend	1,403,696	-	-	1,403,696
Total investments in the fair value hierarchy	\$ 104,523,645	\$ -	\$ -	\$ 104,523,645
Investments measured at NAV				66,548,674
Total investments at fair value				\$ 171,072,319

	May 31, 2018			
	Level 1	Level 2	Level 3	Total
Endowment Investments:				
Temporary investments	\$ 11,323,902	\$ -	\$ -	\$ 11,323,902
Mutual and exchange-traded funds				
Equity	57,306,418	-	-	57,306,418
Fixed income	18,067,158	-	-	18,067,158
Life income and annuity investments:				
Mutual and exchange-traded funds				
Fixed income	587,044	-	-	587,044
Global blend	1,784,958	-	-	1,784,958
Total investments in the fair value hierarchy	\$ 89,069,480	\$ -	\$ -	\$ 89,069,480
Investments measured at NAV				80,590,778
Total investments at fair value				\$ 169,660,258

The Curtis Institute of Music

Notes to Financial Statements

Note 7: Fair Value Measurements (Continued)

The following table includes additional disclosures for investments whose fair value is estimated using net asset value (NAV).

		May 31, 2019			
		Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commodity funds	(a)	\$ 1,917,259	\$ 440,550	Monthly or ineligible	5 days or N/A
Commingled funds	(b)	45,797,430	-	Monthly, quarterly or 18 months	2 - 120 days
Hedge funds	(c)	17,974,286	-	Monthly, quarterly or ineligible	45 - 90 days or N/A
Real estate funds	(d)	859,699	1,167,618	Ineligible	N/A
Total		\$ 66,548,674	\$ 1,608,168		

		May 31, 2018			
		Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commodity funds	(a)	\$ 1,778,930	\$ 610,500	Monthly or ineligible	5 days or N/A
Commingled funds	(b)	59,235,192	-	Monthly, quarterly or 18 months	2 - 120 days
Hedge funds	(c)	18,038,961	-	Monthly, quarterly or ineligible	45 - 90 days or N/A
Real estate funds	(d)	1,537,695	1,321,254	Ineligible	N/A
Total		\$ 80,590,778	\$ 1,931,754		

The following describes the methods and assumptions used to estimate the fair value of each class of financial instrument, as well as related investment strategies:

Mutual and exchange-traded funds - Valued at the net asset value listed in the active markets on which the funds are traded.

The Curtis Institute of Music

Notes to Financial Statements

Note 7: Fair Value Measurements (Continued)

Commodity funds (a) - The value of the investments in these funds are based on the value of the underlying assets owned, minus liabilities, and then divided by the number of units outstanding. The funds are reported at estimated fair value as measured by their net asset value as reported by the fund managers. That amount represents the Institute's proportionate interest in the capital of the invested funds. The Institute has investments in two commodities-based funds: one that invests in liquid and/or public commodity futures, and one that invests in private equity investments in vehicles associated with oil, gas and mining opportunities. This class seeks to gain exposure to the commodity markets primarily through investments in leveraged or unleveraged commodity index-linked notes. At May 31, 2019 and 2018, one fund representing approximately 56% of the investments in this class cannot be redeemed. Distributions are expected to be made based on the realization of the fund's investments over the duration of the investment, which may range from 10 to 12 years.

Commingled funds (b) - The values of the investment in these funds are based on the value of the underlying assets owned, minus liabilities, and then divided by the number of units outstanding. The funds are reported at estimated fair value as measured by their net asset value as reported by the fund managers. That amount represents the Institute's proportionate interest in the capital of the invested funds. The Institute invests in several commingled funds that invest in equity and fixed income vehicles, in both the domestic and international markets. Redemptions, when available and requested, are made net of applicable incentive fees, which are 15% of the net profits in the investment for one fund that represented 11% of the investments in this class as of May 31, 2019 and 2018.

Hedge funds (c) - Hedge fund investments consist of those investments which are not valued based upon a quoted market price and include nonmarketable hedge fund assets. Hedge funds invest in various partnership interests, managed accounts, and other vehicles to generate investment return. These hedge funds are reported at estimated fair value as measured by their net asset value as reported by fund managers. That amount represents the Institute's proportionate interest in the capital of the invested funds. Quantitative information about the significant unobservable inputs is not available for these funds. The hedge funds pursue multiple strategies to diversify risks and reduce volatility, including but not limited to, multistrategy and long/short. Redemptions, when available and requested, are made net of applicable incentive fees, which range from 17.5-20% of the net profits in the investment. At May 31, 2019 and 2018, one fund representing less than 1% of the investments in this class cannot be redeemed. Distributions are made to investors based upon market conditions. The remaining underlying assets are expected to be liquidated over the next three years. If full sales of investment holdings are made, each fund has the ability to hold back 5-10% until the audited NAV is completed. In the event of mass liquidation requests, each fund has the ability to gate assets and distribute over time so as to avoid any economic detriment to the portfolio.

The Curtis Institute of Music

Notes to Financial Statements

Note 7: Fair Value Measurements (Continued)

Real estate funds (d) - The real estate funds are valued based on the net asset value as reported by the fund managers on a quarterly basis. The underlying real estate properties are appraised on an annual basis. The value recorded on the financial statements at May 31, 2019 represents the annual, calendar year audit appraisal value less any subsequent transaction activity. The real estate funds invest in residential and commercial real estate in both domestic and global markets. The significant strategies of the funds are to purchase equity and/or debt of various underlying properties. Four funds representing approximately 100% of the investments in this class as of May 31, 2019 and 2018 are structured to allow for slow call downs over time and slow distributions, and, therefore, are ineligible for redemption. When the underlying assets are sold, the proceeds, less any incentives due to the fund sponsors, will be distributed to the investors. It is expected that the underlying assets of these funds will be liquidated over the lives of their respective underlying partnership agreements, which range from 2 to 10 years. However, in the event of mass liquidation requests, the fund has the ability to gate assets and distribute over time so as to avoid any economic detriment to the portfolio.

Note 8: Land, Buildings, and Equipment

A summary of land, buildings and equipment and the related accumulated depreciation at May 31, 2019 and 2018 is as follows:

	2019			2018		
	Cost or Appraised Value	Accumulated Depreciation	Net Book Values	Cost or Appraised Value	Accumulated Depreciation	Net Book Values
Subject to depreciation:						
Buildings and improvements	\$ 79,816,355	\$ 19,422,599	\$ 60,393,756	\$ 79,616,435	\$ 17,506,816	\$ 62,109,619
Furnishings and equipment	3,835,793	3,085,901	749,892	3,773,290	2,892,630	880,660
Computer equipment	2,155,672	2,023,691	131,981	2,141,008	1,967,524	173,484
Pianos	3,422,359	1,600,185	1,822,174	3,066,769	1,471,211	1,595,558
Organs	1,723,694	1,030,258	693,436	1,703,819	974,623	729,196
Harps	173,863	108,946	64,917	173,863	104,032	69,831
Other musical instruments	3,174,239	2,134,393	1,039,846	3,030,321	2,013,631	1,016,690
	<u>94,301,975</u>	<u>29,405,973</u>	<u>64,896,002</u>	<u>93,505,505</u>	<u>26,930,467</u>	<u>66,575,038</u>
Not Subject to Depreciation:						
Land	13,848,261	-	13,848,261	13,848,261	-	13,848,261
Fine instruments	9,596,840	-	9,596,840	8,596,840	-	8,596,840
Fine arts	560,896	-	560,896	554,895	-	554,895
Construction in progress	88,117	-	88,117	152,454	-	152,454
	<u>24,094,114</u>	<u>-</u>	<u>24,094,114</u>	<u>23,152,450</u>	<u>-</u>	<u>23,152,450</u>
Total	<u>\$ 118,396,089</u>	<u>\$ 29,405,973</u>	<u>\$ 88,990,116</u>	<u>\$ 116,657,955</u>	<u>\$ 26,930,467</u>	<u>\$ 89,727,488</u>

The Curtis Institute of Music

Notes to Financial Statements

Note 9: Line of Credit

The Institute has a \$1,000,000 unsecured, revolving line of credit with a bank. Amounts borrowed under this agreement bear interest at a rate equal to LIBOR plus 1.30% (3.74% effective rate at May 31, 2019), and the agreement is due to mature on November 30, 2019. The outstanding balance on the line of credit was \$465,579 at both May 31, 2019 and 2018. Interest expense was \$17,116 and \$13,050 for the years ended May 31, 2019 and 2018, respectively.

Note 10: Loans Payable

<i>As of May 31, 2019 and 2018</i>	2019	2018
Loan payable to a bank, payable \$22,274 per month, including interest at LIBOR plus 1.30% (3.74% effective rate at May 31, 2019) with a final payment of approximately \$1,220,000 due on July 23, 2021 (see below)	\$ 1,750,312	\$ 1,950,117

As security for the loan, the Institute has granted the bank a first priority perfected lien on the land (1610-1618 Locust Street) and future buildings, structures or other improvements erected on the land and all of the Institute's right, title and interest in and to the Leases, all of the rents, charges, issues, profits and other payments for the use or occupancy of the land and future buildings. The loan agreement contains a liquidity ratio covenant.

Interest expense on this loan was \$67,486 and \$56,555 for the years ended May 31, 2019 and 2018, respectively.

Future maturities of this loan as of May 31, 2019, are as follows:

<i>Year Ending May 31</i>		
2020		\$ 217,351
2021		221,251
2022		1,311,710
Total		\$ 1,750,312

The Curtis Institute of Music

Notes to Financial Statements

Note 11: Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at May 31:

	2019	2018
Subject to expenditure for specified purpose:		
Curtis program initiatives	\$ 447,029	\$ 535,866
Capital improvements	125,000	125,000
	572,029	660,866
Subject to the passage of time:		
Multi-year unconditional promises to give	8,574,556	8,675,954
Split-interest gifts	4,083,469	4,794,104
Donated life insurance policies	329,215	328,578
	12,987,240	13,798,636
Endowments:		
Income earned on endowments subject to appropriation and expenditure when a specific event occurs	9,591,301	16,687,261
Donated musical instrument required to be used by Institute in perpetuity	2,375,529	2,375,529
Unconditional promises to give, net - donor-restricted endowment funds	27,509,007	35,989,567
Permanent funds subject to endowment spending policy and appropriation	112,174,320	100,139,007
	151,650,157	155,191,364
Net assets with donor restrictions	\$ 165,209,426	\$ 169,650,866

Note 12: Endowment Fund

Accounting standards for the classification and disclosure of endowments of not-for-profit organizations provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and require additional disclosures about an organization's endowment funds. As of May 31, 2019, Pennsylvania has not adopted UPMIFA. The following disclosures are made as required by accounting standards.

The endowment of the Curtis Institute of Music consists of approximately 128 funds established for various purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Institute interprets Pennsylvania law governing donor-restricted endowment funds (PA Law) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classified as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument and prescribed by PA Law at the time the accumulation is added to the fund.

The Curtis Institute of Music

Notes to Financial Statements

Note 12: Endowment Fund (Continued)

In accordance with PA Law, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the fund
- (2) the purposes of the Institute and the donor-restricted endowment fund
- (3) general economic conditions
- (4) the possible effect of inflation and deflation
- (5) the expected total return from income and the appreciation of investments
- (6) other resources of the Institute
- (7) the investment policies of the Institute

Endowment net assets composition by type of fund as of May 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 44,621,315	\$ -	\$ 44,621,315
Donor-restricted endowment funds:			
Original donor-restricted gifts	-	112,174,321	112,174,321
Income on donor-restricted gifts available for appropriation	-	9,591,301	9,591,301
Gift annuity funds (restricted for time)	-	2,716,864	2,716,864
Total	\$ 44,621,315	\$ 124,482,486	\$ 169,103,801

Changes in endowment net assets for the year ended May 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 47,299,312	\$ 119,988,944	\$ 167,288,256
Contributions and transfers	(15,141)	11,743,225	11,728,084
Investment income	1,100,419	2,995,912	4,096,331
Net realized and unrealized appreciation (depreciation)	(1,496,979)	(4,075,556)	(5,572,535)
Amounts appropriated for expenditure	(2,266,296)	(6,170,039)	(8,436,335)
Endowment net assets, end of year	\$ 44,621,315	\$ 124,482,486	\$ 169,103,801

The Curtis Institute of Music

Notes to Financial Statements

Note 12: Endowment Fund (Continued)

Endowment net assets composition by type of fund as of May 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 47,299,312	\$ -	\$ 47,299,312
Donor-restricted endowment funds:			
Original donor-restricted gifts	-	100,139,007	\$ 100,139,007
Income on donor-restricted gifts available for appropriation	-	16,687,261	\$ 16,687,261
Gift annuity funds (restricted for time)	-	3,162,676	3,162,676
Total	\$ 47,299,312	\$ 119,988,944	\$ 167,288,256

Changes in endowment net assets for the year ended May 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 10,061,741	\$ 100,738,148	\$ 110,799,889
Contributions and transfers	-	15,215,134	15,215,134
Transfers to create board-designated endowment	35,626,382	-	35,626,382
Investment income	963,265	2,412,761	3,376,026
Net realized and unrealized appreciation	2,709,713	6,787,213	9,496,926
Amounts appropriated for expenditure	(2,061,789)	(5,164,312)	(7,226,101)
Endowment net assets, end of year	\$ 47,299,312	\$ 119,988,944	\$ 167,288,256

Funds with Deficiencies

At times, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PA Law requires the Institute to retain as a fund of perpetual duration (underwater endowments). We have interpreted the law to permit spending from underwater endowments in accordance with prudent measures required under law. At May 31, 2019, funds with original gift values of \$50,044,367, fair values of \$48,630,922 and deficiencies of \$1,413,445 were reported in net assets with donor restrictions. At May 31, 2018, funds with original gift values of \$3,053,567, fair values of \$2,962,900 and deficiencies of \$90,667 were reported in net assets with donor restrictions.

The Curtis Institute of Music

Notes to Financial Statements

Note 12: Endowment Fund (Continued)

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to student assistance and ongoing operating expenses supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity as well as board designated funds. The primary long-term management objective is to preserve the real (inflation adjusted) purchasing power of the endowment, both restricted and unrestricted, before gifts. This objective should be achieved over a rolling three-year period.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Institute 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 primary investment objective of the endowment is to earn an average annual real total return of 5 - 6%.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Institute has a policy of appropriating for distribution each year 4.5 - 5.5% of its endowment fund's average fair value over the prior 20 quarters through the calendar year-end preceding the current fiscal year in which the distribution is planned. In establishing this policy, the Institute considers the long-term expected return on its endowment.

The target spending rate is that which as part of total return satisfies these conditions - (a) permits enough reinvestment to preserve the real purchasing power of current funds, (b) permits a level of consistency and stability in the artistic, academic and student programs of the Institute, (c) is sustainable over time regardless of periodic variations in the levels required to satisfy (a), and (d) recognizes that circumstances may preclude achievement of all three objectives in any one year.

Note 13: Employee Benefit Plans

Defined Contribution Pension Plans

The Institute administers a 401(a) non-contributory defined contribution plan which covers faculty and a 401(k) contributory defined contribution plan which covers eligible administrative employees, and a 457(b) contributory defined contribution plan covering certain eligible administrative employees. Pension expense for the years ended May 31, 2019 and 2018 amounted to \$676,410 and \$658,507, respectively.

The Curtis Institute of Music

Notes to Financial Statements

Note 13: Employee Benefit Plans (Continued)

457(f) Plan

During the year ended May 31, 2018, the Board of Trustees of the Institute approved the creation of a non-contributory 457(f) plan for certain eligible employees. Eligibility for this plan is based solely on the discretion of the Board of Trustees. As of May 31, 2019 and 2018, the total liability relating to this plan was \$131,513 and \$46,316, respectively, and expenses incurred for the year ended May 31, 2019 and 2018, were \$85,197 and \$46,316, respectively.

The amounts contributed by the Institute vest after 7 years from the date of the initial contribution and will then be paid to the eligible employee when vested.

Note 14: Tax Status

The Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Tax filings are subject to audit by various taxing authorities. Open periods subject to audit are generally the previous three years of tax returns filed.

Note 15: Related Party Transactions

The Mary Louise Curtis Bok Foundation is a not-for-profit corporation formed exclusively for charitable, scientific and educational purposes, particularly the support of music and musical education. The Foundation's Board has authorized that all operating revenues in excess of operating expenses shall be made available as needed for the purpose of supporting the operations of the Institute. During the years ended May 31, 2019 and 2018, the Institute received contributions of \$4,447,840 and \$4,564,152, respectively, from the Foundation. In addition, the Institute charged an administrative fee of \$42,000 to the Foundation for each of the years ended May 31, 2019 and 2018. Certain of the Institute's Trustees also serve as Directors of the Foundation.

Summarized financial data for the Foundation is as follows as of and for the years ended May 31, 2019 and 2018:

	2019	2018
Total assets	\$ 84,952,159	\$ 90,757,299
Total liabilities	21,000	25,878
Net assets without donor restrictions	84,931,159	90,731,421
Total operating revenues	4,509,610	4,628,318
Total operating expenses	4,509,610	4,628,318
Nonoperating changes	(5,800,262)	2,587,008

The Institute received contributions from board members totaling approximately \$2,500,000 for each of the years ended May 31, 2019 and 2018.

The Curtis Institute of Music

Notes to Financial Statements

Note 16: Contingencies and Commitments

The Institute is contingently liable for defaults on student loans under the former Educational Resources, Inc. ("TERI") Loan program, which went bankrupt several years ago. Cumulative loans outstanding at May 31, 2019 and 2018 were approximately \$1,300,000. Though the Institute has not been contacted regarding collections on these loans, the Institute's management has continued to include a reserve relating to the cumulative loan balance. During the year ended May 31, 2016, the Institute began to recover a portion of this reserve based on the age of the cumulative loan balance and the decreasing likelihood of any future liability related to the TERI Loan program. The amount of this reserve was \$0 and \$55,703 at May 31, 2019 and 2018, respectively, and is included in other liabilities in the accompanying statements of financial position.

Note 17: Financial Instruments - Concentrations of Credit Risk

As of May 31, 2019, the Institute held financial instruments which potentially subject it to concentrations of credit risk. The financial instruments consist primarily of checking and money market accounts in excess of federally insured limits. As of May 31, 2019 and 2018, the uninsured balance was approximately \$575,000 and \$1,251,000, respectively. The Institute has not experienced any losses in such financial instruments. Management believes the Institute is not exposed to any significant credit risk related to cash and cash equivalents.

Note 18: Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 21, 2019, the date the financial statements were available to be issued.