

The Curtis Institute of Music

Financial Statements and Supplemental Information

Years Ended May 31, 2020 and 2019



WIPFLI

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, 2020 and 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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, 2020 and 2019, 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

Wipfli LLP

November 30, 2020
Philadelphia, Pennsylvania

The Curtis Institute of Music

Statements of Financial Position

<i>As of May 31, 2020 and 2019</i>	2020	2019
ASSETS		
Cash and cash equivalents	\$ 924,050	\$ 302,831
Receivables:		
Unconditional promises to give	28,943,570	37,424,934
The Mary Louise Curtis Bok Foundation	76,587	-
Other receivables	127,988	150,258
Investments, at fair value:		
Endowment	179,077,026	169,103,801
Life income and annuity	1,981,829	1,968,518
Student loans receivable, net	752,833	787,150
Land, buildings and equipment	87,445,104	88,990,116
Split-interest assets	1,183,739	1,158,350
Other assets	596,426	668,951
TOTAL ASSETS	\$ 301,109,152	\$ 300,554,909
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit	\$ 465,579	\$ 465,579
Accounts payable and accrued expenses	941,138	1,064,506
Due to The Mary Louise Curtis Bok Foundation	-	240,403
Deferred revenue	297,188	769,067
Split-interest liabilities	1,683,129	1,760,261
Other liabilities	269,806	131,513
Loans payable	1,535,600	1,750,312
Total Liabilities	5,192,440	6,181,641
NET ASSETS		
Without donor restrictions		
Board-designated	44,236,565	44,621,315
Undesignated	83,145,840	84,542,527
	127,382,405	129,163,842
With donor restrictions	168,534,307	165,209,426
Total Net Assets	295,916,712	294,373,268
TOTAL LIABILITIES AND NET ASSETS	\$ 301,109,152	\$ 300,554,909

See Accompanying Notes to Financial Statements

The Curtis Institute of Music

Statements of Activities

<i>Years Ended May 31, 2020 and 2019</i>	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND SUPPORT						
The Mary Louise Curtis Bok Foundation	\$ 4,418,178	\$ -	\$ 4,418,178	\$ 4,447,840	\$ -	\$ 4,447,840
Endowment spending payout	2,199,679	6,356,978	8,556,657	2,266,296	6,170,039	8,436,335
Contributions	3,922,681	1,076,573	4,999,254	5,310,187	373,562	5,683,749
Room, board and other fees, net of financial aid	2,050,298	-	2,050,298	2,402,001	-	2,402,001
Other	559,087	-	559,087	624,939	-	624,939
Net assets released from restrictions						
Endowment	6,356,978	(6,356,978)	-	6,170,039	(6,170,039)	-
Other	1,059,788	(1,059,788)	-	1,162,539	(1,162,539)	-
Total Operating Revenues and Support	20,566,689	16,785	20,583,474	22,383,841	(788,977)	21,594,864
OPERATING EXPENSES						
Program services	16,706,121	-	16,706,121	17,302,968	-	17,302,968
Management and general expenses	4,566,956	-	4,566,956	4,362,895	-	4,362,895
Fundraising and development expenses	1,150,869	-	1,150,869	1,393,596	-	1,393,596
Total Operating Expenses	22,423,946	-	22,423,946	23,059,459	-	23,059,459
Change in Net Assets from Operations	(1,857,257)	16,785	(1,840,472)	(675,618)	(788,977)	(1,464,595)
NONOPERATING CHANGES						
Contributions	1,317,802	3,532,003	4,849,805	447,509	3,696,398	4,143,907
Campaign expenses	(1,075,224)	-	(1,075,224)	(990,279)	-	(990,279)
Amortization of discount and change in actuarial assumptions on split-interest agreements	-	(174,198)	(174,198)	-	(150,015)	(150,015)
Investment return in excess of (less than) amounts designated as Endowment Spending Payout	(166,758)	(49,709)	(216,467)	(2,842,011)	(7,198,846)	(10,040,857)
Nonoperating Changes in Net Assets	75,820	3,308,096	3,383,916	(3,384,781)	(3,652,463)	(7,037,244)
Total Change in Net Assets	(1,781,437)	3,324,881	1,543,444	(4,060,399)	(4,441,440)	(8,501,839)
NET ASSETS - beginning of year	129,163,842	165,209,426	294,373,268	133,224,241	169,650,866	302,875,107
NET ASSETS - end of year	\$ 127,382,405	\$ 168,534,307	\$ 295,916,712	\$ 129,163,842	\$ 165,209,426	\$ 294,373,268

See Accompanying Notes to Financial Statements

The Curtis Institute of Music

Statement of Functional Expenses

<i>Year Ended May 31, 2020</i>	PROGRAM SERVICES				Management and General	Fundraising and Development	Total
	Instructional Programs	Artistic Programs and Performances	Academic Support and Student Services	Total			
Salaries and wages	\$ 3,989,696	\$ 1,253,833	\$ 801,793	\$ 6,045,322	\$ 2,858,354	\$ 888,529	\$ 9,792,205
Employee benefits	1,451,259	159,885	147,586	1,758,730	371,549	202,898	2,333,177
Advertising and promotion	-	-	-	-	92,265	113,349	205,614
Depreciation	985,523	178,733	1,023,824	2,188,080	217,611	84,120	2,489,811
Development and training	-	9,427	13,143	22,570	69,732	17,547	109,849
Dining service and catering	-	131,308	22,156	153,464	551,656	68,675	773,795
Fellowships	297,447	-	-	297,447	-	-	297,447
Information technology	112,832	30,664	175,648	319,144	37,334	14,931	371,409
Instrument maintenance	113,167	-	-	113,167	-	-	113,167
Insurance	106,469	28,934	165,743	301,146	35,228	13,619	349,993
Operation of plant and maintenance	508,849	138,287	792,140	1,439,276	168,368	65,085	1,672,729
Production costs	-	2,009,474	-	2,009,474	-	-	2,009,474
Professional fees and services	-	61,099	220,571	281,670	502,528	33,761	817,959
Student aid and awards	1,554,848	-	-	1,554,848	-	-	1,554,848
Supplies and other	33,067	19,325	378,966	431,358	202,854	137,834	772,046
Travel	324,037	21,234	263	345,534	23,546	21,676	390,756
Total expenses by function	9,477,194	4,042,203	3,741,833	17,261,230	5,131,025	1,662,024	24,054,279
Non-cash financial aid awarded (included in revenues)	(555,109)	-	-	(555,109)	-	-	(555,109)
Campaign expenses (included in nonoperating changes)	-	-	-	-	(564,069)	(511,155)	(1,075,224)
Total operating expenses	\$ 8,922,085	\$ 4,042,203	\$ 3,741,833	\$ 16,706,121	\$ 4,566,956	\$ 1,150,869	\$ 22,423,946

See Accompanying Notes to Financial Statements

The Curtis Institute of Music

Statement of Functional Expenses

<i>Year Ended May 31, 2019</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	\$ 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

Statements of Cash Flows

<i>Years Ended May 31, 2020 and 2019</i>	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ 1,543,444	\$ (8,501,839)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,489,811	2,475,506
Gifts in kind	(92,725)	(1,100,737)
Net realized and unrealized (gains) losses on investments	(2,064,022)	5,755,159
Change in reserve for uncollectible promises to give	392,860	(3,610)
Change in reserve on student loans	26,977	213,512
Changes in operating assets and liabilities		
(Increase) decrease in		
Receivables	(2,716,028)	(2,315,196)
Split-interest assets	(25,389)	(31,077)
Other assets	72,525	(42,977)
Increase (decrease) in		
Accounts payable and accrued expenses	(123,369)	(830,554)
Due to The Mary Louise Curtis Bok Foundation	(240,403)	240,403
Deferred revenue	(471,879)	(32,250)
Split-interest liabilities	(77,132)	(107,187)
Other liabilities	138,293	21,247
Net Cash Used in Operating Activities	(1,147,037)	(4,259,600)
INVESTING ACTIVITIES		
Purchase of building improvements and equipment	(852,074)	(637,397)
Purchase of investments	(112,809,576)	(47,559,923)
Proceeds from sale of investments	104,887,063	40,392,704
Student loans made	(212,500)	(314,250)
Principal collected on student loans	219,840	146,673
Net Cash Used in Investing Activities	(8,767,247)	(7,972,193)
FINANCING ACTIVITIES		
Contributions received restricted for long-term purposes	10,750,215	11,743,225
Payments on loans payable	(214,712)	(199,805)
Net Cash Provided by Financing Activities	10,535,503	11,543,420
NET CHANGE IN CASH AND CASH EQUIVALENTS	621,219	(688,373)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	302,831	991,204
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 924,050	\$ 302,831
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash was paid during the years for		
Interest	\$ 67,425	\$ 84,602

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 \$991,000 and \$964,000 as of May 31, 2020 and 2019, respectively. There were no write-offs of student loans during the years ended May 31, 2020 and 2019.

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, 2020 and 2019. At May 31, 2020 and 2019, the total recorded investment in loans past due ninety days or more and still accruing interest amounted to approximately \$561,000 and \$468,000, respectively.

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 the assets ranging from 3 to 40 years.

The Curtis Institute of Music

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

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 (\$1,183,739 and \$1,158,350 at May 31, 2020 and 2019, 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, 2020 and 2019.

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 (\$4,428,888 and \$4,685,382 at May 31, 2020 and 2019, 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, 2020 and 2019.

Deferred Revenue

Summer program service fees applying to services to be rendered in future periods are recorded as deferred revenue when received and reflected as room, board and other fees in the year when the program services fees are earned.

The Curtis Institute of Music

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

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, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Any funding received prior to overcoming the barrier is recorded as a refundable advance on the statements of financial position. Contributions to be received in future periods are discounted at an appropriate discount rate. 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, musical instruments 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.

Room, Board and Other Fees, Net of Financial Aid

Room, board and other fees are recorded gross at the Institute's normal rates for all students during the year in which the related academic services and programs are rendered which are satisfied over time following the straight-line method over the applicable terms. Fees received in advance of services to be rendered are recorded as deferred revenue. These fees are billed to students in advance of the upcoming academic or summer period, and due upon acceptance into the Institute's academic or summer program.

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 \$555,000 and \$661,000 for the years ended May 31, 2020 and 2019, 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. All such items, whether contributed or purchased, have been capitalized, but are not depreciated.

The Curtis Institute of Music

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

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 benefited. 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.

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.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance in the ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Institute adopted this guidance as of June 1, 2019. The Institute applied Topic 606 on a modified retrospective basis and elected the practical expedient provided in 606, under which an entity need not restate contracts that begin and are completed within the same annual reporting period. The adoption of this ASU did not have an effect on the Institute's financial statements and the Institute did not identify any changes in the timing of revenue recognition when considering the amended accounting guidance. The Institute included additional disclosures as required by the guidance.

The Curtis Institute of Music

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Change in Accounting Principle (Continued)

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*. This ASU assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and determining whether a contribution is conditional. During the year ended May 31, 2020, the Institute implemented the provisions of this ASU under a modified retrospective basis. The adoption of this ASU did not have an effect on the Institute's financial statements and the Institute did not identify any changes in the timing of revenue recognition when considering the amended accounting guidance. The Institute included additional disclosures as required by the guidance.

Note 3: Liquidity and Availability

As of May 31, 2020 and 2019, 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:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 296,115	\$ -
Receivables:		
Unconditional promises to give	2,207,612	1,287,907
Other receivables	204,575	150,258
Student loans receivable, net	123,292	83,865
Board designations:		
Draw from endowment	8,407,114	9,059,006
Total financial assets available within one year	11,238,708	10,581,036
Total financial assets and liquidity resources available within one year		
Bank lines of credit	534,421	534,421
Expected contribution from related supporting organization	4,067,869	4,418,178
Total	\$ 15,840,998	\$ 15,533,635

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 Curtis Institute of Music

Notes to Financial Statements

Note 3: Liquidity and Availability (Continued)

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, 2020 and 2019, the Institute had \$44,236,565 and \$44,621,315 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.

Note 4: Unconditional Promises to Give

Unconditional promises to give are discounted at rates ranging from .8% to 5.8%. The amounts to be received under these promises as of May 31, 2020 and 2019 are as follows:

	2020	2019
Receivable in less than one year	\$ 15,543,123	\$ 17,031,786
Receivable in one year to five years	21,710,960	28,494,560
Total unconditional promises to give	37,254,083	45,526,346
Less: Reserve for uncollectible promises to give	(3,759,336)	(3,366,476)
Less: Effect of discount to net present value	(4,551,177)	(4,734,936)
Unconditional Promises to Give - Net	\$ 28,943,570	\$ 37,424,934

Included in unconditional promises to give are contributions with donor restrictions to be held in perpetuity totaling approximately \$17,800,000 and \$27,500,000 as of May 31, 2020 and 2019, respectively, for student assistance, maintenance of facilities and ongoing operating expenses of the Institute.

The Curtis Institute of Music

Notes to Financial Statements

Note 5: Investments

Investments at May 31, 2020 and 2019 consist of the following:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Endowment:				
Temporary investments	\$ 4,579,702	\$ 4,579,702	\$ 15,342,258	\$ 15,342,258
Mutual and exchange-traded funds	56,665,695	63,999,507	76,608,188	87,212,869
Commodity funds	1,213,608	982,588	2,107,013	1,917,259
Commingled funds	75,360,927	78,367,911	45,636,148	45,797,430
Hedge funds	19,989,611	30,342,313	10,190,624	17,974,286
Real estate funds	632,365	805,005	487,213	859,699
	158,441,908	179,077,026	150,371,444	169,103,801
Life income and annuity:				
Mutual funds	1,867,488	1,981,829	1,865,653	1,968,518
	Total	\$ 160,309,396	\$ 181,058,855	\$ 152,237,097
		\$ 181,058,855	\$ 152,237,097	\$ 171,072,319

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.

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, 2020 and 2019, the spending rate approved by the Board of Trustees was 5.0% for each year. 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 Curtis Institute of Music

Notes to Financial Statements

Note 6: Investment Return Reconciliation (Continued)

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended May 31, 2020 and 2019:

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 1,602,324	\$ 4,673,844	\$ 6,276,168	\$ 1,106,374	\$ 3,044,263	\$ 4,150,637
Net realized and unrealized gains (losses)	430,597	1,633,425	2,064,022	(1,682,089)	(4,073,070)	(5,755,159)
Total return on investment portfolio	2,032,921	6,307,269	8,340,190	(575,715)	(1,028,807)	(1,604,522)
Investment return designated as Endowment Spending Payout	2,199,679	6,356,978	8,556,657	2,266,296	6,170,039	8,436,335
Investment returns in excess of (less than) amounts designated as Endowment Spending Payout	\$ (166,758)	\$ (49,709)	\$ (216,467)	\$ (2,842,011)	\$ (7,198,846)	\$ (10,040,857)

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, 2020			
	Level 1	Level 2	Level 3	Total
Endowment Investments:				
Temporary investments	\$ 4,579,702	\$ -	\$ -	\$ 4,579,702
Mutual and exchange-traded funds				
Equity	44,111,892	-	-	44,111,892
Fixed income	19,887,615	-	-	19,887,615
Life income and annuity investments:				
Mutual and exchange-traded funds				
Fixed income	629,888	-	-	629,888
Global blend	1,351,941	-	-	1,351,941
Total investments in the fair value hierarchy	\$ 70,561,038	\$ -	\$ -	70,561,038
Investments measured at NAV				110,497,817
Total investments at fair value				\$ 181,058,855

	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

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, 2020			
		Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commodity funds	(a)	\$ 982,588	\$ 169,950	Monthly or ineligible	5 days or N/A
Commingled funds	(b)	78,367,911	-	Daily, monthly, quarterly, semi- annually or annually	1 - 120 days
Hedge funds	(c)	30,342,313	-	Quarterly, semi- annually, or annually	45 - 180 days
Real estate funds	(d)	805,005	867,006	Ineligible	N/A
Total		\$ 110,497,817	\$ 1,036,956		

		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		

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, 2020 and 2019, one fund representing approximately 97% and 68%, respectively, 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.

Hedge funds (c) - Hedge funds invest in actively traded investments as well as 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, one fund representing less than 1% of the investments in this class could not be redeemed. Distributions are made to investors based upon market conditions, which were fulfilled during the year ended May 31, 2020.

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, 2020 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 100% of the investments in this class as of May 31, 2020 and 2019 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, 2020 and 2019 is as follows:

	2020			2019		
	Cost or Appraised Value	Accumulated Depreciation	Net Book Values	Cost or Appraised Value	Accumulated Depreciation	Net Book Values
Subject to depreciation:						
Buildings and improvements	\$ 80,215,209	\$ 21,345,978	\$ 58,869,231	\$ 79,816,355	\$ 19,422,599	\$ 60,393,756
Furnishings and equipment	3,971,282	3,284,370	686,912	3,835,793	3,085,901	749,892
Computer equipment	2,214,448	2,063,808	150,640	2,155,672	2,023,691	131,981
Pianos	3,446,859	1,738,549	1,708,310	3,422,359	1,600,185	1,822,174
Organs	1,728,652	1,086,351	642,301	1,723,694	1,030,258	693,436
Harps	173,863	113,860	60,003	173,863	108,946	64,917
Other musical instruments	3,226,125	2,262,868	963,257	3,174,239	2,134,393	1,039,846
	<u>94,976,438</u>	<u>31,895,784</u>	<u>63,080,654</u>	<u>94,301,975</u>	<u>29,405,973</u>	<u>64,896,002</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	9,596,840	-	9,596,840
Fine arts	560,896	-	560,896	560,896	-	560,896
Construction in progress	358,453	-	358,453	88,117	-	88,117
	<u>24,364,450</u>	<u>-</u>	<u>24,364,450</u>	<u>24,094,114</u>	<u>-</u>	<u>24,094,114</u>
Total	\$ 119,340,888	\$ 31,895,784	\$ 87,445,104	\$ 118,396,089	\$ 29,405,973	\$ 88,990,116

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% (2.78% effective rate at May 31, 2020), and the agreement is due to mature on November 30, 2020. The outstanding balance on the line of credit was \$465,579 at both May 31, 2020 and 2019. Interest expense was \$13,846 and \$17,116 for the years ended May 31, 2020 and 2019, respectively.

Note 10: Loans Payable

<i>As of May 31, 2020 and 2019</i>	2020	2019
Loan payable to a bank, payable \$22,274 per month, including interest at LIBOR plus 1.30% (2.78% effective rate at May 31, 2020) with a final payment of approximately \$1,220,000 due on July 23, 2021	\$ 1,535,600	\$ 1,750,312

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 \$52,579 and \$67,486 for the years ended May 31, 2020 and 2019, respectively.

Future maturities of this loan as of May 31, 2020, are as follows:

<i>Year Ending May 31</i>	
2021	\$ 221,251
2022	1,314,349
Total	\$ 1,535,600

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:

	2020	2019
Subject to expenditure for specified purpose:		
Curtis program initiatives	\$ 817,194	\$ 447,029
Capital improvements	2,204,664	125,000
	3,021,858	572,029
Subject to the passage of time:		
Multi-year unconditional promises to give	8,680,972	8,574,556
Split-interest gifts	3,924,693	4,083,469
Donated life insurance policies	325,024	329,215
	12,930,689	12,987,240
Endowments:		
Income earned on endowments subject to appropriation and expenditure when a specific event occurs	9,475,583	9,591,301
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*	17,812,828	27,509,007
Permanent funds subject to endowment spending policy and appropriation*	122,917,820	112,174,320
	152,581,760	151,650,157
Net assets with donor restrictions	\$ 168,534,307	\$ 165,209,426

Line items denoted with an * above equal \$143,106,177 as of May 31, 2020 and represent donor-restricted net assets restricted in perpetuity.

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, 2020, 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 129 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 Curtis Institute of Music

Notes to Financial Statements

Note 12: Endowment Fund (Continued)

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.

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, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 44,236,565	\$ -	\$ 44,236,565
Donor-restricted endowment funds:			
Original donor-restricted gifts	-	122,917,820	122,917,820
Income on donor-restricted gifts available for appropriation	-	9,475,583	9,475,583
Gift annuity funds (restricted for time)	-	2,447,058	2,447,058
Total	\$ 44,236,565	\$ 134,840,461	\$ 179,077,026

Changes in endowment net assets for the year ended May 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 44,621,315	\$ 124,482,486	\$ 169,103,801
Contributions and transfers	(343,989)	10,475,775	10,131,786
Investment income	1,600,582	4,625,610	6,226,192
Net realized and unrealized appreciation	558,336	1,613,568	2,171,904
Amounts appropriated for expenditure	(2,199,679)	(6,356,978)	(8,556,657)
Endowment net assets, end of year	\$ 44,236,565	\$ 134,840,461	\$ 179,077,026

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, 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 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

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, 2020, funds with original gift values of \$60,784,367, fair values of \$59,318,846 and deficiencies of \$1,465,521 were reported in net assets with donor restrictions. 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.

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, 2020 and 2019 amounted to \$630,348 and \$676,410, respectively.

The Curtis Institute of Music

Notes to Financial Statements

Note 13: Employee Benefit Plans (Continued)

457(f) Plan

The Institute maintains 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. 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. As of May 31, 2020 and 2019, the total liability relating to this plan was \$269,806 and \$131,513, respectively, and expenses incurred for the years ended May 31, 2020 and 2019, were \$138,293 and \$85,197, respectively.

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, 2020 and 2019, the Institute received contributions of \$4,418,178 and \$4,447,840, 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, 2020 and 2019. 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, 2020 and 2019:

	2020	2019
Total assets	\$ 83,340,902	\$ 84,952,159
Total liabilities	96,687	21,000
Net assets without donor restrictions	83,244,215	84,931,159
Total operating revenues	4,480,390	4,509,610
Total operating expenses	4,480,390	4,509,610
Nonoperating changes	(1,686,944)	(5,800,262)

The Institute received contributions from board members totaling approximately \$3,700,000 and \$2,500,000 for the years ended May 31, 2020 and 2019, respectively.

The Curtis Institute of Music

Notes to Financial Statements

Note 16: Risks and Uncertainties

As of May 31, 2020, 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, 2020 and 2019, the uninsured balance was approximately \$1,210,000 and \$575,000, 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.

As a result of the COVID-19 pandemic, economic uncertainties have arisen which may negatively affect the financial position, operating results and cash flows of the Institute. These uncertainties include uncertain levels of student enrollment, market value fluctuations of investments and donor giving. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 17: U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the year ended May 31, 2020:

Note for Calculation of Net Property, Plant, and Equipment

Pre-implementation property, plant, and equipment, net	\$ 86,443,227
Construction in progress	358,453
Post-implementation property, plant, and equipment, net - not financed with long-term debt	643,424
<hr/>	
Total net property, plant, and equipment	\$ 87,445,104

Note 18: Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 30, 2020, the date the financial statements were available to be issued.

Supplemental Information

Independent Auditors' Report on Supplemental Information

Board of Trustees
The Curtis Institute of Music
Philadelphia, Pennsylvania

We have audited the financial statements of The Curtis Institute of Music as of and for the years ended May 31, 2020 and 2019 and our report thereon dated November 30, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial responsibility supplemental schedule is presented for purposes of additional analysis, as required by the U.S. Department of Education, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

November 30, 2020
Philadelphia, Pennsylvania

The Curtis Institute of Music
Financial Responsibility Supplemental Schedule
Required by the U.S. Department of Education

Year Ended May 31, 2020

Financial Element	Location in financial statements or related notes	GAAP financial statement line item or disclosure	Amount used as ratio input
Primary Reserve Ratio: Expendable Net Assets:			
Net assets without donor restrictions	Statement of Financial Position	\$ 127,382,405	\$ 127,382,405
Net assets with donor restrictions	Statement of Financial Position	168,534,307	168,534,307
Net assets with donor restrictions - restricted in perpetuity	Note 11: Net Assets with Donor Restrictions	143,106,177	143,106,177
Net assets with donor restrictions - split-interest gifts	Note 11: Net Assets with Donor Restrictions	3,924,693	3,924,693
Net assets with donor restrictions - donated life insurance policies	Note 11: Net Assets with Donor Restrictions	325,024	325,024
Unsecured related party receivable - Due from Mary Louise Curtis Bok Foundation	Statement of Financial Position Note 17: U.S. Department of Education	76,587	76,587
Total land, building and equipment, net	Statement of Financial Position	87,445,104	-
Land, building and equipment, net- pre-implementation	Note 17: U.S. Department of Education Financial Responsibility Ratio Information	-	86,443,227
Land, building and equipment, net - post-implementation without outstanding debt for original purchase	Note 17: U.S. Department of Education Financial Responsibility Ratio Information	-	643,424
Land, building and equipment, net - post-implementation with outstanding debt for original purchase	N/A Note 17: U.S. Department of Education	-	-
Construction in progress	Financial Responsibility Ratio Information	-	358,453
Total lease right-of-use assets	N/A	-	-
Lease right-of-use assets - pre-implementation	N/A	-	-
Lease right-of-use assets - post implementation	N/A	-	-
Intangible assets	N/A	-	-
Post-employment and pension liabilities	Note 13: Employee Benefit Plans	269,806	269,806
Total long-term debt	Note 10: Loans Payable	1,535,600	-
Long-term debt obtained for long-term purposes pre-implementation	Note 10: Loans Payable	-	1,535,600
Long-term debt obtained for long-term purposes post-implementation	N/A	-	-
Line of credit for construction in progress	N/A	-	-
Total liability related to lease right-of-use assets	N/A	-	-
Liability related to lease right-of-use assets - pre-implementation	N/A	-	-
Liability related to lease right-of-use assets - post-implementation	N/A	-	-

The Curtis Institute of Music
Financial Responsibility Supplemental Schedule
Required by the U.S. Department of Education
Year Ended May 31, 2020

Financial Element	Location in financial statements or related notes	GAAP financial statement line item or disclosure	Amount used as ratio input
Primary Reserve Ratio: Expenses and Losses:			
Total operating expenses	Statement of Activities	22,423,946	22,423,946
Campaign expenses	Statement of Activities Nonoperating Activities	1,075,224	1,075,224
Investment loss in excess of endowment draw without donor restrictions	Statement of Activities Nonoperating Activities	(166,758)	(166,758)
Pension-related changes other than net periodic cost	N/A	-	-
Equity Ratio: Modified Net Assets:			
Net assets without donor restrictions	Statement of Financial Position	127,382,405	127,382,405
Net assets with donor restrictions	Statement of Financial Position	168,534,307	168,534,307
Intangible assets	N/A	-	-
Secured and unsecured related party receivable - Due from Mary Louise Curtis Bok Foundation	Statement of Financial Position	76,587	76,587
Equity Ratio: Modified Assets:			
Total Assets	Statement of Financial Position	301,109,152	301,109,152
Lease right-of-use assets - pre-implementation	N/A	-	-
Lease right-of-use assets - post implementation	N/A	-	-
Intangible assets	N/A	-	-
Secured and unsecured related party receivable - Due from Mary Louise Curtis Bok Foundation	Statement of Financial Position	76,587	76,587
Net Income Ratio: Change in Net assets Without Donor Restrictions:			
Change in net assets without donor restrictions	Statement of Activities	(1,781,437)	(1,781,437)
Net Income Ratio: Total Revenue Without Donor Restrictions and Gains With Donor Restrictions			
Total operating revenues and support without donor restrictions	Statement of Activities	20,566,689	20,566,689
Non-operating contributions without donor restrictions	Statement of Activities	\$ 1,317,802	\$ 1,317,802