

**THE MACDOWELL COLONY, INC.**

Consolidated Financial Statements

For the Year Ended December 31, 2018

(With Independent Auditors' Report Thereon)

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>CONSOLIDATED FINANCIAL STATEMENTS:</b>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
<b>SUPPLEMENTARY INFORMATION:</b>	
Consolidating Statement of Financial Position	24
Consolidating Statement of Activities	25

**Additional Offices:**

Nashua, NH  
Andover, MA  
Greenfield, MA  
Ellsworth, ME

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The MacDowell Colony, Inc.

We have audited the accompanying consolidated financial statements of The MacDowell Colony, Inc. (the Colony), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The MacDowell Colony, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited The MacDowell Colony, Inc.'s 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information appearing on pages 24 and 25 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Melanson Heath*

April 4, 2019

**THE MACDOWELL COLONY, INC.**

Consolidated Statement of Financial Position  
December 31, 2018  
(With Comparative Totals as of December 31, 2017)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 657,515	\$ -	\$ 657,515	\$ 663,292
Accounts receivable	4,179	-	4,179	25,666
Contributions receivable, in less than one year	66,329	63,300	129,629	204,719
Other current assets	<u>153,300</u>	<u>150,000</u>	<u>303,300</u>	<u>294,792</u>
Total Current Assets	881,323	213,300	1,094,623	1,188,469
Contributions Receivable, in more than one year	4,000	56,700	60,700	71,000
Investments	12,018,230	19,724,929	31,743,159	34,850,817
Property and Equipment, net	<u>10,996,601</u>	<u>-</u>	<u>10,996,601</u>	<u>11,558,434</u>
Total Assets	<u>\$ 23,900,154</u>	<u>\$ 19,994,929</u>	<u>\$ 43,895,083</u>	<u>\$ 47,668,720</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts payable	\$ 90,248	\$ -	\$ 90,248	\$ 139,184
Accrued liabilities	83,407	-	83,407	76,875
Line of credit	445,000	-	445,000	495,000
Current portion of mortgage payable	<u>69,322</u>	<u>-</u>	<u>69,322</u>	<u>43,730</u>
Total Current Liabilities	687,977	-	687,977	754,789
Mortgage Payable, net of current portion	2,349,190	-	2,349,190	2,451,910
Other Liabilities	<u>5,440</u>	<u>-</u>	<u>5,440</u>	<u>7,253</u>
Total Liabilities	3,042,607	-	3,042,607	3,213,952
Net Assets:				
Without donor restrictions:				
Undesignated	19,203,149	-	19,203,149	21,333,865
Board designated - building and equipment reserve	1,654,398	-	1,654,398	1,817,987
With donor restrictions:				
Time or purpose restricted	-	8,348,969	8,348,969	9,877,957
Perpetual in nature - income unrestricted	-	3,900,094	3,900,094	3,900,094
Perpetual in nature - income restricted	<u>-</u>	<u>7,745,866</u>	<u>7,745,866</u>	<u>7,524,865</u>
Total Net Assets	<u>20,857,547</u>	<u>19,994,929</u>	<u>40,852,476</u>	<u>44,454,768</u>
Total Liabilities and Net Assets	<u>\$ 23,900,154</u>	<u>\$ 19,994,929</u>	<u>\$ 43,895,083</u>	<u>\$ 47,668,720</u>

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

**THE MACDOWELL COLONY, INC.**

Consolidated Statement of Activities  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018</u>	<u>2017</u>
Support and Revenue:				
Contributions:				
Individuals	\$ 409,765	\$ 275,059	\$ 684,824	\$ 833,665
Foundations	181,459	208,618	390,077	1,226,701
Corporations	17,140	40,000	57,140	131,305
Bequests	577,794	2,016	579,810	39,290
Government grants	30,000	-	30,000	25,000
Events:				
National benefit	641,946	-	641,946	567,596
Medal Day	57,391	-	57,391	55,510
Other special events	70,654	-	70,654	126,535
Other income:				
Gain on sale of asset	405,885	-	405,885	-
Application fees	53,511	-	53,511	42,579
Other	62,878	-	62,878	45,465
Interest income	299	-	299	26,880
Net assets released from restrictions	<u>1,086,283</u>	<u>(1,086,283)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	3,595,005	(560,590)	3,034,415	3,120,526
Expenses:				
Program	2,968,194	-	2,968,194	2,592,684
Management and general	1,071,066	-	1,071,066	1,174,166
Fundraising	<u>1,077,128</u>	<u>-</u>	<u>1,077,128</u>	<u>1,014,834</u>
Total Expenses	<u>5,116,388</u>	<u>-</u>	<u>5,116,388</u>	<u>4,781,684</u>
Change in Net Assets Before Net Investment Return	(1,521,383)	(560,590)	(2,081,973)	(1,661,158)
Return on Investments:				
Unrealized gain (loss) on investments (see Note 17)	(928,388)	(1,597,382)	(2,525,770)	4,709,511
Realized gains on investments	61,607	95,310	156,917	156,922
Interest and dividends	355,711	582,202	937,913	829,819
Investment expense	<u>(89,379)</u>	<u>-</u>	<u>(89,379)</u>	<u>(76,315)</u>
Total Return on Investments	(600,449)	(919,870)	(1,520,319)	5,619,937
Reclassification of Investment Return Based on Donor Restrictions	<u>(172,473)</u>	<u>172,473</u>	<u>-</u>	<u>-</u>
Net Investment Return	<u>(772,922)</u>	<u>(747,397)</u>	<u>(1,520,319)</u>	<u>5,619,937</u>
Change in Net Assets	(2,294,305)	(1,307,987)	(3,602,292)	3,958,779
Net Assets, Beginning of Year	<u>23,151,852</u>	<u>21,302,916</u>	<u>44,454,768</u>	<u>40,495,989</u>
Net Assets, End of Year	<u>\$ 20,857,547</u>	<u>\$ 19,994,929</u>	<u>\$ 40,852,476</u>	<u>\$ 44,454,768</u>

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

**THE MACDOWELL COLONY, INC.**

Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018</u>	<u>2017</u>
Personnel expense:					
Salaries and wages	\$ 1,144,615	\$ 404,919	\$ 509,611	\$ 2,059,145	\$ 1,936,302
Payroll taxes	84,418	29,990	38,147	152,555	146,342
Employee benefits	243,528	26,666	51,901	322,095	301,796
Retirement benefits	<u>103,319</u>	<u>21,078</u>	<u>39,152</u>	<u>163,549</u>	<u>153,911</u>
Subtotal personnel expense	1,575,880	482,653	638,811	2,697,344	2,538,351
Artist financial aid	113,183	-	-	113,183	108,001
Depreciation	405,088	125,874	43,850	574,812	453,508
Food service	132,503	-	-	132,503	138,017
Housekeeping	28,994	-	-	28,994	26,687
Information technology	32,974	18,214	34,719	85,907	85,171
Insurance	73,269	21,545	3,906	98,720	93,879
Interest	14,196	56,782	23,659	94,637	108,054
Meetings	34,104	14,106	4,630	52,840	47,178
Miscellaneous	121	8,090	15,514	23,725	43,174
National Benefit	-	-	184,024	184,024	139,505
Office, printing, and mailing expenses	30,957	78,239	28,254	137,450	116,688
Other special events	4,408	-	61,420	65,828	140,782
Professional fees and contract services	39,408	181,078	-	220,486	171,227
Public engagement events	67,923	-	-	67,923	61,324
Repairs and maintenance	183,330	51,844	17,146	252,320	240,098
Taxes	-	16,050	-	16,050	15,176
Travel	77,592	8,407	18,950	104,949	94,979
Utilities	<u>154,264</u>	<u>8,184</u>	<u>2,245</u>	<u>164,693</u>	<u>159,885</u>
Total Functional Expenses	<u>\$ 2,968,194</u>	<u>\$ 1,071,066</u>	<u>\$ 1,077,128</u>	<u>\$ 5,116,388</u>	<u>\$ 4,781,684</u>

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

**THE MACDOWELL COLONY, INC.**

Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2018  
(With Comparative Totals For the Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (3,602,292)	\$ 3,958,779
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	574,812	453,508
Gain on disposal of property and equipment	(405,885)	-
Net unrealized (gain) loss on investments	2,525,770	(4,709,511)
Net realized (gain) loss on investments	(156,917)	(156,922)
Restricted contributions	(221,001)	(534,278)
Decrease (Increase) In:		
Accounts receivable	21,487	(25,666)
Contributions receivable	85,390	(106,359)
Other current assets	(8,508)	5,609
(Decrease) Increase In:		
Accounts payable	(48,936)	55,614
Accrued liabilities	6,532	(769)
Other liabilities	(1,813)	7,253
Net Cash Used By Operating Activities	<u>(1,231,361)</u>	<u>(1,052,742)</u>
Cash Flows From Investing Activities:		
Purchase of investments	(1,306,139)	(1,638,112)
Proceeds from sales of investments	2,044,944	2,810,705
Purchases of property and equipment	(233,429)	(1,128,381)
Proceeds from sale of property and equipment	<u>626,335</u>	<u>-</u>
Net Cash Provided By Investing Activities	1,131,711	44,212
Cash Flows From Financing Activities:		
Proceeds from line of credit	200,000	495,000
Principal payments on line of credit	(250,000)	-
Principal payments on property mortgage	(77,128)	(54,360)
Proceeds from restricted contributions	<u>221,001</u>	<u>534,278</u>
Net Cash Provided By Financing Activities	<u>93,873</u>	<u>974,918</u>
Net Change in Cash and Cash Equivalents	(5,777)	(33,612)
Cash and Cash Equivalents, Beginning of Year	<u>663,292</u>	<u>696,904</u>
Cash and Cash Equivalents, End of Year	<u>\$ 657,515</u>	<u>\$ 663,292</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 94,637</u>	<u>\$ 108,054</u>

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

# THE MACDOWELL COLONY, INC.

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2018

## 1. Organization

The MacDowell Colony, Inc.'s (the Colony) mission is to promote the arts of music, literature, drama, architecture, painting, sculpture, and other fine arts. The Colony supports the creation of new works of art by providing residencies of up to 2 months to approximately 300 creative individuals of the highest talent selected from the widest possible range of perspective and demographics. Consisting primarily of 32 separate studios and 13 support buildings sited amidst woods and fields on a 450-acre property in Peterborough, New Hampshire, the Colony offers artists in residence uninterrupted time and seclusion in a stimulating community of other artists, hoping thereby to enhance the process of artistic creativity. Through education and community benefit programs, publications, presentations and other activities, The MacDowell Colony, Inc. increases understanding and appreciation of the arts and its value to the public.

## 2. Significant Accounting Policies

### *Change in Accounting Principle*

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 has been implemented in 2018 and the presentation in these consolidated financial statements has been adjusted accordingly.

### *Principles of Consolidation*

During fiscal year 2012, the Colony formed New High Street, LLC, a New Hampshire Limited Liability Company, for the sole purpose of acquiring certain real estate located adjacent to its facility (see Note 16). The Colony is the sole member of New High Street, LLC.

The accompanying consolidated financial statements include the accounts of The MacDowell Colony, Inc. and its wholly owned limited liability company, New High Street, LLC. All inter-organization transactions have been eliminated.

### ***Comparative Financial Information***

The accompanying consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

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

All cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

### ***Contributions Receivable***

Contributions receivable are unconditional contributions that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. Fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. No allowance has been recorded, as management believes all contributions receivable to be fully collectible.

### ***Investments***

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Consolidated Statement of Financial Position. Net investment return/(loss) is reported in the Consolidated Statement of Activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

The Colony utilizes a pooled-investment-fund basis of managing its investments. Unless otherwise restricted by the donor, investment income and realized and unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions. Investment gains, losses, and income are allocated to donor-restricted funds based on their proportionate share of the pooled investments. Investment losses on donor-restricted assets will not reduce the value of said assets below the historical value of the original gift. Any excess loss will reduce certain net assets with donor restrictions to the

extent that donor-imposed restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss will reduce net assets without donor restrictions.

### ***Property and Equipment***

Property and equipment additions over \$1,000 are recorded at cost, if purchased, and at fair value at the date of donation, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed, and any resulting gain or loss is included in the Consolidated Statement of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Assets not in service are not depreciated.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment in 2018.

### ***Net Assets***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. 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.

### ***Revenue and Revenue Recognition***

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

### ***Accounting for Contributions***

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year payment is due and, therefore, are reported as net assets with donor restrictions until payment is due unless the contribution is clearly intended to support activities of the current year. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

The Colony has established a planned giving program to acknowledge donors who have indicated they have included the Colony in their estate plans. These conditional pledges are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met, and consist of bequests and gifts of life insurance proceeds.

### ***Donated Services and In-Kind Contributions***

The Colony periodically receives contributions in a form other than cash or investments. Contributed property and equipment is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Colony's capitalization policy. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

The Colony benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Colony's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. Generally Accepted Accounting Principles allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated architectural services with an

estimated fair value of \$5,940 met those criteria in 2018 and are included in the Consolidated Statement of Activities.

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

The costs of program and supporting services activities have been summarized on a functional basis in the Consolidated Statement of Activities. The Consolidated Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### ***Measure of Operations***

The Colony reports as the change in net assets before net investment return all program, administrative, and fundraising activity, excluding investment return and the reclassification of the investment return based on donor restrictions.

### ***Income Taxes***

The MacDowell Colony, Inc. has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for charitable contribution deductions, and has been determined not to be a private foundation. The Colony is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Colony is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. In 2018, the Colony was not subject to unrelated business income tax and did not file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

### ***Estimates***

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates and those differences could be material.

### ***Financial Instruments and Credit Risk***

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experi-

enced in any of these accounts. Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals and organizations supportive of the Colony's mission. Investments are made by diversified investment managers whose performance is monitored by the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Investment Committee believes that its investment policies and guidelines are prudent for the long-term welfare of the Colony.

### ***Fair Value Measurements and Disclosures***

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a

particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the assessment of the quality, risk, or liquidity profile of the asset or liability.

When available, the Colony measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for certain assets and liabilities that the Colony is required to measure at fair value (for example, unconditional contributions receivable and in-kind contributions).

The primary uses of fair value measures in the Colony's financial statements are:

- Initial measurement of noncash gifts, including gifts of investment assets and unconditional contributions receivable.
- Recurring measurement of investments (Note 5).
- Recurring measurement of line of credit (Note 7).
- Recurring measurement of mortgage payable (Note 8).

The carrying amounts of cash and cash equivalents, accounts and contributions receivable, other assets, accounts payable, accrued liabilities, and other liabilities approximate fair value due to their short-term nature. The carrying amount of contributions receivable due in more than one year is based on the discounted net present value of the expected future cash receipts, and approximates fair value.

### 3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following at December 31, 2018:

Financial assets at year end:		
Cash and cash equivalents	\$	657,515
Accounts receivable		4,179
Contributions receivable, in less than one year		129,629
Investments		<u>31,743,159</u>
Total financial assets		32,534,482
Less amounts not available to be used within one year:		
Net assets with donor restrictions	19,994,929	
Less:		
Other current assets not available for spending	(150,000)	
Net assets with purpose restrictions to be met in less than one year	(295,462)	
Donor-restricted endowment subject to spending policy rate (5.0%) and appropriation	<u>(706,224)</u>	18,843,243
Board-designated endowment	1,654,398	
Less: Board-designated endowment annual spending policy rate (5.0% of 36-month average fund value - 2019 budget)	<u>(86,191)</u>	<u>1,568,207</u>
Total amounts not available to be used within one year		<u>20,411,450</u>
Financial assets available to meet general expenditures over the next year	\$	<u><u>12,123,032</u></u>

Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. The portion of endowment funds that are perpetual in nature are not available for general expenditure.

Board-designated endowment is subject to an annual spending rate as determined by the Board. Although there is no intention to spend from board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of liquidity management plan, the Colony also has a \$5,000,000 revolving line of credit available to meet cash flow needs.

#### 4. Contributions Receivable

Unconditional contributions receivable are estimated to be collected as follows at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 129,629	\$ 204,719
Receivable in one to five years	<u>60,700</u>	<u>71,000</u>
Total	<u>\$ 190,329</u>	<u>\$ 275,719</u>

#### 5. Investments

Investments consist of the following at December 31, 2018 and 2017:

<u>Investment Type</u>	<u>2018</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>
Mutual funds:			
Stock funds, domestic	\$ 3,696,906	\$ 7,310,316	\$ 7,310,316
Stock funds, international	5,251,971	4,640,096	4,640,096
Short-term bond fund	121,228	113,774	113,774
High-yield bond fund	4,302,818	4,347,519	4,347,519
Money market funds	1,066,622	1,066,622	1,066,622
Common stock	9,895,155	14,096,460	14,096,460
Federated U.S. treasury cash	<u>168,372</u>	<u>168,372</u>	<u>168,372</u>
Total	<u>\$ 24,503,072</u>	<u>\$ 31,743,159</u>	<u>\$ 31,743,159</u>
<u>Investment Type</u>	<u>2017</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>
Mutual funds:			
Stock funds, domestic	\$ 3,703,703	\$ 8,265,683	\$ 8,265,683
Stock funds, international	5,868,495	6,257,638	6,257,638
Short-term bond fund	121,228	115,845	115,845
High-yield bond fund	4,048,494	4,475,893	4,475,893
Money market funds	1,380,338	1,380,338	1,380,338
Common stock	9,336,699	14,039,405	14,039,405
Federated U.S. treasury cash	<u>316,015</u>	<u>316,015</u>	<u>316,015</u>
Total	<u>\$ 24,774,972</u>	<u>\$ 34,850,817</u>	<u>\$ 34,850,817</u>

As discussed in Note 2 to these consolidated financial statements, the Colony is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the Colony's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of December 31, 2018. Level 2 is for investments measured using inputs such as quoted prices for similar assets, quoted prices for identical assets in inactive markets, and for investments measured at net asset value that can be redeemed in the near term. Level 3 is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, market activity for the investment.

## 6. Property, Equipment, and Depreciation

A summary of the major components of property and equipment is presented below:

	<u>2018</u>	<u>2017</u>
Land improvements	\$ 1,069,391	\$ 1,026,920
Land	104,996	104,996
Building and building improvements	15,248,623	15,126,713
Equipment	733,952	687,309
Investment in a cooperative apartment building corporation*	-	289,714
Vehicles	255,989	240,583
Assets not being depreciated	222,956	222,956
Construction in progress	<u>276,513</u>	<u>276,513</u>
Subtotal	17,912,420	17,975,704
Less: accumulated depreciation	<u>(6,915,819)</u>	<u>(6,417,270)</u>
Total	<u>\$ 10,996,601</u>	<u>\$ 11,558,434</u>

\*The investment in a cooperative apartment building corporation includes 188 shares of common stock of 165 East 81<sup>st</sup> Street Corporation at cost, plus the costs of renovation. Under the terms of a proprietary lease assumed by the Colony (as lessee), 165 East 81<sup>st</sup> Street Corporation (the lessor) has a lien on these shares as collateral for shared maintenance and other amounts payable as specified in the lease. In 2018, the Colony sold this property.

Depreciation expense totaled \$574,812 and \$453,508 for the years ended December 31, 2018 and December 31, 2017, respectively.

## 7. Line of Credit

In 2015, the Colony obtained a \$5 million revolving line of credit with Boston Private Bank. Proceeds from drawdowns were used to fund the purchase and improvement of 521 West 23<sup>rd</sup> Street, New York, NY. Drawdowns from the line of credit are due on demand. In addition, accrued interest on the unpaid drawn down principal amount is payable monthly commencing one month after any drawdown from the line of credit. Interest on any outstanding principal will accrue at an annual rate equal to the three month LIBOR annual rate plus 1.75%. The line of credit is collateralized by securities held by the lender in the borrower's investment account. At December 31, 2018, the outstanding balance was \$445,000. The line of credit is categorized in the fair value hierarchy as Level 2.

## 8. Mortgage Payable

In 2016, the Colony purchased a second floor unit in the Artist's Condominium building, located at 521 West 23<sup>rd</sup> Street, New York, NY for the purchase price of \$5.1 million. The Colony financed the building through a 25 year, \$2,550,000 mortgage with First Republic Bank. Interest accrues at an initial rate of 3.500% until December 2, 2021, and then will accrue at the one month LIBOR rate plus 2.8%. Principal and interest is payable monthly in arrears, in equal monthly installments during the term of the loan based on an amortization of 25 years, with a loan maturity of 10 years. The Colony may repay the loan in whole or in part after the fourth anniversary of the loan without penalty. The mortgage is secured by real and personal property located at 521 West 23<sup>rd</sup> Street, New York, NY.

The following is a summary of future payments on the mortgage payable:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 69,322	\$ 84,700	\$ 154,022
2020	71,589	82,433	154,022
2021	74,404	79,618	154,022
2022	77,088	76,934	154,022
2023	79,869	74,153	154,022
Thereafter	<u>2,046,240</u>	<u>725,479</u>	<u>2,771,719</u>
Total	<u>\$ 2,418,512</u>	<u>\$ 1,123,317</u>	<u>\$ 3,541,829</u>

This mortgage is also subject to certain annual financial covenants. Minimum unrestricted liquid assets of \$7 million and a loan-to-value ratio of 50% or less is required. As of December 31, 2018, the Colony has met all covenants.

The fair value of the mortgage payable has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration. The fair value for the mortgage payable does not purport to represent the amounts at which the debt obligation would be settled. The mortgage payable is categorized in the fair value hierarchy as Level 2.

## **9. Endowment Funds**

The Colony's endowment consists of various individual funds established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### **Board-designated Endowment**

As of December 31, 2018, the Board of Directors had designated \$1,654,398 of net assets without donor restrictions as a general endowment fund to support the mission of the Colony. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

### **Donor-designated Endowments**

The Board of Directors of the Colony has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Colony classifies as perpetually restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted is classified as donor-restricted net assets until those amounts are appropriated for expenditure by the Colony in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Colony considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Colony, and (7) the Colony's investment policies.

### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Colony to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles, deficiencies of this nature are required to be restored from net assets without donor restrictions, depending on donor stipulations. These deficiencies result from unfavorable market fluctuations that occur causing the original donor restricted contribution, plus accumulated investment earnings that, in accordance with donor stipulations, are required to be added to the original contribution, to fall below the accumulated balances. Donor stipulations for perpetually restricted-income restricted funds require the reclassification of realized and unrealized earnings to purpose-restricted net assets. Based on donor stipulations, there are no donor-restricted funds in deficit.

### **Investment Policy**

The Colony's Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Colony expects its endowment assets, over time, to produce an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

### **Spending Policy**

The Colony has a policy of appropriating for distribution each year 5% of its investment assets' average fair value of the prior 12 quarters through the calendar year-end preceding the year in which the distribution is planned. In establishing this policy, the Colony considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Colony expects to pre-

serve the corpus of the endowment and allow for growth sufficient enough to support the Colony's annual spending policy. This is consistent with the Colony's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition as of December 31, 2018 is as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total Net Endowment <u>Assets</u>
Donor-restricted endowment funds	\$ -	\$ 19,724,929	\$ 19,724,929
Board-designated endowment funds	1,654,398	-	1,654,398
Unrestricted endowment funds	<u>10,363,832</u>	<u>-</u>	<u>10,363,832</u>
Total funds	<u>\$ 12,018,230</u>	<u>\$ 19,724,929</u>	<u>\$ 31,743,159</u>

Changes in endowment net assets as of December 31, 2018 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total Net Endowment <u>Assets</u>
Endowment net assets, beginning of year	\$ 13,893,901	\$ 20,956,916	\$ 34,850,817
Net investment earnings	(600,449)	(919,870)	(1,520,319)
Reclassification of investment return	(172,473)	172,473	-
Support/contributions added to endowment	150,070	218,274	368,344
Appropriations from endowment	<u>(1,252,819)</u>	<u>(702,864)</u>	<u>(1,955,683)</u>
Endowment net assets, end of year	<u>\$ 12,018,230</u>	<u>\$ 19,724,929</u>	<u>\$ 31,743,159</u>

## 10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following:

	<u>2018</u>	<u>2017</u>
Time and purpose restricted:		
Purpose restricted:		
Fellowships, financial aid, and travel grants	\$ 171,335	\$ 257,948
Renovations and operations	<u>259,325</u>	<u>273,608</u>
Total purpose restrictions	430,660	531,556
Restricted purpose spending-rate distributions and appropriations from endowment:		
Fellowships	5,510,262	6,692,620
Fellows' travel	1,439,989	1,586,872
Maintenance	<u>968,058</u>	<u>1,066,909</u>
Total restricted purpose spending-rate distributions and appropriations from endowment	<u>7,918,309</u>	<u>9,346,401</u>
Total time and purpose restricted	8,348,969	9,877,957
Perpetual in nature - income unrestricted - original gift unrestricted by donors to support any activities of the Colony	3,900,094	3,900,094
Perpetual in nature - income restricted - original gift restricted by donors for:		
Fellowships	6,461,741	6,240,740
Fellows' travel	750,000	750,000
Maintenance	<u>534,125</u>	<u>534,125</u>
Total income restricted	<u>7,745,866</u>	<u>7,524,865</u>
Total	<u>\$ 19,994,929</u>	<u>\$ 21,302,916</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the passage of time or other events specified by the donors as follows for the year ended December 31, 2018:

Satisfaction of purpose restrictions:	
Fellowships, financial aid, and travel grants	\$ 328,268
Renovations and operations	<u>76,490</u>
Total	404,758
Restricted purpose spending-rate distributions and appropriations from endowment:	
Fellowships	609,693
Fellows' travel	43,477
Maintenance	<u>28,355</u>
Total	<u>681,525</u>
Total	<u>\$ 1,086,283</u>

## **11. Operating Fund**

The operations for the year are covered by 1) annual contributions and income from the current year and contributions from prior years that have been released from restrictions as reflected in the Consolidated Statement of Activities under Support and Revenue, and 2) transfers of net investment return on endowment. Operating budgets are projected using the guideline of spending a maximum of 5% from our investment pool (more specifically, the average of the 12 preceding quarters of all net investments) to cover deficits between operating income and expenses in a given fiscal year. To the extent the Colony's operating deficit exceeds the 5% level, the Board can designate an additional draw from the Board-designated endowment. Additionally, the Board oversees capital expenses which are covered by the Board Designated Building and Equipment Reserve Fund or special gifts designated for this purpose.

## **12. Functionalized Expenses**

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

## **13. Defined Contribution Plan**

The Colony provides benefits for substantially all employees through the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF). The TIAA/CREF retirement system is a defined contribution plan whereby monthly contributions by the Colony are applied to individual annuities owned and controlled by each participating employee. The Colony's contributions to TIAA/CREF were \$163,549 and \$153,911 for the years ended December 31, 2018 and December 31, 2017, respectively.

## **14. New Hampshire Charitable Foundation**

The Colony is the beneficiary of a designated fund at The New Hampshire Charitable Foundation (the Foundation). Pursuant to the terms of the resolution establishing this fund, certain property contributed to the Foundation is held as a separate fund designated for the benefit of the Colony (the Fund). In accord-

ance with its spending policy, the Foundation makes distributions from the Fund to the Colony. Since all property in the Fund was contributed to The New Hampshire Charitable Foundation to be held and administered for the benefit of the Colony, the Fund is not included in these consolidated financial statements.

Distributions to the Colony from the Fund totaled \$76,579 and \$78,363 for the years ended December 31, 2018 and December 31, 2017, respectively. The market value of the fund assets was \$1,917,737 as of December 31, 2018.

## **15. Related Party Transactions**

During 2018, the Colony entered into various transactions with members of the Board. All transactions were reviewed and approved by the Board and performed in accordance with conflict of interest guidelines established by the New Hampshire Attorney General's Office.

## **16. New High Street, LLC**

During fiscal year 2012, the Colony formed a New Hampshire Limited Liability Company, New High Street, LLC, to acquire land and buildings adjacent to the Colony's property. The 38-acre parcel gifted to the Peterborough Golf Association in 1900 by Edward MacDowell has been operated as a public golf course by the Monadnock Country Club, a nonprofit social club. Owing to financial difficulties, the Monadnock Country Club sought to sell the property to an entity that would welcome the club's continued operation. To facilitate the purchase and distinguish it from Colony programs, New High Street, LLC purchased the property and negotiated a multi-year lease with Monadnock Country Club for its continued operation of the property as a public golf course. In October 2016, the Monadnock Country Club closed operations and terminated the lease with New High Street, LLC. In April 2017, a one-year lease was signed with Hilltop Golf Course, LLC to reopen the golf course operations. In April 2018, the lease was renewed for an additional two-year term.

## **17. Subsequent Events**

In March 2019, the Colony received a \$2 million pledge to endow a fund supporting operating costs of the James Baldwin Library.

Subsequent to year end, unrealized losses on the Colony's investment portfolio that were incurred in 2018 were recovered in the first quarter of 2019.

Subsequent events have been evaluated through April 4, 2019, the date the consolidated financial statements were available to be issued.

**THE MACDOWELL COLONY, INC.**

Consolidating Statement of Financial Position  
December 31, 2018

	The MacDowell Colony, Inc.	New High Street, LLC	Total	Eliminations	Consolidated
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 644,415	\$ 13,100	\$ 657,515	\$ -	\$ 657,515
Accounts receivable	4,179	-	4,179	-	4,179
Contributions receivable, in less than one year	129,629	-	129,629	-	129,629
Other current assets	<u>301,707</u>	<u>1,593</u>	<u>303,300</u>	<u>-</u>	<u>303,300</u>
Total Current Assets	1,079,930	14,693	1,094,623	-	1,094,623
Contributions Receivable, in more than one year	60,700	-	60,700	-	60,700
Investments	31,743,159	-	31,743,159	-	31,743,159
Investment in New High Street, LLC	426,432	-	426,432	(426,432)	-
Property and Equipment, net	<u>10,637,747</u>	<u>358,854</u>	<u>10,996,601</u>	<u>-</u>	<u>10,996,601</u>
Total Assets	<u>\$ 43,947,968</u>	<u>\$ 373,547</u>	<u>\$ 44,321,515</u>	<u>\$ (426,432)</u>	<u>\$ 43,895,083</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities:					
Accounts payable	\$ 88,434	\$ 1,814	\$ 90,248	\$ -	\$ 90,248
Accrued liabilities	83,407	-	83,407	-	83,407
Line of credit	445,000	-	445,000	-	445,000
Current portion of mortgage payable	<u>69,322</u>	<u>-</u>	<u>69,322</u>	<u>-</u>	<u>69,322</u>
Total Current Liabilities	686,163	1,814	687,977	-	687,977
Mortgage Payable, net of current portion	2,349,190	-	2,349,190	-	2,349,190
Other Liabilities	<u>-</u>	<u>5,440</u>	<u>5,440</u>	<u>-</u>	<u>5,440</u>
Total Liabilities	3,035,353	7,254	3,042,607	-	3,042,607
Net Assets:					
Without donor restrictions:					
Undesignated	19,263,288	366,293	19,629,581	(426,432)	19,203,149
Board designated - building and equipment reserve	1,654,398	-	1,654,398	-	1,654,398
With donor restrictions:					
Time or purpose restricted	8,348,969	-	8,348,969	-	8,348,969
Perpetual in nature - income unrestricted	3,900,094	-	3,900,094	-	3,900,094
Perpetual in nature - income restricted	<u>7,745,866</u>	<u>-</u>	<u>7,745,866</u>	<u>-</u>	<u>7,745,866</u>
Total Net Assets	<u>40,912,615</u>	<u>366,293</u>	<u>41,278,908</u>	<u>(426,432)</u>	<u>40,852,476</u>
Total Liabilities and Net Assets	<u>\$ 43,947,968</u>	<u>\$ 373,547</u>	<u>\$ 44,321,515</u>	<u>\$ (426,432)</u>	<u>\$ 43,895,083</u>

See Independent Auditors' Report.

**THE MACDOWELL COLONY, INC.**

Consolidating Statement of Activities  
For the Year Ended December 31, 2018

	<u>The MacDowell Colony, Inc.</u>	<u>New High Street, LLC</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
Support and revenue:					
Contributions:					
Individuals	\$ 684,824	\$ -	\$ 684,824	\$ -	\$ 684,824
Foundations	390,077	-	390,077	-	390,077
Corporations	57,140	-	57,140	-	57,140
Bequests	579,810	-	579,810	-	579,810
Government grants	30,000	-	30,000	-	30,000
Events:					
National benefit	641,946	-	641,946	-	641,946
Medal Day	57,391	-	57,391	-	57,391
Other special events	70,654	-	70,654	-	70,654
Other income:					
Gain on sale of asset	405,885	-	405,885	-	405,885
Application fees	53,511	-	53,511	-	53,511
Other	35,395	27,483	62,878	-	62,878
Interest income	299	-	299	-	299
Total support and revenue	<u>3,006,932</u>	<u>27,483</u>	<u>3,034,415</u>	<u>-</u>	<u>3,034,415</u>
Expenses:					
Program	2,968,194	-	2,968,194	-	2,968,194
Administrative	1,035,227	35,839	1,071,066	-	1,071,066
Fund raising	<u>1,077,128</u>	<u>-</u>	<u>1,077,128</u>	<u>-</u>	<u>1,077,128</u>
Total expenses	<u>5,080,549</u>	<u>35,839</u>	<u>5,116,388</u>	<u>-</u>	<u>5,116,388</u>
Change in net assets before net investment return	(2,073,617)	(8,356)	(2,081,973)	-	(2,081,973)
Return on investments:					
Unrealized gain (loss) on investments	(2,525,770)	-	(2,525,770)	-	(2,525,770)
Realized gains on investments	156,917	-	156,917	-	156,917
Interest and dividends	937,913	-	937,913	-	937,913
Investment expense	<u>(89,379)</u>	<u>-</u>	<u>(89,379)</u>	<u>-</u>	<u>(89,379)</u>
Total return on investments	<u>(1,520,319)</u>	<u>-</u>	<u>(1,520,319)</u>	<u>-</u>	<u>(1,520,319)</u>
Change in net assets	<u>(3,593,936)</u>	<u>(8,356)</u>	<u>(3,602,292)</u>	<u>-</u>	<u>(3,602,292)</u>
Net assets, beginning of year	<u>44,506,551</u>	<u>374,649</u>	<u>44,881,200</u>	<u>(426,432)</u>	<u>44,454,768</u>
Net assets, end of year	<u>\$ 40,912,615</u>	<u>\$ 366,293</u>	<u>\$ 41,278,908</u>	<u>\$ (426,432)</u>	<u>\$ 40,852,476</u>

See Independent Auditors' Report.