

THE CORPORATION OF YADDO

INDEPENDENT AUDITOR'S REPORT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016

THE CORPORATION OF YADDO

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Corporation of Yaddo
Saratoga Springs, NY 12866

We have audited the accompanying financial statements of The Corporation of Yaddo (a non-profit organization) which comprise the statement of financial position as of December 31, 2016 and the related statements of unrestricted revenues, expenses and other changes in unrestricted net assets, changes in net assets and cash flows for the year 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from 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 Corporation of Yaddo as of December 31, 2016, 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 Corporation of Yaddo's 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our audit report dated April 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of unrestricted expenses on page 19 is presented for purposes of additional analysis 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


FLYNN, WALKER, DIGGIN C.P.A., P.C.

May 31, 2017

THE CORPORATION OF YADDO
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

<i>ASSETS</i>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	\$ 2,944,237	2,696,421
UNCONDITIONAL PROMISES TO GIVE	434,896	488,370
BEQUEST RECEIVABLE	-	100,000
INTEREST AND DIVIDENDS RECEIVABLE	2,978	2,672
INVENTORY	4,002	5,738
PREPAYMENTS	2,274	36,192
ACCOUNTS RECEIVABLE	842	676
TOTAL CURRENT ASSETS	<u>3,389,229</u>	<u>3,330,069</u>
PROPERTY AND EQUIPMENT, NET	15,660,171	13,790,925
CONSTRUCTION IN PROGRESS	43,866	1,512,910
TOTAL PROPERTY AND EQUIPMENT	<u>15,704,037</u>	<u>15,303,835</u>
OTHER ASSETS:		
LONG-TERM INVESTMENTS	27,678,938	27,756,378
LONG-TERM UNCONDITIONAL PROMISES TO GIVE	688,946	437,943
INVENTORY	33,000	33,000
SECURITY DEPOSIT	3,600	3,600
TOTAL OTHER ASSETS	<u>28,404,484</u>	<u>28,230,921</u>
 TOTAL ASSETS	 <u>\$ 47,497,750</u>	 <u>46,864,825</u>

SEE ACCOMPANYING NOTES.

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES:		
NOTE PAYABLE, BANK	\$ 354,175	-
CURRENT PORTION OF LONG TERM DEBT	13,306	2,348
ACCOUNTS PAYABLE	14,415	25,630
CONTRACTS PAYABLE	-	238,490
ACCRUED EXPENSES	72,091	114,503
TOTAL CURRENT LIABILITIES	<u>453,987</u>	<u>380,971</u>
 LONG TERM DEBT, NET OF CURRENT PORTION	 <u>44,468</u>	 <u>-</u>
 COMMITMENT		
 NET ASSETS		
UNRESTRICTED:		
OPERATING	17,071,006	17,364,323
BOARD DESIGNATED	20,912,659	21,011,090
TOTAL UNRESTRICTED	<u>37,983,665</u>	<u>38,375,413</u>
 TEMPORARILY RESTRICTED	4,081,613	3,174,424
PERMANENTLY RESTRICTED	4,934,017	4,934,017
TOTAL NET ASSETS	<u>46,999,295</u>	<u>46,483,854</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 47,497,750</u>	 <u>46,864,825</u>

THE CORPORATION OF YADDO
STATEMENT OF UNRESTRICTED REVENUES, EXPENSES AND
OTHER CHANGES IN UNRESTRICTED NET ASSETS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:		
CONTRIBUTIONS:		
INDIVIDUALS	\$ 309,223	678,224
CORPORATIONS	400	-
FOUNDATIONS	45,800	276,830
ROYALTIES	193,578	622,433
ESTATES/BEQUESTS	2,120	432,181
GARDEN ASSOCIATION	31,206	25,476
GOVERNMENT GRANTS	-	91,032
NEW YORK CITY BENEFIT	268,360	317,415
SARATOGA SPRINGS BENEFIT	153,605	146,632
APPLICATION FEES	41,732	49,654
OTHER	21,057	20,491
GAIN (LOSS) ON DISPOSITION OF ASSETS	12,000	(5,000)
INCOME ON INVESTMENTS	430,022	321,892
DONATED MATERIALS AND SERVICES	71,858	57,426
LAND LEASE	32,179	32,179
	<u>1,613,140</u>	<u>3,066,865</u>
NET REALIZED AND UNREALIZED GAINS (LOSSES) ON LONG TERM INVESTMENTS	910,530	(1,201,264)
INCOME ON INVESTMENTS AND NET REALIZED/ UNREALIZED (GAINS) LOSSES TRANSFERRED TO TEMPORARILY RESTRICTED	<u>(335,446)</u>	<u>189,293</u>
TOTAL UNRESTRICTED REVENUES AND NET GAINS	<u>2,188,224</u>	<u>2,054,894</u>
NET ASSETS RELEASED FROM TIME RESTRICTIONS	<u>904,067</u>	<u>1,371,374</u>
 TOTAL UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT	 <u>3,092,291</u>	 <u>3,426,268</u>
 EXPENSES (SCHEDULE 1):		
ARTISTIC PROGRAM SERVICES AND PUBLIC GARDENS	2,047,183	1,722,165
SUPPORT SERVICES: ARTISTIC PROGRAM ADMINISTRATION	493,239	524,724
COMMUNICATIONS AND PUBLIC RELATIONS	190,205	287,686
DEVELOPMENT	753,412	746,017
TOTAL UNRESTRICTED EXPENSES	<u>3,484,039</u>	<u>3,280,592</u>
 (DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	 <u>\$ (391,748)</u>	 <u>145,676</u>

SEE ACCOMPANYING NOTES.

THE CORPORATION OF YADDO
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2016 TOTAL	2015 TOTAL
REVENUES, GAINS AND OTHER SUPPORT:					
UNRESTRICTED REVENUES AND NET GAINS	\$ 2,188,224	-	-	<u>2,188,224</u>	<u>2,054,894</u>
RESTRICTED REVENUES:					
CONTRIBUTIONS:					
INDIVIDUALS	-	554,336	-	<u>554,336</u>	113,531
CORPORATIONS	-	2,500	-	<u>2,500</u>	-
FOUNDATIONS	-	893,974	-	<u>893,974</u>	1,403,459
GARDEN ASSOCIATION	-	-	-	-	100
GOVERNMENT GRANTS	-	25,000	-	<u>25,000</u>	39,657
TRANSFER OF INCOME ON INVESTMENTS AND NET REALIZED/ UNREALIZED GAINS (LOSSES)	-	335,446	-	<u>335,446</u>	(189,293)
NET ASSETS RELEASED FROM TIME RESTRICTIONS	904,067	(904,067)	-	<u>-</u>	<u>-</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>3,092,291</u>	<u>907,189</u>	<u>-</u>	<u>3,999,480</u>	<u>3,422,348</u>
EXPENSES					
UNRESTRICTED EXPENSES (SCHEDULE 1)	<u>3,484,039</u>	<u>-</u>	<u>-</u>	<u>3,484,039</u>	<u>3,280,592</u>
CHANGE IN NET ASSETS	(391,748)	907,189	-	<u>515,441</u>	141,756
NET ASSETS AT BEGINNING OF YEAR	<u>38,375,413</u>	<u>3,174,424</u>	<u>4,934,017</u>	<u>46,483,854</u>	<u>46,342,098</u>
NET ASSETS AT END OF YEAR	<u>\$ 37,983,665</u>	<u>4,081,613</u>	<u>4,934,017</u>	<u>46,999,295</u>	<u>46,483,854</u>

SEE ACCOMPANYING NOTES.

THE CORPORATION OF YADDO
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 515,441	141,756
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION	418,219	366,311
REALIZED AND UNREALIZED (GAINS) LOSSES ON LONG TERM INVESTMENTS	(910,530)	1,201,264
LONG TERM UNCONDITIONAL PROMISES TO GIVE DONATED INVESTMENTS	199,875	108,717
	-	(128,498)
(GAIN) LOSS ON DISPOSITION OF ASSETS	(12,000)	5,000
DECREASE (INCREASE) IN CURRENT ASSETS:		
UNCONDITIONAL PROMISES TO GIVE	9,700	(193,620)
BEQUEST RECEIVABLE	100,000	-
INTEREST AND DIVIDENDS RECEIVABLE	(306)	4,451
INVENTORY	1,736	(384)
PREPAYMENTS	33,918	(31,069)
SECURITY DEPOSIT	-	5,000
ACCOUNTS RECEIVABLE	(166)	(416)
INCREASE (DECREASE) IN CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	(11,215)	(51,659)
CONTRACTS PAYABLE	(238,490)	238,490
DEFERRED REVENUE	-	(14,500)
ACCRUED EXPENSES	(42,412)	30,503
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>63,770</u>	<u>1,681,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROCEEDS FROM SALE OF INVESTMENTS	6,005,441	7,219,844
PURCHASE OF INVESTMENTS	(5,017,471)	(6,146,490)
PURCHASE OF PROPERTY AND EQUIPMENT	(708,923)	(67,019)
PURCHASE OF CONSTRUCTION IN PROGRESS	(43,866)	(1,400,350)
PROCEEDS FROM SALE OF PROPERTY AND EQUIPMENT	12,000	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>247,181</u>	<u>(394,015)</u>

SEE ACCOMPANYING NOTES.

THE CORPORATION OF YADDO
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
TEMPORARILY RESTRICTED UNCONDITIONAL PROMISES TO GIVE	\$ (407,104)	71,805
NOTE PAYABLE, BANK	354,175	-
DECREASE IN LONG TERM DEBT	<u>(10,206)</u>	<u>(6,903)</u>
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	<u>(63,135)</u>	<u>64,902</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	247,816	1,352,233
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,696,421</u>	<u>1,344,188</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,944,237</u>	<u>2,696,421</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

DURING THE YEAR ENDED DECEMBER 31, 2016 THE ORGANIZATION HAD THE FOLLOWING TRANSACTIONS:

PURCHASE OF AUTOMOBILE	\$ 33,042	
NOTE PAYABLE	<u>(18,042)</u>	
CASH PAID	<u>\$ 15,000</u>	
PURCHASE OF AUTOMOBILE	\$ 47,590	
NOTE PAYABLE	<u>(47,590)</u>	
CASH PAID	<u>\$ -</u>	

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

CASH PAID DURING THE YEAR FOR:

	<u>2016</u>	<u>2015</u>
INTEREST	<u>\$ 2,019</u>	<u>179</u>

SEE ACCOMPANYING NOTES.

THE CORPORATION OF YADDO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies

Organization - The Corporation of Yaddo (Corporation) is a non-profit organization qualified under Section 501 (c)(3) of the Internal Revenue Code. Yaddo, originally endowed by Spencer and Katrina Trask, provides short-term residencies for qualified visual artists, writers, composers, photographers, choreographers, video artists, performance artists and filmmakers selected by peer review panels composed of appropriate leading artists in the disciplines from all over the United States and abroad. Yaddo receives funds from private donors, foundations and corporations, fund raising events, and government agencies.

Basis of Presentation - The financial statements of The Corporation of Yaddo have been prepared on the accrual basis in conformity with generally accepted accounting principles and follow the recommendations of the Financial Accounting Standards Board which require that net assets and revenues, gains, expenses and losses be classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors, and accordingly includes "quasi" endowment investments.

Temporarily Restricted - Net assets whose use by the Corporation is subject to donor-imposed restrictions that can be fulfilled by actions of the Corporation pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Corporation. Permanently restricted assets are primarily comprised of the original endowment gift given to the Corporation by donors. Generally, the donors of these assets permit the Corporation to use all or part of the income from these assets.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets. For the purpose of applying such, management follows the Board resolution of transferring earnings from the funds restricted for residencies once a year in December at a rate of 5%.

Cash and Cash Equivalents - Cash and cash equivalents represent demand deposits and other investments, with purchased maturities of three months or less.

THE CORPORATION OF YADDO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. Summary of Significant Accounting Policies, Continued

Concentrations of Credit Risk - Financial instruments which subject the Corporation to concentrations of credit risk consist primarily of long-term investments in mutual funds (foreign and domestic), partnerships and a Delaware statutory trust. The Corporation typically maintains cash and cash equivalents in local banks which may, at times, exceed the FDIC limits. At December 31, 2016, the Corporation's uninsured cash held at banks totaled \$2,358,977.

Investments - The Corporation's investment objective is to preserve its purchasing power while providing a continuing and stable funding source to support the mission. The investments are managed on a total return basis, with emphasis on the use of prudence and a rational and systematic formula to determine the portion of cumulative investment return that can be used to support the operations of the current period and the protection of the endowments.

Fair Value Measurements - The Corporation records purchased investments and donated investments at their fair value. The fair value measurements authoritative literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy consists of three broad levels:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority
- Level 2 inputs consist of observable inputs other than quoted prices for identical assets
- Level 3 inputs are unobservable for the investments and include situations where there is little, if any, market activity for the investment.

The fair value measurement for each investment is based on the lowest level of observable input for that investment.

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 and disclosure of contingent 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.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. A promise is unconditional if its receipt depends only on the passage of time and no right of return of any assets transferred exists. A conditional promise to give is not recognized until said condition is satisfied.

The Corporation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. All long-term unconditional promises to give will be received in one to four years and are recorded at the present value of estimated future cash flows.

THE CORPORATION OF YADDO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. Summary of Significant Accounting Policies, Continued

Property and Equipment - Property and equipment are stated at cost and depreciated for financial and tax reporting purposes using the straight line method.

The estimated useful lives of property and equipment are as follows:

Buildings and renovations	25 years
Property improvements	15 years
Leasehold improvements	25 years
Equipment, furnishings, software and vehicles	5 years

Maintenance, repairs and minor replacements are charges to operations as incurred while major additions and improvements are capitalized. When assets are sold, retired or otherwise disposed of, the applicable costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized.

Collections and fine arts are stated at appraised value (as of September, 1995 and September, 1999) and are not depreciated since the estimated useful lives of these individual works are determined to be extraordinarily long.

Donated Materials and Services - Contributions of donated materials and services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The majority of donated materials and services are from the Yaddo Garden Association for the maintenance of the rose garden.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of unrestricted revenues, expenses and other changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Reclassification - Certain prior year amounts have been reclassified to current period presentation.

Tax Status - Under provisions of the Internal Revenue Code, Section 501(c)(3), the corporation is exempt from taxes on income other than unrelated business income. Since the corporation had no net unrelated business income during the year, no provision for income taxes has been made.

The Corporation evaluates its tax positions and believes they are appropriate based on current facts and circumstances.

The Corporation's tax filings are subject to audit by various taxing authorities for which the open audit periods are 2013-2016.

THE CORPORATION OF YADDO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. Summary of Significant Accounting Policies, Continued

Advertising Costs - It is the Corporation's policy to expense advertising costs as incurred. There were no advertising costs for the year ended December 31, 2016.

2. Investments

When available, the Corporation measures assets using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs were only used when Level 1 inputs were not available; Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements:

The fair value of mutual funds are based on quoted market prices, when available.

Level 2 Fair Value Measurements:

- A) The Corporation holds an interest (0.19% according to the most recent audited financial statements available) in a Delaware limited liability partnership totaling \$1,687,307 and \$1,626,027 as of December 31, 2016 and 2015, respectively. The strategy of the partnership is to invest in publicly traded equity securities issued by real estate investment trusts and other publicly held real estate companies in North America, Europe, Australia, and Asia. Limited partners may withdraw all or any portion of their interest as of the last day of any month upon 15 days written notice prior to the withdrawal or upon approval by the general partner. The fair value of the partnership is based on the market value of the Corporation's capital account as of December 31, 2016.
- B) The Corporation holds an interest (0.14% according to the most recent audited financial statements available) in a Delaware limited partnership totaling \$716,711 and \$692,368 as of December 31, 2016 and 2015, respectively. The strategy of the partnership is to achieve capital growth primarily through long/short investments in small to mid-capitalization equity securities. Interests are redeemable on the last business day of each calendar month end with 30 days prior written notice. Any limited partner that withdraws capital prior to the first anniversary of the investment of such capital may be assessed a 2% withdrawal fee. The fair value of the partnership is based on the market value of the Corporation's capital account as of December 31, 2016.

Level 3 Fair Value Measurements:

- A) The Corporation held an interest in a Cayman Islands offshore mutual fund totaling \$4,422,460 as of December 31, 2015. The interest was liquidated during 2016.
- B) The Corporation holds an interest (3.51% according to the most recent audited financial statements available) in a Delaware statutory trust totaling \$1,410,193 and \$-0- as of December 31, 2016 and 2015, respectively. The strategy of the fund is to seek long-term risk adjusted returns through investing in hedge funds that are managed by independent investment managers. Shares are redeemable quarterly at the discretion of the Board. The fair value is based on the trust's pro-rata share of the net asset value of the investments held as determined by the independent investment managers.

THE CORPORATION OF YADDO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. Investments, Continued

Level 3 Fair Value Measurements, Continued:

C) The Corporation holds an interest (0.33% according to the most recent audited financial statements available) in a limited partnership registered as a Cayman Islands mutual fund totaling \$1,389,786 and \$-0- as of December 31, 2016 and 2015, respectively. The strategy of the mutual fund is to hold an investment in an investment partnership. Limited partners have certain restrictions with respect to rights of withdrawal.

The following table presents the Corporation's fair value hierarchy for those assets measured at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 22,474,941	-	-
Partnerships	-	2,404,018	1,389,786
Delaware statutory trust	-	-	<u>1,410,193</u>
Total	<u>\$ 22,474,941</u>	<u>2,404,018</u>	<u>2,799,979</u>

The following table presents the Corporation's fair value hierarchy for those assets measured at fair value as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 21,015,523	-	-
Partnerships	-	2,318,395	-
Offshore mutual fund	-	-	<u>4,422,460</u>
Total	<u>\$ 21,015,523</u>	<u>2,318,395</u>	<u>4,422,460</u>

The following table provides further details of the Level 3 fair value measurement:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 4,422,460	4,559,943
Purchases	2,760,000	-
Sales	(4,235,145)	-
Net depreciation in market value	<u>(147,336)</u>	<u>(137,483)</u>
Ending balance	<u>\$ 2,799,979</u>	<u>4,422,460</u>

Net realized and unrealized gains (losses) on long-term investments held at the end of the reporting period included in the Statement of Unrestricted Revenues, Expenses and Other Changes in Unrestricted Net Assets totaled \$39,979 and \$(137,483) at December 31, 2016 and 2015, respectively.

Investment return is summarized as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 430,022	321,892
Net realized and unrealized gains (losses) for unrestricted and temporarily restricted	<u>910,530</u>	<u>(1,201,264)</u>
Total investment return (loss)	<u>\$ 1,340,552</u>	<u>(879,372)</u>

THE CORPORATION OF YADDO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. Promises to Give

Unconditional promises to give are categorized as unrestricted, temporarily restricted and permanently restricted net assets. Unconditional promises to give are primarily from Board Members (including related foundations) and are reflected at the present value of estimated future cash flows using a discount rate at December 31, 2016 and 2015 of 1.46% and 1.68%, respectively. The unamortized present value discount for December 31, 2016 and 2015 was \$43,003 and \$31,432, respectively.

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ <u>434,896</u>	488,370
Receivable in one to four years	<u>688,946</u>	<u>437,943</u>
	<u>\$ 1,123,842</u>	<u>926,313</u>

Unconditional promises to give include amounts temporarily restricted as follows:

	<u>2016</u>	<u>2015</u>
Facilities Improvements**	\$ <u>808,778</u>	346,674
Stipends	-	20,000
Oregon Visual Residency	<u>25,000</u>	50,000
Electronic Media and Film Workspace	<u>9,657</u>	<u>19,657</u>
	<u>\$ 843,435</u>	<u>436,331</u>

**The Corporation has been receiving contributions associated with a capital campaign to fund capital projects that were established pursuant to a comprehensive facilities master plan.

4. Inventory

Unrestricted inventory consists of food, beverages and supplies at cost.

Inventory of \$33,000 is a gift of a watercolor which, if sold, said proceeds would be permanently restricted for a residency.

5. Property and Equipment

Property and equipment is summarized as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ <u>4,717,000</u>	4,717,000
Buildings	<u>9,832,367</u>	7,826,830
Building renovations	<u>7,313,804</u>	7,134,685
Property improvements	<u>350,947</u>	350,947
Leasehold improvements	<u>41,717</u>	41,717
Equipment, furnishings, software and vehicles	<u>1,272,256</u>	1,231,213
Collection and fine arts	<u>3,613,048</u>	<u>3,613,048</u>
	<u>27,141,139</u>	<u>24,915,440</u>
Less: accumulated depreciation	<u>11,480,968</u>	<u>11,124,515</u>
	<u>\$ 15,660,171</u>	<u>13,790,925</u>

THE CORPORATION OF YADDO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

6. Note Payable, Bank

The Corporation has a line-of-credit, payable on demand, from a bank for \$3,000,000 with interest at LIBOR plus 1% which at December 31, 2016 was 2.117%. All borrowings under this line-of-credit are secured by investments. The outstanding balance on the line-of-credit was \$354,175 and \$0 at December 31, 2016 and 2015, respectively.

7. Long-Term Debt

Long-term debt consists of the following:	<u>2016</u>	<u>2015</u>
Note payable to a financial institution in 60 monthly installments of \$590, including interest at 2.9%, secured by an automobile. This note was paid in full during April, 2016	\$ -	2,348
Note payable to a bank in 60 monthly installments of \$898, including interest at 5.00%, commencing February, 2016 through January, 2021, secured by an automobile	39,732	-
Note payable to a bank in 48 monthly installments of \$399, including interest at 2.99%, commencing January, 2017 through December, 2020, secured by an automobile	<u>18,042</u>	<u>-</u>
Total	57,774	2,348
Less: current portion	<u>(13,306)</u>	<u>(2,348)</u>
	<u>\$ 44,468</u>	<u>-</u>

Aggregate maturities of long-term debt for the next five years are as follows:

Years ending December 31, 2017	\$ 13,306
2018	13,894
2019	14,515
2020	15,161
2021	898

THE CORPORATION OF YADDO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Facilities Improvements	\$ 2,062,122	1,124,854
Mansion restoration and upkeep	208,754	255,676
Residencies for subsequent periods	1,665,481	1,660,603
Restoration, library	1,764	1,764
Yaddo garden	10,400	400
Stipends	71,961	73,177
Trees	1,129	1,129
Photography Studio	2,092	2,092
NYSCA Grant - electronic media and film workspace	19,657	19,657
Yaddo medal	37,953	34,722
Sustainable Arts Foundation	200	250
Solar study	100	100
	<u>\$ 4,081,613</u>	<u>3,174,424</u>

The following is a reconciliation of changes in temporarily restricted net assets:

	<u>2016</u>	<u>2015</u>
Balance, January 1	\$ 3,174,424	3,431,444
Contributions	1,450,810	1,263,890
Government Grants	25,000	39,657
Garden association income	-	100
Interest	-	18
Dividends	108,698	83,304
Realized gains	103,021	176,373
Unrealized gains (losses)	130,523	(439,981)
Investment fees	(6,796)	(9,007)
Released from time restriction (Note 11)	<u>(904,067)</u>	<u>(1,371,374)</u>
Balance December 31	<u>\$ 4,081,613</u>	<u>3,174,424</u>

9. Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2016 and 2015 consist of investments held in perpetuity, the income of which is expendable to support residencies or general operating expenses as follows:

General residencies	\$ 4,163,514
Restoration and maintenance of buildings	605,443
Mansion upkeep and restoration	38,060
Yaddo medal	<u>127,000</u>
	<u>\$ 4,934,017</u>

THE CORPORATION OF YADDO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

10. Benefits

A summary of the major benefit activities is as follows:

	<u>2016</u>		<u>2015</u>	
	New York City	Saratoga Springs	New York City	Saratoga Springs
	<u>Benefit</u>	<u>Benefit</u>	<u>Benefit</u>	<u>Benefit</u>
Revenues	\$ 268,360	153,605	317,415	146,632
Expenses	<u>116,828</u>	<u>11,521</u>	<u>108,551</u>	<u>11,124</u>
	<u>\$ 151,532</u>	<u>\$ 142,084</u>	<u>208,864</u>	<u>135,508</u>

11. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes and/or the occurrence of other events specified by the donors as follows:

	<u>2016</u>	<u>2015</u>
Facilities Improvements	\$ 458,995	947,971
Mansion restoration and building upkeep	89,873	43,342
Residencies	319,108	239,030
Restoration, stained glass	-	47,145
Handicap accessibility	-	30,791
Hearst Foundation	-	12,500
Stipends	21,216	15,225
Residency for collaborative team	-	20,000
Electronic media and film workspace	10,000	10,000
Yaddo medal	4,625	4,620
Sustainable Arts Foundation	<u>250</u>	<u>750</u>
	<u>\$ 904,067</u>	<u>1,371,374</u>

12. Pension Plans

The Corporation has a defined contribution retirement plan (Tax Sheltered Annuities under the Internal Revenue Code Section 403(b) through Teachers Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF)) for all employees who meet certain plan eligibility requirements. The pension plan cost was \$71,199 and \$51,154 for 2016 and 2015, respectively.

Discretionary employer contributions to the plan are based on an amount equal to 5% of eligible individual's annual salary. The plan allows each eligible participant to defer a part of his/her salary by electing to have the Corporation make a contribution to the plan on their behalf.

THE CORPORATION OF YADDO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

13. Leased Facilities and Equipment

- A) The Corporation entered into a lease agreement for office space commencing in September, 2009 and terminating in August, 2019. Under the lease, the Corporation pays a monthly rent of \$3,082 plus a monthly electric charge.
- B) In November, 2016, the Corporation entered into a five year copier lease agreement with a monthly payment of \$175.
- C) In June, 2013, the Corporation entered into a lease for a mailing system at a cost of \$654 quarterly for 17 quarters.
- D) In May, 2016, the Corporation entered into a lease for a mailing system at a cost of \$634 quarterly for 21 quarters.

Future minimum lease payments are as follows:

Years ending December 31, 2017	\$ 43,436
2018	43,673
2019	31,370
2020	4,635
2021	2,843

Rent expense for the years ended December 31, 2016 and 2015 totaled \$42,164 and \$59,499, respectively.

14. Support Services-Development

Fund raising expenses for the years ended December 31, 2016 and 2015 of \$128,349 and \$119,675, respectively, are included in Support Services-Development in the accompanying financial statements.

15. Related Party Transactions

Contributions from Board Members, Directors, and employees of the Corporation (including related corporations and foundations of the aforementioned individuals) for the years ended December 31, 2016 and 2015 totaled \$1,471,229 and \$655,320, respectively. This includes unconditional promises to give from said individuals (including related foundations) for the years ended December 31, 2016 and 2015 totaling \$893,100 and \$372,240, respectively.

THE CORPORATION OF YADDO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

16. Commitment

On September 9, 2016, the Corporation entered into a contract for architectural services as follows:

- A) Exterior restoration of the Mansion (\$327,190),
- B) Temporary relocation of the Mansion kitchen and dining facilities (hourly rate with a fixed fee to be determined upon concept approval), and
- C) Modifications to the Mansion kitchen and dining facilities (a fixed and hourly fee not to exceed \$53,500).

As of December 31, 2016, \$33,370 was paid under this contract.

17. Subsequent Events

- A) On January 13, 2017, the Corporation entered into a contract (\$44,000) for fundraising counsel related to the capital campaign.
- B) Management has evaluated subsequent events through May 31, 2017, the date the financial statements were available to be issued.

THE CORPORATION OF YADDO
SCHEDULE OF UNRESTRICTED EXPENSES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	ARTISTIC PROGRAM SERVICES AND PUBLIC GARDENS	SUPPORT SERVICES			TOTAL EXPENSES	
		ARTISTIC PROGRAM ADMINISTRATION	COMMUNICATIONS AND PUBLIC RELATIONS	DEVELOPMENT	2016	2015
SALARIES AND RELATED EXPENSES:						
SALARIES AND WAGES	\$ 803,225	171,733	107,904	314,648	1,397,510	1,373,759
EMPLOYEE BENEFITS	88,019	6,335	7,035	19,573	120,962	110,678
PAYROLL TAXES	83,077	21,003	9,392	29,659	143,131	141,439
PENSION COSTS	40,589	14,361	3,739	12,510	71,199	51,154
TOTAL SALARIES AND RELATED EXPENSES	1,014,910	213,432	128,070	376,390	1,732,802	1,677,030
OTHER EXPENSES:						
AUDIT FEE	-	22,300	-	-	22,300	21,700
BOARD EXPENSE	-	11,173	-	-	11,173	-
OTHER PROFESSIONAL FEES AND CONTRACT SERVICES	11,999	20,185	18,931	109,510	160,625	158,015
FUND RAISING BENEFITS/ EVENTS	-	-	-	128,349	128,349	119,675
EQUIPMENT	30,748	4,927	-	4,266	39,941	37,037
SUPPLIES	37,059	2,301	156	2,519	42,035	34,000
FOOD EXPENSE	88,463	-	-	-	88,463	74,493
REPAIRS, MAINTENANCE, GAS - YADDO VEHICLES	11,156	833	8	8	12,005	19,874
TRAVEL AND SUPPORT SERVICES	57,587	7,890	5,643	12,851	83,971	60,761
SPACE RENTAL	-	-	-	35,396	35,396	54,603
TELEPHONE AND INTERNET	6,719	3,523	793	10,907	21,942	20,938
PRINTING & MAILING EXPENSE	3,111	1,733	15,249	11,327	31,420	31,800
DONOR CULTIVATION	301	607	66	27,046	28,020	44,040
MEETINGS, CONFERENCES, AND EDUCATION - STAFF	167	1,030	320	1,622	3,139	5,364
LIBRARY, DUES, SUBSCRIPTIONS AND PUBLICATIONS	1,997	3,568	5,380	6,174	17,119	16,600
INSURANCE EXPENSE	69,739	13,709	1,701	6,804	91,953	88,234
REPAIRS AND MAINTENANCE MAJOR RENOVATIONS AND PURCHASES	157,353	12	3	12	157,380	95,151
ADMISSIONS COMMITTEE	26,766	-	-	-	26,766	22,532
YADDO MEDALS	-	-	4,625	-	4,625	4,620
MISCELLANEOUS EXPENSE	11,870	12,915	7,532	11,649	43,966	37,739
INVESTMENT FEES	-	85,432	-	-	85,432	95,493
FUEL AND UTILITIES	96,054	6,913	1,728	6,913	111,608	116,452
LAUNDRY	13,532	-	-	-	13,532	-
DEPRECIATION	335,794	80,756	-	1,669	418,219	366,311
TOTAL OTHER EXPENSES	960,415	279,807	62,135	377,022	1,679,379	1,546,135
VALUE OF DONATED MATERIALS AND SERVICES	71,858	-	-	-	71,858	57,427
	1,032,273	279,807	62,135	377,022	1,751,237	1,603,562
	\$ 2,047,183	493,239	190,205	753,412	3,484,039	3,280,592

SEE INDEPENDENT AUDITOR'S REPORT.