

THE CORPORATION OF YADDO

**Financial Statements as of
December 31, 2018
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

May 29, 2019

To the Board of Trustees of
The Corporation of Yaddo:

We have audited the accompanying financial statements of The Corporation of Yaddo (a New York not-for-profit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, 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.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

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, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Corporation implemented Accounting Standards Update 2016-14, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of The Corporation of Yaddo as of December 31, 2017, were audited by other auditors whose report dated June 4, 2018, expressed an unmodified opinion on those statements. 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 financial statements from which it has been derived.

THE CORPORATION OF YADDO

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,096,244	\$ 997,307
Cash and cash equivalents - capital campaign	895,946	2,106,248
Unconditional promises to give, net	264,259	609,922
Grants and other receivables	126,955	545,001
Investment	-	15,086
Other current assets	<u>13,956</u>	<u>12,473</u>
Total current assets	<u>2,397,360</u>	<u>4,286,037</u>
PROPERTY AND EQUIPMENT, net:	17,630,036	12,247,966
COLLECTIONS AND FINE ARTS	3,551,348	3,613,048
OTHER ASSETS:		
Board designated and endowment investments	24,784,692	31,057,560
Long-term unconditional promises to give, net	95,500	56,760
Inventory	38,451	33,000
Security deposit	<u>3,600</u>	<u>3,600</u>
Total other assets	<u>24,922,243</u>	<u>31,150,920</u>
Total assets	<u>\$ 48,500,987</u>	<u>\$ 51,297,971</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Line-of-credit	\$ 89,890	\$ 157,270
Current portion of long-term debt	18,548	17,922
Accounts payable	403,996	172,534
Accrued expenses	<u>394,536</u>	<u>83,434</u>
Total current liabilities	<u>906,970</u>	<u>431,160</u>
LONG-TERM DEBT, net of current portion	<u>19,610</u>	<u>38,101</u>
Total liabilities	<u>926,580</u>	<u>469,261</u>
NET ASSETS:		
Without donor restrictions:		
Operating	21,827,745	17,262,254
Board designated	18,131,023	23,572,975
With donor restrictions	<u>7,615,639</u>	<u>9,993,481</u>
Total net assets	<u>47,574,407</u>	<u>50,828,710</u>
Total liabilities and net assets	<u>\$ 48,500,987</u>	<u>\$ 51,297,971</u>

The accompanying notes are an integral part of these statements.

THE CORPORATION OF YADDO

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND SUPPORT:		
Contributions	\$ 600,676	\$ 785,686
Royalties	264,344	438,577
Estates/bequests	51,560	66,848
Garden association	22,000	25,094
Grants	85,730	21,915
Income on investments	835,308	486,301
Net realized and unrealized (loss) gain on investments	(2,756,967)	4,028,712
Special events	459,866	375,444
Application fees	34,597	35,747
Other	30,769	14,521
Donated materials and services	54,368	61,533
Loss on disposal of asset	(61,700)	-
Land lease	32,179	38,739
Net assets released from restrictions	<u>3,049,686</u>	<u>4,840</u>
Total revenue and support	<u>2,702,416</u>	<u>6,383,957</u>
EXPENSES:		
Program	2,094,376	2,015,161
Support services	<u>1,484,501</u>	<u>1,517,232</u>
Total expenses	<u>3,578,877</u>	<u>3,532,393</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(876,461)	2,851,564
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	671,844	442,348
Grants	-	535,343
Saratoga Springs special event	-	5,000
Net assets released from restrictions	<u>(3,049,686)</u>	<u>(4,840)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(2,377,842)</u>	<u>977,851</u>
CHANGE IN NET ASSETS	(3,254,303)	3,829,415
NET ASSETS - beginning of year	<u>50,828,710</u>	<u>46,999,295</u>
NET ASSETS - end of year	<u>\$ 47,574,407</u>	<u>\$ 50,828,710</u>

The accompanying notes are an integral part of these statements.

THE CORPORATION OF YADDO

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services			2018 Total
	Artistic Services and Public Gardens	Artistic Program Administration	Communication and Public Relations	Development	
SALARIES AND RELATED EXPENSES:					
Salaries and wages	\$ 826,561	\$ 193,176	\$ 158,246	\$ 331,721	\$ 1,509,704
Employee benefits	97,959	9,178	13,169	38,596	158,902
Payroll taxes	83,898	18,029	10,583	27,137	139,647
Pension costs	28,856	9,689	3,742	17,143	59,430
Total salaries and related expenses	1,037,274	230,072	185,740	414,597	1,867,683
OTHER EXPENSES:					
Depreciation	379,372	89,234	-	1,668	470,274
Repairs and maintenance	135,091	172	-	740	136,003
Fuel and utilities	121,208	7,299	886	3,639	133,032
Fund raising benefits/events	-	-	12,117	120,102	132,219
Other professional fees and contract services	42,317	18,429	5,597	60,474	126,817
Investment fees	-	96,625	-	-	96,625
Insurance expense	70,684	9,099	1,939	8,744	90,466
Food expense	74,899	-	-	-	74,899
Travel and support services	46,711	1,898	2,904	11,961	63,474
Value of donated materials and services	54,118	-	-	-	54,118
Renovations and purchases	46,104	-	-	-	46,104
Miscellaneous	16,845	11,118	231	12,755	40,949
Space rental	-	-	-	38,114	38,114
Audit and tax services	-	35,645	-	-	35,645
Supplies	22,322	4,968	77	2,171	29,538
Telephone and internet expense	8,691	6,566	-	9,413	24,670
Donor cultivation	-	95	-	24,445	24,540
Printing and mailing expense	2,372	1,121	13,931	5,841	23,265
Admissions committee	16,776	-	-	146	16,922
Equipment	5,629	3,830	-	5,469	14,928
Library, dues, subscriptions, and publications	553	3,202	779	9,303	13,837
Repairs, maintenance, gas - Yaddo vehicles	10,297	1,302	-	-	11,599
Yaddo medals	-	-	4,825	289	5,114
Board expense	-	4,810	-	-	4,810
Cost of goods sold	3,113	-	-	-	3,113
Meetings, conferences, and education	-	-	-	119	119
Total other expenses	1,057,102	295,413	43,286	315,393	1,711,194
	\$ 2,094,376	\$ 525,485	\$ 229,026	\$ 729,990	\$ 3,578,877

The accompanying notes are an integral part of these statements.

THE CORPORATION OF YADDO

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (3,254,303)	\$ 3,829,415
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	470,274	467,710
Net realized and unrealized loss (gain) on investments	2,756,967	(4,028,712)
Long-term unconditional promises to give and government grants	-	48,955
Donated investment securities	(31,767)	(35,368)
Loss (gain) on disposition of assets	61,700	(4,000)
Changes in:		
Unconditional promises to give	306,923	436,360
Grants and other receivables	418,046	(500,000)
Other current assets	(1,483)	(2,377)
Inventory	(5,451)	-
Accounts payable	231,462	152,877
Accrued expenses	<u>311,102</u>	<u>11,343</u>
Net cash flow from operating activities	<u>1,263,470</u>	<u>376,203</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	6,062,755	4,317,317
Purchases of investments	(2,500,000)	(3,646,947)
Purchase of property and equipment	-	(45,667)
Purchase of construction in progress	(5,852,345)	(561,243)
Proceeds from sale of property and equipment	<u>-</u>	<u>4,000</u>
Net cash flow from investing activities	<u>(2,289,590)</u>	<u>67,460</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Decrease in temporarily restricted unconditional promises to give	-	(73,156)
Payments made on line-of-credit	(67,380)	(196,905)
Payments made on long-term debt	<u>(17,865)</u>	<u>(14,284)</u>
Net cash flow from financing activities	<u>(85,245)</u>	<u>(284,345)</u>
CHANGE IN CASH	(1,111,365)	159,318
CASH AND CASH EQUIVALENTS - beginning of year	<u>3,103,555</u>	<u>2,944,237</u>
CASH AND CASH EQUIVALENTS- end of year	<u>\$ 1,992,190</u>	<u>\$ 3,103,555</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 5,486</u>	<u>\$ 10,015</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Construction in progress included in accounts payable	<u>\$ 437,900</u>	<u>\$ (5,243)</u>

The accompanying notes are an integral part of these statements.

THE CORPORATION OF YADDO

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

1. THE 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation's financial statements have been prepared in accordance with accounting principals generally accepted in the United States.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the purpose of improving financial reporting by not-for-profit (NFP) entities.

ASU 2016-14 includes many changes affecting the presentation and accounting for the Organization's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restriction and net assets without donor restriction);
- Requiring the presentation of expenses in both natural and functional classifications;
- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses;
- Requiring qualitative and quantitative disclosure regarding the Organization's liquidity and availability of resources (Note 3); and
- Accounting for underwater endowment funds.

ASU 2016-14 is effective for the Organization's year ending December 31, 2018, and was applied retrospectively with the exception of the presentation of expenses by natural and functional classifications and the disclosures regarding liquidity and availability of resources. The effects of this ASU have been included in these financial statements. There was no effect on total net assets or changes in net assets.

Use of Estimates

In preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments, with purchased maturities of three months or less. The Corporation's cash balances may at times exceed federally insured limits. The Corporation has not experiences any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

All investments in publicly traded fixed income securities and equity securities are stated at fair value. Fair value is determined using quoted market prices. Certain alternative investments, such as pooled funds and investments in limited partnerships, are recorded at Net Asset Value (NAV) as a practical expedient. All realized and unrealized gains and losses are reported directly in the accompanying statement of activities.

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

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.

Fair Value Measurement – Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodology used for the Corporation's assets measured at fair value is to value the investments at quoted market prices on the last business day of the fiscal year.

The Corporation has financial instruments in the accompanying financial statements, including cash and equivalents and investments including equities securities and mutual funds reported at fair value. The carrying value of these are a reasonable approximation of fair value due to the short-term nature of the instruments and are considered to be a level 1 measurement. There are no investments valued using level 2 or level 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciated. Construction in process is stated at cost and, once complete, is depreciated over the estimated useful lives of the related assets 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

The Corporation has a collection of fine arts that were acquired primarily through contributions. Each item in the collection is cataloged, preserved, and cared for regularly. The collections are recorded at appraised value (as of September, 1995 and September, 1999).

Long-Lived Assets

The Corporation assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amount as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived asset. No impairment of long-lived asset was recognized in 2018 or 2017.

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.

Financial Statement Presentation

The Corporation reports its activities and the related net assets using two net asset categories: without donor restriction and with donor restriction.

Net assets without donor restriction include resources which are available for the support of the Corporation's operating activities. The Board of Directors can authorize use of these assets, as it desires, to carry on the purpose of the Corporation. Net assets without donor restrictions also include board designated net assets which are resources designated by the Board of Directors.

Net assets with donor restrictions include resources that have been donated to the Corporation subject to restrictions defined by the donor. These restrictions are to be held in perpetuity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of food, supplies, merchandise stated at lower of cost or net realizable value, and a watercolor painting. The painting is valued at \$33,000 which, if sold, said proceeds would be with donor restrictions for a residency.

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 activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Expenses are allocated to program and supporting services based on where time and efforts are made and benefit received.

Reclassification

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

Income Taxes

The Corporation of Yaddo is a New York not-for-profit corporation organized under Section 501 (c)(3) of the Internal Revenue Code, and is also classified by the Internal Revenue Service as not a private foundation.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation is substantially supported by contributions and grants from state and local governments. In addition, some support is received in the form of restricted contributions from donors. Because a donor restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets reported on the accompanying statement of financial position may not be available for expenditure within one year. As of December 31, 2018, the Corporation has the following liquid resources available to meet cash needs for general expenditure within one year of the statement of financial position date:

Financial assets at December 31, 2018	\$ 27,302,047
Less: those unavailable for general expenditure	
Restricted by donors with purpose restriction	(7,615,639)
Secured investments for line-of-credit	(89,890)
Board designations	<u>(18,131,023)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,465,495</u>

Financial assets include cash and cash equivalents, unconditional promises to give, grants and other receivables, board designated and endowment investments and inventory. The Corporation's ability to meet its cash needs is dependent on continued contributions, collection of receivables, and investment market performance. They regularly monitors liquidity required to meet its operating needs. As part of the Corporations liquidity management, the Corporation also has a committed line-of-credit in the amount of \$3,000,000, which it could draw upon in the event of an unanticipated liquidity need.

4. INVESTMENTS

The Corporation's investments consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Equity securities	\$ 13,949,938	\$ 19,455,124
Fixed income	5,682,694	5,650,375
Pooled funds	2,149,177	2,550,616
Investment in limited partnership	<u>3,002,863</u>	<u>3,401,445</u>
	<u>\$ 24,784,672</u>	<u>\$ 31,057,560</u>

The following investments are valued at net asset value per share (unitized basis) as of December 31:

	Net Asset Value at 12/31/18	Net Asset Value at 12/31/17	2018 Unfunded Commitments	2017 Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Pooled funds	\$ 2,149,177	\$ 2,550,616	\$ -	\$ -	Ineligible	None
Investment in partnerships	<u>3,002,863</u>	<u>3,401,445</u>	<u>-</u>	<u>-</u>	Ineligible	None
	<u>\$ 5,152,040</u>	<u>\$ 5,952,061</u>	<u>\$ -</u>	<u>\$ -</u>		

Pooled Funds

The Corporation holds two separate pooled investment funds. The interest is based on the fund's pro-rata share of the net asset value of the investments held as determined by the independent investment managers.

Investment in Partnerships

The Corporation holds an interest in two Delaware limited liability partnerships. The interests in the partnerships are based on the valuations per share as of December 31, 2018.

5. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at December 31, 2018:

<u>Description</u>	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
Equity securities - domestic	\$ 12,816,240	\$ -	\$ -	\$ 12,816,240
Equity securities - foreign	1,133,698	-	-	1,133,698
Mutual funds - fixed income	<u>5,682,694</u>	<u>-</u>	<u>-</u>	<u>5,682,694</u>
	<u>\$ 19,632,632</u>	<u>\$ -</u>	<u>\$ -</u>	19,632,632
Investments measured at net asset value				<u>5,152,040</u>
				<u>\$ 24,784,672</u>

5. FAIR VALUE MEASUREMENTS (Continued)

The following are measured at fair value on a recurring basis at December 31, 2017:

<u>Description</u>	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
Equity securities - domestic	\$ 18,036,702	\$ -	\$ -	\$ 18,036,702
Equity securities - foreign	1,418,422	-	-	1,418,422
Mutual funds - fixed income	<u>5,650,375</u>	-	-	<u>5,650,375</u>
Common stock	<u>15,087</u>	-	-	-
	<u>\$ 25,120,586</u>	<u>\$ -</u>	<u>\$ -</u>	25,105,499
Investments measured at net asset value				<u>5,952,061</u>
				<u>\$ 31,057,560</u>

Investments at net asset value are included to permit reconciliation to the amounts shown on the accompanying statements of financial position.

There were no changes in valuation techniques during 2018 or 2017. The Corporation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between levels during 2018 or 2017.

6. PROMISES TO GIVE

Unconditional promises to give consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Unconditional promises to give	<u>\$ 360,461</u>	<u>\$ 666,682</u>
Amounts due in:		
Less than one year	274,943	640,635
One to five years	<u>95,500</u>	<u>56,760</u>
	370,443	697,395
Less: Discount to present value	<u>(10,684)</u>	<u>(30,713)</u>
Net unconditional promises to give	<u>\$ 359,759</u>	<u>\$ 666,682</u>

Unconditional promises to give are primarily from board members and are reflected at the present value of the estimated future cash flows using a discount rate at December 31, 2018 and 2017 of 3.0% and 2.09%, respectively.

At December 31, 2018, management believes that all grants and pledges receivable are collectible and a provision for bad debts is not necessary.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 4,717,000	\$ 4,717,000
Buildings and improvements	17,559,619	17,559,620
Equipment and furniture	<u>1,257,503</u>	<u>1,257,503</u>
	23,534,122	23,534,123
Less: Accumulated depreciation	<u>(12,361,540)</u>	<u>(11,891,265)</u>
	11,172,582	11,642,858
Construction in progress	<u>6,457,454</u>	<u>605,109</u>
	<u>\$ 17,630,036</u>	<u>\$ 12,247,967</u>

Depreciation expense was \$470,274 and \$467,710 as of December 31, 2018 and 2017, respectively.

8. LINE-OF-CREDIT

The Corporation has a line-of-credit, payable on demand, from a bank for \$3,000,000 with interest at LIBOR plus 1 % (2.34% at December 31, 2018). All borrowings under this line-of-credit are secured by investments. The outstanding balance on the line-of-credit was \$89,890 and \$157,270 at December 31, 2018 and 2017, respectively.

9. LONG-TERM DEBT

Long-term debt consists of three vehicle loans with payments ranging from \$898 to \$376 a month, including interest ranging from 2.0% - 5.0%. These loans mature between September 2020 and December 2020. The loans are secured by the underlying vehicle.

Aggregate maturities of long-term debt as of December 31 are as follows:

2019	\$ 18,548
2020	<u>19,610</u>
	<u>\$ 38,159</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 consist of assets held in perpetuity and assets restricted due to time or purpose, based on a donors intent.

Net assets with donor restrictions held in perpetuity consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
General residencies	\$ 4,163,514	\$ 4,163,514
Restoration and maintenance of buildings	605,443	605,443
Mansion upkeep and restoration	38,060	38,060
Yaddo medal	127,000	127,000
	<u>\$ 4,934,017</u>	<u>\$ 4,934,017</u>

Net assets with donor restrictions due to time or purpose consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Facilities Improvement and Capital Campaign Expenses	\$ 796,241	\$ 2,270,040
Mansion restoration and upkeep	193,895	300,956
Residencies for subsequent periods	1,540,630	2,317,319
Restoration, library	1,764	1,764
Saratoga Springs Benefit	-	5,000
Yaddo garden	10,400	10,400
Stipends	77,851	75,291
Trees	1,129	1,129
Photography Studio	2,092	2,092
NYSCA Grant- electronic media and film workspace	15,000	15,000
Yaddo medal	42,520	60,373
Solar study	100	100
	<u>\$ 2,681,622</u>	<u>\$ 5,059,464</u>

The following is a reconciliation of changes in net assets with donor restrictions for years ended December 31:

	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 5,059,464	\$ 4,081,613
Contributions	671,844	442,348
Government Grants	-	535,343
Saratoga Springs Benefit	-	5,000
Investment income, net	(539,080)	1,108,461
Released from time restriction	(2,510,606)	(1,113,301)
Ending Balance	<u>\$ 2,681,622</u>	<u>\$ 5,059,464</u>

11. DONOR RESTRICTED ENDOWMENTS

The Corporation's endowment consists of several funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees' of the Corporation has interpreted the New York State Prudent Management of Institutional Funds Act (NYPMIFA) 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 Corporation classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with NYPMIFA, the Corporation 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 Corporation, and (7) the Corporation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Corporation has adopted investment and spending policies, approved by the Board of Trustees, 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. 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. 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 Corporation has a policy of appropriating for distribution each year 5% of its board designated endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Corporation 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 Corporation expects the current spending policy to allow its endowment funds to grow at a nominal average annually, which is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

11. DONOR RESTRICTED ENDOWMENTS (Continued)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 7,491,592	\$ 7,491,592
Board-designated endowment funds	<u>18,131,023</u>	<u>-</u>	<u>18,131,023</u>
	<u>\$ 18,131,023</u>	<u>\$ 7,491,592</u>	<u>\$ 25,622,615</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 23,572,975	\$ 9,822,332	\$ 33,395,307
Contributions	916,580	658,536	1,575,116
Investment return, net	(1,452,582)	(528,402)	(1,980,984)
Amounts appropriated for expenditure	(4,560,602)	(2,460,874)	(7,021,476)
Distribution from board-designated endowment pursuant to distribution policy	<u>(345,348)</u>	<u>-</u>	<u>(345,348)</u>
Endowment net assets, end of year	<u>\$ 18,131,023</u>	<u>\$ 7,491,592</u>	<u>\$ 25,622,615</u>

Changes in endowment net assets as of December 31, 2017 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 20,912,659	\$ 8,861,228	\$ 29,773,887
Contributions	1,291,111	965,861	2,256,972
Investment return, net	4,028,712	1,089,477	5,118,189
Amounts appropriated for expenditure	(2,659,507)	(1,094,235)	(3,753,742)
Distribution from board-designated endowment pursuant to distribution policy	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 23,572,975</u>	<u>\$ 9,822,332</u>	<u>\$ 33,395,307</u>

12. PENSION PLAN

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 \$59,430 and \$52,067 for 2018 and 2017, 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.

13. LEASES

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 \$3,208 plus a monthly electric charge.

The Corporation also leases various office equipment via fifty-one to sixty-three month operating leases from unrelated parties expiring through 2021.

Future minimum lease payments are as follows:

2019	\$	24,874
2020		2,535
2021		<u>1,268</u>
	\$	<u>28,677</u>

Rent expense for the years ended December 31, 2018 and 2017 totaled \$38,114 and \$43,200, respectively.

14. LAND LEASE

The Corporation leases a portion of its land to an unrelated party under the terms of a lease agreement. The lease is through September 2020 with an option to extend the lease for two additional ten-year terms. Expected rental income is \$32,180 and \$24,134 for the years ended December 31, 2019 and 2020, respectively.

15. COMMITMENTS AND CONTINGENCIES

During 2018, the Corporation entered into a contract for an event coordinator to assist in planning a fundraising event. The aggregate cost of the contract is \$27,500.

On September 29, 2017, the Corporation entered into a contract for comprehensive restoration of the mansion exterior and specific restoration/renovation of interior infrastructure for (\$6,567,000). As of December 31, 2018, \$5,687,875 was paid under this contract.

16. SPECIAL EVENTS

A summary of special events for the years ended December 31 is as follows:

	2018			2017		
	<u>Revenues</u>	<u>Expenses</u>	<u>Total</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Total</u>
Saratoga Springs benefit	\$ 153,361	\$ 27,088	\$ 126,273	\$ 164,600	\$ 25,431	\$ 139,169
New York City benefit	259,350	56,314	203,036	215,844	59,803	156,041
Other events	<u>47,155</u>	<u>44,704</u>	<u>2,451</u>	<u>18,545</u>	<u>63,907</u>	<u>(45,362)</u>
	<u>\$ 459,866</u>	<u>\$ 128,106</u>	<u>\$ 331,760</u>	<u>\$ 398,989</u>	<u>\$ 149,141</u>	<u>\$ 249,848</u>

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 29, 2019 which is the date the financial statements were available to be issued.