# THE PERFORMING ARTS CENTER FOUNDATION, INC.

**Financial Statements as of**
**June 30, 2017 and 2016**
**Together with**
**Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

Bonadio & Co., LLP
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

September 8, 2017

To the Board of Trustees of
The Performing Arts Center Foundation, Inc.:

**Report on the Financial Statements**
We have audited the accompanying financial statements of The Performing Arts Center Foundation, Inc. (a New York not-for-profit corporation), which comprise the statements of financial position as of June 30, 2017 and June 30, 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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.

***Auditors' Responsibility***
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 auditors' 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 Performing Arts Center Foundation, Inc. as of June 30, 2017 and June 30, 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

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**INDEPENDENT AUDITOR'S REPORT**
(Continued)

**Report on Supplementary Information**
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented in Schedule I 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 audits 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.

Bonadio & Co., LLP

# THE PERFORMING ARTS CENTER FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION
## JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 426,640 | $ 541,146 |
| Investments held by Purchase College Foundation | 1,146,347 | 1,038,242 |
| | $ 1,572,987 | $ 1,579,388 |
| **LIABILITIES AND NET ASSETS** | | |
| LIABILITIES: | | |
| Accounts payable | $ 11,430 | $ 35,872 |
| Due to Purchase College Foundation - Performing Arts Center | 12,449 | 105,217 |
| Total liabilities | 23,879 | 141,089 |
| NET ASSETS: | | |
| Unrestricted | 402,761 | 400,057 |
| Temporarily restricted | 321,347 | 213,242 |
| Permanently restricted | 825,000 | 825,000 |
| Total net assets | 1,549,108 | 1,438,299 |
| | $ 1,572,987 | $ 1,579,388 |

The accompanying notes are an integral part of these statements.

## THE PERFORMING ARTS CENTER FOUNDATION, INC.

### STATEMENTS OF ACTIVITIES
### FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| REVENUE AND SUPPORT: | | | | | | | | |
| Contributions, gifts and grants | $ 118,914 | $ 87,150 | $ - | $ 206,064 | $ 320,341 | 244,625 | $ - | $ 564,966 |
| Contributed services | 225,553 | - | - | 225,553 | 224,415 | - | - | 224,415 |
| Net realized and unrealized gains (losses) | - | 131,811 | - | 131,811 | - | (86,574) | - | (86,574) |
| Investment income | 489 | 34,588 | - | 35,077 | 97 | 75,569 | - | 75,666 |
| Other sources | - | (13,562) | - | (13,562) | - | (13,329) | - | (13,329) |
| Net assets released from restrictions | 131,882 | (131,882) | - | - | 286,114 | (286,114) | - | - |
| Total revenue and support | 476,838 | 108,105 | - | 584,943 | 830,967 | (65,823) | - | 765,144 |
| EXPENSES: | | | | | | | | |
| Program | 285,539 | - | - | 285,539 | 453,486 | - | - | 453,486 |
| Management and general | 33,248 | - | - | 33,248 | 126,688 | - | - | 126,688 |
| Fundraising | 155,347 | - | - | 155,347 | 169,375 | - | - | 169,375 |
| Total expenses | 474,134 | - | - | 474,134 | 749,549 | - | - | 749,549 |
| CHANGE IN NET ASSETS | 2,704 | 108,105 | - | 110,809 | 81,418 | (65,823) | - | 15,595 |
| NET ASSETS - beginning of year | 400,057 | 213,242 | 825,000 | 1,438,299 | 318,639 | 279,065 | 825,000 | 1,422,704 |
| NET ASSETS - end of year | $ 402,761 | $ 321,347 | $ 825,000 | $ 1,549,108 | $ 400,057 | $ 213,242 | $ 825,000 | $ 1,438,299 |

The accompanying notes are an integral part of these statements.

## THE PERFORMING ARTS CENTER FOUNDATION, INC.

### STATEMENTS OF CASH FLOWS
### FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ 110,809 | $ 15,595 |
| Adjustments to reconcile change in net assets to net cash flow from operating activities: | | |
| Unrealized (gains) losses on investments | (125,499) | 82,408 |
| Realized (gains) losses on investments | (6,312) | 4,166 |
| Changes in: | | |
| Pledges receivable | - | 10,500 |
| Due to/from Purchase College Foundation - Performing Arts Center | (92,768) | (96,890) |
| Accounts payable | (24,442) | 13,466 |
| Net cash flow from operating activities | (138,212) | 29,245 |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Sales of investments | 58,294 | 54,818 |
| Purchases of investments | (34,588) | (75,569) |
| Net cash flow from investing activities | 23,706 | (20,751) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (114,506) | 8,494 |
| CASH AND CASH EQUIVALENTS - beginning of year | 541,146 | 532,652 |
| CASH AND CASH EQUIVALENTS - end of year | $ 426,640 | $ 541,146 |

The accompanying notes are an integral part of these statements.

## 1. THE ORGANIZATION

The Performing Arts Center Foundation, Inc. (the Foundation) is a not-for-profit membership corporation established under the laws of the State of New York. The purpose of the Foundation is to encourage and advance the public knowledge and appreciation of theatre, music, opera and dance at the Purchase College Performing Arts Center, and to develop excellence in the performing arts by supporting professional artists and students in the creation and study of new works in an artistic atmosphere utilizing first-rate performing arts facilities. The sole member of the Foundation is The Purchase College Foundation, also a not-for-profit corporation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation and Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP), which requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

### Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments with maturities of three months or less at the time of purchase to be cash equivalents.

### Investments Held by Purchase College Foundation

Investments in publicly traded debt securities, equity securities, and mutual funds are stated at fair value. Fair value is determined using quoted market prices. 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.

In addition, these investments are held as an endowment as described in Note 6. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Classes of Net Assets

Net assets and support are classified based on the existence or absence of donor-imposed restrictions. Unrestricted amounts are those currently available at the discretion of the board for use in the Foundation's operations. Temporarily restricted amounts are those which are stipulated by donors for specific operating periods or purposes. Donor restrictions expire by either the passage of stipulated time or the accomplishment of the stated purpose. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted amounts are those contributions that are to be maintained in perpetuity with the income generated from the contribution available to support the operations of the Foundation.

### Contributions

Contributions are recorded as temporarily restricted net assets and revenue if they are received with donor imposed stipulations that limit their use. Donor restrictions expire by either the passage of stipulated time or the accomplishment of the stated purpose. Permanently restricted contributions are those funds whose use is limited by donor imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Board of Trustees.

### Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programmatic and supporting services benefited.

### Fair Value of Financial Instruments

The Foundation follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are assets with quoted prices in active markets.

The Foundation's investments are held by Purchase College Foundation in a pooled investment. Investment income and expenses are allocated based on the share of the fund in the pooled investment. The Purchase College Foundation's investment policy is to diversify investments among both equity and fixed income securities to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. The Foundation's interest in the investments held by the Purchase College Foundation were valued using level 2 inputs.

### Income Taxes

The Foundation is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to Federal income taxes. The Internal Revenue Service has classified the Foundation as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code.

## 3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of funds on deposit with financial institutions which, from time to time exceed the Federal depository insurance limit or are not covered by Federal deposit insurance. The Foundation does not believe it is exposed to any significant risk with respect to cash and cash equivalents.

## 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent contributions received from donors which are restricted to increasing the level of programming by respected artists, education outreach in grades K to 12, and master classes for students in conservatory training.

## 5. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of funds permanently endowed to support and increase the level of programming by respected artists, education outreach in grades K to 12, and master classes for students in conservatory training.

## 6. ENDOWMENT FUNDS

The Foundation maintains a donor-restricted fund whose purpose is to provide long term support for its charitable programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, the Board of Trustees looks to the explicit directions of the donor where applicable and the provisions of the Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). The Board has determined that, absent donor stipulations to the contrary, the provisions of New York State law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gift.

The Foundation's endowment is invested through the Purchase College Foundation. Distributions of the fund are made in accordance with the Purchase College Foundation endowment policy unless otherwise directed by donor, which is to distribute 5% annually of the trailing five-year average of the endowment’s total fiscal year end asset value. In the event that an endowment account's market value is below the value of the original amount contributed to the endowment, spending will cease until such time when the account has recovered its original value thru market appreciation.

The objective of the endowment fund is to seek an average real return of 5%, or CPI plus 5%. It is expected that professional management and sufficient portfolio diversification will smooth volatility and help assure a reasonable consistency of return. The portfolio is managed on a total return basis. Total return is taken into consideration when evaluating funds versus benchmark universes and evaluating managers to peer universes. These results are measured over a one, three, and five year time period. The general asset allocation policy is to diversify investments among both equity and fixed income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

## 6. ENDOWMENT FUNDS (Continued)

**Interpretation of Relevant Law**

The Board of Trustees of the Foundation has interpreted NYPMIFA as requiring the preservation of the 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 Foundation classified as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA and its stated policy.

The following is a reconciliation of the activity in the endowment funds for the years ended June 30:

| | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|
| Endowment net assets - June 30, 2015 | $ 279,065 | $ 825,000 | $ 1,104,065 |
| Capital losses | (86,574) | - | (86,574) |
| Investment income, net | 62,240 | - | 62,240 |
| Appropriation for expenditure | (41,489) | - | (41,489) |
| Balance, June 30, 2016 | 213,242 | 825,000 | 1,038,242 |
| Capital appreciation | 131,811 | - | 131,811 |
| Investment income, net | 21,026 | - | 21,026 |
| Appropriation for expenditure | (44,732) | - | (44,732) |
| Balance, June 30, 2017 | $ 321,347 | $ 825,000 | $ 1,146,347 |

## 7. RELATED PARTY TRANSACTIONS

For the years ended June 30, 2017 and 2016, the Purchase College Foundation - Performing Arts Center ('PCF-PAC') received contributions from the Performing Arts Center Foundation (Foundation) to defray the operating deficits. The amount contributed by the Foundation to PCF-PAC was $231,889 and $306,113 for the years ended June 30, 2017 and 2016, respectively.

As of June 30, 2017 and 2016, the Foundation had a payable to PCF-PAC in the amount of $12,449 and $105,217, respectively. This consists mainly of the unpaid balance for the contribution described above.

## 8. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at June 30, 2017 and 2016:

| Description | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total |
|---|---|---|---|---|
| **June 30, 2017:** | | | | |
| Investments held by PCF | $ - | $ 1,146,347 | $ - | $ 1,146,347 |
| **June 30, 2016:** | | | | |
| Investments held by PCF | $ - | $ 1,038,242 | $ - | $ 1,038,242 |

Fair value of these investments is derived using the market approach based on relevant market data and the underlying value of the marketable securities held.

The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

## 9. CONTRIBUTED SERVICES

The Foundation occupies certain facilities and has certain accounting and administrative functions performed by employees of entities affiliated with the State University of New York without charge. The estimated fair value of the services and facilities provided for the years ended June 30, 2017 and 2016 was $225,553 and $224,415, respectively.

## 10. COMMITMENTS

In May 2017, the Board of Trustees voted to merge the Foundation with the Purchase College Foundation. Upon approval of the merger, during the next fiscal year, by the Attorney General and Board of Regents, the Foundation will no longer separately exist and all operations will be conducted under the merged entity which will be known as Purchase College Foundation. Both entities wish to achieve greater efficiencies in both fundraising and development for SUNY Purchase College and they believe this can be accomplished through this merger.

## 11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 8, 2017, which is the date the financial statements were available to be issued.

**THE PERFORMING ARTS CENTER FOUNDATION, INC.** Schedule I

**SCHEDULE OF FUNCTIONAL EXPENSES**
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Program | Management and General | Fundraising | Total | Program | Management and General | Fundraising | Total |
| Support for Purchase College Performing Arts Center | $ 231,889 | $ - | $ - | $ 231,889 | $ 306,113 | $ - | $ - | $ 306,113 |
| Contributed services | 53,290 | 16,916 | 155,347 | 225,553 | 54,012 | 16,867 | 153,536 | 224,415 |
| Professional fees | - | 14,935 | - | 14,935 | - | 11,797 | - | 11,797 |
| Office supplies and other | - | 1,397 | - | 1,397 | - | 2,553 | - | 2,553 |
| Salaries | 360 | - | - | 360 | 56,553 | 53,119 | 6,673 | 116,345 |
| Fringe benefits | - | - | - | - | 24,791 | 24,049 | - | 48,840 |
| Reception expense | - | - | - | - | 12,017 | - | - | 12,017 |
| Overhead - Research Foundation | - | - | - | - | - | 18,181 | - | 18,181 |
| Postage | - | - | - | - | - | - | 3,652 | 3,652 |
| Printing | - | - | - | - | - | - | 5,514 | 5,514 |
| Dues and memberships | - | - | - | - | - | 122 | - | 122 |
| | $ 285,539 | $ 33,248 | $ 155,347 | $ 474,134 | $ 453,486 | $ 126,688 | $ 169,375 | $ 749,549 |

The accompanying notes are an integral part of this schedule.