

Settlement Music School of Philadelphia

Consolidated Financial Statements

Years Ended June 30, 2025 and 2024

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Independent Auditor's Report

Central Board
Settlement Music School of Philadelphia and Subsidiaries
Philadelphia, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of Settlement Music School of Philadelphia and Subsidiaries (the "School"), a nonprofit organization, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2026, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

The logo for Wipfli LLP, featuring the company name in a stylized, handwritten-style script.

Wipfli LLP

Radnor, Pennsylvania

July 30, 2026

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Settlement Music School of Philadelphia and Subsidiaries

Consolidated Statements of Financial Position

<i>As of June 30,</i>	2025	2024
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,812,259	\$ 1,742,286
Accounts and other receivables, net of allowance for credit losses of \$80,365 in 2025 and \$77,555 in 2024	86,693	24,928
Contributions, grants and bequests receivable, net of allowance of doubtful accounts of \$- in 2025 and \$12,720 in 2024	986,588	1,351,774
Prepaid expenses and other assets	83,231	108,762
Total current assets	2,968,771	3,227,750
NONCURRENT ASSETS		
Contributions, grants and bequests receivable, due beyond one year	1,741,767	1,817,760
Life insurance policies	300,000	300,000
Beneficial interest in charitable remainder unitrust	1,000,000	1,000,000
Cash restricted for the endowment	-	-
Investments	19,615,493	13,764,672
Property and equipment, net	13,525,422	14,002,412
Right of use asset, net	65,688	96,431
Total noncurrent assets	36,248,370	30,981,275
Total assets	\$ 39,217,141	\$ 34,209,025

Settlement Music School of Philadelphia and Subsidiaries

Consolidated Statements of Financial Position (Continued)

<i>As of June 30,</i>	2025	2024
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 466,982	\$ 313,806
Deposits and advance payments	583,682	547,466
Current portion of term loans	200,455	192,067
Current portion of operating lease liabilities	26,015	30,743
Total current liabilities	1,277,134	1,084,082
NONCURRENT LIABILITIES		
Term loans, net of current portion	1,989,927	2,279,959
Operating lease liabilities, net of current portion	39,673	65,688
Total noncurrent liabilities	2,029,600	2,345,647
Total liabilities	3,306,734	3,429,729
NET ASSETS		
Without donor restrictions	15,341,307	15,678,294
With donor restrictions	20,569,100	15,101,002
Total net assets	35,910,407	30,779,296
Total liabilities and net assets	\$ 39,217,141	\$ 34,209,025

See accompanying notes to consolidated financial statements.

Settlement Music School of Philadelphia and Subsidiaries

Consolidated Statements of Activities

<i>Years Ended June 30,</i>	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING						
Public support, revenues and gains						
Public support						
Contributions, bequests and grants	\$ 2,565,973	\$ 2,028,669	\$ 4,594,642	\$ 2,024,336	\$ 1,460,467	\$ 3,484,803
Special event, net of direct costs to donors of \$48,458 in 2025 and \$54,021 in 2024	308,156	-	308,156	286,059	-	286,059
Contributed nonfinancial assets	108,400	-	108,400	-	-	-
Bad debt loss	-	(5,904)	(5,904)	-	-	-
Net assets released from restrictions	2,151,927	(2,151,927)	-	1,856,221	(1,856,221)	-
Total public support	5,134,456	(129,162)	5,005,294	4,166,616	(395,754)	3,770,862
Revenues and gains						
Tuition and registration fees	5,254,973	-	5,254,973	4,952,098	-	4,952,098
Endowment spending policy distribution and withdrawal	516,000	-	516,000	450,000	-	450,000
Board designated reserve withdrawal (NOTE 9)	650,000	-	650,000	800,000	-	800,000
Other income	158,783	-	158,783	112,551	-	112,551
Total revenues and gains	6,579,756	-	6,579,756	6,314,649	-	6,314,649
Total public support, revenues and gains	11,714,212	(129,162)	11,585,050	10,481,265	(395,754)	10,085,511
Expenses						
Program services						
Instruction and student activities	6,496,880	-	6,496,880	6,243,695	-	6,243,695
Non-Core programs	3,568,292	-	3,568,292	3,458,381	-	3,458,381
Total program services	10,065,172	-	10,065,172	9,702,076	-	9,702,076
Supporting services						
Management and general	832,967	-	832,967	764,520	-	764,520
Fundraising	744,677	-	744,677	642,133	-	642,133
Total supporting services	1,577,644	-	1,577,644	1,406,653	-	1,406,653
Total expenses	11,642,816	-	11,642,816	11,108,729	-	11,108,729
Change in net assets from operating activities	71,396	(129,162)	(57,766)	(627,464)	(395,754)	(1,023,218)

Settlement Music School of Philadelphia and Subsidiaries

Consolidated Statements of Activities (Continued)

<i>Years Ended June 30,</i>	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
NONOPERATING						
Contributions	\$ -	\$ 4,543,972	\$ 4,543,972	\$ 228,270	\$ 852,571	\$ 1,080,841
Investment income	368,608	1,442,297	1,810,905	425,272	1,098,514	1,523,786
Endowment spending policy distribution	(126,991)	(389,009)	(516,000)	(111,371)	(338,629)	(450,000)
Board designated reserve withdrawal (NOTE 9)	(650,000)	-	(650,000)	(800,000)	-	(800,000)
Change in value of beneficial interest	-	-	-	-	121,526	121,526
Change in net assets from nonoperating activities	(408,383)	5,597,260	5,188,877	(257,829)	1,733,982	1,476,153
CHANGE IN NET ASSETS	(336,987)	5,468,098	5,131,111	(885,293)	1,338,228	452,935
NET ASSETS						
Beginning of year	15,678,294	15,101,002	30,779,296	16,563,587	13,762,774	30,326,361
End of year	\$ 15,341,307	\$ 20,569,100	\$ 35,910,407	\$ 15,678,294	\$ 15,101,002	\$ 30,779,296

See accompanying notes to consolidated financial statements.

Settlement Music School of Philadelphia
Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

	Mary Louise Curtis Branch	Germantown Branch	Northeast Branch	Willow Grove Branch	Wynnefield Branch	Settlement Music Online	Non-Core Programs	Total Program Services	Management and General	Fundraising	Total
Salaries, wages and related expenses											
Faculty											
Faculty Salaries and Wages	\$ 787,350	\$ 305,573	\$ 299,978	\$ 386,302	\$ 303,689	\$ 53,278	\$ 1,188,410	\$ 3,324,580	\$ -	\$ -	\$ 3,324,580
Faculty Benefits and Payroll Taxes	157,567	34,238	42,470	55,605	46,150	10,046	175,510	521,586	-	-	521,586
	944,917	339,811	342,448	441,907	349,839	63,324	1,363,920	3,846,166	-	-	3,846,166
Staff											
Staff Salaries and Wages	471,001	309,069	451,803	293,409	285,721	98,540	1,269,164	3,178,707	397,211	449,189	4,025,107
Staff Benefits and Payroll Taxes	66,185	59,424	70,607	57,955	38,986	12,013	145,818	450,988	49,855	60,790	561,633
	537,186	368,493	522,410	351,364	324,707	110,553	1,414,982	3,629,695	447,066	509,979	4,586,740
Total salaries, wages and related expenses	1,482,103	708,304	864,858	793,271	674,546	173,877	2,778,902	7,475,861	447,066	509,979	8,432,906
Occupancy											
Heat and Utilities	65,832	26,235	23,393	34,422	22,198	-	28,214	200,294	-	-	200,294
Insurance	19,326	30,743	6,516	48,409	12,000	-	11,658	128,652	99	-	128,751
Repairs and Maintenance	82,828	51,037	18,850	36,808	31,294	-	22,856	243,673	22,089	-	265,762
Total occupancy	167,986	108,015	48,759	119,639	65,492	-	62,728	572,619	22,188	-	594,807
Administrative and other											
Advertising and promotion	372	690	1,427	3,403	2,122	-	5,356	13,370	41,641	4,994	60,005
Auto, conferences and dues	1,264	973	854	766	441	-	27,348	31,646	66,065	21,787	119,498
Insurance, taxes and professional fees	99,929	45,116	82,647	44,714	42,058	14,154	296,883	625,501	86,041	108,005	819,547
Interest expense and fees	16,288	8,388	3,014	40,558	3,258	-	6,515	78,021	2,198	1,222	81,441
Miscellaneous	31,919	-	-	120	-	-	3,150	35,189	41,363	803	77,355
Music expenses and contract services	18,421	1,042	703	10,275	565	-	263,154	294,160	29,083	93,535	416,778
Office supplies, telephone and printing	10,461	9,176	7,243	9,069	8,267	-	7,438	51,654	40,059	23,007	114,720
Technology expenses	15,135	12,458	13,595	16,612	15,396	-	34,394	107,590	57,263	29,803	194,656
Total administrative and other	193,789	77,843	109,483	125,517	72,107	14,154	644,238	1,237,131	363,713	283,156	1,884,000
Total expenses before depreciation	1,843,878	894,162	1,023,100	1,038,427	812,145	188,031	3,485,868	9,285,611	832,967	793,135	10,911,713
Depreciation	181,366	186,117	24,762	234,721	70,171	-	82,424	779,561	-	-	779,561
	2,025,244	1,080,279	1,047,862	1,273,148	882,316	188,031	3,568,292	10,065,172	832,967	793,135	11,691,274
Less expenses included with revenues on the statement of activities											
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	(48,458)	(48,458)
Total Expenses	\$ 2,025,244	\$ 1,080,279	\$ 1,047,862	\$ 1,273,148	\$ 882,316	\$ 188,031	\$ 3,568,292	\$ 10,065,172	\$ 832,967	\$ 744,677	\$ 11,642,816

See accompanying notes to consolidated financial statements.

Settlement Music School of Philadelphia
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Mary Louise Curtis Branch	Germantown Branch	Northeast Branch	Willow Grove Branch	Wynnefield Branch	Settlement Music Online	Non-Core Programs	Total Program Services	Management and General	Fundraising	Total
Salaries, wages and related expenses											
Faculty											
Faculty Salaries and Wages	\$ 772,592	\$ 299,845	\$ 294,355	\$ 379,061	\$ 297,996	\$ 52,279	\$ 1,166,134	\$ 3,262,262	\$ -	\$ -	\$ 3,262,262
Faculty Benefits and Payroll Taxes	170,449	31,500	39,148	39,981	24,620	4,717	164,813	475,228	-	-	475,228
	943,041	331,345	333,503	419,042	322,616	56,996	1,330,947	3,737,490	-	-	3,737,490
Staff											
Staff Salaries and Wages	427,498	280,523	410,073	266,309	259,331	89,439	1,151,941	2,885,114	360,524	407,701	3,653,339
Staff Benefits and Payroll Taxes	57,027	51,202	60,837	49,936	33,592	10,351	125,641	388,586	42,956	52,379	483,921
	484,525	331,725	470,910	316,245	292,923	99,790	1,277,582	3,273,700	403,480	460,080	4,137,260
Total salaries, wages and related expenses	1,427,566	663,070	804,413	735,287	615,539	156,786	2,608,529	7,011,190	403,480	460,080	7,874,750
Occupancy											
Heat and Utilities	55,356	30,466	22,467	32,314	22,218	-	29,161	191,982	-	-	191,982
Insurance	20,778	33,053	7,006	52,047	12,902	-	12,534	138,320	106	-	138,426
Repairs and Maintenance	62,011	52,938	33,309	31,034	25,625	-	35,856	240,773	18,734	-	259,507
Total occupancy	138,145	116,457	62,782	115,395	60,745	-	77,551	571,075	18,840	-	589,915
Administrative and other											
Advertising and promotion	249	462	956	2,279	1,421	-	3,587	8,954	27,889	3,345	40,188
Auto, conference and dues	2,032	1,300	1,195	900	1,533	-	32,553	39,513	68,058	11,272	118,843
Insurance, taxes and professional fees	102,072	46,083	84,419	45,673	42,959	14,457	303,249	638,912	87,886	110,321	837,119
Interest expense and fees	16,348	8,419	3,025	40,707	3,270	-	6,539	78,308	2,206	1,226	81,740
Miscellaneous	2,565	2	40	43	122	-	2,538	5,310	1,600	1,001	7,911
Music expense and contract services	30,334	1,875	992	13,103	2,320	-	277,765	326,389	11,995	38,974	377,358
Office supplies, telephone and printing	9,071	10,246	8,064	7,749	8,240	-	2,894	46,264	47,864	20,646	114,774
Technology expenses	25,031	20,603	22,484	27,474	25,462	-	56,880	177,934	94,702	49,289	321,925
Total administrative and other	187,702	88,990	121,175	137,928	85,327	14,457	686,005	1,321,584	342,200	236,074	1,899,858
Total expenses before depreciation	1,753,413	868,517	988,370	988,610	761,611	171,243	3,372,085	8,903,849	764,520	696,154	10,364,523
Depreciation	185,171	186,043	34,889	238,377	67,451	-	86,296	798,227	-	-	798,227
	1,938,584	1,054,560	1,023,259	1,226,987	829,062	171,243	3,458,381	9,702,076	764,520	696,154	11,162,750
Less expenses included with revenues on the statement of activities											
Costs of direct benefits to donors	-	-	-	-	-	-	-	-	-	(54,021)	(54,021)
Total Expenses	\$ 1,938,584	\$ 1,054,560	\$ 1,023,259	\$ 1,226,987	\$ 829,062	\$ 171,243	\$ 3,458,381	\$ 9,702,076	\$ 764,520	\$ 642,133	\$ 11,108,729

See accompanying notes to consolidated financial statements.

Settlement Music School of Philadelphia and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended June 30,	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 5,131,111	\$ 452,935
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized gain on investments	(1,416,178)	(1,236,902)
Bad debt loss	(13,380)	-
Depreciation	779,559	798,227
Amortization of loan issuance costs	4,819	4,820
Donated stock	(3,475)	(62,868)
Change in reserve on accounts receivable	2,810	4,223
Contributions restricted for long-term purposes	(4,770,544)	(577,205)
Change in value of beneficial interest	-	(121,526)
Contributed nonfinancial assets	(108,400)	-
Noncash lease expense	30,743	29,520
Changes in operating assets and liabilities:		
Accounts receivable	(64,575)	214,409
Contributions, grants and bequests receivable	454,559	(361,933)
Prepaid expenses and other assets	25,531	(1,175)
Accounts payable and accrued expenses	153,176	(38,251)
Deposits and advance payments	36,216	194,471
Payments on lease liabilities	(30,743)	(29,520)
Net cash from operating activities	211,229	(730,775)
Cash flows from investing activities		
Proceeds from sale of investments	1,227,027	1,301,449
Purchase of investments	(5,658,195)	(1,963,448)
Purchase of property and equipment	(194,169)	(75,310)
Net cash from investing activities	(4,625,337)	(737,309)
Cash flows from financing activities		
Payments of long-term debt	(286,463)	(216,166)
Collections of contributions restricted for endowment	4,770,544	577,205
Net cash from financing activities	4,484,081	361,039
Net change in cash and cash restricted for the endowment	69,973	(1,107,045)
Cash and cash restricted for the endowment - beginning of year	1,742,286	2,849,331
Cash and cash restricted for the endowment - end of year	\$ 1,812,259	\$ 1,742,286
Supplemental cash flow information:		
Cash	\$ 1,812,259	\$ 1,742,286
Cash restricted for the endowment	-	-
Total cash and cash restricted for the endowment	\$ 1,812,259	\$ 1,742,286
Cash paid during the year for interest	\$ 76,622	\$ 76,921

See accompanying notes to consolidated financial statements.

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Settlement Music School of Philadelphia ("SMS") is a nonprofit organization that provides instruction in music, including special programs for the disabled and disadvantaged, to residents of Philadelphia and surrounding communities. Operating facilities are located in South Philadelphia, Germantown, Northeast Philadelphia, Wynnefield and Willow Grove, Pennsylvania, and Camden, New Jersey. SMS is supported primarily through tuition and fee revenue, and public support.

Principles of Consolidation

Settlement Music School of Philadelphia is the sole member of Camden School of Musical Arts, Inc. ("CSMA"), a New Jersey corporation. CSMA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and was established for the purpose of providing quality education in the arts to the southern New Jersey community.

Settlement Music School of Philadelphia is the sole member of SMS Collaborative Management, LLC. SMS Collaborative Management, LLC, is the sole member of the Settlement Music School Pre-K Scholarship Collaborative, LLC ("Company"), both are Pennsylvania limited liability companies. The Company was formed exclusively to participate in the Pennsylvania Educational Improvement Scholarship Tax Credit Program and earn Educational Improvement Tax Credits (EITC). The Company makes charitable donations to SMS.

The consolidated financial statements for the years ended June 30, 2025 and 2024 include the accounts of Settlement Music School of Philadelphia, Camden School of Musical Arts, Inc., SMS Collaborative Management, LLC, and Settlement Music School Pre-K Scholarship Collaborative, LLC (together, the "School"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis of Presentation

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

Without donor restrictions

Net assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs are not considered "restricted" under GAAP, though for internal reporting, the School tracks such grants and contributions to verify that the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board-designated. The School's Board of Directors has designated a portion of the net assets without donor restrictions as a board-designated endowment fund. The board-designated endowment fund totaled \$3,673,325 and \$3,581,708 as of June 30, 2025 and 2024, respectively, and is included in Investments on the statements of financial position.

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

With donor restrictions

Net assets subject to donor-imposed stipulation that are more restrictive than the School's mission and purpose. Some donor-imposed restrictions are temporary in nature. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, when the donor stipulates that the resources be maintained in perpetuity.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The School considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2025 and 2024. Cash includes donor-imposed restrictions for purpose or time of approximately \$770,000 and \$511,000 at June 30, 2025 and 2024, respectively.

Accounts Receivable

The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the current expected credit losses. The estimate of the allowance for credit losses is based on an analysis of historical loss experiences, current receivables aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. The School uses an aging method to estimate allowance for credit losses. Management assesses collectibility by pooling receivables with similar risk characteristics and evaluates receivables individually when specific customer balances no longer share those risk characteristics.

Property and Equipment

Property and equipment purchased are carried at cost or, in the case of donated property and equipment, at estimated fair market value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 50 years.

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The School reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The School has not recognized any impairment of long lived assets during 2025 and 2024.

Contributions, Grants and Bequests Receivable

Unconditional contributions, grants and bequests are recognized as contributions when the promise is received. Contributions due to be received within the next year are recorded at their net realizable value. Contributions due to be collected in future years are recorded at the present value of their net realizable value, using an appropriate discount rate applicable to the years in which the promises are expected to be received. The allowance for uncollectible promises is based on management's evaluation of the collectibility of individual promises.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value in the consolidated statements of financial position, as determined by quoted market prices. Realized and unrealized gains and losses are net of investment expenses and are included in the change in net assets in the accompanying consolidated statements of activities. Dividend and interest income is recorded as earned. Donated investments are recorded at fair value at the date of receipt.

The School invests in a professionally-managed portfolio that contains various types of securities. Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect the investment balances and the amounts reported in the consolidated financial statements.

Fair Value Measurements

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the School. Unobservable inputs reflect the School's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the School has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the School's own assumptions.

Beneficial Interest in Charitable Remainder Unitrust

The beneficial interest in the charitable remainder unitrust has been estimated based upon the fair value of the assets in the trust, the expected return on the assets in the trust, life expectancy of the donor, and the payments to be made to the lead beneficiaries during their lifetimes.

Life Insurance Policies

The School is the owner and beneficiary of two life insurance policies. These policies have been recorded at fair value using the income method.

Loan Issuance Costs

Costs incurred in connection with the issuance of the term loans are deferred and amortized over the life of the loans. As of June 30, 2025 and 2024, total unamortized loan issuances costs are \$68,281 and \$73,101, respectively, and presented as a reduction of the term loans payable. Total amortization of loan issuance costs was \$4,820 for the years ended June 30, 2025 and 2024, respectively. Amortization of these costs is included in interest and fees expense in the consolidated statements of functional expenses.

Deposits and Advance Payments

Deposits and advance payments principally represent tuition and other fees received in the current year that apply to the following school year.

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions

Contributions are recognized as revenue when received and are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (that is, the donor-stipulation purpose has been fulfilled or the stipulated time period has elapsed, or both) are reported as net assets released from restrictions on the consolidated statements of activities.

Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Conditional contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Contributed Nonfinancial Assets

Contributed nonfinancial assets are recorded at fair value on the date received. During the year ended June 30, 2025, contributed nonfinancial assets consisted of donated instruments and were valued based on third-party appraisals. All contributed nonfinancial assets were utilized in the Organization's instructional programs and were not restricted by the donor.

Tuition and Registration Fees

The School operates a community music school providing music and dance education, and creative arts therapy. Student enrollment contracts contain only one performance obligation, which is providing educational instruction or creative arts therapy. Tuition and registration fee revenue is recognized in the period in which the related instruction or services are performed. The passage of time is used as management considers that to be the best available measure of progress on the School's delivery of educational and therapy services. Overdue payments are reflected in accounts receivable as the School has an unconditional right to payment. The School determines the transaction price based on annual tuition rates for the services provided. Tuition refunds are prorated to the date the student officially withdraws from the School. No refund liability is recorded at year-end as the School year is complete.

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Tuition and Registration Fees (Continued)

Tuition and fees received in advance for program activities that will be conducted in the subsequent fiscal year (principally tuition deposits and registration fees) are recorded as deposits and advance payments in the consolidated statements of financial position.

The School has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are most significantly affected by enrollment in the programs and the number of individuals who are interested in music, dance, and creative arts therapy within the surrounding area. Adverse changes in the local economy may have an adverse impact on the ability of families to contract with and pay the School. Subsequent changes that are determined to be the result of an adverse change in the family's ability to pay are recorded as bad debt expense.

Included in tuition and registration fee revenue is early childhood educational funding from the School District of Philadelphia for the School's preschool arts enrichment program, Kaleidoscope. The funding is a conditional contribution and included in tuition and registration fees in the consolidated statements of activities in accordance with the School's policy for recognizing conditional contributions as noted in "Contributions" above. This funding approximates \$989,000 and \$892,000 for the years ended June 30, 2025 and 2024, respectively.

Special Event Revenue

Special event revenue contains an exchange element based on the value of benefits provided and a contribution element for the difference between the total amount paid and the exchange element. The School recognizes the exchange portion of fundraising events revenue equal to the fair value of direct benefits to donors when the event takes place, and contribution revenue for the excess received. The contribution portion is recognized immediately.

Accounts Receivable and Contract Balances

Opening and closing balances for accounts receivable and contract liabilities arising from contracts with customers include:

<i>As of June 30,</i>	2025	2024	2023
Accounts and other receivables, net	\$ 86,693	\$ 24,928	\$ 243,560
Contract liabilities - deposits and advance payments	\$ 583,682	\$ 547,466	\$ 352,995

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Accounts Receivable and Contract Balances (Continued)

Contract assets arise when the School transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time such as work in process or unbilled receivables. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the School is able to invoice the customer. Contract liabilities represent the School's obligation to transfer goods or services to a customer when consideration has already been received from the customer, such as deposits and advanced payments. When transfer of control of the related good or service occurs, contract liabilities are reclassified, and revenue is recognized. Tuition and fee revenue recognized during the year ended June 30, 2025, included the full amount of revenue deferred as of June 30, 2024, and tuition revenue recognized during the year ended June 30, 2024, included the full amount of revenue deferred as of June 30, 2023.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been presented on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area are reported as expenses of the functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries and wages and benefits and payroll taxes which are allocated to functional areas based on estimates of time and effort.

Concentration of Credit Risk

Financial instruments that potentially subject the School to concentration of credit risk are cash, accounts receivable and contributions receivable. The School maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. As of June 30, 2025 the uninsured balance was approximately \$1,548,000. The School has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk. Accounts and other receivables as of June 30, 2025 are owed from various sources and are expected to be collected in fiscal 2026. Contributions, grants and bequests receivable are further described in Note 2.

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income Taxes

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as organizations that are not private foundations.

GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the consolidated financial statements. The School believes that it had no uncertain tax positions as defined in that standard.

ASC 842 Lease Accounting

The School is a lessee in noncancelable operating leases. If the contract provides the School the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred. Total accumulated amortization on the right of use assets at June 30, 2025 and 2024 was \$77,429 and \$46,686, respectively.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The School has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

For all underlying classes of assets, the School has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the School is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The School recognizes short-term lease cost on a straight-line basis over the lease term.

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 2: Contributions, Grants and Bequests Receivable, net

Contributions, grants and bequests receivable are discounted at rates ranging from .17% to 4.15%. The amounts to be received are as follows:

<i>As of June 30,</i>	2025	2024
Receivables in less than one year	\$ 986,588	\$ 1,601,774
Receivables in one to five years	370,032	238,412
Receivables in more than five years	1,929,978	1,914,977
Total pledges and bequests receivable	3,286,598	3,755,163
Less discount to net present value	(558,243)	(572,909)
Less allowance for doubtful accounts	-	(12,720)
Net pledges and bequests receivable	\$ 2,728,355	\$ 3,169,534
Current	\$ 986,588	\$ 1,351,774
Noncurrent	1,741,767	1,817,760
	\$ 2,728,355	\$ 3,169,534

Contributions, grants and bequests receivable that are restricted for long-term use are classified in the statements of financial position as noncurrent regardless of the timing of collection, which is presented in the table above.

Note 3: Property and Equipment, net

A summary of property and equipment is as follows:

<i>As of June 30,</i>	2025	2024
Land	\$ 1,575,918	\$ 1,575,918
Buildings and improvements	23,543,203	23,396,567
Pianos and organs	2,005,147	2,005,147
Other instruments	320,367	209,467
Furniture and equipment	591,309	549,505
Computer hardware and software	1,865,388	1,862,159
	29,901,332	29,598,763
Accumulated depreciation	(16,375,910)	(15,596,351)
Property and equipment, net	\$ 13,525,422	\$ 14,002,412

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 4: Leases

The School leases office equipment and vehicles under noncancelable operating leases expiring through 2028.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

Components of lease expense were as follows for the years ended June 30:

	2025	2024
Lease cost:		
Operating lease cost	\$ 34,134	\$ 34,134

Supplemental information related to the lease is as follows as of June 30:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 34,134	\$ 34,134
Weighted-average remaining lease term - Operating leases	2.01 years	2.87 years
Weighted-average discount rate - Operating leases	4.12 %	4.11 %

Maturities of lease liabilities are as follows as of June 30, 2025:

<i>Years Ending June 30,</i>		
2026	\$	28,219
2027		27,036
2028		13,970
Total lease payments		69,225
Less imputed interest		(3,537)
Total	\$	65,688

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 5: Investments

Investments consisted of the following:

<i>As of June 30,</i>	2025	2024
Money market funds	\$ 2,277,643	\$ 916,258
Mutual funds		
Equity	11,402,287	8,351,154
Fixed income	5,935,563	4,497,260
Total	\$ 19,615,493	\$ 13,764,672

Investment income was comprised of the following:

<i>Years Ended June 30,</i>	2025	2024
Net realized and unrealized gain on investments	\$ 1,416,178	\$ 1,236,902
Interest and dividends	455,446	338,401
Investment management fees	(60,719)	(51,517)
Total	\$ 1,810,905	\$ 1,523,786

Note 6: Line of Credit

The School has a \$650,000 bank line of credit. Advances under the credit line are payable on demand, bear interest at the bank's base lending rate plus 0.75% and are secured by the School's real estate. The line of credit matures on November 1, 2026. There were no advances outstanding at June 30, 2025 and 2024.

Note 7: Term Loans

In July 2021, the School refinanced its tax-exempt loan issued by Lower Salford Industrial Development Authority on August 21, 2014, and entered into a loan transaction, whereupon the Horsham Industrial and Commercial Development Authority issued a tax-exempt loan, which was purchased by VIST Bank, with the proceeds to be loaned to the School through a credit facility in the amount of \$3,700,567. As of June 30, 2025 and 2024, this loan had an outstanding balance of \$2,258,663 and \$2,545,127, respectively. The loan has been presented at June 30, 2025 and 2024 net of unamortized loan acquisition costs of \$68,281 and \$73,101, respectively, on the consolidated statements of financial position. The loan is to mature on November 30, 2039. Under the loan agreement interest on the unpaid principal balance will accrue from the date of the Note through the 7th anniversary of the Note at the fixed rate of 2.85% per annum. Thereafter, for the balance of the term, the interest on the unpaid balance hereof will accrue at the floating reinterest rate of 79% of the Wall Street Prime Rate, with a floor of 2.85%. This obligation is secured by substantially all of the School's assets and a first mortgage on the School's real estate. The Note also requires the School to comply with certain financial covenants.

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 7: Term Loans (Continued)

Future annual principal payments for each of the next five years and in the aggregate as of June 30, are as follows:

2026	\$ 200,455
2027	206,325
2028	212,230
2029	218,581
2030	224,981
Thereafter	1,196,091
Total	\$ 2,258,663

Note 8: Net Assets with Donor Restriction

Net assets with donor restrictions consist of the following as of June 30:

	2025	2024
Purpose restricted:		
Music and Art Education Programs	\$ 1,724,600	\$ 1,756,942
Restricted for purchase of property and equipment	18,360	18,860
	1,742,960	1,775,802
Time restricted:		
Multi-year contributions receivable and cash restricted for future years	306,974	403,294
Life insurance policies	300,000	300,000
Beneficial interest in charitable remainder unitrust	1,000,000	1,000,000
	1,606,974	1,703,294
Endowment to be held in perpetuity:		
Income is available for educational programs, scholarships and financial aid.		
Management is not aware of the Historic Dollar Value of the endowment	17,219,166	11,621,906
	\$ 20,569,100	\$ 15,101,002

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 8: Net Assets with Donor Restriction (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	2025	2024
Expiration of time restrictions:		
Multi-year contributions receivable and cash restricted for future years	\$ 80,000	\$ 27,300
Satisfaction of purpose restrictions:		
Music and Art Education Programs	2,065,482	1,818,621
Restricted for the purpose of property and equipment	6,445	10,300
	<u>\$ 2,151,927</u>	<u>\$ 1,856,221</u>

Note 9: Endowment Funds

Accounting standards for the classification and disclosure of endowments of not-for-profit organizations provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and require additional disclosures about an organization's endowment funds. As of June 30, 2025, Pennsylvania has not adopted UPMIFA. The following disclosures are made as required by accounting standards.

The endowment of the School consists of funds established for various purposes and includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The School interprets Pennsylvania law governing donor-restricted endowment funds (PA Law) as requiring the preservation of the fair value of the original gift in its donor-restricted endowment funds absent explicit donor stipulations to the contrary, but without regard to the concept of original value. Rather, the School's interpretation of PA law allows the School to make an election under 15 Pa.C.S Section 5548(c)(3)(i) so that "income" shall include a percentage of the value of the assets held by the School between 2% and 7% per year, without regard to the historic concept of original value.

In accordance with PA Law, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the fund
- (2) the purposes of the School and the donor-restricted endowment fund
- (3) general economic conditions
- (4) the possible effect of inflation and deflation
- (5) the expected total return from income and the appreciation of investments
- (6) other resources of the School
- (7) the investment policies of the School

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 9: Endowment Funds (Continued)

Changes in endowment net assets composition by type of fund as of and for the years ended June 30, 2025 and 2024 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets as of June 30, 2023	\$ 2,904,475	\$ 10,009,450	\$ 12,913,925
Investment income	425,272	1,098,514	1,523,786
Contributions	1,163,332	852,571	2,015,903
Withdrawals	(800,000)	-	(800,000)
Spending policy distributions	(111,371)	(338,629)	(450,000)
Endowment net assets as of June 30, 2024	3,581,708	11,621,906	15,203,614
Investment income	368,608	1,442,297	1,810,905
Contributions	500,000	4,543,972	5,043,972
Withdrawals	(650,000)	-	(650,000)
Spending policy distribution	(126,991)	(389,009)	(516,000)
Endowment net assets as of June 30, 2025	\$ 3,673,325	\$ 17,219,166	\$ 20,892,491

Funds with Deficiencies

At times, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PA Law requires the School to retain as a fund of perpetual duration (underwater endowments). We have interpreted the law to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies of this nature as of June 30, 2025 and 2024.

Return Objectives and Risk Parameters

The School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for financial aid and ongoing operating expenses supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity as well as board designated funds. The primary long-term management objective is to preserve the real (inflation adjusted) purchasing power of the endowment, both restricted and unrestricted, before gifts. This objective should be achieved over a rolling three-year period.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 9: Endowment Funds (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The School has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value over the prior 12 quarters through the fiscal year-end preceding the current fiscal year in which the distribution is planned. In establishing this policy, the School considers the long-term expected return on its endowment.

The target spending rate is that which as part of total return satisfies these conditions - (a) permits enough reinvestment to preserve the real purchasing power of current funds, (b) permits a level of consistency and stability in the programs of the School, (c) is sustainable over time regardless of periodic variations in the levels required to satisfy (a), and (d) recognizes that circumstances may preclude achievement of all three objectives in any one year.

Note 10: Fair Value Measurements

The following tables set forth, by level, the School's assets at fair value within the fair value hierarchy, as of June 30, 2025 and 2024:

<i>June 30, 2025</i>	Fair Value of Assets			
	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Money market funds	\$ 2,277,643	\$ -	\$ -	\$ 2,277,643
Mutual funds				
Equity	11,402,287	-	-	11,402,287
Fixed income	5,935,563	-	-	5,935,563
Total	19,615,493	-	-	19,615,493
Life insurance policies	-	-	300,000	300,000
Beneficial interest in charitable remainder unitrust	-	-	1,000,000	1,000,000
Total	\$ 19,615,493	\$ -	\$ 1,300,000	\$ 20,915,493

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 10: Fair Value Measurements (Continued)

<i>June 30, 2024</i>	Fair Value of Assets			
	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Money market funds	\$ 916,258	\$ -	\$ -	\$ 916,258
Mutual funds				
Equity	8,351,154	-	-	8,351,154
Fixed income	4,497,260	-	-	4,497,260
Total	13,764,672	-	-	13,764,672
Life insurance policies	-	-	300,000	300,000
Beneficial interest in charitable remainder unitrust	-	-	1,000,000	1,000,000
Total	\$ 13,764,672	\$ -	\$ 1,300,000	\$ 15,064,672

The method of valuing the life insurance policies and charitable remainder trust is described in Note 1. There were no purchases of Level 3 assets and there were no transfers into or out of Level 3 assets during each of the years ended June 30, 2025 and 2024.

Note 11: Retirement Plan

The School has a defined-contribution plan, qualified under Section 403(b) of the Internal Revenue Code ("IRC"), allowing an eligible participant to direct the employer to contribute a portion of the participant's compensation to the 403(b) plan on a pre-tax basis through payroll deductions into a 403(b)(7) custodial account. An eligible employee may enter the 403(b) plan as an active member on or after the date on which he or she is hired as an employee of the School. Qualified employees, as defined by the 403(b) plan, generally include all employees with the exception of nonresident aliens. Effective January 1, 2022, the plan was restated to include a discretionary employer match of employee contributions. There were approximately \$58,000 and \$43,000 of employer contributions made to the plan for the years ended June 30, 2025 and 2024, respectively.

Settlement Music School of Philadelphia and Subsidiaries

Notes to Consolidated Financial Statements

Note 12: Liquidity and Availability of Financial Resources

Financial assets available and liquidity resources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<i>As of June 30,</i>	2025	2024
Cash	\$ 1,041,946	\$ 1,231,497
Accounts and other receivables, net	86,693	24,928
Investments	3,475	63,103
Contributions, grants and bequests receivable, net	396,650	227,571
Total financial assets before adjustments	1,528,764	1,547,099
Total financial assets and liquidity resources available within one year		
Bank line of credit	650,000	650,000
Endowment payout to use over next twelve months	573,000	516,000
Total financial assets available and liquidity resources within one year	\$ 2,751,764	\$ 2,713,099

As part of the School's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds and equity and fixed income mutual funds. As of June 30, 2025 and 2024, the School had \$3,673,325 and \$3,581,708 in funds functioning as endowment by Board designation included in investments on the consolidated statements of financial position. If necessary, some of these funds could be made available for general expenditure with approval by the Central Board. Additionally, in the event of an unanticipated liquidity need, the School could also draw upon a \$650,000 available line of credit (as further discussed in Note 6).

Note 13: Subsequent Events

The School has evaluated subsequent events through July 30, 2026, which is the date the financial statements were available to be issued.