

Return of Organization Exempt From Income Tax

2003

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2003 calendar year, or tax year beginning , 2003, and ending , 20

- B** Check if applicable
- Address change
 - Name change
 - Initial return
 - Final return
 - Amended return
 - Application pending

Please use IRS label or print or type See Specific Instructions

C Name of organization
Manhattan School of Music

Number and street (or P O box if mail is not delivered to street address) Room/suite
120 Claremont Ave. 115

City or town, state or country, and ZIP + 4
New York, N.Y. 10027-4698

D Employer identification number
13 1656667

E Telephone number
(917) 493-4563

F Accounting method Cash Accrual
 Other (specify) ▶

• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations

H(a) Is this a group return for affiliates? Yes No

H(b) If "Yes," enter number of affiliates ▶

H(c) Are all affiliates included? Yes No (If "No," attach a list. See instructions.)

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No

G Website: ▶ **msmnyc.edu**

J Organization type (check only one) ▶ 501(c) (3) ◀ (insert no) 4947(a)(1) or 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

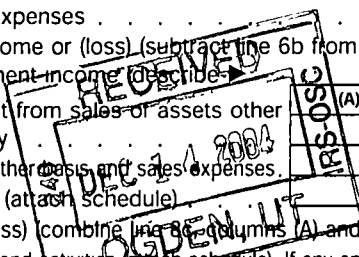
I Group Exemption Number ▶

L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12 ▶ **25,988,696**

M Check if the organization is not required to attach Sch B (Form 990, 990-EZ, or 990-PF)

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See page 18 of the instructions.)

		1a	1b	1c	1d	2	3	4	5	6a	6b	6c	7	8a	8b	8c	8d	9a	9b	9c	10a	10b	10c	11	12	13	14	15	16	17	18	19	20	21				
Revenue	1 Contributions, gifts, grants, and similar amounts received																																					
	a Direct public support																																					
	b Indirect public support																																					
	c Government contributions (grants)																																					
	d Total (add lines 1a through 1c) (cash \$ _____ noncash \$ _____)																																					
	2 Program service revenue including government fees and contracts (from Part VII, line 93)																																					
	3 Membership dues and assessments																																					
	4 Interest on savings and temporary cash investments																																					
	5 Dividends and interest from securities																																					
	6a Gross rents																																					
	b Less rental expenses																																					
	c Net rental income or (loss) (subtract line 6b from line 6a)																																					
7 Other investment income (describe)																																						
8a Gross amount from sales of assets other than inventory	(A) Securities																																					
	(B) Other																																					
	b Less cost or other basis and sales expenses																																					
	c Gain or (loss) (attach schedule)																																					
d Net gain or (loss) (combine line 8c columns (A) and (B))																																						
9 Special events and activities (attach schedule) If any amount is from gaming, check here <input type="checkbox"/>	a Gross revenue (not including \$ _____ of contributions reported on line 1a)																																					
	b Less direct expenses other than fundraising expenses																																					
	c Net income or (loss) from special events (subtract line 9b from line 9a)																																					
10a Gross sales of inventory, less returns and allowances																																						
	b Less: cost of goods sold																																					
	c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)																																					
11 Other revenue (from Part VII, line 103)																																						
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)																																						
Expenses	13 Program services (from line 44, column (B))																																					
	14 Management and general (from line 44, column (C))																																					
	15 Fundraising (from line 44, column (D))																																					
	16 Payments to affiliates (attach schedule)																																					
	17 Total expenses (add lines 16 and 44, column (A))																																					
Net Assets	18 Excess or (deficit) for the year (subtract line 17 from line 12)																																					
	19 Net assets or fund balances at beginning of year (from line 73, column (A))																																					
	20 Other changes in net assets or fund balances (attach explanation)																																					
	21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)																																					



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Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See page 22 of the instructions.)

<i>Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I</i>		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule) (cash \$ _____ noncash \$ _____)	460,598	460,598		
23	Specific assistance to individuals (attach schedule)				
24	Benefits paid to or for members (attach schedule)				
25	Compensation of officers, directors, etc.				
26	Other salaries and wages	13,366,031	11,395,089	1,394,179	576,763
27	Pension plan contributions	603,112	444,767	111,534	46,811
28	Other employee benefits	979,383	684,852	254,640	39,891
29	Payroll taxes	910,748	770,342	106,655	33,751
30	Professional fundraising fees	40,949			40,949
31	Accounting fees	79,800		79,800	
32	Legal fees	53,410		53,410	
33	Supplies	614,776	555,957	55,690	3,129
34	Telephone	176,765	70,721	106,044	
35	Postage and shipping	121,508	94,609	24,302	2,597
36	Occupancy	1,691,563	1,608,094	83,469	
37	Equipment rental and maintenance	280,227	216,173	56,045	8,009
38	Printing and publications	93,817	82,191	3,194	8,432
39	Travel	52,292	39,111	8,539	4,642
40	Conferences, conventions, and meetings	85,770	10,424	64,983	10,363
41	Interest				
42	Depreciation, depletion, etc. (attach schedule)	2,130,782	1,718,148	412,634	
43	Other expenses not covered above (itemize): a				
b	Student Svcs, Operas, Perf., Lib, Dorm, Misc	2,212,876	2,212,876		
c					
d	Insurance	317,854	194,200	123,654	
e	Entertainment, Receptions, Dues	12,154			12,154
44	Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D), carry these totals to lines 13-15	24,284,415	20,558,152	2,938,772	787,491

Joint Costs. Check if you are following SOP 98-2

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____, (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments (See page 25 of the instructions.)

What is the organization's primary exempt purpose? ▶	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts, but optional for others)
a Manhattan School of Music is a college conservatory providing educational services to approximately (822) college students and (427) pre-college	
(Grants and allocations \$ 460,598)	20,558,152
b	
(Grants and allocations \$)	
c	
(Grants and allocations \$)	
d	
(Grants and allocations \$)	
e Other program services (attach schedule) (Grants and allocations \$)	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ▶	20,558,152

Part IV Balance Sheets (See page 25 of the instructions.)

		(A) Beginning of year		(B) End of year	
Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only					
Assets	45	Cash—non-interest-bearing	2,782,115	45	2,797,261
	46	Savings and temporary cash investments		46	
	47a	Accounts receivable			
	b	Less: allowance for doubtful accounts	130,082	47c	131,886
	48a	Pledges receivable			
	b	Less allowance for doubtful accounts	5,022,067	48c	3,212,324
	49	Grants receivable		49	
	50	Receivables from officers, directors, trustees, and key employees (attach schedule)		50	
	51a	Other notes and loans receivable (attach schedule)			
	b	Less: allowance for doubtful accounts	550,377	51c	593,519
	52	Inventories for sale or use		52	
	53	Prepaid expenses and deferred charges	30,359	53	75,069
	54	Investments—securities (attach schedule) <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	12,706,516	54	14,004,237
	55a	Investments—land, buildings, and equipment: basis			
b	Less accumulated depreciation (attach schedule)		55c		
56	Investments—other (attach schedule)		56		
57a	Land, buildings, and equipment: basis				
b	Less: accumulated depreciation (attach schedule)	64,233,109	57c	63,823,761	
58	Other assets (describe Deposits with Trustees)	3,815,113	58	3,966,273	
59	Total assets (add lines 45 through 58) (must equal line 74)	89,269,738	59	88,604,330	
Liabilities	60	Accounts payable and accrued expenses	475,796	60	604,338
	61	Grants payable		61	
	62	Deferred revenue	683,937	62	792,051
	63	Loans from officers, directors, trustees, and key employees (attach schedule)		63	
	64a	Tax-exempt bond liabilities (attach schedule)	48,230,000	64a	47,455,000
	b	Mortgages and other notes payable (attach schedule)	6,535,678	64b	3,910,997
	65	Other liabilities (describe Perkins Loans)	500,601	65	518,254
66	Total liabilities (add lines 60 through 65)	56,426,012	66	53,280,640	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.				
	67	Unrestricted	15,715,090	67	19,853,679
	68	Temporarily restricted	5,022,067	68	3,212,324
	69	Permanently restricted	12,106,569	69	12,257,687
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.				
	70	Capital stock, trust principal, or current funds		70	
	71	Paid-in or capital surplus, or land, building, and equipment fund		71	
	72	Retained earnings, endowment, accumulated income, or other funds		72	
	73	Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21).	32,843,726	73	35,323,690
	74	Total liabilities and net assets / fund balances (add lines 66 and 73)	89,269,738	74	88,604,330

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

Part VI Other Information (See page 28 of the instructions.)

		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76	✓
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes	77	✓
78a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	✓
b	If "Yes," has it filed a tax return on Form 990-T for this year?	78b	✓
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	✓
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	✓
b	If "Yes," enter the name of the organization _____ and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt		
81a	Enter direct and indirect political expenditures See line 81 instructions 81a _____		
b	Did the organization file Form 1120-POL for this year?	81b	✓
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	✓
b	If "Yes," you may indicate the value of these items here Do not include this amount as revenue in Part I or as an expense in Part II (See instructions in Part III.) 82b _____		
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	✓
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	✓
84a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a	✓
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b	✓
85	501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members?	85a	✓
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year	85b	✓
c	Dues, assessments, and similar amounts from members 85c _____		
d	Section 162(e) lobbying and political expenditures 85d _____		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices 85e _____		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e) 85f _____		
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g	✓
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h	✓
86	501(c)(7) orgs Enter: a Initiation fees and capital contributions included on line 12 86a _____		
b	Gross receipts, included on line 12, for public use of club facilities 86b _____		
87	501(c)(12) orgs Enter: a Gross income from members or shareholders 87a _____		
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them) 87b _____		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88	✓
89a	501(c)(3) organizations . Enter: Amount of tax imposed on the organization during the year under section 4911 _____, section 4912 _____; section 4955 _____		
b	501(c)(3) and 501(c)(4) orgs Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction.	89b	✓
c	Enter Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958. _____		
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization. _____		
90a	List the states with which a copy of this return is filed New York		
b	Number of employees employed in the pay period that includes March 12, 2003 (See instructions) 90b _____		
91	The books are in care of Manhattan School of Music Telephone no. (917) 493-4563 Located at 120 Claremont Ave., New York, N.Y. ZIP + 4 10027-4698		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 —Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year 92 _____		

Part VII Analysis of Income-Producing Activities (See page 33 of the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue.					
a Tuition & Fees					17,064,224
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			03	38,726	
96 Dividends and interest from securities			14	243,738	
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income			18	581,732	
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events			1	17,550	
102 Gross profit or (loss) from sales of inventory			03	47,221	
103 Other revenue. a Dorm, Lib. Recordings, Misc			03	5,756,701	
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))				6,685,668	17,064,224
105 Total (add line 104, columns (B), (D), and (E)).					23,749,892

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See page 34 of the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93A	Tuition & Fees funding for Institutional Programs

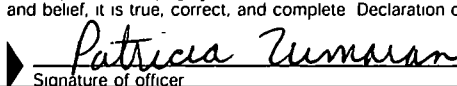
Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See page 34 of the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See page 34 of the instructions.)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
 - (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No
- Note:** If "Yes" to (b), file Form 8870 and Form 4720 (see instructions)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign  Date 12/10/04

Signature of officer Patricia Zimmerman Date _____

CONTROLLER

Date _____ Check if self-employed Preparer's SSN or PTIN (See Gen. Inst. W)

SCHEDULE A
(Form 990 or 990-EZ)

Organization Exempt Under Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

Supplementary Information—(See separate instructions.)

OMB No 1545-0047

2003

Department of the Treasury
Internal Revenue Service

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

Name of the organization

Manhattan School of Music

Employer identification number

13 : 1656667

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See page 1 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
Marta Istomin 2029 Ct. Ave. NW Washington DC 20008	President-35 hrs	210,000	11,000	0
Susan Bender-Blumstein 60 W 57th St. NY NY 10019	Vice-President-35 hrs	151,500	11,000	0
Solomon Mikowsky 520 E. 72nd St. NY NY 10021	Teacher - 35 hrs	149,900	10,000	0
Richard Adams 491 W. 22nd St. NY NY 10029	V.P. Dean of Faculty 35 Hrs	117,000	11,000	0
Joanne Mandry 492 Fairfield Rd Wyckoff, NJ 07481	CFO-35 Hrs	130,000	11,000	0
Total number of other employees paid over \$50,000 ▶				

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
Deloitte & Touche, LLP 2 World Financial Center NY NY 10281-1414	Auditors	\$90,000
.....		
.....		
.....		
.....		
.....		
Total number of others receiving over \$50,000 for professional services ▶		

Part III Statements About Activities (See page 2 of the instructions)

	Yes	No
1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B)		✓
Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A Other organizations checking "Yes" must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities		
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)		
a Sale, exchange, or leasing of property?	2a	✓
b Lending of money or other extension of credit?	2b	✓
c Furnishing of goods, services, or facilities?	2c	✓
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	2d	✓
e Transfer of any part of its income or assets?	2e	✓
3a Do you make grants for scholarships, fellowships, student loans, etc? (If "Yes," attach an explanation of how you determine that recipients qualify to receive payments.)	3a	✓
b Do you have a section 403(b) annuity plan for your employees?	3b	✓
4 Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?	4	✓

Part IV Reason for Non-Private Foundation Status (See pages 3 through 6 of the instructions.)

The organization is not a private foundation because it is (Please check only **ONE** applicable box.)

- 5** A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i)
- 6** A school Section 170(b)(1)(A)(ii) (Also complete Part V.)
- 7** A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
- 8** A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v)
- 9** A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii) **Enter the hospital's name, city, and state ▶**
- 10** An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the **Support Schedule** in Part IV-A)
- 11a** An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A.)
- 11b** A community trust. Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A.)
- 12** An organization that normally receives **(1) more than 33 1/3%** of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions, and **(2) no more than 33 1/3%** of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the **Support Schedule** in Part IV-A)
- 13** An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in **(1)** lines 5 through 12 above, or **(2)** section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations (See page 5 of the instructions)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14** An organization organized and operated to test for public safety Section 509(a)(4) (See page 6 of the instructions)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) **Use cash method of accounting.**
Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in) ▶	(a) 2002	(b) 2001	(c) 2000	(d) 1999	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)					
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose					
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975					
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf.					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets					
23 Total of lines 15 through 22.					
24 Line 23 minus line 17					
25 Enter 1% of line 23					
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24. ▶					26a
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1999 through 2002 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts ▶					26b
c Total support for section 509(a)(1) test. Enter line 24, column (e) ▶					26c
d Add: Amounts from column (e) for lines 18 _____ 19 _____ 22 _____ 26b _____ ▶					26d
e Public support (line 26c minus line 26d total) ▶					26e
f Public support percentage (line 26e (numerator) divided by line 26c (denominator)) ▶					26f %
27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year:					
(2002) _____ (2001) _____ (2000) _____ (1999) _____					
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year:					
(2002) _____ (2001) _____ (2000) _____ (1999) _____					
c Add: Amounts from column (e) for lines 15 _____ 16 _____ 17 _____ 20 _____ 21 _____ ▶					27c
d Add: Line 27a total _____ and line 27b total _____ ▶					27d
e Public support (line 27c total minus line 27d total). ▶					27e
f Total support for section 509(a)(2) test. Enter amount from line 23, column (e). ▶ 27f					27f
g Public support percentage (line 27e (numerator) divided by line 27f (denominator)). ▶					27g %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator)). ▶					27h %
28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 1999 through 2002, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.					

Part V Private School Questionnaire (See page 7 of the instructions.)
(To be completed ONLY by schools that checked the box on line 6 in Part IV)

	Yes	No
29 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?	✓	
30 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	✓	
31 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe, if "No," please explain. (If you need more space, attach a separate statement)	✓	
32 Does the organization maintain the following:		
a Records indicating the racial composition of the student body, faculty, and administrative staff?	✓	
b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	✓	
c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	✓	
d Copies of all material used by the organization or on its behalf to solicit contributions?	✓	
If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement)		
33 Does the organization discriminate by race in any way with respect to:		
a Students' rights or privileges?		✓
b Admissions policies?		✓
c Employment of faculty or administrative staff?		✓
d Scholarships or other financial assistance?		✓
e Educational policies?		✓
f Use of facilities?		✓
g Athletic programs?		✓
h Other extracurricular activities?		✓
If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement)		
34a Does the organization receive any financial aid or assistance from a governmental agency?	✓	
b Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement.		✓
35 Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation	✓	

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions.)
 (To be completed **ONLY** by an eligible organization that filed Form 5768)

Check **a** if the organization belongs to an affiliated group Check **b** if you checked "a" and "limited control" provisions apply.

Limits on Lobbying Expenditures		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
(The term "expenditures" means amounts paid or incurred)			
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39).	40	
41	Lobbying nontaxable amount Enter the amount from the following table— If the amount on line 40 is— The lobbying nontaxable amount is— Not over \$500,000 20% of the amount on line 40 Over \$500,000 but not over \$1,000,000 . . . \$100,000 plus 15% of the excess over \$500,000 Over \$1,000,000 but not over \$1,500,000 . . \$175,000 plus 10% of the excess over \$1,000,000 Over \$1,500,000 but not over \$17,000,000 . \$225,000 plus 5% of the excess over \$1,500,000 Over \$17,000,000 \$1,000,000	41	
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	44	

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.
 See the instructions for lines 45 through 50 on page 11 of the instructions.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2003	(b) 2002	(c) 2001	(d) 2000	(e) Total
45 Lobbying nontaxable amount.					
46 Lobbying ceiling amount (150% of line 45(e)).					
47 Total lobbying expenditures					
48 Grassroots nontaxable amount					
49 Grassroots ceiling amount (150% of line 48(e))					
50 Grassroots lobbying expenditures					

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 12 of the instructions.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of	Yes	No	Amount
a Volunteers.			
b Paid staff or management (Include compensation in expenses reported on lines c through h).			
c Media advertisements			
d Mailings to members, legislators, or the public			
e Publications, or published or broadcast statements			
f Grants to other organizations for lobbying purposes			
g Direct contact with legislators, their staffs, government officials, or a legislative body			
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means			
i Total lobbying expenditures (Add lines c through h). If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities			

MANHATTAN SCHOOL OF MUSIC

FED.ID: 13-1656667

YEAR 2003

FORM 990, PART 1, LINE 1C

\$ 554,816

FORM 990, PART 1, LINE 8D

NET GAINS

SECURITIES & BONDS

U. S. Trust	181,321
S. Bernstein	6,908
S. Barney	<u>393,503</u>
	<u>\$ 581,732</u>

MANHATTAN SCHOOL OF MUSIC

FED.ID: 13-1656667

YEAR 2003

FORM 990, PART 11, LINE 22

GRANTS & ALLOCATIONS

Restricted Government Funds

\$ 460,598

FORM 990, PART 11, LINE 42

Depreciation and Amortization Expense for:

Buildings	1,786,800
Equipment and Capital Leases	192,947
Musical Instruments	117,740
Library Books and Music	33,295

\$ 2,130,782

MANHATTAN SCHOOL OF MUSIC

FED.ID# 13-1656667

YEAR

2003

FROM 990, PART IV, LINE 51C

Perkins Loan Program Receivable	593,519
Other Student Loan Receivable	<u>0</u>
	<u>\$ 593,519</u>

FORM 990, PART IV, LINE 54

U. S. Government Securities

Corporate Bonds	3,124,497
Stocks	<u>10,879,740</u>

\$ 14,004,237**FORM 990, PART IV, LINE 57C**

Land	1,240,000
Buildings	7,733,101
Dormitory	56,503,436
Furniture and equipment	1,668,958
Musical instruments and audio equipment	2,778,209
Library books, music and art works	1,120,783
Library-construction in progress	1,653,760

72,698,247

Less: Accumulated depreciation	8,874,486
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Total investment in Plant	<u>\$ 63,823,761</u>
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FORM 990, PART IV, LINE 62

Unearned Tuition and Fees	<u>\$ 792,051</u>
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MANHATTAN SCHOOL OF MUSIC

FED.ID: 13-1656667

YEAR

2003

FORM 990, PART IV, LINE 64A

Schedule of Notes Payable:

Tax Exempt Bond

Fiscal Year

2005	820,000
2006	915,000
2007	960,000
2008	1,015,000
2009	1,070,000
Thereafter	<u>42,675,000</u>

\$ 47,455,000

FORM 990, PART IV, LINE 64B

Interest Rate Swap Liability

2003	\$ 6,535,678
2004	\$ 3,910,997

YEAR

2003

FORM 990, PART V

LIST OF OFFICERS, DIRECTORS, AND TRUSTEES

NAME	ADDRESS	TITLE	COMPENSATION
Alan M. Ades	120 Claremont Ave, New York, N.Y. 10027	Trustee	0
Betty Allen	120 Claremont Ave, New York, N.Y. 10027	Trustee	0
Ms. Carla Bossi-Comelli	120 Claremont Ave, New York, N.Y. 10027	Trustee	0
Nancy Behrman	120 Claremont Ave, New York, N.Y. 10027	Trustee	0
Harold Chumaceiro	120 Claremont Ave, New York, N.Y. 10027	Trustee	0
Yveta Synek Graff	120 Claremont Ave, New York, N.Y. 10027	Trustee	0
Marta Istomin	120 Claremont Ave, New York, N.Y. 10027	President	\$ 210,000
Constance Keene	120 Claremont Ave, New York, N.Y. 10027	Trustee	0
Bella L. Linden, Esq.	120 Claremont Ave, New York, N.Y. 10027	Trustee	0
Edward Lowenthal	120 Claremont Ave, New York, N.Y. 10027	Trustee	0
William R. Miller	120 Claremont Ave, New York, N.Y. 10027	Trustee	0
Hon. Richard Owen	120 Claremont Ave, New York, N.Y. 10027	Trustee	0
David A. Rahm, Esq.	120 Claremont Ave, New York, N.Y. 10027	Chairman	0
Ms. Cathleen A. Ryan	120 Claremont Ave, New York, N.Y. 10027	Trustee	0
Robert G. Simon	120 Claremont Ave, New York, N.Y. 10027	Treasurer	0

NOTE: None of the above contribute to Employee Benefit Plan or have an Expense account

SMITH BARNEY
7/02-6/04

AC/#	TRANS DATE	DESCRIPTION	# OF SHRS	COST	PROCEEDS	gain/loss	total	
15618	12/18/2003	Atria	50	2,697.50	2,731.87	34.37		
	12/18/2003	Nokia	100	1,698.00	1,722.91	24.91	59.28	
	1/27/2004	Bristol Myers Squibb Co	9,329	283,601.60	285,728.89	2,127.29	2,127.29	
	6/15/2004	SBC Communication	1,000	24,550.00	24,554.42	4.42	4.42	
15637	12/23/2003	Florida Rock	30	1,612.50	1,683.15	70.65		
	12/22/2003	Palina Oil & Gas	90	3,723.54	4,170.28	446.74		
	12/3/2003	Palina Oil & Gas	65	2,689.23	2,982.31	303.08		
	12/5/2003	Palina Oil & Gas	30	1,241.18	1,402.43	161.25		
	12/11/2003	Roto-Rooter	50	1,792.00	1,744.54	(47.46)		
	12/19/2003	Roto-Rooter	165	5,913.60	5,965.66	52.06	988.32	
	1/9/2004	Florida Rock	115	6,181.25	6,584.27	403.02	403.02	
	2/18/2004	Health Care Property	160	7,726.40	8,934.64	1,208.24		
	2/18/2004	Health Care Property	10	556.30	558.41	2.11		
	2/18/2004	Helmerich & Payne	290	7,696.60	8,583.47	886.87		
	2/18/2004	Helmerich & Payne	30	876.00	887.95	11.95		
	2/4/2004	Seacoast Finl Services	45	1,105.82	1,552.42	446.60		
	2/5/2004	Seacoast Finl Services	270	6,634.95	9,314.56	2,679.61		
	2/24/2004	Tupperware Corp	75	1,128.75	1,413.69	284.94	5,520.32	
	3/17/2004	Analogic Corp	180	7,752.65	7,491.05	(261.60)		
	3/17/2004	Analogic Corp	40	1,724.40	1,864.68	(59.72)		
	2/25/2004	Tupperware Corp	440	6,622.00	8,271.67	1,649.67	1,328.35	
	4/22/2004	Massey Energy Co	30	421.20	722.30	301.10		
	4/18/2004	Provident Financial Gp	265	7,773.02	10,220.44	2,447.42		
	3/30/2004	Vintage Petroleum	680	7,773.22	9,716.00	1,942.78	4,691.30	
	5/18/2004	Hughes Supply Inc	200	7,730.00	10,502.29	2,772.29	2,772.29	
	6/9/2004	IHOP Corp	95	3,415.25	3,396.63	(18.62)		
	6/10/2004	IHOP Corp	60	2,157.00	2,151.37	(5.63)		
6/18/2004	IHOP Corp	60	2,157.00	2,130.52	(26.48)			
6/18/2004	IHOP Corp	40	1,456.40	1,420.34	(36.06)			
6/14/2004	OGE Energy Corp	385	8,650.81	9,257.11	606.30	519.51		
15657	11/1/2003	Accenture Ltd	2,097	45,551.34	49,643.52	4,092.18		
	11/1/2003	Nabors Ind	901	41,052.75	33,362.46	(7,690.29)		
	11/1/2003	Aracruz celulose	917	18,944.67	25,043.47	6,098.80		
	11/1/2003	BP PLC SPONS	473	19,297.36	20,025.88	728.52		
	11/18/2003	British Airways	355	12,164.43	13,730.75	1,566.32		
	11/1/2003	Carnival Corp	1,900	54,398.92	65,986.00	11,587.08		
	11/1/2003	SAP Aktengesellschaft	2,468	64,306.73	90,990.90	26,684.17		
	11/1/2003	Teva Pharmaceutical	1,561	67,039.18	90,221.57	23,182.41	66,249.19	
	merg/cash	12/12/2003	MitchellsButlers	0	0.00	2.62	2.62	2.62
	1/14/2004	Jardine Matheson	58	423.40	550.12	126.72		
	1/18/2004	Jardine Matheson	290	2,117.00	2,750.11	633.11		
	1/26/2004	Jardine Matheson	217	1,584.10	2,049.40	465.30	1,225.13	
	2/9/2004	Jardine Matheson	104	759.20	981.32	222.12		
	2/10/2004	Jardine Matheson	76	554.80	717.12	162.32		
	2/12/2004	Jardine Matheson	61	445.30	575.58	130.28		
	2/18/2004	Jardine Matheson	258	1,883.40	2,434.45	551.05	1,065.77	
	2/27/2004	Jardine Matheson	426	3,109.80	4,019.66	909.86		
	3/11/2004	Jardine Matheson	484	3,533.20	4,814.25	1,281.05	2,190.91	
	6/7/2004	Amcor Ltd	144	3,612.96	2,648.12	(964.84)		
	6/8/2004	Amcor Ltd	35	878.15	657.10	(221.05)		
	6/9/2004	Amcor Ltd	138	3,462.42	2,595.94	(866.48)	(2,052.37)	
	15658	11/1/2003	Affiliated Computer	1,000	49,525.56	48,892.71	(632.85)	
		11/1/2003	Allstate Corp	1,486	58,303.00	59,231.11	928.11	
11/1/2003		Ambac	700	42,542.32	49,366.65	6,824.33		
11/1/2003		American Intl	230	8,823.95	13,960.04	5,136.09		
11/1/2003		Caremark RX	1,900	36,833.31	48,162.74	11,229.43		
11/1/2003		Caterpillar Inc	681	39,408.60	49,601.71	10,193.11		
11/1/2003		Citigroup	600	17,189.96	28,384.67	11,194.71		
11/1/2003		Coach	1,414	17,975.54	50,081.81	32,406.27		
11/1/2003		Conocophillips	728	46,138.00	41,153.88	(4,984.12)		
11/1/2003		Danaher Corp	721	44,484.06	59,407.61	14,923.55		
11/1/2003		Exxon Mobile	1,198	41,294.54	45,282.28	3,987.74		
11/1/2003		General Electric	450	12,174.54	12,927.89	753.35		
11/1/2003		Gillette Co	818	33,038.37	26,012.86	(7,025.51)		
11/1/2003		Goldman Sachs	838	75,456.00	77,276.97	1,820.97		
11/1/2003		WW Grainger	981	44,938.07	44,650.87	(287.20)		
11/1/2003		Hartford Finl	886	58,472.30	48,098.68	(10,373.62)		
11/1/2003		Illinois Tool	491	26,561.01	35,173.59	8,612.58		
11/1/2003		Jacobs Engineering	905	25,902.81	44,542.10	18,639.29		
11/1/2003		Johnson&Johnson	177	8,657.07	8,708.41	49.34		
11/1/2003		Kohls	160	9,003.38	8,932.38	(70.98)		
11/6/2003		Kohls	181	10,185.05	9,591.52	(593.53)		
11/1/2003		Lehman	475	33,818.57	33,558.12	(260.45)		
11/1/2003		Liberty Media	2,501	34,633.74	25,008.82	(9,624.92)		
11/1/2003		Lockheed Martin	944	56,652.48	43,903.38	(12,749.08)	80,086.61	
12/17/2003		Johnson&Johnson	100	4,925.00	4,926.76	1.76		
12/15/2003		Kimberly Clark	167	8,675.65	9,539.79	864.14		
12/16/2003		Kimberly Clark	63	3,272.85	3,548.80	275.95		
12/9/2003		Kohls	559	31,455.48	25,920.73	(5,534.75)	(4,392.90)	
1/16/2004		Fiserv Inc	272	9,582.56	10,221.88	639.32		
1/20/2004		Psychex Inc	363	13,879.62	12,806.11	(1,073.51)	(434.19)	
3/22/2004		Genentech Inc	132	10,833.24	13,514.32	2,681.08		
3/23/2004		Genentech Inc	102	8,371.14	10,343.27	1,972.13		
3/23/2004		Genentech Inc	12	1,126.20	1,218.85	90.65		
3/23/2004	Genentech Inc	16	1,474.72	1,822.47	347.75			
3/23/2004	Genentech Inc	10	955.20	1,014.05	58.85	4,950.46		
3/30/2004	New York Times	508	23,941.38	22,388.36	(1,553.02)	(1,553.02)		
6/4/2004	Citigroup	165	4,727.24	7,697.59	2,970.35			
6/22/2004	Nokia Corp	1,137	19,858.81	15,913.98	(3,944.83)	(974.48)		

15659	11/1/2003 Analog Devices	2,076	86,845 24	91,050 75	4,205 51	
	11/1/2003 Apache Corp	566	33,354 88	39,427 89	6,072 81	
	11/1/2003 Barr Laboratories	368	19,824 31	27,638 19	7,813 88	
	11/1/2003 Lexmark Intl	265	16,520 78	19,750 18	3,229 42	
	11/1/2003 Medco Health Solutions	129	4,055 68	4,289 04	233 36	
	11/1/2003 Medtronic	1,025	41,707 88	47,938 03	6,230 15	
	11/1/2003 Merck & Co	1,076	69,498 06	48,044 16	(21,453 90)	
	11/1/2003 Mohawk Ind	692	34,825 26	50,907 63	16,082 37	
	11/1/2003 Pfizer	1,426	34,498 73	44,489 11	9,990 38	
	11/1/2003 SBC Comm	871	47,158 39	20,425 99	(26,732 40)	
	11/1/2003 SEI Inv	1,000	33,203 30	30,778 55	(2,424 75)	
	11/1/2003 St Joe Co	1,415	45,113 37	46,569 86	1,456 49	
	11/1/2003 Symbol Tech	4,150	58,983 27	50,835 12	(8,148 15)	
	11/1/2003 Synopsys Inc	1,450	50,133 17	46,334 33	(3,798 84)	
	11/1/2003 Sysco Corp	1,770	48,439 47	58,526 56	10,087 09	
	11/1/2003 Texas Inst	991	30,405 59	28,955 66	(1,449 93)	
	11/1/2003 Time Warner	1,461	47,468 28	22,283 81	(25,174 47)	
	11/1/2003 US Bancorp	2,784	63,200 18	75,721 25	12,521 07	
	11/1/2003 Verizon	907	47,921 99	29,965 96	(17,956 03)	
	11/1/2003 Walmart	662	30,475 17	38,788 00	8,322 83	
	11/1/2003 Weight Watchers	1,000	44,702 71	38,438 20	(6,264 51)	
	11/1/2003 Wellpoint Health Netwks	416	25,564 80	37,361 21	11,796 41	
	11/1/2003 Wells Fargo	1,416	38,825 90	77,550 69	38,724 79	
	11/1/2003 John Wiley	2,414	59,135 06	62,288 66	3,153 60	
	11/1/2003 Wyeth	901	57,870 93	39,417 17	(18,453 76)	
	11/1/2003 Zimmer Holdings	625	34,730 56	39,312 66	4,582 10	12,645 52
	12/1/2003 Pixar	58	4,003 25	4,070 83	67 58	
	12/3/2003 Pixar	40	2,760 88	2,791 74	30 88	
	12/15/2003 Vodaphone Group	6,500	153,725 00	154,822 75	1,097 75	1,196 21
	1/21/2004 Medimmune Inc	200	5,394 55	4,454 55	(940 00)	
	1/22/2004 Medimmune Inc	248	6,689 24	5,463 90	(1,225 34)	
	1/22/2004 Medimmune Inc	37	997 99	815 18	(182 81)	
	1/23/2004 Medimmune Inc	71	1,915 08	1,547 52	(367 54)	
	1/23/2004 Medimmune Inc	5	134 86	109 82	(25 04)	
	1/26/2004 Medimmune Inc	163	4,396 55	3,487 38	(909 17)	
	1/27/2004 Medimmune Inc	376	10,141 75	7,922 40	(2,219 35)	
	1/27/2004 Medimmune Inc	105	2,932 65	2,212 37	(720 28)	
	1/27/2004 Medimmune Inc	43	973 91	906 02	(67 89)	(6,657 42)
	2/2/2004 Medimmune Inc	2	45 30	44 75	(0 55)	(0 55)
	3/25/2004 Microsoft Corp	784	21,175 84	19,485 48	(1,690 36)	
	3/25/2004 Microsoft Corp	65	1,749 15	1,615 51	(133 64)	
	3/25/2004 Microsoft Corp	30	845 10	745 61	(99 49)	
	3/24/2004 Southwest Airlines Co	50	956 47	671 78	(284 69)	
	3/25/2004 Southwest Airlines Co	135	2,582 46	1,867 60	(714 86)	
	3/26/2004 Southwest Airlines Co	257	4,916 23	3,605 38	(1,310 85)	
	3/25/2004 Viacom Inc	412	16,327 56	16,081 54	(246 02)	
	3/25/2004 Viacom Inc	35	1,489 85	1,366 15	(123 80)	
	3/25/2004 Viacom Inc	15	627 00	585 49	(41 51)	(4,645 22)
	4/2/2004 Progressive Corp-Ohio	258	19,190 04	22,649 79	3,459 75	
	4/23/2004 Southwest Airlines Co	1,490	27,794 95	21,733 65	(6,061 30)	(2,601 55)
	6/25/2004 Network Appliance	428	11,074 07	8,566 16	(2,507 91)	(2,507 91)
15660	12/11/2003 Affiliated Computer Svcs	10,000	11,887 50	12,360 13	472 63	472.63
	1/5/2004 Brocade Communications	23,000	20,872 50	20,830 00	57 50	
	1/18/2004 Lucant Technologies Inc	5,000	7,361 80	8,288 18	926 38	
	1/22/2004 Medtronic Inc	20,000	20,437 40	20,560 60	123 20	
	1/12/2004 Newmont Mining Corp	1,000	47,780 00	47,927 75	147 75	1,254 83
	2/17/2004 Cendant Corp	255	12,270 60	12,716 25	445 65	
	2/3/2004 Nextel Communications	21,000	25,543 77	24,912 72	(631 05)	
	2/6/2004 Tribune Co	205	16,357 67	17,106 44	748 77	563 37
	2/28/2004 Motorola Inc	255	12,134 12	12,709 46	575 34	
	2/28/2004 Motorola Inc	185	8,795 05	9,220 59	425 54	
	2/28/2004 Motorola Inc	3	145 30	149 53	4 23	
	3/17/2004 Northrop Grumman Corp	112	12,015 02	11,466 11	(548 91)	456 20
	4/21/2004 Genzyme Corp	22,000	22,275 00	22,151 25	(123 75)	
	4/1/2004 Suncroelectron	22,000	19,827 50	19,415 00	(412 50)	(536 25)
	5/24/2004 Agilent Technologies Inc	15,000	17,778 75	15,254 78	(2,523 97)	
	5/13/2004 Best Buy	22,000	24,429 78	23,411 52	(1,018 26)	(3,542 23)
	6/2/2004 Amgen	26,000	19,378 20	19,162 00	(216 20)	(216 20)
15681	11/1/2003 Amgen	1,025	55,843 58	61,702 11	5,858 55	
	11/1/2003 Apollo Group	750	31,167 72	47,892 75	16,725 03	
	11/1/2003 Applied Materials	1,076	18,543 92	24,327 22	7,783 30	
	11/24/2003 Avocent Corp	84	3,107 45	3,157 21	49 76	
	11/19/2003 Benchmark	1	24 66	26 81	2 15	cashinlieu
	11/1/2003 Boston Scientific	1,250	55,162 60	83,308 60	28,146 00	
	11/1/2003 Broadcom Corp	2,000	53,415 40	63,397 03	9,981 63	
	11/1/2003 Cisco Systems	2,104	48,902 90	43,613 87	(3,289 03)	
	11/12/2003 Coinstar	100	1,517 00	1,725 98	208 98	
	11/13/2003 Coinstar	33	500 61	551 20	50 59	
	11/17/2003 Coinstar	101	1,532 17	1,672 40	140 23	
	11/18/2003 Coinstar	100	1,517 00	1,678 28	161 28	
	11/19/2003 Coinstar	34	515 78	573 23	57 45	
	11/24/2003 Coinstar	42	637 14	708 47	71 33	
	11/1/2003 Comcast	1,400	41,342 99	47,290 78	5,947 79	
	11/1/2003 Comcast	1,509	57,391 12	49,045 29	(8,345 83)	
	11/1/2003 Dell	1,000	32,060 30	36,108 31	4,048 01	
	11/1/2003 Electronics	375	21,889 05	37,037 76	15,148 71	
	11/1/2003 Fossil	1,488	34,468 28	36,993 37	4,525 09	
	11/1/2003 Genzyme	1,100	40,820 89	51,978 56	11,155 87	
	11/1/2003 Gilead	1,200	51,712 08	62,682 66	10,970 58	
	11/1/2003 Insight Comm	72	732 07	719 96	(12 11)	
	11/3/2003 Insight Comm	503	5,114 38	4,672 98	(241 38)	
	11/7/2003 Insight Comm	377	3,833 23	3,681 00	(152 23)	

11/11/2003	Insight Comm	658	6,690 35	6,247 80	(442 55)	
11/14/2003	Insight Comm	46	487 71	430 07	(37 64)	
11/19/2003	Insight Comm	992	10,086 37	9,065 16	(1 021 21)	
11/1/2003	Interactive	610	22,417 58	23,075 22	657 64	
11/1/2003	Johnson&Johnson	911	49,441 11	45,101 49	(4 339 62)	
11/1/2003	Lincare Holdings	996	31,349 39	38,215 33	6,865 94	
11/1/2003	Lowe's Co	1,050	45,712 28	62,419 68	16,707 40	
11/1/2003	Medtronic	1,450	37,777 08	67,508 84	29,731 76	
11/1/2003	Microsoft	2,383	39,333 82	64,433 30	25,099 48	
11/1/2003	Patterson Dental	850	38,125 70	54,714 93	16,589 23	
11/1/2003	Performance Food	4	151 92	151 99	0 07	
11/1/2003	SLM Corp	1,325	49,834 45	51,672 58	1,738 13	
11/1/2003	Symantec	950	42,292 22	63,913 00	21,620 78	
11/1/2003	Ustarcom	1,850	63,422 67	59,542 26	(3 880 41)	220,280 55
12/16/2003	SBS Broadcasting	5	143 00	160 26	17 26	
12/18/2003	Affiliated Managers	68	4,834 12	4,542 45	(291 67)	
12/19/2003	Affiliated Managers	43	3,056 87	2,878 11	(178 76)	
12/1/2003	Avocent Corp	30	1,109 81	1,140 20	30 39	
12/1/2003	Coinstar	59	895 03	1,001 60	106 57	
12/1/2003	Coinstar	34	515 78	574 18	58 40	
12/3/2003	Coinstar	44	667 48	727 34	59 86	
12/4/2003	Coinstar	80	1,213 60	1,319 93	106 33	
12/8/2003	Coinstar	96	1,456 32	1,583 92	127 60	
12/9/2003	Coinstar	130	1,972 10	2,153 56	181 46	
12/10/2003	Coinstar	61	925 37	1,010 37	85 00	
12/12/2003	Coinstar	44	667 48	743 27	75 79	
12/16/2003	Coinstar	78	1,183 28	1,288 54	105 28	
12/16/2003	Gabelli Asset Mgmt	40	1,384 10	1,553 92	169 82	
12/17/2003	Gabelli Asset Mgmt	25	865 08	975 78	110 72	
12/18/2003	Gabelli Asset Mgmt	11	380 83	432 08	51 45	
12/18/2003	Gabelli Asset Mgmt	22	761 26	856 21	94 95	
12/19/2003	Inamed Corp	1	41 77	25 28	(16 49)	
12/9/2003	Insight Comm	79	803 25	723 67	(79 58)	
12/11/2003	Insight Comm	63	640 57	577 06	(63 51)	
12/12/2003	Insight Comm	196	1,992 87	1,855 20	(37 67)	
12/15/2003	Insight Comm	96	976 10	963 06	(13 04)	
12/16/2003	Insight Comm	69	701 57	686 51	(15 06)	
12/2/2003	Seachange	10	155 80	154 30	(1 50)	
12/18/2003	Seachange	52	810 18	754 28	(55 88)	
12/19/2003	Seachange	80	1,246 40	1,182 99	(63 41)	
12/22/2003	Seachange	60	934 80	886 14	(48 66)	
12/23/2003	Seachange	58	903 64	870 85	(32 79)	
12/4-22/03	Toll Bros	948	33,758 28	38,055 53	4,297 25	
12/12/2003	Zoll Medical	256	8,396 80	8,559 28	162 48	4,922 59
1/27/2004	SBS Broadcasting	234	8,692 40	7,627 03	934 63	
1/23/2004	Affiliated Managers	203	14,431 27	16,356 62	1,925 35	
1/26/2004	American Medical	54	1,125 36	1,428 71	301 35	
1/21/2004	Andrew Corp	199	2,585 01	3,362 12	777 11	
1/22/2004	Andrew Corp	176	2,286 24	2,993 15	706 91	
1/23/2004	Andrew Corp	156	2,028 44	2,655 24	628 80	
1/26/2004	Andrew Corp	74	961 26	1,267 57	306 31	
1/12/2004	Avocent Corp	366	13,539 63	13,701 28	161 65	
1/8/2004	D&K Healthcare	102	1,344 36	1,389 51	45 15	
1/7/2004	Getty Images	23	979 71	1,166 27	186 56	
1/8/2004	Getty Images	131	5,580 08	6,582 44	1,002 36	
1/8/2004	Jack Henry	1,356	25,941 89	27,556 16	1,614 27	
1/8/2004	Investors Fins Svcs	58	2,042 76	2,253 76	211 00	
1/9/2004	Investors Fins Svcs	19	669 18	736 46	67 28	
1/12/2004	Investors Fins Svcs	64	2,254 08	2,468 66	212 58	
1/8/2004	Newfield	204	8,135 77	9,076 82	941 05	
1/23/2004	Planar Systems	1,162	31,689 20	25,801 79	(5 887 41)	
1/6/2004	Seachange	193	3,006 94	3,105 95	99 01	
1/14/2004	Value Media	272	4,414 56	5,001 42	586 86	4,820 82
2/2/2004	SBS Broadcasting	15	429 00	477 72	48 72	
2/5/2004	AAR Corp	84	881 48	1,091 95	210 47	
2/5/2004	AAR Corp	54	647 94	701 96	54 02	
2/2/2004	American Medical	83	1,729 72	2,239 47	509 75	
2/5/2004	American Medical	280	5,835 20	8,070 62	2,235 42	
2/6/2004	American Medical	62	1,292 08	1,790 31	498 23	
2/19/2004	American Medical	139	2,896 76	4,076 63	1,179 87	
2/23/2004	American Medical	341	7,106 44	9,439 80	2,333 36	
2/23/2004	American Medical	54	1,116 59	1,494 87	378 28	
2/23/2004	American Medical	34	681 66	941 21	259 55	
2/5/2004	Avocent Corp	29	1,072 81	1,188 48	115 67	
2/12/2004	Commed Corporation	136	2,747 20	3,998 21	1,251 01	
2/13/2004	Commed Corporation	428	8,645 60	12,312 38	3,666 78	
2/4/2004	D & K Healthcare	27	355 86	316 36	(39 50)	
2/9/2004	D & K Healthcare	66	869 88	722 03	(147 85)	
2/11/2004	D & K Healthcare	15	197 70	161 04	(36 66)	
2/18/2004	D & K Healthcare	45	593 10	479 49	(113 61)	
2/19/2004	D & K Healthcare	104	1,370 72	1,128 34	(242 38)	
2/20/2004	D & K Healthcare	207	2 728 28	2 154 95	(573 31)	
2/20/2004	Dri Quip Inc	589	8,864 45	10,853 94	2,089 49	
2/20/2004	Gabelli Asset Mgmt	81	2,802 80	3,404 47	601 67	
2/6/2004	Jefferies Group Inc	549	16,491 41	19,915 46	3,424 05	
2/6/2004	Valuevision Media	193	3,132 39	3,282 85	150 46	
2/9/2004	Valuevision Media	420	6,816 60	7,251 17	434 57	
2/9/2004	Verso Technologies	146	605 90	306 61	(299 29)	
2/10/2004	Verso Technologies	146	605 90	313 89	(292 01)	
2/11/2004	Verso Technologies	499	2,070 85	1,112 66	(958 19)	
2/12/2004	Verso Technologies	143	593 45	307 26	(286 19)	
2/13/2004	Verso Technologies	71	294 65	147 67	(146 98)	
2/17/2004	Verso Technologies	146	605 90	299 57	(306 33)	
2/19/2004	Verso Technologies	78	323 70	144 52	(179 18)	
2/20/2004	Verso Technologies	248	1,029 20	452 84	(576 36)	
2/23/2004	Verso Technologies	240	996 00	421 49	(574 51)	
2/24/2004	Verso Technologies	250	1 037 50	426 23	(611 27)	14,057 75
2/26/2004	SBS Broadcasting	709	20,277 40	23,304 06	3,026 66	
3/11/2004	Adaptec Inc	2,061	18,187 68	18,013 67	(173 99)	

	3/8/2004	Catapult Communications	285	3,539 11	6,040 05	2,500 94	
	3/3/2004	Financial Fed Corp	292	9,709 00	9,927 61	218 61	
	3/17/2004	Fisher Scientific Intl	349	14,658 00	18,242 18	3,584 18	
	3/17/2004	Fisher Scientific Intl	94	3,832 93	4,813 37	1,080 44	
	3/17/2004	Fisher Scientific Intl	28	1,132 41	1,463 56	331 15	
	3/17/2004	Fisher Scientific Intl	52	2,115 49	2,718 02	602 53	
	3/26/2004	Gabelli Asset Mgmt	389	13 460 37	15,258 51	1,788 14	
	3/1/2004	Investors Fins Svcs	250	8,805 00	11,093 48	2,288 48	
	3/5/2004	Samlach Corp	283	6,400 48	8,530 70	130 22	
	2/25/2004	Verso Technologies	237	983 55	421 43	(562 12)	
	2/25/2004	Verso Technologies	96	395 57	170 71	(224 86)	
	2/28/2004	Verso Technologies	83	342 00	148 88	(193 12)	
	3/3/2004	Verso Technologies	175	721 09	290 54	(430 55)	
	3/3/2004	Verso Technologies	271	1,093 70	449 92	(643 78)	
	3/3/2004	Verso Technologies	175	696 73	290 54	(406 19)	
	3/4/2004	Verso Technologies	120	477 75	216 54	(261 21)	
	3/4/2004	Verso Technologies	195	763 41	351 88	(411 53)	
	3/5/2004	Verso Technologies	115	450 21	219 73	(230 48)	
	3/5/2004	Verso Technologies	93	314 01	177 70	(136 31)	
	3/5/2004	Verso Technologies	186	593 53	355 40	(238 13)	
	3/1/2004	Woodhead Industries	676	10,981 00	10,777 11	(203 89)	11,445 17
	4/7/2004	Verisity Ltd	1,427	17,694 53	10,932 49	(6,762 04)	
Cash lieu	4/2/2004	Affiliated Managers		35 50	27 94	(7 56)	
	4/7/2004	Alliance Gaming Corp	479	11,606 17	15,678 25	4,070 08	
	4/27/2004	Cabot Microelectronics	710	39,755 02	26,052 41	(13 702 61)	
	4/27/2004	Emulex Corp	1,007	28,427 61	17,169 30	(11,258 31)	
	4/14/2004	Jefferies Group Inc	387	11,625 09	13,879 58	2,254 49	
	4/2/2004	Newfield	353	14,078 06	16,852 74	2,774 68	
	4/7/2004	Zoll Medical	252	8,265 60	7,939 45	(326 15)	(22,957 42)
	4/28/2004	Cabot Microelectronics	75	3,748 85	2,321 85	(1,427 00)	
	4/30/2004	Emulex Corp	715	20,184 45	12,056 18	(8 128 27)	
	4/30/2004	Inamed Corp	155	8,640 49	9,052 31	411 82	
	5/19/2004	Kroll Inc	1,772	37,342 78	60,684 41	23,341 63	
	4/30/2004	Rogers Corp	230	8,965 26	13,849 77	4,884 51	
	5/7/2004	Shuffle Master Inc	691	13,371 55	22,588 91	9,215 36	
	5/14/2004	Wilson Greatbatch Tech	221	8,181 42	5,924 47	(2,256 95)	25,841 10
	6/22/2004	Cal Dive Intl	119	2,427 60	3,579 29	1,151 69	
	6/25/2004	Forward Air Corp	55	1,649 40	2,043 35	393 95	
	6/21/2004	Newfield	100	3,988 12	5,379 98	1,391 86	
	6/17/2004	99 Cents Only	706	20,827 14	10,227 83	(10,599 31)	
	6/24/2004	Performance Food	488	18,385 39	13,228 07	(5 159 32)	(12,821 13)
15662	11/17/2003	Tyco	10,000	10,563 70	10,604 10	40 40	40 40
	12/3/2003	Chesapeake Energy	20,000	22,100 00	22,150 00	50 00	
	12/2/2003	Echostar	10,000	11,075 00	11,000 00	(75 00)	
	12/17/2003	El Paso Energy	2,000	2,200 00	2,170 00	(30 00)	
	12/15/2003	Pacificare	3,000	3,472 50	3,000 00	(472 50)	
	12/10/2003	Yum Brands	15,000	16,912 50	17,100 00	187 50	(340 00)
	1/21/2004	Cinemark Usa Inc	10,000	11,050 00	11,300 00	250 00	
	1/27/2004	Dex Media East	10,000	12,150 00	12,200 00	50 00	
	1/21/2004	El Paso Energy	8,000	8,800 00	9,120 00	320 00	
	1/13/2004	Penney J C Inc	20,000	21,200 00	21,800 00	600 00	
	1/16/2004	Phelps Dodge Corp	1,500	115,260 00	108,657 91	(6 602 09)	(5,382 09)
	2/13/2004	Avaya Inc	10,000	11,600 00	11,675 00	75 00	
	2/3/2004	Boise Cascade Co	15,000	15,412 50	15,750 00	337 50	
	2/24/2004	El Paso Energy	10,000	10,495 00	10,200 00	(295 00)	
	2/24/2004	El Paso Energy	5,000	5,281 25	5,100 00	(181 25)	
	2/3/2004	Panamsat Corp	15,000	16,350 00	16,162 50	(187 50)	
	2/3/2004	Saks Inc	10,000	11,025 00	10,837 50	(187 50)	
	2/10/2004	Yum Brands	20,000	23,400 00	23,050 00	(350 00)	(788 75)
	2/13/2004	Avaya Inc	8,000	9,280 00	9,340 00	60 00	
	3/19/2004	Avaya Inc	2,000	2,320 00	2,222 50	(97 50)	
	3/8/2004	Citgo Petroleum	5,000	5,175 00	5,250 00	75 00	
	2/26/2004	El Paso Nat Gas	10,000	10,562 50	10,200 00	(362 50)	
	3/3/2004	Isle of Capri	10,000	10,675 00	10,519 80	(155 20)	
	3/23/2004	Lyondell Chemical	20,000	20,375 00	20,250 00	(125 00)	
	3/11/2004	Nortel Networks	10,000	10,300 00	10,212 50	(87 50)	
	3/11/2004	Nortel Networks	10,000	10,462 50	10,212 50	(250 00)	
	3/11/2004	Nortel Networks	5,000	5,225 00	5,106 25	(118 75)	
	2/25/2004	Premcor Refining	20,000	22,700 00	23,200 00	500 00	(561 45)
	4/1/2004	Cincinnati Bell Inc	15,000	16,275 00	14,737 50	(1 537 50)	(1,537 50)
	5/25/2004	Amkor Tech	25,000	28,137 50	26,250 00	(1 887 50)	
	5/6/2004	Seagate Tech	10,000	10,937 50	10,682 50	(275 00)	
	5/5/2004	U S West Comm	5,000	5,300 00	5,000 00	(300 00)	(2,462 50)
	6/18/2004	Autonation Inc	5,000	5,687 50	5,650 00	(37 50)	
	6/17/2004	Echostar	10,000	10,975 00	10,700 00	(275 00)	
	6/17/2004	Lnr Property Corp	10,000	10,782 50	9,700 00	(1 062 50)	
	6/16/2004	Nextel	20,000	21,900 00	21,475 00	(425 00)	
	6/8/2004	Tyco	5,000	4,974 95	5,092 65	117 70	
	6/8/2004	Tyco	5,000	5,030 65	5,092 65	62 00	
	6/10/2004	Vivendi Universal	10,000	11,912 50	11,812 50	(100 00)	(1,720 30)
TOTAL					393,502 50	393,502 50	

SANFORD BERNSTEIN

MSM-FED ID #13-1656667

Net Capital Gains(Losses)

7/1/03-6/30/04

sales

TRANS. DATE	DESCRIPTION	# OF SHRS	COST	PROCEEDS	gain/loss	TOTAL
	109					
7/7/2003	Washington Mutual	1,000	32,900.07	41,441.17	8,541.10	
7/9/2003	Pacificare Health Systems	500	27,029.49	25,284.17	(1,745.32)	
7/10/2003	Avaya	1,000	5,926.90	6,741.64	814.74	
7/17/2003	Washington Mutual	450	14,504.43	19,203.74	4,699.31	12,309.83
8/14/2003	Quantum Corp	1,000	19,261.81	2,911.66	(16,350.15)	
8/14/2003	Sears Roebuck	1,300	45,590.41	53,937.71	8,347.30	
8/15/2003	Eastman Chemical	800	48,090.78	27,969.22	(20,121.56)	(28,124.41)
8/28/2003	Dow Chemical	1,200	35,671.17	41,108.01	5,436.84	
8/29/2003	Quantum Corp	600	12,039.64	1,801.77	(10,237.87)	
9/8/2003	Schering Plough	1,000	32,441.75	15,406.00	(17,035.75)	
9/9/2003	Schering Plough	1,000	32,441.75	15,899.49	(16,542.26)	
9/10/2003	Schering Plough	400	12,976.70	6,498.71	(6,477.99)	
9/11/2003	Leggett & Platt	800	12,969.35	17,751.95	4,782.60	
9/17/2003	Lyondell Petrochemical	800	12,191.67	10,920.72	(1,270.95)	(41,345.38)
10/28/2003	Citigroup	800	36,694.60	37,660.35	965.75	
10/28/2003	General Electric	800	23,903.11	22,599.87	(1,303.24)	
10/28/2003	Verizon Communications	700	24,150.61	23,024.83	(1,125.78)	
10/28/2003	Wyeth	400	19,452.58	17,842.79	(1,609.79)	
10/28/2003	Safeway Inc	900	18,105.95	18,894.33	788.38	
10/28/2003	Safeway Inc	1,000	20,527.57	20,993.69	466.12	
10/28/2003	Comcast Corp	300	8,852.38	9,583.54	731.16	
10/28/2003	SBC Communications	500	12,680.00	11,640.18	(1,039.82)	
10/28/2003	Comcast Corp	900	25,496.36	28,750.61	3,254.25	
10/28/2003	Renaissance Holdings	300	13,424.73	13,492.27	67.54	
10/28/2003	Sprint Corp	1,000	11,201.86	15,684.53	4,482.67	
10/28/2003	Glaxo PLC	900	34,762.10	39,336.07	4,573.97	
10/28/2003	Nortel Networks	2,300	2,059.88	9,895.21	7,835.33	
10/28/2003	Ingram Micro	400	5,265.04	5,624.74	359.70	
10/28/2003	Constellation Energy	1,100	28,569.22	38,988.55	10,419.33	
10/28/2003	Bristol Myers	300	7,272.60	7,527.37	254.77	
10/28/2003	Bristol Myers	2,000	48,280.52	50,182.45	1,901.93	
10/28/2003	Nortel Networks	900	1,566.18	3,872.04	2,305.86	
10/28/2003	Nortel Networks	1,000	1,767.80	4,302.27	2,534.47	
10/28/2003	Entergy Corp	1,000	43,094.04	54,162.46	11,068.42	
10/28/2003	Nortel Networks	100	1,735.30	4,302.27	2,566.97	
10/28/2003	Nortel Networks	2,000	3,771.80	8,604.53	4,832.73	
10/28/2003	Nortel Networks	2,900	5,079.64	12,476.57	7,396.93	
10/28/2003	Nortel Networks	6,700	10,419.84	28,825.19	18,405.35	
10/28/2003	Nortel Networks	1,300	1,978.08	5,592.95	3,614.87	
10/28/2003	Ingram Micro	1,000	14,264.64	14,061.84	(202.80)	
10/28/2003	Occidental Petroleum	900	26,179.94	31,854.48	5,674.54	
10/28/2003	Magna Int'l	600	38,778.20	46,566.81	7,788.61	
10/28/2003	Tellabs	900	9,478.77	6,336.67	(3,142.10)	
10/28/2003	Washington Mutual	500	16,648.83	22,044.16	5,395.33	
10/28/2003	PPI Corp	1,000	37,850.46	38,885.17	1,034.71	
10/28/2003	Qwest Communications	4,500	39,270.01	14,728.11	(24,541.90)	

SANFORD BERNSTEIN

MSM-FED ID #13-165667

Net Capital Gains(Losses)

7/1/03-6/30/04

sales

TRANS. DATE	DESCRIPTION	# OF SHRS	COST	PROCEEDS	gain/loss	TOTAL
10/28/2003	Meadwestvaco	1,700	59,195.82	42,804.59	(16,391.23)	
10/28/2003	Qwest Communications	3,800	28,669.90	12,437.07	(16,232.83)	
10/28/2003	Golden West Financial	850	52,591.09	84,991.75	32,400.66	
10/28/2003	Liz Claiborne	1,200	30,289.45	45,781.24	15,491.79	
10/28/2003	Lehman Bros	200	13,174.64	14,018.34	843.70	
10/28/2003	Qwest Communications	5,400	63,750.77	17,673.72	(46,077.05)	
10/28/2003	Hewlett Packard	2,600	46,913.40	56,189.66	9,276.26	
10/28/2003	Washington Mutual	800	25,117.68	35,270.65	10,152.97	
10/28/2003	Lehman Bros	500	29,544.13	35,045.86	5,501.73	
10/28/2003	Liz Claiborne	100	2,040.10	3,815.10	1,775.00	
10/28/2003	Tellabs	1,700	23,859.69	11,969.27	(11,890.42)	
10/28/2003	Pfizer	600	19,750.77	18,651.28	(1,099.49)	
10/28/2003	Hewlett Packard	1,000	29,954.35	21,611.41	(8,342.94)	
10/28/2003	Federal Home Loan Mgt	300	19,698.15	17,268.69	(2,429.46)	
10/28/2003	Wachovia Corp	800	23,967.00	35,517.69	11,550.69	
10/28/2003	Burlington Northern	1,500	42,636.66	42,387.51	(249.15)	
10/28/2003	Fleetboston	500	18,394.35	19,225.72	831.37	
10/28/2003	National City	1,000	22,153.50	32,184.78	10,031.28	
10/28/2003	Norfolk Southern	100	1,541.69	1,827.22	285.53	
10/28/2003	Norfolk Southern	2,000	35,883.89	36,544.40	660.51	
10/28/2003	Occidental Petroleum	1,600	34,793.44	56,630.18	21,836.74	
10/28/2003	Wachovia Corp	350	15,340.16	15,538.99	198.83	
10/28/2003	VF Corp	1,100	42,737.56	47,988.70	5,251.14	
10/28/2003	Conocophillips	700	27,557.35	39,796.63	12,239.28	
10/28/2003	Conocophillips	400	17,229.00	22,740.93	5,511.93	
10/28/2003	CSX Corp	1,000	41,793.70	30,077.00	(11,716.70)	
10/28/2003	Federated Dept Stores	300	12,558.39	14,153.33	1,594.94	
10/28/2003	Genuine Parts	900	28,258.85	28,777.42	518.57	
10/28/2003	Bank of Amer	1,100	58,520.88	79,784.76	21,263.88	
10/28/2003	CSX Corp	600	27,921.84	18,046.20	(9,875.64)	
10/28/2003	Meadwestvaco	582	18,072.20	14,654.28	(3,417.92)	
10/28/2003	CSX Corp	1,200	64,946.92	36,092.39	(28,854.53)	
10/28/2003	Meadwestvaco	485	16,777.19	12,211.90	(4,565.29)	
10/28/2003	American Electric	400	18,090.91	11,412.23	(6,678.68)	
10/28/2003	American Electric	350	15,477.17	9,985.70	(5,491.47)	
10/28/2003	Tech Data Corp	300	7,191.79	9,741.57	2,549.78	
10/28/2003	Arrow Electronics	600	16,942.92	12,425.56	(4,517.36)	
10/28/2003	Arrow Electronics	800	22,890.15	16,567.42	(6,322.73)	
10/28/2003	Whirlpool	200	11,833.84	13,785.53	1,951.69	
10/28/2003	Altria Group	900	26,751.47	41,290.19	14,538.72	
10/28/2003	Golden West Financial	19	1,046.90	1,899.82	852.92	
10/8/2003	Cigna Corp	800	34,461.95	37,007.08	2,545.13	
10/8/2003	Nortel Networks	1,200	1,825.92	5,420.98	3,595.06	
10/7/2003	Nortel Networks	1,600	2,434.56	7,171.66	4,737.10	
10/6/2003	Nortel Networks	1,400	2,130.24	6,150.60	4,020.36	
10/3/2003	Nortel Networks	1,100	1,673.76	4,867.05	3,193.29	
10/1/2003	AT&T	500	10,055.00	10,788.01	733.01	

SANFORD BERNSTEIN

MSM-FED ID #13-1656667

Net Capital Gains(Losses)

7/1/03-6/30/04

sales

TRANS. DATE	DESCRIPTION	# OF SHRS	COST	PROCEEDS	gain/loss	TOTAL
10/1/2003	MI Developments	550	9,630.33	12,519.70	2,889.37	
10/1/2003	Fleetboston	700	25,752.09	21,080.97	(4,671.12)	
10/1/2003	National City	1,500	33,230.24	44,008.14	10,777.90	
10/1/2003	Federated Dept Stores	500	17,978.17	20,893.18	2,915.01	109,446.39
1/2/2004	Washington Mutual	500	16,648.83	19,899.84	3,251.01	
1/13/2004	Nortel Networks	1,800	1,612.08	10,865.48	9,253.40	
1/14/2004	Nortel Networks	1,000	895.60	6,148.00	5,252.40	
1/15/2004	Bank of Amer	300	15,960.24	23,498.91	7,538.67	
1/15/2004	Fleetboston	300	11,036.61	12,715.58	1,678.97	
1/15/2004	Golden West Financial	250	15,467.97	25,186.10	9,718.13	
1/28/2004	Sempra Energy	800	14,721.87	25,539.95	10,818.08	
1/28/2004	Valero Energy	300	8,188.73	15,816.27	7,627.54	
1/29/2004	Lubrizol	800	24,310.02	25,583.04	1,273.02	56,411.22
2/2/2004	Washington Mutual	800	26,638.14	34,934.06	8,295.92	
2/17/2004	Sempra Energy	225	4,140.53	6,961.82	2,821.29	
2/17/2004	Sempra Energy	675	12,974.58	20,885.47	7,910.89	19,028.10
3/1/2004	Aventis	400	18,294.95	30,894.60	12,599.65	
3/11/2004	Crown Holdings	1,100	37,360.85	9,765.26	(27,595.59)	
3/15/2004	Liberty Media	8,600	98,212.00	98,807.75	595.75	
3/18/2004	Sanmina Corp	1,100	6,760.19	12,258.40	5,498.21	
3/18/2004	Wyeth	700	34,042.02	26,148.97	(7,893.05)	
3/18/2004	Sanmina Corp	100	780.95	1,114.40	333.45	
3/30/2004	Millennium Chemicals	1,000	25,011.53	14,780.86	(10,230.67)	
3/30/2004	Metlife	600	19,390.20	21,412.79	2,022.59	(24,669.66)
5/10/2004	Bristol Myers	600	14,545.22	15,200.45	655.23	655.23
6/10/2004	Sears Roebuck	700	17,382.86	28,098.91	10,716.05	
6/16/2004	Sprint Corp	1,200	13,442.24	20,758.53	7,316.29	
6/16/2004	Sprint Corp	600	7,107.62	10,379.27	3,271.65	
6/16/2004	Sprint Corp	1,250	14,011.29	21,623.48	7,612.19	
6/16/2004	Sprint Corp	650	7,760.39	11,244.21	3,483.82	
6/16/2004	Sprint Corp	150	1,742.37	2,594.82	852.45	
6/25/2004	Guidant Corp	300	15,446.04	16,929.31	1,483.27	34,735.72
	9352					
10/10/2003	Bernstein Int's	72,831	1,369,660.98	1,238,121.48	(131,539.50)	(131,539.50)
					6,907.54	6,907.54

U.S. TRUST

MSM-FED ID #13-1656667

Net Capital Gains(Losses)

7/1/03-6/30/04

		PURCHASES		SALES		MO.TOTALS	
TRANS. DATE	DESCRIPTION	# OF SHRS	COST	# OF SHRS	PROCEEDS	gain/loss	
A/C 73202000,2001,0654							
0654							
7/1/2003	Bed Bath & Beyond	875	27,618.94	875	35,152.00	7,533.06	
7/1/2003	Harley Davidson	650	6,961.50	650	26,515.31	19,553.81	
7/1/2003	Harrahs Entnt	1,100	46,663.57	1,100	45,298.96	(1,364.61)	
7/17/2003	Medaphis Corp	0	0.00	0	672.13	672.13	26,394.39
8/27/2003	Appollo Group	175	6,828.02	175	11,329.53	4,501.51	
8/27/2003	Electronic Arts Inc.	325	16,325.30	325	28,963.91	12,638.61	
8/27/2003	Harley Davidson	750	9,420.00	750	37,293.73	27,873.73	
8/27/2003	Intel(adj June NCG			0		13.77	
8/27/2003	Lexmark Int'l	425	26,504.26	425	27,901.26	1,397.00	
8/28/2003	Microsoft Corp	1,900	16,503.12	1,900	50,674.05	34,170.93	80,595.55
9/26/2003	American Int'l Group	527	26,252.01	527	31,094.97	4,842.96	
9/29/2003	Citigroup	1,100	30,099.66	1,100	51,208.65	21,108.99	
9/26/2003	Health Mgmt	1,700	29,865.13	1,700	36,626.48	6,761.35	
9/26/2003	Patterson Dental	600	27,511.86	600	35,527.58	8,015.72	
9/4/2003	Per-Se Technologies	41	0.00	41	0.00	0.00	40,729.02
10/22/2003	First Data Corp.	1,225	42,316.61	1,225	45,448.43	3,131.82	3,131.82
2000							
7/23/2003	Caterpillar Inc.	340	19,596.92	340	21,904.15	2,307.23	2,307.23
8/11/2003	Brinker Int'l	741	23,638.02	741	22,448.88	(1,189.14)	
8/12/2003	Tribune Co Com New	545	25,397.00	545	25,232.31	(164.69)	(1,353.83)
9/24/2003	Brinker Int'l	741	22,741.43	741	25,458.23	2,716.80	
9/24/2003	Liberty Media	1,072	18,634.83	1,072	11,431.48	(7,203.35)	
9/15/2003	Medco Health	0	0.00	0	18.40	18.40	(4,468.15)
10/22/2003	Excelsior S/term Gov't sec fnd	291,987	2,076,027.57	291,987	2,102,306.40	26,278.83	
10/31/2003	Aracruz Celulose	913	18,427.48	913	26,133.75	7,706.27	33,985.10
						181,321.13	181,321.13

MANHATTAN SCHOOL OF MUSIC

FED.ID:13-1656667

YEAR 2003

FORM 990, SCHEDULE A, PART V, LINE 34A

Government aid is limited to amount reported on Form 990 Part I, Line 1C

FORM 990, SCHEDULE A, PART III, LINE 4

Most disbursements in furtherance of the School's exempt programs are made directly for salary and similar expenses incurred directly in the active conduct of the activities constituting the exempt purpose or function in which the School is organized and operated. Otherwise, disbursements are made in accordance with procedures or subject to conditions by the School's governing board designed to insure that individuals receiving disbursements from the organization are adequately investigated to determine that they are qualifying recipients. Students receiving scholarships and fellowships are judged worthy by the School on the basis of performing talent, academic achievement, financial need, and other similar standards.

***Manhattan School of
Music***

Financial Statements for the

*Years Ended June 30, 2004 and 2003
and Independent Auditors' Report*

MANHATTAN SCHOOL OF MUSIC

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Manhattan School of Music

We have audited the accompanying statements of financial position of Manhattan School of Music (the "School") as of June 30, 2004 and 2003, and the related statements of activities and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 17, 2004

MANHATTAN SCHOOL OF MUSIC

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2004 AND 2003

ASSETS	2004	2003
CASH AND CASH EQUIVALENTS	\$ 2,797,261	\$ 2,782,115
INVESTMENTS (Note 2)	14,004,237	12,706,516
ACCRUED INVESTMENT INCOME	23,965	15,361
PLEDGES RECEIVABLE (Note 3)	3,212,324	5,022,067
STUDENT TUITION RECEIVABLE	30,348	35,430
STUDENT LOAN RECEIVABLES (Note 6)	593,519	550,377
ACCOUNTS RECEIVABLE	77,573	79,291
PREPAID EXPENSES AND OTHER	75,069	30,359
DEPOSITS WITH TRUSTEE (Note 7)	3,966,273	3,815,113
PROPERTY, PLANT AND EQUIPMENT—Net (Notes 4 and 7)	<u>63,823,761</u>	<u>64,233,109</u>
TOTAL	<u>\$ 88,604,330</u>	<u>\$ 89,269,738</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 604,338	\$ 475,796
Unearned tuition and fees	792,051	683,937
Refundable government advances for loan programs (Note 6)	518,254	500,601
Interest rate swap liability (Note 8)	3,910,997	6,535,678
Bonds payable (Note 7)	<u>47,455,000</u>	<u>48,230,000</u>
Total liabilities	<u>53,280,640</u>	<u>56,426,012</u>
 NET ASSETS (Note 9):		
Unrestricted	19,853,679	15,715,090
Temporarily restricted	3,212,324	5,022,067
Permanently restricted	<u>12,257,687</u>	<u>12,106,569</u>
Total net assets	<u>35,323,690</u>	<u>32,843,726</u>
TOTAL	<u>\$ 88,604,330</u>	<u>\$ 89,269,738</u>

See notes to financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004			2003				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, SUPPORT AND RECLASSIFICATIONS								
Student tuition and fees—Net (Note 11)	\$17,064,224	\$ -	\$ -	\$17,064,224	\$1,152,792	\$ -	\$ -	\$17,152,792
Private gifts and grants	1,655,360	38,489	151,118	1,655,360	1,638,453	287,911	1,926,391	
Pledges (Note 3)	-	-	-	38,489	-	481,562	-	481,562
Investment return (Note 2)	1,521,572	-	-	1,521,572	563,291	-	-	563,291
Government grants	554,816	-	-	554,816	542,912	-	-	542,912
Other	618,404	-	-	618,404	508,814	-	-	508,814
Bond income (Note 7)	240,410	-	-	240,410	244,034	-	-	244,034
Dormitory	4,991,485	-	-	4,991,485	4,571,316	-	-	4,571,316
Net assets released from restrictions (Note 1)	-	(1,848,232)	-	(1,848,232)	369,863	(1,369,863)	-	-
Total revenue, gains, support and reclassifications	28,106,859	(1,809,743)	151,118	26,684,760	25,591,475	(888,301)	287,911	25,991,112
EXPENSES								
Program services								
Instruction	8,765,782	-	-	8,765,782	9,919,214	-	-	8,919,214
Academic support	2,449,489	-	-	2,449,489	3,337,401	-	-	2,337,401
Student services	2,552,779	-	-	2,552,779	2,252,189	-	-	2,252,189
Plant services	3,005,681	-	-	3,005,681	3,076,518	-	-	3,076,518
Scholarships (Note 11)	460,598	-	-	460,598	457,514	-	-	457,514
Dormitory—depreciation	1,605,805	-	-	1,605,805	612,476	-	-	1,612,476
Dormitory—other	1,776,679	-	-	1,776,679	718,686	-	-	1,718,686
Total program services	20,616,813	-	-	20,616,813	375,998	-	-	20,373,998
SUPPORTING SERVICES								
General and administrative	2,938,772	-	-	2,938,772	3,075,925	-	-	3,075,925
Fund raising	789,991	-	-	789,991	836,935	-	-	836,935
Bond expenses and change in fair value (Note 8)	(140,780)	-	-	(140,780)	465,166	-	-	5,465,166
Total supporting services	3,587,983	-	-	3,587,983	3,787,026	-	-	9,378,026
Total expenses	24,204,796	-	-	24,204,796	25,752,024	-	-	29,752,024
CHANGE IN NET ASSETS	4,382,063	(1,809,743)	151,118	2,479,964	(1,605,549)	(888,301)	287,911	(3,760,912)
NET ASSETS—Beginning of year	15,106,569	5,022,067	12,106,569	32,843,726	375,639	5,910,368	11,818,611	36,604,638
NET ASSETS—End of year	\$19,488,632	\$3,212,324	\$12,257,687	\$35,323,690	\$1,715,090	\$5,022,067	\$12,106,569	\$32,843,726

See notes to financial statements

MANHATTAN SCHOOL OF MUSIC

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,479,964	\$ (3,760,912)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contributions designated as permanently restricted	(151,118)	(287,938)
Contributions of stock	(345,282)	(331,686)
Depreciation and amortization	2,130,782	2,245,606
Change in unrealized gains on investments	(780,872)	(368,305)
Realized (gains) losses on sales of investments	(581,732)	138,968
Change in value of interest rate swap	(2,624,681)	2,966,577
Changes in operating assets and liabilities:		
(Increase) decrease in accrued investment income	(8,604)	9,205
Decrease in due from U.S. Government Agency		1,459
Decrease in pledges receivable, net of discount	1,394,857	859,214
Decrease in student tuition receivable	5,082	15,317
Student loans granted	(110,750)	(81,100)
Student loans repaid	67,608	123,858
Decrease in other loans receivable		25,869
Decrease (increase) in accounts receivable	1,718	(79,291)
(Increase) decrease in prepaid expenses and other	(44,710)	26,966
Increase (decrease) in accounts payable	128,542	(665,091)
Increase in unearned tuition and fees	108,114	34,773
Increase in refundable government advances for loan programs	17,653	9,411
Net cash provided by operating activities	<u>1,686,571</u>	<u>882,900</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(1,721,434)	(1,401,767)
(Increase) decrease in deposits with trustees	(151,160)	828,209
Purchase of investments	(13,015,887)	(4,568,289)
Proceeds from sales of investments	<u>13,840,938</u>	<u>4,835,011</u>
Net cash used in investing activities	<u>(1,047,543)</u>	<u>(306,836)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions designated as permanently restricted	151,118	287,938
Payment of bonds	<u>(775,000)</u>	<u>(770,000)</u>
Net cash used in financing activities	<u>(623,882)</u>	<u>(482,062)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,146	94,002
CASH AND CASH EQUIVALENTS—Beginning of year	<u>2,782,115</u>	<u>2,688,113</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 2,797,261</u>	<u>\$ 2,782,115</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid during the year	<u>\$ 2,483,901</u>	<u>\$ 2,498,590</u>
Contributions of stock received in satisfaction of pledges receivable	<u>\$ 414,886</u>	<u>\$ 29,087</u>

See notes to financial statements.

MANHATTAN SCHOOL OF MUSIC

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Manhattan School of Music (the "School") is a private conservatory located in New York City that offers four-year degree programs and post-graduate degree programs to its students in various musical disciplines. The School also offers courses to precollege students in its preparatory division.

Basis of Accounting—The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles").

Tuition and Fees—Under the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations, scholarships are to be reported as "scholarship allowance" which offsets revenue. The School reports "Student Tuition and Fees" net of the scholarship allowance in the Statement of Activities. The Audit Guide defines a scholarship allowance as the difference between stated charges for goods and services provided by a college and the amount that is billed to the student and/or third party making payments on behalf of the student.

Cash and Cash Equivalents—Cash and cash equivalents include all cash balances and highly liquid investments that at date of purchase had maturities of three months or less.

Pledges Receivable—Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

Investments—The School's investments are carried at fair value with realized and unrealized gains and losses reflected in the Statement of Activities.

Inventory—The School's inventory consists of items for sale at the campus store. Amounts are reported at the lower of cost or market using the first-in, first out method of valuation. The inventory balance at June 30, 2004 totaled approximately \$62,000 and is included within prepaid expenses and other on the accompanying statements of financial position. There were no amounts reported at June 30, 2003, as the campus store is new in the current year.

Property, Plant and Equipment—Property, plant and equipment are recorded at cost or, if donated, at fair value on the date of contribution. Depreciation of assets is computed on the straight-line method over the estimated useful lives of the assets.

Derivative Financial Instruments—The School accounts for derivative financial instruments in accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"). SFAS 133, as amended and interpreted, requires that all derivative

financial instruments such as interest rate swap contracts, whether designated in hedging relationships or not, be recorded on the balance sheet at fair value. It is the School's policy to record changes in fair values of derivative instruments as changes in net assets.

The School uses derivative financial instruments for the purpose of hedging interest rate exposures, which exist as part of ongoing business operations. The School does not hold or issue derivative financial instruments for trading or speculative purposes. Under the contract, the School agrees to pay an amount equal to a specified fixed rate of interest times a notional principal amount, and to receive in return an amount equal to a specified variable-rate of interest times the same notional principal amount. The notional amounts of the contract are not exchanged nor are there any other cash payments. The interest rate swap contract is reflected at fair value in the statements of financial position.

Unearned Tuition and Fees—The School records unearned tuition and fees related to prepayments of summer and fall session college tuition.

Contributions—Contributions are considered to be unrestricted and available for use unless specifically restricted by the donor, and are recognized during the period in which they are pledged.

Temporarily Restricted and Permanently Restricted Net Assets—The School separately accounts for and reports upon donor restricted and unrestricted net assets. Temporarily restricted net assets are those whose use by the School has been limited by donors to a specific time period or purpose. Resources arising from the results of operations or assets set aside by the Board of Trustees are not considered to be donor restricted. Permanently restricted net assets have been restricted by donors to be maintained by the School in perpetuity, income earned thereon is unrestricted or temporarily restricted based upon donors' restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Revenue Recognition—The School records as revenue the following types of contributions, when they are received unconditionally, at their fair value: cash, promises to give (pledges) and gifts of long-lived assets, rare collection items and other assets.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status—The Internal Revenue Service has ruled that the School is a Section 501(c)(3) organization, exempt from Federal income tax under Section 501(a) of the Internal Revenue Code (the "IRC"). The School has been classified as a publicly supported organization under Section 509 (a)(1) of the IRC and qualifies for the maximum charitable contribution deduction by donors. The School is also exempt from New York State and City income taxes.

Reclassifications—Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 presentation.

2. INVESTMENTS

Details of investments at June 30 are as follows:

	Fair Value	
	2004	2003
Bonds	\$ 3,124,497	\$ 2,131,505
Equity securities	<u>10,879,740</u>	<u>10,575,011</u>
	<u>\$14,004,237</u>	<u>\$12,706,516</u>

Bond and equity securities are composed of publicly traded, marketable securities. Market values at June 30, 2004 and 2003 are based on published prices as of that date.

Investment advisory fees for the years ended June 30, 2004 and 2003 were \$84,807 and \$55,481, respectively. These expenses are allocated among the funds and netted against investment income.

Investment return for the year ended June 30 consists of the following:

	2004	2003
Interest and dividend income	\$ 243,775	\$ 389,435
Realized gains (losses)	581,732	(138,968)
Change in unrealized appreciation	780,872	368,305
Less investment advisory fees	<u>(84,807)</u>	<u>(55,481)</u>
Net investment return	<u>\$ 1,521,572</u>	<u>\$ 563,291</u>

3. PLEDGES RECEIVABLE

The pledges receivable at June 30 are due as follows:

	2004	2003
Next year	\$ 737,857	\$ 1,066,089
Years 2-5	1,462,143	1,982,143
After 5 years	<u>1,500,000</u>	<u>2,500,000</u>
Gross	3,700,000	5,548,232
Discount	<u>(487,676)</u>	<u>(526,165)</u>
	<u>\$ 3,212,324</u>	<u>\$ 5,022,067</u>

The change in the discount value is shown as an increase in pledges on the statement of activities.

4. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment at June 30 is as follows:

	2004	2003
Land	\$ 1,240,000	\$ 1,240,000
Buildings	7,733,101	7,622,343
Dormitory	56,503,436	56,499,687
Furniture and equipment	1,668,958	2,046,406
Musical instruments and audio equipment	2,778,209	2,793,073
Library books, music and art work (including rare collection items)	1,120,783	1,155,839
Library—construction in progress	<u>1,653,760</u>	<u>117,142</u>
	72,698,247	71,474,490
Less accumulated depreciation	<u>(8,874,486)</u>	<u>(7,241,381)</u>
	<u>\$ 63,823,761</u>	<u>\$ 64,233,109</u>

Fully depreciated assets with an original cost of \$504,999 and \$203,376 have been written off during the years ended June 30, 2004 and 2003, but remain in use, unless sold.

5. PENSION PLAN

The School participates in an immediate vesting, defined contribution pension plan which covers all full-time employees through the Teachers Insurance and Annuity Association ("TIAA"). The School's policy is to fund, on a current basis, pension costs accrued under the Plan. Total costs under the Plan for the years ended June 30, 2004 and 2003 amounted to approximately \$603,112 and \$517,215, respectively.

6. REFUNDABLE GOVERNMENT ADVANCES FOR LOAN PROGRAMS

The School participates in the Perkins Loan Program (the "Program") sponsored by the United States Department of Education ("DOE"). The DOE advances funds to the School, which the School loans to students. The School is required to match a percentage of the advanced funds. The School selects student participants in the Program based on financial need and other eligibility requirements set by the Program. Principal and interest collected by the School are used to fund additional loans. Interest earned and expenses incurred by the School in conducting the Program are allocated between government advances and the School's operations based on the proportion of contributions made by the School and the DOE since the inception of the Program at the School. The accumulated amounts advanced by the DOE are reflected as refundable government advances for loan programs on the statement of financial position.

7. BONDS PAYABLE

In July 2000, the School entered into a financial arrangement for \$49,000,000 of Revenue Bonds, which are due serially through 2029 and issued by the Trust for Cultural Resources of the City of New York (the "Trust"). The arrangement was entered into to fund construction on a mixed-use

building primarily for use as a dormitory for the School's students. The School has financed the balance of the construction with available funds of the Institution. As part of the arrangement, the School has granted a mortgage on the land, building and certain fixtures and equipment, which were financed by the Revenue Bonds.

In connection with the debt agreements, the School is required to maintain a bond principal fund and bond interest fund. Amounts deposited into these funds are available for principal and interest payments. The balances in the bond principal fund are \$3,924,762 and \$3,684,473, and the bond interest fund balances are \$0 and \$89,228 at June 30, 2004 and 2003, respectively. Earnings on these funds, which totaled \$240,410 and \$244,034 in 2004 and 2003, respectively, are used to make principal and interest payments. In addition, the School created a development fund, which was established to pay the administrative costs of issuing the bonds and the capitalized interest on bonds when due. Any remaining balances will be applied to outstanding principal balances. The balances in the development fund are \$41,511 and \$41,412 for the years ended June 30, 2004 and 2003, respectively.

The maturities of the bonds payable are as follows:

Fiscal Year	Amount
2005	\$ 820,000
2006	915,000
2007	960,000
2008	1,015,000
2009	1,070,000
Thereafter	<u>42,675,000</u>
	<u>\$47,455,000</u>

Interest expense related to the bonds for fiscal 2004 and 2003 is \$458,737 and \$570,022, respectively.

8. INTEREST RATE SWAP

At June 30, 2004, the School had an interest rate swap contract to pay fixed-rate interest (4.85%) and receive variable rates of interest on the contractually established notional amount. The contract expires October 1, 2010. The School is required to pay the difference between the BMA Municipal Swap Index, which is reset weekly, and the fixed rate. The weekly BMA Municipal Swap Index rate was between 0.65% and 1.20% during the period July 1, 2003 to June 30, 2004. At June 30, 2004 and 2003, the School recorded an obligation based on the fair value of the swap. The change in fair value of the swap is recorded as a reduction or increase in bond expense in the accompanying statements of activities and changes in net assets. For fiscal 2004, bond expense was decreased by \$2,624,681 and for fiscal 2003 bond expense was increased by \$2,966,577.

The interest rate swap liability balance of \$3,910,997 and \$6,535,678 as of June 30, 2004 and 2003, respectively, is the cost (or if positive, would be the value to the School) of terminating the swap agreement. It essentially reflects the net present value of the future stream of expected cash flows between the School and Morgan Stanley related to the swap agreement.

9. RESTRICTED NET ASSETS

Temporarily restricted net assets of \$3,212,324 and \$5,022,067 are time restricted as of June 30, 2004 and June 30, 2003, respectively.

Permanently restricted net assets are represented by investments held in perpetuity. The income from these endowments is expendable to support the following:

	2004	2003
Program Services:		
Educational programs and scholarships	\$ 9,826,399	\$ 9,675,331
The operations of the School	<u>2,431,288</u>	<u>2,431,238</u>
	<u>\$12,257,687</u>	<u>\$12,106,569</u>

10. RELEASED FROM RESTRICTIONS

Approximately \$1.8 million and \$1.4 million of net assets were released from donor restrictions in 2004 and 2003, respectively, by incurring expenses satisfying the restricted purposes specified by the donors.

11. SCHOLARSHIPS

Institutional Scholarships awarded for the years ended June 30, 2004 and 2003 were \$4,770,319 and \$4,492,713, respectively. These amounts are recorded as a reduction to total student tuition and are included in student tuition and fees, net. Government grants of \$554,816 and \$542,912 were received for the years ended June 30, 2004 and 2003, respectively. These amounts are recorded as government grant revenue and within scholarships expense.

12. ALLOCATION OF CERTAIN EXPENSES

The School allocates operation and maintenance of plant and nondormitory related depreciation based on building square footage as follows:

	2004	2003
Instruction expenses	\$ 602,284	\$ 758,123
Academic support, including library	49,099	61,803
Student services	83,469	105,066
Plant services	<u>83,469</u>	<u>105,066</u>
Total operation and maintenance of plant expense	<u>\$ 818,321</u>	<u>\$ 1,030,058</u>
Instruction expenses	\$ 386,383	\$ 465,984
Academic support, including library	31,499	37,988
Student services	53,548	64,579
Plant services	<u>53,548</u>	<u>64,579</u>
Total depreciation and amortization expense	<u>\$ 524,978</u>	<u>\$ 633,130</u>

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