

**BAM ENDOWMENT TRUST**

**Financial Statements  
(Together with Independent Auditors' Report)**

**Years Ended June 30, 2021 and 2020**

**BAM ENDOWMENT TRUST**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the  
BAM Endowment Trust

We have audited the accompanying financial statements of BAM Endowment Trust ("BET"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BAM Endowment Trust as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Marks Paneth LLP*

New York, NY  
February 24, 2022

**BAM ENDOWMENT TRUST**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2E and 5)	\$ 5,505,005	\$ 10,121,642
Investments (Notes 2G, 8 and 10)	99,753,158	80,993,883
Pledges receivable - net (Notes 2F, 2I and 7)	1,700,952	1,687,485
<b>TOTAL ASSETS</b>	<b>\$ 106,959,115</b>	<b>\$ 92,803,010</b>
<b>LIABILITIES</b>		
Due to Brooklyn Academy of Music, Inc. (Note 6)	\$ 73	\$ 4,830
Pooled income fund liabilities (Note 8)	15,026	17,751
<b>TOTAL LIABILITIES</b>	<b>15,099</b>	<b>22,581</b>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 9)		
<b>NET ASSETS</b> (Notes 2B and 4):		
Without donor restrictions - Board designated	20,960,516	6,840,953
With donor restrictions		
Pooled income fund	133,098	110,541
Restricted in perpetuity	85,850,402	85,828,935
Total with donor restrictions	85,983,500	85,939,476
<b>TOTAL NET ASSETS</b>	<b>106,944,016</b>	<b>92,780,429</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 106,959,115</b>	<b>\$ 92,803,010</b>

**BAM ENDOWMENT TRUST  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>Year Ended June 30, 2021</u>			<u>Year Ended June 30, 2020</u>		
	<u>Without Donor Restrictions - Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>	<u>Without Donor Restrictions - Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>
<b>REVENUES AND OTHER SUPPORT:</b>						
Contributions (Note 2H)	\$ -	\$ 21,467	\$ 21,467	\$ -	\$ 72,000	\$ 72,000
Interest and dividends (Note 4)	1,164,273	-	1,164,273	2,312,974	-	2,312,974
Miscellaneous income	-	-	-	670	-	670
Change in pooled income fund (Note 8)	-	2,725	2,725	-	2,591	2,591
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>1,164,273</u>	<u>24,192</u>	<u>1,188,465</u>	<u>2,313,644</u>	<u>74,591</u>	<u>2,388,235</u>
<b>EXPENSES:</b>						
<b>Program services:</b>						
Distribution - Brooklyn Academy of Music, Inc. (Note 9A)	7,687,204	-	7,687,204	9,599,095	-	9,599,095
<b>Supporting services:</b>						
<b>Management and general</b>						
Management fee (Note 6)	125,000	-	125,000	125,000	-	125,000
Audit, insurance, filing and other fees	40,492	-	40,492	53,213	-	53,213
	165,492	-	165,492	178,213	-	178,213
<b>Fundraising</b>						
Management fee (Note 6)	125,000	-	125,000	125,000	-	125,000
<b>Total supporting services</b>	<u>290,492</u>	<u>-</u>	<u>290,492</u>	<u>303,213</u>	<u>-</u>	<u>303,213</u>
<b>TOTAL EXPENSES</b>	<u>7,977,696</u>	<u>-</u>	<u>7,977,696</u>	<u>9,902,308</u>	<u>-</u>	<u>9,902,308</u>
<b>RESULTS FROM OPERATIONS</b>	<u>(6,813,423)</u>	<u>24,192</u>	<u>(6,789,231)</u>	<u>(7,588,664)</u>	<u>74,591</u>	<u>(7,514,073)</u>
<b>NON-OPERATING ACTIVITIES</b>						
Unrealized gain on investments	16,789,569	19,832	16,809,401	71,020	4,604	75,624
Realized gain (loss) on investments	4,143,417	-	4,143,417	(941,539)	-	(941,539)
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<u>20,932,986</u>	<u>19,832</u>	<u>20,952,818</u>	<u>(870,519)</u>	<u>4,604</u>	<u>(865,915)</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	14,119,563	44,024	14,163,587	(8,459,183)	79,195	(8,379,988)
<b>Net assets - beginning of year</b>	<u>6,840,953</u>	<u>85,939,476</u>	<u>92,780,429</u>	<u>15,300,136</u>	<u>85,860,281</u>	<u>101,160,417</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 20,960,516</u>	<u>\$ 85,983,500</u>	<u>\$ 106,944,016</u>	<u>\$ 6,840,953</u>	<u>\$ 85,939,476</u>	<u>\$ 92,780,429</u>

The accompanying notes are an integral part of these financial statements.

**BAM ENDOWMENT TRUST  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 14,163,587	\$ (8,379,988)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted in perpetuity	(21,467)	(72,000)
Decrease in pooled income fund	(2,725)	(2,591)
Unrealized gain on investments	(16,809,401)	(75,624)
Realized (gain) loss on investments	(4,143,417)	941,539
Change in discount on pledges receivable	(16,467)	(14,884)
Subtotal	(6,829,890)	(7,603,548)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Pledges receivable	3,000	-
Due from Brooklyn Academy of Music, Inc.	-	2,653,904
Due to Brooklyn Academy of Music, Inc.	(4,757)	4,830
<b>Net Cash Used in Operating Activities</b>	<b>(6,831,647)</b>	<b>(4,944,814)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from investment sales	16,668,057	34,669,002
Purchases of investments	(14,474,514)	(24,609,676)
<b>Net Cash Provided by Investing Activities</b>	<b>2,193,543</b>	<b>10,059,326</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted in perpetuity	21,467	72,000
<b>Net Cash Provided by Financing Activities</b>	<b>21,467</b>	<b>72,000</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,616,637)</b>	<b>5,186,512</b>
Cash and cash equivalents - beginning of year	10,121,642	4,935,130
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 5,505,005</b>	<b>\$ 10,121,642</b>

The accompanying notes are an integral part of these financial statements.

**BAM ENDOWMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

BAM Endowment Trust (“BET”) was incorporated in April 1992. BET operates exclusively for the benefit of Brooklyn Academy of Music, Inc. (“BAM”). The bylaws of BET state that the majority of its Board members cannot be affiliated with BAM’s Board of Trustees. Accordingly, the accounts of BET are not consolidated with the financial statements of BAM, although BAM records its beneficial interest in the net assets of BET.

BET is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and similar provisions at the New York State and City level.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. ***Basis of Accounting*** – The financial statements of BET have been prepared on the accrual basis of accounting. BET adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Net Assets*** – BET maintains its net assets under the following two classes:
- a. Without Donor Restrictions – represents resources available to support BET’s operations over which the Board of Trustees has discretionary control.
  - b. With Donor Restrictions – represents net assets subject to donor-imposed stipulations as to a specific purpose or time that have not been met. Net Assets with donor restrictions which have been both earned and have had their restrictions met in the current year are recorded as net assets without donor restrictions. In addition, BET receives funds for the establishment of certain endowments for its benefit. These endowments have been designated by the donors as endowments to be kept in perpetuity with net appreciation designated to specific purposes or the general operations of BAM. Appropriations of such appreciations are limited in accordance with New York Prudent Management of Institutional Funds Act “NYPMIFA”), see Note 4.
- C. ***Use of Estimates*** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.
- D. ***Results from Operations*** – BET reports as operations all gifts, investment income and expenses. Gains and losses on investments are reported as non-operating changes in net assets.
- E. ***Cash and Cash Equivalents*** – BET considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
- F. ***Pledges Receivable*** – Pledges receivable due in more than one year are recorded at their net present value, determined using a risk-adjusted discount rate commensurate with the rate of U.S. Treasury bills whose maturities correspond to the maturities of the pledges. The discount rate was 3.5 percent. Amortization of the discounts on pledges is reflected as a component of contribution income in the accompanying financial statements. Restricted pledges are reported as additions to net assets with donor restrictions.
- G. ***Investments and Fair Value*** – Investments are carried at estimated fair market value in the accompanying financial statements. The statements of activities include net return on investments consisting of interest and dividend income, realized and unrealized gains and losses, as well as management and custodial fees. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

**BAM ENDOWMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- G. **Investments and Fair Value (continued)** – Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 10.
- H. **Contributions** – Contributions are recorded as support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to BET that is, in substance, unconditional. Conditional contributions and promises to give, those with measurable performance and other barriers and a right of return, are not recognized as support until the conditions on which they depend are substantially met.
- I. **Allowance for Doubtful Accounts** – BET’s management evaluates the need for an allowance for doubtful accounts applicable to its pledges receivable based on various factors including an assessment of the creditworthiness of the donors, aging of the amounts due and historical experience. As of both June 30, 2021 and 2020, BET’s management determined that no allowance for doubtful accounts was necessary.
- J. **Functional Expense Allocation** – The costs of program and supporting services have been summarized on a functional basis in the statements of activities. Since BET operates exclusively for the benefit of BAM, distributions to BAM are classified as program expenses and all other expenses are considered supporting services. BET allocated a management fee paid to BAM based on reasonable estimates of time and efforts of services performed by BAM’s employees on behalf of BET.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

BET regularly monitors liquidity required to meet its operating needs while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, BET considers all expenditures related to its ongoing activities.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, included the following as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	<u>\$ 5,505,005</u>	<u>\$ 10,121,642</u>



**BAM ENDOWMENT TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 4 – NET ASSETS**

The following reflects net assets with donor restrictions that are restricted in perpetuity and the donor designations of the net appreciation as of June 30:

	<u>2021</u>	<u>2020</u>
BAM Programs in BAM Harvey Theater	\$ 4,000,000	\$ 4,000,000
BAM Programs in BAM Karen	2,500,000	2,500,000
BAM Programs in Howard Gilman Opera House	6,288,954	6,288,954
Cinema Programs	125,000	125,000
Collaborative Creativity Among US Artists	3,750,000	3,750,000
Community, Educational and Public Affairs Programs	5,160,000	5,160,000
Dance	136,964	136,964
Education and Humanities	1,711,000	1,711,000
Emerging and Local Musicians	1,000,000	1,000,000
Kriegel Center	33,056	33,056
Max Leavitt Theater Workshop	500,000	500,000
Next Wave	1,775,000	1,775,000
Opera	1,540,100	1,540,100
Opera and Music Theater	4,475,000	4,475,000
Opera and Theater	2,390,000	2,390,000
Performance	317,294	317,294
Peter Jay Sharp Fund for Endowment	13,000,000	13,000,000
Women's Mentoring	32,293	32,293
Youth Film-Literacy Programs	<u>250,000</u>	<u>250,000</u>
Total donor designated gifts	48,984,661	48,984,661
Peter Jay Sharp Working Capital Fund	2,000,000	2,000,000
All other for general purpose	<u>34,865,741</u>	<u>34,844,274</u>
Total with donor restrictions in perpetuity	<u>\$ 85,850,402</u>	<u>\$ 85,828,935</u>

In addition, assets held in the pooled income fund (see Note 8) of \$133,098 and \$110,541 at June 30, 2021 and 2020, respectively, are also included in net assets with donor restrictions.

BET adheres to NYPMIFA. BET recognizes that NYPMIFA permits the Board of Trustees to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of the fair value of the endowment funds. Any unappropriated earnings that would otherwise be considered without donor restrictions by the donor will be reflected as net assets with donor restrictions until appropriated. All current year investment earnings are appropriated by the Board as considered available to be spent by BAM.

The Board of Trustees of BET has interpreted NYPMIFA as allowing BET to appropriate for expenditure or accumulate so much of an endowment fund as BET determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. See Note 2B for how BET maintains its net assets.

BET's endowment investment policy is to invest primarily in a mix of equities, fixed income funds, mutual funds and alternative investments based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. BET relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Annual spending from the endowment funds is described above.

**BAM ENDOWMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 4 – NET ASSETS (Continued)**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires BET to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature, if they occur, are reported in net assets with donor restrictions. The deficiencies may result from unfavorable market fluctuations that occur in the economy as a whole that may affect the donor restricted endowment fund where the fair market value of the donor restricted endowment fund falls below the amount that is required to be retained permanently. There were no such deficiencies for the years ended June 30, 2021 and 2020.

Changes in endowment net assets for the year ended June 30, 2021 were as follows:

	Without Donor Restrictions – Board Designated	With Donor Restrictions	Total 2021
Investment activity:			
Interest and dividends	\$ 1,164,273	\$ -	\$ 1,164,273
Unrealized gain on investments	16,789,569	19,832	16,809,401
Realized gain on investments	<u>4,143,417</u>	<u>-</u>	<u>4,143,417</u>
Total investment activity	22,097,259	19,832	22,117,091
Contributions	-	21,467	21,467
Other income	-	2,725	2,725
Amount appropriated for expenditure	<u>(7,977,696)</u>	<u>-</u>	<u>(7,977,696)</u>
Change in endowment net assets	14,119,563	44,024	14,163,587
Endowment net assets, beginning of year	<u>6,840,953</u>	<u>85,939,476</u>	<u>92,780,429</u>
Endowment net assets, end of year	<u>\$ 20,960,516</u>	<u>\$ 85,983,500</u>	<u>\$ 106,944,016</u>

Changes in endowment net assets for the year ended June 30, 2020 were as follows:

	Without Donor Restrictions – Board Designated	With Donor Restrictions	Total 2020
Investment activity:			
Interest and dividends	\$ 2,312,974	\$ -	\$ 2,312,974
Unrealized gain on investments	71,020	4,604	75,624
Realized loss on investments	<u>(941,539)</u>	<u>-</u>	<u>(941,539)</u>
Total investment activity	1,442,455	4,604	1,447,059
Contributions	-	72,000	72,000
Other income	670	2,591	3,261
Amount appropriated for expenditure	<u>(9,902,308)</u>	<u>-</u>	<u>(9,902,308)</u>
Change in endowment net assets	(8,459,183)	79,195	(8,379,988)
Endowment net assets, beginning of year	<u>15,300,136</u>	<u>85,860,281</u>	<u>101,160,417</u>
Endowment net assets, end of year	<u>\$ 6,840,953</u>	<u>\$ 85,939,476</u>	<u>\$ 92,780,429</u>

**BAM ENDOWMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 5 – CONCENTRATIONS**

Cash and cash equivalents that potentially subject BET to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. All accounts are insured up to \$250,000 per depositor. As of June 30, 2021 and 2020, there was approximately \$4,750,000 and \$9,500,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.

**NOTE 6 – RELATED-PARTY TRANSACTIONS**

As of June 30, 2021 and 2020, the amount of funds BET owed to BAM was \$73 and \$4,830, respectively. During the years ended June 30, 2021 and 2020, BAM received a management fee of \$250,000 for services performed on behalf of BET by BAM employees.

**NOTE 7 – PLEDGES RECEIVABLE - NET**

Pledges receivable as of June 30, 2021 and 2020 to BET have been discounted to reflect their net present value. The pledges receivable from various corporations, foundations and individuals were as follows at June 30:

	<u>2021</u>	<u>2020</u>
Pledges due:		
Within one year	\$ 1,218,000	\$ 1,221,000
In one to five years	<u>500,000</u>	<u>500,000</u>
Gross pledges receivable	1,718,000	1,721,000
Less: discount to present value	<u>(17,048)</u>	<u>(33,515)</u>
Total pledges receivable - net	<u>\$ 1,700,952</u>	<u>\$ 1,687,485</u>

The pledges due subsequent to fiscal year 2021 are expected to be fully collected according to their payment schedules.

**NOTE 8 – POOLED INCOME FUND**

During the year ended June 30, 1997, BET established a BAM Pooled Income Fund. The fair value of the assets held in the Pooled Income Fund as of June 30, 2021 and 2020 amounted to \$148,124 and \$128,292, respectively. The discounting for future interests was \$15,026 and \$17,751 as of June 30, 2021 and 2020, respectively, using a discount rate commensurate with the rate of U.S. Treasury Notes whose maturities correspond to the estimated lives of the beneficiaries. The net value to BET as of June 30, 2021 and 2020 of \$133,098 and \$110,541, respectively, is included as net assets with donor restrictions for the estimated life of the income to the beneficiaries. The remaining \$2,725 and \$2,591 net change in the Pooled Income Fund was classified within net assets with donor restrictions as of June 30, 2021 and 2020, respectively.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

A. The Board designates only a portion of BET’s cumulative investment return for support of current operations unless donor restrictions exist. The remainder is retained to support operations of future years and used to offset potential market declines. State law allows the Board to appropriate so much of the net appreciation as is prudent considering BET’s present and anticipated financial requirements.

BET has made a commitment to make a distribution to BAM each year. During the years ended June 30, 2021 and 2020, the Board of BET authorized distributions to BAM of \$7,687,204 and \$9,599,095, respectively, of which \$1,250,000 and \$5,000,000, respectively, were appropriated as a special distribution.

B. BET believes it has no uncertain tax positions as of June 30, 2021 and 2020 in accordance with Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes* which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

**BAM ENDOWMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 10 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The following is a summary of investments classified by major type as of June 30:

	<u>2021</u>	<u>2020</u>
Equity securities funds (1)	\$ 66,424,027	\$ 58,490,145
Hedge funds, funds of funds and limited partnerships (2)	8,973,913	3,624,368
Fixed income funds (3)	24,207,094	18,751,078
Pooled income funds	<u>148,124</u>	<u>128,292</u>
Total investments	<u>\$ 99,753,158</u>	<u>\$ 80,993,883</u>

The unrealized gain recognized for the years ended June 30, 2021 and 2020 amounted to \$16,809,401 and \$75,624, respectively.

- (1) These funds invest in domestic and international marketable equity securities in various industries.
- (2) These funds invest in hedge funds, funds of funds and limited partnerships whose objective is to achieve above-average rates of return and long-term capital growth through investments in private equity and private investment in public equity securities.
- (3) These funds primarily invest in certificates of deposit issued by various commercial banks.

As of June 30, 2021 and 2020, BET had contractual commitments to invest capital amounted to \$10,353,324 and \$6,823,390, respectively, into alternative investments at a future date.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, BET utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Financial assets carried at fair value at June 30, 2021 were classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>ASSETS CARRIED AT FAIR VALUE</b>				
Investments:				
Equity Securities	\$ 66,424,027	\$ -	\$ -	\$ 66,424,027
Fixed Income	24,207,094	-	-	24,207,094
Alternative Investments	-	-	8,973,913	8,973,913
Pooled Income Funds	<u>-</u>	<u>148,124</u>	<u>-</u>	<u>148,124</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 90,631,121</u>	<u>\$ 148,124</u>	<u>\$ 8,973,913</u>	<u>\$ 99,753,158</u>

**BAM ENDOWMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 10 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Financial assets carried at fair value at June 30, 2020 were classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>ASSETS CARRIED AT FAIR VALUE</b>				
Investments:				
Equity Securities	\$ 58,490,145	\$ -	\$ -	\$ 58,490,145
Fixed Income	18,751,078	-	-	18,751,078
Alternative Investments	-	-	3,624,368	3,624,368
Pooled Income Funds	<u>-</u>	<u>128,292</u>	<u>-</u>	<u>128,292</u>
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b><u>\$ 77,241,223</u></b>	<b><u>\$ 128,292</u></b>	<b><u>\$ 3,624,368</u></b>	<b><u>\$ 80,993,883</u></b>

Investments in corporate equities and fixed income funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in the pooled income fund are valued using quoted prices in inactive markets (Level 2). Level 2 instruments valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Investments in hedge funds, funds of funds and limited partnerships (“alternative investments”) are stated at fair value as estimated in an unquoted market (Level 3). Fair values of these investments are reviewed by the Board of Trustees through the investment managers and general partners. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Because of the inherent uncertainty of valuations of these investments, values for these investments may differ significantly from values that would have been used had a ready market for the investments existed.

The estimated fair values of the alternative investments are reviewed by the Board of Trustees and may neither reflect amounts that could be realized upon immediate sale nor amounts that ultimately may be realized. The fair value of BET’s investment in these alternative investments generally represents the amount BET would expect to receive if it were to liquidate its investment, excluding any redemption charges that may apply.

The reconciliation of the alternative investments measured at estimated fair value classified as Level 3 is as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 3,624,368	\$ 3,200,697
Additions	7,820,066	476,610
Redemptions	(3,361,019)	(55,757)
Realized/unrealized gain	<u>890,498</u>	<u>2,818</u>
Balance, end of year	<b><u>\$ 8,973,913</u></b>	<b><u>\$ 3,624,368</u></b>

**BAM ENDOWMENT TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 10 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

The following tables set forth additional disclosures of BET's investments whose fair value is estimated using net asset value per share (or its equivalent):

	As of June 30, 2021			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds, funds of funds and limited partnerships	\$ 8,973,913	\$ 10,353,324	Monthly to annual	35 to 90 days
Total	<u>\$ 8,973,913</u>	<u>\$ 10,353,324</u>		
	As of June 30, 2020			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds, funds of funds and limited partnerships	\$ 3,624,368	\$ 6,823,390	Monthly to annual	35 to 90 days
Total	<u>\$ 3,624,368</u>	<u>\$ 6,823,390</u>		

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through February 24, 2022, the date the financial statements were available to be issued.