

BROOKLYN ACADEMY OF MUSIC, INC.

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

Years Ended June 30, 2022 and 2021

BROOKLYN ACADEMY OF MUSIC, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Brooklyn Academy of Music, Inc.

Opinion

We have audited the financial statements of Brooklyn Academy of Music, Inc. ("BAM"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BAM as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of BAM and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2021 Financial Statements

The financial statements of BAM as of and for the year ended June 30, 2021, were audited by another auditor whose report dated February 24, 2022, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BAM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BAM's ability to continue as a going concern for a reasonable period of time.

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

Mayer Roffman McCann CPAs

New York, NY
March 30, 2023

BROOKLYN ACADEMY OF MUSIC, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Notes 2C, 10A and 15)	\$ 2,064,815	\$ 2,527,714
Accounts and other receivables (Notes 2J and 2N)	747,990	741,778
Government receivables (Notes 2J, 2N and 8)	6,355,576	5,778,043
Pledges receivable, net (Notes 2F, 2J and 5)	5,120,486	5,137,759
Due from BAM Endowment Trust (Note 7)	73	73
Prepaid expenses and other current assets (Note 11)	1,407,227	879,172
Property and equipment, net (Notes 2G and 6)	47,878,406	46,005,332
Beneficial interest in BAM Endowment Trust (Notes 2L, 7, 12 and 15)	93,433,236	106,944,016
TOTAL ASSETS	\$ 157,007,809	\$ 168,013,887
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses, net (Note 11)	\$ 4,997,965	\$ 4,724,621
Line of credit (Note 9A)	3,550,000	-
Loan payable, net (Notes 2M and 9B)	2,493,336	2,573,896
PPP loan payable (Note 8)	-	3,880,700
Deferred revenue (Note 2D)	468,165	8,225
TOTAL LIABILITIES	11,509,466	11,187,442
COMMITMENTS AND CONTINGENCIES (Note 14)		
NET ASSETS (Note 2E):		
Without donor restrictions		
General operations	506,647	(2,165,097)
Cultural Institutions Retirement System (Note 11)	(666,934)	(920,789)
Net investment in property and equipment (Notes 2G and 6)	44,309,433	43,206,790
Total without donor restrictions	44,149,146	40,120,904
With donor restrictions (Note 12)	101,349,197	116,705,541
TOTAL NET ASSETS	145,498,343	156,826,445
TOTAL LIABILITIES AND NET ASSETS	\$ 157,007,809	\$ 168,013,887

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

BROOKLYN ACADEMY OF MUSIC, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total 2022	Without Donor Restrictions	With Donor Restrictions	Total 2021
OPERATING ACTIVITIES (Note 2L):						
OPERATING REVENUE:						
Support:						
Special events revenue	\$ 1,337,104	\$ 30,000	\$ 1,367,104	\$ 709,027	\$ 45,000	\$ 754,027
Less: direct special event expenses	(279,610)	-	(279,610)	(238,976)	-	(238,976)
Special events, net	1,057,494	30,000	1,087,494	470,051	45,000	515,051
The City of New York (Notes 2N and 13)	3,275,718	-	3,275,718	3,105,966	-	3,105,966
New York State	55,000	-	55,000	104,500	-	104,500
Federal government (Notes 2N and 8)	13,930,700	-	13,930,700	2,006,700	-	2,006,700
Private sector (Note 4)	7,846,916	2,882,123	10,729,039	8,639,916	2,768,106	11,408,022
Distribution from BAM Endowment Trust (Note 7)	4,613,204	-	4,613,204	7,687,204	-	7,687,204
Net assets released from restrictions (Note 12)	2,826,809	(2,826,809)	-	2,020,659	(2,020,659)	-
Total Support	<u>33,605,841</u>	<u>85,314</u>	<u>33,691,155</u>	<u>24,034,996</u>	<u>792,447</u>	<u>24,827,443</u>
Earned Revenue: (Note 2O)						
Performance and co-presenter income	9,434,894	-	9,434,894	264,405	-	264,405
BAM Rose Cinema	1,529,921	-	1,529,921	77,798	-	77,798
Rentals, BAMart sales, interest and other income	2,484,263	2	2,484,265	846,770	5	846,775
Total Earned Revenue	<u>13,449,078</u>	<u>2</u>	<u>13,449,080</u>	<u>1,188,973</u>	<u>5</u>	<u>1,188,978</u>
TOTAL OPERATING REVENUE	<u>47,054,919</u>	<u>85,316</u>	<u>47,140,235</u>	<u>25,223,969</u>	<u>792,452</u>	<u>26,016,421</u>
OPERATING EXPENSE:						
Program services	33,673,653	-	33,673,653	14,577,120	-	14,577,120
Management and general	5,396,213	-	5,396,213	5,038,076	-	5,038,076
Fundraising	5,617,613	-	5,617,613	4,393,958	-	4,393,958
TOTAL OPERATING EXPENSE (Note 2I)	<u>44,687,479</u>	<u>-</u>	<u>44,687,479</u>	<u>24,009,154</u>	<u>-</u>	<u>24,009,154</u>
RESULTS FROM OPERATIONS	<u>2,367,440</u>	<u>85,316</u>	<u>2,452,756</u>	<u>1,214,815</u>	<u>792,452</u>	<u>2,007,267</u>
NON-OPERATING ACTIVITIES (Note 2L):						
Depreciation and amortization expense (Notes 2G and 6)	(1,477,940)	-	(1,477,940)	(1,698,696)	-	(1,698,696)
Net assets released from restriction for capital projects (Note 12)	1,930,880	(1,930,880)	-	500,000	(500,000)	-
New York City Economic Development Corporation capital grant	-	-	-	1,589,303	-	1,589,303
Federal government grant (Notes 2N and 8)	1,189,183	-	1,189,183	2,227,846	-	2,227,846
(Decrease) increase in beneficial interest in BAM Endowment Trust (Note 7)	-	(13,510,780)	(13,510,780)	-	14,163,587	14,163,587
TOTAL NON-OPERATING ACTIVITIES	<u>1,642,123</u>	<u>(15,441,660)</u>	<u>(13,799,537)</u>	<u>2,618,453</u>	<u>13,663,587</u>	<u>16,282,040</u>
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	4,009,563	(15,356,344)	(11,346,781)	3,833,268	14,456,039	18,289,307
Cultural Institutions Retirement System (Note 11)	18,679	-	18,679	(5,605)	-	(5,605)
CHANGE IN TOTAL NET ASSETS	4,028,242	(15,356,344)	(11,328,102)	3,827,663	14,456,039	18,283,702
Net Assets - Beginning of Year	40,120,904	116,705,541	156,826,445	36,293,241	102,249,502	138,542,743
NET ASSETS - END OF YEAR	<u>\$ 44,149,146</u>	<u>\$ 101,349,197</u>	<u>\$ 145,498,343</u>	<u>\$ 40,120,904</u>	<u>\$ 116,705,541</u>	<u>\$ 156,826,445</u>

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

BROOKLYN ACADEMY OF MUSIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

FOR THE YEAR ENDED JUNE 30, 2022

	PROGRAM SERVICES												SUPPORTING SERVICES					Total 2022	Total 2021
	Fall Season	Theater	Dance	Dance			Education	Ancillary	Film	Rentals	Programming & General			Total Program Services	Management & Fundraising		Total Supporting Services		
				Africa	Music						Management	Marketing	Operations		General				
SALARIES AND BENEFITS:																			
Salaries and other personnel costs	\$ 255,427	\$ 935,349	\$ 995,273	\$ 236,779	\$ 345,949	\$ 1,484,050	\$ 527,768	\$ 1,392,468	\$ 841,442	\$ 5,523,189	\$ 3,155,207	\$ -	\$ 15,692,901	\$ 2,596,107	\$ 3,276,175	\$ 5,872,282	\$ 21,565,183	\$ 12,521,362	
Payroll taxes and employee benefits (Note 11)	80,514	380,901	444,859	101,747	145,385	575,929	194,685	440,848	367,000	2,028,681	1,203,761	-	5,964,310	777,386	1,041,969	1,819,355	7,783,665	5,407,347	
Total Salaries and Benefits	335,941	1,316,250	1,440,132	338,526	491,334	2,059,979	722,453	1,833,316	1,208,442	7,551,870	4,358,968	-	21,657,211	3,373,493	4,318,144	7,691,637	29,348,848	17,928,709	
OTHER EXPENSES:																			
Company and artist fees	197,256	583,713	962,925	108,500	424,984	139,848	473,300	179	-	-	-	-	2,890,705	-	42,423	42,423	2,933,128	585,461	
Production expenses	115,407	488,892	77,454	59,069	78,152	212,392	177,691	24,622	8,539	70,877	7,119	14,996	1,335,210	28,114	48,758	76,872	1,412,082	385,520	
Travel, hotel and per diem	148,046	399,649	339,655	61,037	5,430	23,038	197,780	16,837	4,401	9,157	935	15,888	1,221,853	4,365	20,624	24,989	1,246,842	113,754	
Freight	15,539	43,382	98,078	577	3,632	1,838	9,049	-	5,203	1,387	-	11,997	190,682	-	4,085	4,085	194,767	34,089	
Consultants and production fees	23,103	40,246	1,125	47,600	29,250	273,480	134,195	49,850	18,060	186,301	76,192	127,333	1,006,735	215,446	121,404	336,850	1,343,585	794,551	
Professional fees	-	18,277	-	-	-	-	-	9,449	-	993	-	-	28,719	244,507	3,012	247,519	276,238	666,551	
Advertising and promotion	294,811	740,021	101	57,506	513	53,066	37,787	98,953	-	20,202	123,762	-	1,426,722	-	103,529	103,529	1,530,251	219,514	
Film rental	-	-	-	-	-	167	2,257	560,716	-	-	-	-	563,140	-	-	-	563,140	42,372	
Cinema concessions	-	-	-	-	-	-	-	54,942	-	-	-	-	54,942	-	647	647	55,589	13,450	
Hospitality and special events	8,578	28,700	12,677	5,597	16,063	13,197	52,600	10,030	7,180	11,004	-	300	165,926	6,659	458,473	465,132	631,058	72,111	
Patron services	-	-	-	-	-	91	-	405	-	2,802	3,487	-	6,785	266	18,893	19,159	25,944	15,120	
Human resources and personnel training	-	-	35	-	-	164	-	-	-	5,207	3,714	6,842	15,962	357,643	5,433	363,076	379,038	162,152	
Occupancy costs (Note 14A)	-	-	-	-	-	-	-	-	-	-	-	960,858	960,858	-	-	-	960,858	861,775	
Building maintenance	-	-	-	36,612	103	-	5,826	7,252	-	-	-	1,203,271	1,253,064	-	11,169	11,169	1,264,233	738,091	
Computers, service and supplies	-	-	-	-	-	4,003	-	492	-	765	4,991	679,612	689,863	11,035	3,708	14,743	704,606	616,325	
Telecommunications	-	-	-	-	-	1,647	-	-	-	8,704	-	98,039	108,390	1,853	689	2,542	110,932	54,633	
Office supplies	198	-	-	722	-	18,754	4,178	18,476	-	211,879	2,267	144,861	401,335	6,820	3,321	10,141	411,476	152,981	
Postage and shipping	316	25	94	1,456	120	109	193	17,132	-	635	148	11,096	31,324	3,222	4,849	8,071	39,395	16,923	
Insurance expense	1,042	3,490	2,809	4,745	1,498	1,334	1,408	8,227	-	-	-	1,249	25,802	331,658	-	331,658	357,460	277,767	
Bank and other finance charges	-	-	-	-	-	50	-	-	-	-	-	-	50	377,058	40	377,098	377,148	300,830	
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	198,970	198,970	198,970	21,056	
Organizational contributions	-	-	-	-	-	2,000	-	-	-	-	-	-	2,000	308	-	308	2,308	2,350	
Miscellaneous	6,403	159,464	56,722	11,880	29,843	16,387	39,518	50,424	5,830	15,593	26,696	28,195	446,955	34,388	117,850	152,238	599,193	172,045	
Operations allocation	91,184	304,153	238,513	58,487	86,143	226,905	147,961	220,668	100,899	649,405	369,639	(3,304,537)	(810,580)	399,378	411,202	810,580	-	-	
	1,237,824	4,126,262	3,230,320	792,314	1,167,065	3,048,449	2,006,196	2,981,970	1,358,554	8,746,781	4,977,918	-	33,673,653	5,396,213	5,897,223	11,293,436	44,967,089	24,248,130	
Costs of direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(279,610)	(279,610)	(279,610)	(238,976)	
Total expenses before depreciation and amortization	1,237,824	4,126,262	3,230,320	792,314	1,167,065	3,048,449	2,006,196	2,981,970	1,358,554	8,746,781	4,977,918	-	33,673,653	5,396,213	5,617,613	11,013,826	44,687,479	24,009,154	
Depreciation and amortization (Note 6)	41,003	136,676	106,985	26,241	38,653	101,450	66,449	98,742	44,973	289,563	164,789	-	1,115,524	178,686	183,730	362,416	1,477,940	1,698,696	
TOTAL EXPENSES	\$ 1,278,827	\$ 4,262,938	\$ 3,337,305	\$ 818,555	\$ 1,205,718	\$ 3,149,899	\$ 2,072,645	\$ 3,080,712	\$ 1,403,527	\$ 9,036,344	\$ 5,142,707	\$ -	\$ 34,789,177	\$ 5,574,899	\$ 5,801,343	\$ 11,376,242	\$ 46,165,419	\$ 25,707,850	

BROOKLYN ACADEMY OF MUSIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAM SERVICES												SUPPORTING SERVICES			Total 2021	
	Next Wave	Theater	Dance	Dance		Music	Education	Ancillary	Film	Rentals	Programming & General		Total Program Services	Management & Fundraising			Total Supporting Services
				Africa	Management						Marketing	Operations		General	Fundraising		
SALARIES AND BENEFITS:																	
Salaries and other personnel costs	\$ 7,208	\$ 130,883	\$ 53,256	\$ 52,183	\$ 65,092	\$ 1,064,481	\$ 84,851	\$ 524,769	\$ 248,011	\$ 3,273,127	\$ 2,152,435	\$ -	\$ 7,656,296	\$ 2,197,521	\$ 2,667,545	\$ 4,865,066	\$ 12,521,362
Payroll taxes and employee benefits (Note 11)	3,352	58,964	18,715	28,634	21,510	489,414	28,620	238,336	119,013	1,412,641	1,065,930	-	3,485,129	856,453	1,065,765	1,922,218	5,407,347
Total Salaries and Benefits	10,560	189,847	71,971	80,817	86,602	1,553,895	113,471	763,105	367,024	4,685,768	3,218,365	-	11,141,425	3,053,974	3,733,310	6,787,284	17,928,709
OTHER EXPENSES:																	
Company and artist fees	-	172,072	42,500	81,000	90,800	49,500	104,124	-	-	250	-	-	540,246	-	45,215	45,215	585,461
Production expenses	8,165	40,497	33,258	17,896	31,559	7,474	52,644	7,024	-	18,226	14,147	37,032	267,922	28,420	89,178	117,598	385,520
Travel, hotel and per diem	6,910	18,059	49,888	17,058	10,338	-	2,263	-	20	1,343	296	2,372	108,547	838	4,369	5,207	113,754
Freight	65	802	6,934	1,749	2,362	-	14,977	-	-	-	-	4,975	31,864	-	2,225	2,225	34,089
Consultants and production fees	10,550	52,238	-	126,313	-	196,586	62,522	16,750	130	140,109	3,968	42,440	651,606	28,647	114,298	142,945	794,551
Professional fees	-	-	-	-	-	-	-	-	-	1,000	-	18,634	19,634	646,917	-	646,917	666,551
Advertising and promotion	12,752	51,770	1,046	24,435	2,693	7,809	13,724	10,680	-	1,425	70,657	1,718	198,709	1,331	19,474	20,805	219,514
Film rental	-	-	-	-	-	303	3,833	38,236	-	-	-	-	42,372	-	-	-	42,372
Cinema concessions	-	-	-	-	-	-	-	13,400	-	-	-	-	13,400	50	-	50	13,450
Hospitality and special events	513	2,571	760	1,964	1,304	535	85	-	-	2,113	-	638	10,483	451	61,177	61,628	72,111
Patron services	-	-	-	-	-	1,252	-	405	-	2,148	3,641	-	7,446	286	7,388	7,674	15,120
Human resources and personnel training	-	-	-	-	-	913	-	-	-	3,221	-	4,100	8,234	153,718	200	153,918	162,152
Occupancy costs (Note 14A)	-	-	-	-	-	-	-	-	-	-	-	861,775	861,775	-	-	-	861,775
Building maintenance	-	-	79	13	-	-	-	-	-	-	33	723,038	723,163	728	14,200	14,928	738,091
Computers, service and supplies	-	-	1,506	965	570	2,757	605	1,530	-	2,285	1,817	593,013	605,048	8,352	2,925	11,277	616,325
Telecommunications	-	-	-	-	-	2,190	-	75	-	5,278	150	44,075	51,768	2,585	280	2,865	54,633
Office supplies	-	1,308	1,135	250	750	2,104	5,294	40,328	-	62,278	443	34,993	148,883	2,859	1,239	4,098	152,981
Postage and shipping	-	28	48	394	-	258	127	1,071	-	82	8	9,638	11,654	4,418	851	5,269	16,923
Insurance expense	-	29	79	-	88	-	-	252	-	-	-	3,109	3,557	274,210	-	274,210	277,767
Bank and other finance charges	-	-	-	-	-	-	40	-	-	-	-	-	40	300,790	-	300,790	300,830
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,056	21,056	21,056
Organizational contributions	-	-	-	-	-	-	-	-	-	150	-	-	150	750	1,450	2,200	2,350
Miscellaneous	60	7,337	2,206	2,095	573	2,723	491	2,287	10	5,992	4,562	50,674	79,010	16,410	76,625	93,035	172,045
Operations allocation	5,612	60,742	24,014	40,183	25,770	206,894	42,362	101,336	41,568	558,298	375,629	(2,432,224)	(949,816)	512,342	437,474	949,816	-
	55,187	597,300	235,424	395,132	253,409	2,035,193	416,562	996,479	408,752	5,489,966	3,693,716	-	14,577,120	5,038,076	4,632,934	9,671,010	24,248,130
Costs of direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(238,976)	(238,976)	(238,976)
Total expenses before depreciation and amortization	55,187	597,300	235,424	395,132	253,409	2,035,193	416,562	996,479	408,752	5,489,966	3,693,716	-	14,577,120	5,038,076	4,393,958	9,432,034	24,009,154
Depreciation and amortization (Note 6)	3,920	42,423	16,771	28,064	17,998	144,498	29,586	70,774	29,031	389,923	262,344	-	1,035,332	357,827	305,537	663,364	1,698,696
TOTAL EXPENSES	\$ 59,107	\$ 639,723	\$ 252,195	\$ 423,196	\$ 271,407	\$ 2,179,691	\$ 446,148	\$ 1,067,253	\$ 437,783	\$ 5,879,889	\$ 3,956,060	\$ -	\$ 15,612,452	\$ 5,395,903	\$ 4,699,495	\$ 10,095,398	\$ 25,707,850

BROOKLYN ACADEMY OF MUSIC, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (11,328,102)	\$ 18,283,702
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	1,477,940	1,698,696
Amortization of debt issuance costs	25,368	25,368
Decrease (increase) in beneficial interest in BAM Endowment Trust	13,510,780	(14,163,587)
Bad debt	198,970	21,056
PPP loan forgiveness	(3,880,700)	(1,956,700)
Change in discount on pledges receivable	29,801	(83,912)
Subtotal	34,057	3,824,623
Decrease (increase) in assets:		
Accounts and other receivables	(6,212)	47,168
Government receivables	(577,533)	(3,557,004)
Pledges receivable	(211,498)	744,184
Due from BAM Endowment Trust	-	4,757
Prepaid expenses and other current assets	(528,055)	(231,710)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	273,344	(1,126,479)
Deferred revenue	459,940	8,225
Net Cash Used in Operating Activities	(555,957)	(286,236)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	(3,351,014)	(4,563,033)
Net Cash Used in Investing Activities	(3,351,014)	(4,563,033)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	3,550,000	-
Proceeds from PPP loan payable	-	5,837,400
Repayment of loan payable	(105,928)	(102,065)
Net Cash Provided by Financing Activities	3,444,072	5,735,335
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(462,899)	886,066
Cash and cash equivalents - beginning of year	2,527,714	1,641,648
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,064,815	\$ 2,527,714
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 131,402	\$ 101,844
Noncash Financing Activity:		
PPP loan forgiveness	\$ 3,880,700	\$ 1,956,700

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

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Brooklyn Academy of Music, Inc. (“BAM”), founded in 1861, is a not-for-profit performing arts center located in the Fort Greene section of Brooklyn, New York. The mission of BAM is to be the home for adventurous artists, audiences, and ideas.

BAM is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the U.S. 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 BAM have been prepared on the accrual basis of accounting. BAM adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***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.
- C. ***Cash and Cash Equivalents*** – BAM considers all highly liquid investments with a maturity of three months or less when acquired, to be cash equivalents.
- D. ***Deferred Revenue*** – BAM receives advances for ticket sales and records these sales as deferred revenue.
- E. ***Net Assets*** – BAM accounts for and reports its net assets based upon the existence or absence of donor-imposed restrictions. The net assets are categorized into the following two classes:

Without Donor Restrictions – represents net assets not subject to any donor-imposed stipulations or other restrictions over which the Board of Trustees have discretionary control.

With Donor Restrictions – represents net assets whose use by BAM is limited by donor-imposed restrictions as to a specific purpose or time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. In addition, this class includes assets with donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity. Certain of such net assets require that earnings be restricted in perpetuity. However, they do provide for BAM to access such earnings for short-term working capital needs provided such funds are restored within specified time periods as further discussed in Note 12.

- F. ***Pledges Receivable*** – Pledges are recorded as revenue when the unconditional pledge is made. BAM discounts long-term pledges using a risk-adjusted interest rate (ranging from 0.7% to 3.5%) for the expected term of the promise to give applicable to the years in which the pledges are received. As of June 30, 2022 and 2021, the discount on pledges receivable amounted to \$132,849 and \$103,048, respectively.
- G. ***Property and Equipment*** – Property and equipment is recorded at cost. Such amounts do not purport to represent replacement values. BAM capitalizes property and equipment, provided such acquisitions are \$25,000 or more and have a useful life of more than one year. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets. Amortization of leasehold improvements is charged at the lesser of the life of the improvements or the lease.

The range of estimated useful lives follows:

Furniture and equipment	3-25 years
Capital additions and leasehold improvements	5-25 years
Commercial condominium	40 years

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- H. **Contributions in-Kind** – BAM records contributed goods and services at their fair value on the date of receipt. There were no material donated goods and services during the years ended June 30, 2022 and 2021. These donations are reflected under private sector support in the accompanying statements of activities for the years ended June 30, 2022 and 2021, respectively, and were used for fundraising activities. BAM has three facilities in Brooklyn in which it carries out its activities. These facilities are provided at a nominal charge by The City of New York (the “City”) through long-term leases or license agreements. BAM, like many cultural institutions, does not reflect the value of the use of the long-lived assets as contributions in-kind, since to do so would be impracticable.
- I. **Functional Expense Allocation** – The costs of program and supporting services have been summarized on a functional basis in the financial statements. BAM allocates expenses that are attributed to more than one program or supporting function based on its formal functional expense allocation guidelines that are consistently applied. The expenses that are allocated include salaries and benefits, and other expenses of operations (I.T., Facilities, Securities and Capital Project Departments), which are allocated based on a percentage of total expenses. Salaries and benefits, and other expenses of the President’s Office are allocated based on reasonable estimates of time and efforts.
- J. **Allowance for Doubtful Accounts** – BAM’s management evaluates the need for an allowance for doubtful accounts applicable to its accounts receivable based on various factors including an assessment of the creditworthiness of its donors, aging of the amounts due and historical experience. As of June 30, 2022 and 2021, BAM’s management determined that no allowance was necessary for pledges receivable, accounts and other receivables or for government receivables.
- K. **Fair Value** – 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 15.
- L. **Non-Operating Activities** – BAM’s non-operating activities include depreciation and amortization, capital grants, certain grants from the federal government and the change in value of its beneficial interest in the BAM Endowment Trust.
- M. **Debt Issuance Costs** – Debt issuance costs are reflected as a reduction of the carrying value of the related debt and are deferred and amortized on a straight-line basis over the life of the related debt, which approximates the effective interest method. Amortization expense was \$25,368 for each of the years ended June 30, 2022 and 2021.
- N. **Government and Other Grants** – Contributions are recognized when the donor makes a promise to give to BAM that is, in substance, unconditional. Conditional contributions and promises to give, those with a measurable performance or other barrier and a right of return, are not recognized as support until the conditions on which they depend are substantially met.

Government and other grants are nonexchange transactions and accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08. Grants are recognized as revenue when barriers within the contracts are overcome, and there is no right of return. As of June 30, 2022, and 2021, advances from the governmental and other sources amounted to \$108,135 and \$60,000, respectively. As of June 30, 2022 and 2021, BAM received conditional grants and contracts in the aggregate amounts of approximately \$197,000 and \$163,000, respectively, that have not been recorded in the accompanying financial statements, as they have not been earned. Revenue from government contracts is subject to audit and negotiations between BAM and the government agencies.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. **Program Service Revenue** – Service revenue is derived from contracts with customers. Revenue is reported at the amount that reflects the consideration to which BAM expects to be entitled in exchange for providing the contracted services. Service revenue from performances and fees is recognized after the services are performed or after BAM has completed its portion of the contract. Receivables are due in full when performance obligations are satisfied.

Performance and related revenues are recognized on the accrual basis. Performance and related revenues are billed in advance of services rendered, and revenues are recognized as performances and the related services are provided. Payments received in advance are recorded as deferred income until earned.

P. **Recent Accounting Pronouncements** – FASB ASU 2020-07, (*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*), was adopted by BAM for the year ended June 30, 2022. The core guidance in ASU 2020-07 is to increase transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by the non-for-profit organizations, including transparency on how those assets are used and how they are valued. The adoption of ASU 2020-07 did not have an impact on BAM’s financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY

BAM regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. BAM has various sources of liquidity at its disposal, including cash and cash equivalents, accounts and pledges receivables and a line of credit that provides funding for operations as needed. For purposes of analyzing resources available to meet general expenditures over a 12-month period, BAM considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures over the next 12 months, BAM expects and anticipates collecting sufficient revenue to cover general expenditures.

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,064,815	\$ 2,527,714
Accounts and other receivables	747,990	741,778
Government receivables	6,355,576	5,778,043
Pledges receivables	<u>5,253,335</u>	<u>5,240,807</u>
Total	14,421,716	14,288,342
Less: pledges receivable in more than one year	(1,765,000)	(2,302,497)
Less: time or purpose restricted contributions	(3,313,431)	(4,764,866)
Less: advances from governmental and other sources	<u>(108,135)</u>	<u>(60,000)</u>
Total financial assets available	<u>\$ 9,235,150</u>	<u>\$ 7,160,979</u>

NOTE 4 – PRIVATE SECTOR SUPPORT

Private sector support consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Corporations	\$ 354,703	\$ 517,573
Foundations	6,653,949	7,934,001
Individuals	3,750,158	2,872,536
Change in net present value discount	<u>(29,801)</u>	<u>83,912</u>
Total private sector support	<u>\$ 10,729,039</u>	<u>\$ 11,408,022</u>

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable due in more than one year are recorded at the net present value, determined using a discount rate commensurate with the rate on U.S. Treasury Bills. The discount rates range from 0.7% to 3.5%. Amortization of the discount is reflected as private sector revenue in the accompanying financial statements. Pledges with donor restrictions are reported as additions to the appropriate net asset balance.

Pledges from various corporations, foundations and individuals consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Pledges due:		
Within one year	\$ 3,488,335	\$ 2,938,310
In one to five years	<u>1,765,000</u>	<u>2,302,497</u>
Gross pledges receivable	5,253,335	5,240,807
Discount for net present value	<u>(132,849)</u>	<u>(103,048)</u>
Net pledges receivable	<u>\$ 5,120,486</u>	<u>\$ 5,137,759</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
General construction in progress	\$ 42,796,199	\$ 39,923,353
Capital additions and leasehold improvements	16,320,323	16,108,373
Furniture and equipment	5,429,993	5,163,775
Marquee	301,192	301,192
Works of art	250,000	250,000
Commercial condominium	<u>2,509,919</u>	<u>2,509,919</u>
Total Cost	67,607,626	64,256,612
Less: accumulated depreciation and amortization	<u>(19,729,220)</u>	<u>(18,251,280)</u>
Net book value	<u>\$ 47,878,406</u>	<u>\$ 46,005,332</u>

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 amounted to \$1,477,940 and \$1,698,696, respectively.

Included in construction in progress as of June 30, 2022 and 2021, was general operating improvements to various BAM facilities, as well as the BAM Strong Project. Construction is expected to be completed over various days through December 2025 with an estimated total cost to complete of \$14.1 million.

NOTE 7 – BENEFICIAL INTEREST IN BAM ENDOWMENT TRUST

BAM Endowment Trust (“BET”) was incorporated as a tax-exempt organization in 1992 to operate exclusively for the benefit and purposes of BAM. The endowment campaign of BET raises donor-restricted contributions that generate investment earnings. An annual distribution of BET’s investment income is made to BAM. All BET financial activity is maintained in a separate corporation with independently audited financial statements. The by-laws of BET state that the majority of its Board members cannot be affiliated with BAM’s Board of Trustees.

Since BAM and BET are financially interrelated organizations, in that the certificate of incorporation and bylaws of BET limit their activities to those that are beneficial to BAM, and BAM has an ongoing economic interest in the net assets of BET, BAM recognizes its interest in the change in the net assets of BET as increases or decreases in BAM’s net assets with donor restrictions.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 – BENEFICIAL INTEREST IN BAM ENDOWMENT TRUST (Continued)

BET adheres to the New York Prudent Management of Institutional Funds Act (“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 such endowment funds.

The Board of Trustees of BAM has interpreted NYPMIFA as allowing BAM to appropriate for expenditure or accumulate so much of an endowment fund as BAM 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. See Note 2E for the accounting treatment of net assets.

BAM's interest in the resources held by BET changed as follows during the years ended June 30:

	2022	2021
Beneficial interest, beginning of year	\$ 106,944,016	\$ 92,780,429
Change in BET net assets	(13,510,780)	14,163,587
Beneficial interest, end of year	\$ 93,433,236	\$106,944,016

The earnings held by BET are donor-restricted by BAM, since BAM cannot determine the timing and amount of the distribution from BET.

As of June 30, 2022 and 2021, the amount of funds BET owed to BAM was \$73. During each of the years ended June 30, 2022 and 2021, BAM received a management fee of \$250,000 for services performed on behalf of BET by BAM employees.

During the years ended June 30, 2022 and 2021, the Board of BET authorized distributions to BAM of \$4,613,204 and \$7,687,204, respectively, of which \$0 and \$1,250,000, respectively, were appropriated as a special distribution. Those amounts are reflected as revenue in the accompanying statements of activities.

NOTE 8 – GRANTS AND PPP LOAN PAYABLE IN RESPONSE TO COVID-19

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES” Act) to provide relief to qualifying business through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on SBA criteria.

In accounting for the terms of the PPP loans, BAM is guided by FASB Accounting Standards Codification (“ASC”) Topic 470, *Debt*, and ASC Topic 958-605, *Not-for Profit Entities: Revenue Recognition*. Accordingly, BAM accounted for the loans under ASC Topic 958-605.

BAM received a PPP loan amounting to \$5,837,400 in July 2020. For the year ended June 30, 2021, BAM incurred sufficient qualifying expenses and accordingly recognized \$1,956,700 as a federal grant and \$3,880,700 as a PPP loan payable as of June 30, 2021. The PPP loan was fully forgiven in November 2021. As a result, BAM recognized \$3,880,700 as a federal grant for the year ended June 30, 2022.

BAM qualified for an Employee Retention Credit (“ERC”) under the CARES Act. During the years ended June 30, 2022 and 2021, BAM recognized \$1,189,183 and \$2,227,846, respectively, as a federal grant related to the ERC. Related with the ERC federal grant, BAM recorded a receivable amounting to \$3,148,507 and \$2,227,846, as of June 30, 2022 and 2021, respectively, reflected as government receivable in the accompanying statements of financial position.

The federal government also passed the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act to provide relief to qualifying business through a program called the Shuttered Venue Operators Grant (“SVOG”). BAM received the SVOG amounting to \$10,000,000 in July 2021. BAM incurred sufficient qualifying expenses and recognized \$10,000,000 as a federal grant during the year ended June 30, 2022.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 – NOTES PAYABLE

- A. BAM has a line of credit with a bank with a maximum borrowing limit of \$3,900,000 as of June 30, 2022. Loan proceeds obtained under this agreement are to be used to finance working capital. The line of credit bears interest at the Bloomberg Short-Term Bank Yield Index (“BSBY”) daily floating rate plus one percent at June 30, 2022. The line of credit bore interest at London Interbank Offered Rate (“LIBOR”) plus .50 percent at June 30, 2021. Amounts which may be drawn down from the line of credit are subject to limitations based upon the balances of accounts receivable and unconditional promises to give to secure the borrowing. The bank has a first priority security interest in all present and future assets of BAM. The outstanding balance as of June 30, 2022 and 2021, amounted to \$3,550,000 and \$0, respectively. Interest expense amounted to \$34,290 and \$1,365 for the years ended June 30, 2022 and 2021, respectively. The outstanding balance on the line of credit amounted to \$3,900,000 as of March 30, 2023.
- B. In April 2019, BAM obtained a loan from Bank of America, N.A. in the amount of \$2,850,000. The loan is secured by a lien covering real property owned by BAM located at 230 Ashland Place, Brooklyn, NY. The loan has a maturity date of May 1, 2024 and a fixed annual interest rate of 3.67%. Monthly principal and interest payments commenced on June 1, 2019 amounting to \$16,882 with a balloon principal payment due upon maturity. The outstanding balance as of June 30, 2022 and 2021 amounted to \$2,539,843 and \$2,645,771, respectively.

The loan payable balance reported in the accompanying statements of financial position is presented net of the unamortized balance of debt issuance costs of \$46,507 and \$71,875 as of June 30, 2022 and 2021, respectively.

Minimum annual principal payments are approximately as follows for each of the years ending after June 30, 2022:

2023	\$ 110,000
2024	2,430,000

NOTE 10 – CONCENTRATIONS

- A. Cash and cash equivalents that potentially subject BAM to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Interest-bearing accounts are insured up to \$250,000 per depositor, per insured financial institution. As of June 30, 2022 and 2021, there was approximately \$2,014,000 and \$2,223,000, respectively, of cash and cash equivalents held by one bank that exceeded FDIC limits. Such excess includes outstanding checks.
- B. A number of BAM’s employees are covered by collective bargaining agreements as of June 30, 2022 and 2021. The agreements stipulate wage levels and differentials, participation in group health and dental plans and certain policies with regard to paid time off and leave policies, work hours and schedules, personnel policies including grievance, as well as discharge and discipline procedures.

NOTE 11 – PENSION AND OTHER RETIREMENT PLAN

All eligible BAM employees are members of The Cultural Institutions Retirement System (“CIRS”) Pension, 401(k) Savings, and Group Life and Welfare Benefits plans (the “Plan”). Because the CIRS Pension Plan is a multiemployer plan, certain information with respect to vested and non-vested benefits, as well as plan assets relating to BAM’s employees, is not readily available. Pension expense for the years ended June 30, 2022 and 2021 amounted to \$1,499,160 and \$1,470,862, respectively, of which \$279,755 and \$251,126, respectively, was funded by an appropriation from the City (Note 13).

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 – PENSION AND OTHER RETIREMENT PLAN (Continued)

The risks of participating in multiemployer pension plans are different from single-employer plans in that: assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and if BAM stops participating in the multiemployer plan, BAM may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. BAM has no plans to withdraw.

BAM's participation in the Plan is outlined in the table below. The Pension Protection Act ("PPA") Zone Status available in the CIRS's years ended June 30, 2022 and 2021 financial statements is for the Plan's years ended June 30, 2022 and 2021. The zone status is based on information obtained from the Plan and is certified by the Plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded.

Based on the Plan's actuarial valuation, the Plan was 89% funded for its plan year beginning July 1, 2022. The "FIP/RP Status Pending/Implemented" column indicates if a funding improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.

According to the July 1, 2022 actuarial valuation, the Plan's actuary certified that for the Plan year beginning July 1, 2022, the Plan was not in endangered or critical status. Collective bargaining agreements expired on June 30, 2020 and are under negotiation.

<u>Pension Plan</u>	<u>Employer Identification Number</u>	<u>Pension Plan Number</u>	<u>PPA Zone Status</u> July 1, 2022	<u>FIP/RP Status</u> Pending/ Implemented	<u>Surcharge Imposed</u>	<u>Expiration Date of Collective Bargaining Agreements</u>
The Cultural Institutions Pension Plan	11-2001170	001	Green	No	No	June 30, 2020

In fiscal year 2015, the City notified BAM that for fiscal years 2007-2012, the CIRS had erroneously billed the City for prior pension costs that should have been paid by BAM. The total amount of overpayment by the City was \$2,351,758. The City has agreed to allow BAM to repay this amount over a period of ten years, starting July 1, 2015. For the years ended June 30, 2022 and 2021, the liability of \$666,934 and \$920,789, respectively, is reflected as part of the accounts payable and accrued expenses balance in the accompanying statements of financial position. The corresponding expense is shown as a non-operating activity on the statements of activities. BAM has also added a category of net assets without donor restrictions on the statements of financial position to reflect this transaction.

Effective September 1, 2011, BAM established a Section 457(b) deferred compensation plan for the benefit of its executives (the "Plan"). The annual contributions to the Plan are determined by each participant. Distributions from and contributions to this Plan and net earnings/reinvestments amounted to \$(89,049) and \$(32,700) for the years ended June 30, 2022 and 2021, respectively. Included in prepaid expenses and other current assets, and accounts payable and accrued expenses, net, is \$176,061 and \$265,110 as of June 30, 2022 and 2021, respectively, relating to this Plan.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

BAM's net assets with donor restrictions consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
BAM Karen Project	\$ 342,260	\$ 2,042,258
BAM Rose Cinemas Project	19,120	250,000
Benefits, galas and special events	5,000	46,500
Dance	200,000	300,000
Education	439,264	288,233
Next Wave	18,000	7,500
Opera and music	300,000	350,000
Theater	-	39,300
Other	3,096,366	3,593,578
Time restricted: to be used for general purposes	1,828,405	1,176,612
Working capital reserve fund	1,667,546	1,667,544
Beneficial interest in BAM Endowment Trust	<u>93,433,236</u>	<u>106,944,016</u>
Total donor-restricted net assets	<u>\$ 101,349,197</u>	<u>\$ 116,705,541</u>

During the years ended June 30, BAM released donor-restricted net assets by incurring program expenses or by the passage of time, as follows:

	<u>2022</u>	<u>2021</u>
Benefits, galas and special events	\$ 71,500	\$ 105,000
Dance	100,000	100,000
Education	61,469	115,025
Next Wave	7,500	25,000
Opera and music	50,000	3,300
Theatre	39,300	-
Other	1,627,210	1,221,594
Time restricted: to be used for general purposes	<u>869,830</u>	<u>450,740</u>
Net assets released from restrictions for operations	2,826,809	2,020,659
BAM Strong Project	-	500,000
BAM Karen Project	1,700,000	-
BAM Rose Cinemas Project	<u>230,880</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 4,757,689</u>	<u>\$ 2,520,659</u>

NOTE 13 – PUBLIC SUPPORT APPROPRIATIONS FROM THE CITY OF NEW YORK

In connection with its operations, BAM has received the following appropriations from the City for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Operations	\$ 2,216,758	\$ 2,120,244
Energy	711,205	691,346
Cultural Institutions Retirement System (Note 11)	<u>279,755</u>	<u>251,126</u>
Subtotal: New York City Department of Cultural Affairs	3,207,718	3,062,716
New York City Department for the Aging	23,000	17,000
New York City Department of Youth and Community Development	25,000	21,250
Borough of Brooklyn	<u>20,000</u>	<u>5,000</u>
Total appropriation from The City of New York	<u>\$ 3,275,718</u>	<u>\$ 3,105,966</u>

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. In 1973, BAM entered into an agreement with the City to lease, for a nominal amount, the premises known as The Peter Jay Sharp Building for 99 years. In December 2013, BAM entered into a 25-year license agreement with the City to operate the BAM Richard B. Fisher Building at a nominal fee. In November 2016, BAM entered into a 25-year license agreement with the City to operate the BAM Strong at a nominal fee. These 25-year license agreements have one 25-year renewal option. BAM has the responsibility to provide and pay for all services, ordinary maintenance and repairs of these three premises. BAM, however, receives annual public support appropriations from the City to offset a portion of these costs (Note 13).

BAM is also obligated under a lease for space at 1000 Dean Street. The lease has an expiration date of September 12, 2022 and was extended on September 13, 2022 for an additional six-month term through March 31, 2023. Rent expenses amounted to \$173,304 and \$162,400 for the years ended June 30, 2022 and 2021, respectively. Future minimum rental payments under the lease for the years ending subsequent to June 30, 2022 are as follows:

2023	<u>\$ 105,000</u>
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- B. Government supported projects are subject to audit by the applicable government granting agencies.
- C. During the normal course of business, BAM is a defendant with respect to various claims involving accidents and other issues. Management and counsel believe the ultimate resolution of these pending claims will not have a material impact on the financial position and changes in net assets of BAM.
- D. BAM believes it has no uncertain tax positions as of June 30, 2022 and 2021 in accordance with FASB ASC Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provision for uncertain tax positions.

NOTE 15 – FAIR VALUE MEASUREMENTS

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 the lowest priority to Level 3 inputs.

In determining fair value, BAM 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, 2022 are classified as Level 1 and Level 3 in the table as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE			
Cash equivalents – money market funds	\$ 20,888	\$ -	\$ 20,888
Beneficial interest in the BAM Endowment Trust	<u>-</u>	<u>93,433,236</u>	<u>93,433,236</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 20,888</u>	<u>\$ 93,433,236</u>	<u>\$ 93,454,124</u>

BROOKLYN ACADEMY OF MUSIC, INC.
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JUNE 30, 2022 AND 2021

NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at June 30, 2021 are classified as Level 1 and Level 3 in the table as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE			
Cash equivalents – money market funds	\$ 21,581	\$ -	\$ 21,581
Beneficial interest in the BAM Endowment Trust	<u>-</u>	<u>106,944,016</u>	<u>106,944,016</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 21,581</u>	<u>\$ 106,944,016</u>	<u>\$ 106,965,597</u>

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 106,944,016	\$ 92,780,429
Additions	3,210,512	1,188,465
Expenses	(4,905,382)	(7,977,696)
Unrealized (loss) gain	(13,181,853)	16,809,401
Realized gain	<u>1,365,943</u>	<u>4,143,417</u>
Balance, end of year	<u>\$ 93,433,236</u>	<u>\$ 106,944,016</u>

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through March 30, 2023, the date the financial statements were available to be issued.

Subsequent to the year ended June 30, 2022, BAM obtained an additional line of credit with a maximum borrowing limit of \$5,000,000 on July 29, 2022. Loan proceeds obtained under this agreement are to be used to finance working capital. The line of credit bears interest at the BSBY Daily Floating Rate plus one percent. As of March 30, 2023, the outstanding balance of this line of credit amounted to \$500,000.