

BAM ENDOWMENT TRUST

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2015 and 2014

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

BAM ENDOWMENT TRUST
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the
BAM Endowment Trust

We have audited the accompanying financial statements of the BAM Endowment Trust ("BET") which comprise the statements of financial position as of June 30, 2015 and 2014, 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 of 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 the BAM Endowment Trust as of June 30, 2015 and 2014, 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
December 18, 2015



BAM ENDOWMENT TRUST
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Notes 2D and 4)	\$ 3,583,854	\$ 4,563,519
Investments (Notes 2F, 7 and 9)	90,956,847	90,137,298
Due from The Brooklyn Academy of Music, Inc. (Note 5)	131,806	1,100,000
Pledges receivable - net (Notes 2E, 2H and 6)	4,697,836	1,025,650
Prepaid expenses and other current assets	-	5,000
TOTAL ASSETS	\$ 99,370,343	\$ 96,831,467
 LIABILITIES		
Pooled income fund liabilities (Note 7)	\$ 23,915	\$ 25,704
TOTAL LIABILITIES	23,915	25,704
 COMMITMENTS AND CONTINGENCIES (Note 8)		
 NET ASSETS (Note 3):		
Unrestricted - board discretionary	17,240,852	19,960,677
Temporarily restricted	78,825	78,781
Permanently restricted	82,026,751	76,766,305
TOTAL NET ASSETS	99,346,428	96,805,763
TOTAL LIABILITIES AND NET ASSETS	\$ 99,370,343	\$ 96,831,467

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

**BAM ENDOWMENT TRUST
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	Year Ended June 30, 2015			Year Ended June 30, 2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014
REVENUES AND OTHER SUPPORT:								
Contributions (Note 2G)	\$ 2,000	\$ -	\$ 5,260,446	\$ 5,262,446	\$ 55,600	\$ -	319,050	\$ 374,650
Interest and dividends	1,321,018	-	-	1,321,018	951,361	-	-	951,361
Miscellaneous income	3,824	-	-	3,824	31,671	-	-	31,671
Change in pooled income fund (Note 7)	-	1,789	-	1,789	-	2,197	-	2,197
	<u>1,326,842</u>	<u>1,789</u>	<u>5,260,446</u>	<u>6,589,077</u>	<u>1,038,632</u>	<u>2,197</u>	<u>319,050</u>	<u>1,359,879</u>
Total revenues and other support								
Net assets released from restrictions	-	-	-	-	36,174	(36,174)	-	-
	<u>1,326,842</u>	<u>1,789</u>	<u>5,260,446</u>	<u>6,589,077</u>	<u>1,074,806</u>	<u>(33,977)</u>	<u>319,050</u>	<u>1,359,879</u>
TOTAL REVENUES AND OTHER SUPPORT								
EXPENSES:								
Distribution - The Brooklyn Academy of Music, Inc. (Note 8)	3,894,962	-	-	3,894,962	3,546,077	-	-	3,546,077
Investment fees	571,150	-	-	571,150	616,802	-	-	616,802
Management fee (Note 5)	200,000	-	-	200,000	150,000	-	-	150,000
Audit, insurance, filing and other fees	43,559	-	-	43,559	525,854	-	-	525,854
	<u>4,709,671</u>	<u>-</u>	<u>-</u>	<u>4,709,671</u>	<u>4,838,733</u>	<u>-</u>	<u>-</u>	<u>4,838,733</u>
TOTAL EXPENSES								
RESULTS FROM OPERATIONS	<u>(3,382,829)</u>	<u>1,789</u>	<u>5,260,446</u>	<u>1,879,406</u>	<u>(3,763,927)</u>	<u>(33,977)</u>	<u>319,050</u>	<u>(3,478,854)</u>
NON OPERATING ACTIVITIES								
Unrealized (loss) gain on investments	(856,820)	(1,745)	-	(858,565)	4,609,722	7,930	-	4,617,652
Realized gain on investments	1,519,824	-	-	1,519,824	7,789,030	-	-	7,789,030
	<u>663,004</u>	<u>(1,745)</u>	<u>-</u>	<u>661,259</u>	<u>12,398,752</u>	<u>7,930</u>	<u>-</u>	<u>12,406,682</u>
TOTAL NON OPERATING ACTIVITIES								
CHANGE IN TOTAL NET ASSETS	<u>(2,719,825)</u>	<u>44</u>	<u>5,260,446</u>	<u>2,540,665</u>	<u>8,634,825</u>	<u>(26,047)</u>	<u>319,050</u>	<u>8,927,828</u>
Net assets - beginning of year	<u>19,960,677</u>	<u>78,781</u>	<u>76,766,305</u>	<u>96,805,763</u>	<u>11,325,852</u>	<u>104,828</u>	<u>76,447,255</u>	<u>87,877,935</u>
NET ASSETS - END OF YEAR	<u>\$ 17,240,852</u>	<u>\$ 78,825</u>	<u>\$ 82,026,751</u>	<u>\$ 99,346,428</u>	<u>\$ 19,960,677</u>	<u>\$ 78,781</u>	<u>\$ 76,766,305</u>	<u>\$ 96,805,763</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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,540,665	\$ 8,927,828
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized gain on investment	(1,519,824)	(7,789,030)
Unrealized gain on investments	858,565	(4,617,652)
Change in discount on pledges receivable	142,713	(23,490)
Contributions restricted for permanent endowment	<u>(5,260,446)</u>	<u>(319,050)</u>
Subtotal	(3,238,327)	(3,821,394)
Changes in operating assets and liabilities:		
(Increase) Decrease in assets:		
Pledges receivable	(3,814,899)	1,543,770
Prepaid expenses and other current assets	5,000	(5,000)
Due from Brooklyn Academy of Music, Inc.	<u>968,194</u>	<u>151,577</u>
Net Cash Used in Operating Activities	<u>(6,080,032)</u>	<u>(2,131,047)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment sales	16,647,778	159,593,129
Purchases of investments	(16,806,068)	(157,841,293)
Decrease in pooled income fund	<u>(1,789)</u>	<u>(2,197)</u>
Net Cash (Used in) Provided by Investing Activities	<u>(160,079)</u>	<u>1,749,639</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent endowment	<u>5,260,446</u>	<u>319,050</u>
Net Cash Provided by Financing Activities	<u>5,260,446</u>	<u>319,050</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(979,665)	(62,358)
Cash and cash equivalents - beginning of year	<u>4,563,519</u>	<u>4,625,877</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,583,854</u>	<u>\$ 4,563,519</u>

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

**BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The BAM Endowment Trust (“BET”) was incorporated in April 1992. BET operates exclusively for the benefit of The 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. ***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. ***Results from Operations*** – BET reports as operations all gifts, investment income and expenses. Gains and losses on investments are reported as nonoperating changes in net assets.
- D. ***Cash and Cash Equivalents*** – BET considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.
- E. ***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. Discount rates ranged from 1.5 to 2.9 percent. Amortization of the discounts on pledges is reflected as a component of contribution income in the accompanying financial statements. Long-term pledges are considered implicitly time restricted. Restricted pledges are reported as additions to the appropriate restricted net assets.
- F. ***Investments and Fair Value*** – Investments in equity and fixed income securities are stated at quoted market value. Investments in limited partnerships, funds of funds and hedge funds are stated at fair value as determined by the fund managers or general partners. Income earned from investments is accounted for as an increase in unrestricted net assets except where use of the income earned is limited by donor imposed restrictions and is therefore reported in the appropriate restricted class of net assets. Gains and losses on investments are reflected in unrestricted net assets unless there are explicit donor restrictions.

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 9.

- G. ***Contributions*** – Contributions are recorded as unrestricted, temporarily restricted or permanently restricted 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 are not recognized until they become unconditional, that is when the future and uncertain event on which they depend has occurred. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- H. ***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 credit worthiness of the donors, aging of the amounts due and historical experience. As of June 30, 2015 and 2014, BET’s management determined that no allowance for doubtful accounts was necessary.

BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 – NET ASSETS

BET accounts for and reports on its net assets based upon the existence or absence of donor imposed restrictions.

Unrestricted Net Assets – Unrestricted net assets include all resources which are not subject to donor imposed restrictions.

Temporarily Restricted Net Assets – Temporarily restricted net assets are those whose donor imposed restrictions as to a specific purpose or time have not been met. Temporarily restricted net assets which have been both earned and have had their restrictions met in the current year are recorded as unrestricted net assets.

Permanently Restricted Net Assets – 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.

Included within permanently restricted net assets are those funds received from The Brooklyn Academy of Music, Inc. through its Campaign for BAM, designated to renew and expand the cash reserve fund established by the National Endowment for the Arts Challenge Program on behalf of BAM. The cash reserve fund is to provide a source of working capital to facilitate operations throughout each fiscal year.

The following reflects permanently restricted net assets and the donor designation of the net appreciation as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
BAM Programs in BAM Harvey Theater	\$ 4,000,000	\$ 4,000,000
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	5,155,000
Dance	136,964	136,964
Education & Humanities	1,711,000	1,380,000
Emerging & 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	1,000,100	1,000,100
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	250,000	250,000
	<u>45,944,661</u>	<u>45,608,661</u>
Total donor designated gifts		
NEA Cash Reserve	1,711,379	1,711,379
Peter Jay Sharp Working Capital Fund	2,000,000	2,000,000
All other for General Purpose	32,370,711	27,446,265
	<u>82,026,751</u>	<u>76,766,305</u>
Total permanently restricted net assets	\$ 82,026,751	\$ 76,766,305

**BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 3 – NET ASSETS (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 the fair value of the endowment funds. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated.

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 previous page for how BET maintains its net assets.

BET’s endowment investment policy is to invest primarily in a mix of equities, fixed income securities, 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.

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 unrestricted net assets. 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, 2015 and 2014.

Changes in net endowment assets for the year ended June 30, 2015 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>
Investment activity:				
Interest and dividends	\$ 1,321,018	\$ -	\$ -	\$ 1,321,018
Unrealized loss on investments	(856,820)	(1,745)	-	(858,565)
Realized gain on investments	<u>1,519,824</u>	<u>-</u>	<u>-</u>	<u>1,519,824</u>
Total investment activity	1,984,022	(1,745)	-	1,982,277
Contributions	2,000	-	5,260,446	5,262,446
Other income	3,824	1,789	-	5,613
Amount appropriated for expenditure	<u>(4,709,671)</u>	<u>-</u>	<u>-</u>	<u>(4,709,671)</u>
Change in endowment net assets	(2,719,825)	44	5,260,446	2,540,665
Endowment net assets, beginning of year	<u>19,960,677</u>	<u>78,781</u>	<u>76,766,305</u>	<u>96,805,763</u>
Endowment net assets, end of year	<u>\$ 17,240,852</u>	<u>\$ 78,825</u>	<u>\$ 82,026,751</u>	<u>\$ 99,346,428</u>

BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 – NET ASSETS (Continued)

Changes in net endowment assets for the year ended June 30, 2014 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2014</u>
Investment activity:				
Interest and dividends	\$ 951,361	\$ -	\$ -	\$ 951,361
Unrealized gain on investments	4,609,722	7,930	-	4,617,652
Realized gain on investments	<u>7,789,030</u>	<u>-</u>	<u>-</u>	<u>7,789,030</u>
Total investment activity	13,350,113	7,930	-	13,358,043
Contributions	55,600	-	319,050	374,650
Other income	31,671	2,197	-	33,868
Net assets released from restrictions	36,174	(36,174)	-	-
Amount appropriated for expenditure	<u>(4,838,733)</u>	<u>-</u>	<u>-</u>	<u>(4,838,733)</u>
Change in endowment net assets	8,634,825	(26,047)	319,050	8,927,828
Endowment net assets, beginning of year	<u>11,325,852</u>	<u>104,828</u>	<u>76,447,255</u>	<u>87,877,935</u>
Endowment net assets, end of year	<u>\$ 19,960,677</u>	<u>\$ 78,781</u>	<u>\$ 76,766,305</u>	<u>\$ 96,805,763</u>

NOTE 4 – CONCENTRATION OF CREDIT RISK IN EXCESS OF INSURED LIMITS

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. Interest-bearing accounts are insured up to \$250,000 per depositor. As of June 30, 2015 and 2014 there was approximately \$2,584,000 and \$4,064,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 5 – RELATED-PARTY TRANSACTIONS

As of June 30, 2015 and 2014, BAM owes BET for funds temporarily held in BAM. The amount of the funds due to BET at June 30, 2015 and 2014 is \$131,806 and \$1,100,000, respectively. During the years ended June 30, 2015 and 2014, BAM received a management fee of \$200,000 and \$150,000, respectively, for services performed on behalf of BET by BAM employees.

NOTE 6 – PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2015 and 2014 to the BAM Endowment Trust have been discounted to reflect their net present value. The pledges receivable from various corporations, foundations and individuals were as follows at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Pledges due:		
Within one year	\$ 722,104	\$ 135,101
In one to five years	3,661,667	433,771
In five to ten years	<u>500,000</u>	<u>500,000</u>
Gross pledges receivable	4,883,771	1,068,872
Less: discount to present value	<u>(185,935)</u>	<u>(43,222)</u>
Total pledges receivable - net	<u>\$ 4,697,836</u>	<u>\$ 1,025,650</u>

The pledges due subsequent to fiscal year 2015 are expected to be fully collected according to their payment schedules.

**BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 7 – 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, 2015 and 2014 amounted to \$102,740 and \$104,485, respectively. The discounting for future interests was \$23,915 and \$25,704 as of June 30, 2015 and 2014, 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, 2015 and 2014 of \$78,825 and \$78,781, respectively, is temporarily restricted for the estimated life of the income to the beneficiaries. The remaining \$1,789 and \$2,197 net change in the pooled income fund was temporarily restricted revenue for the years ended June 30, 2015 and 2014, respectively.

NOTE 8 – 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 distribute to BAM each year, to the extent available, a minimum of 5% of the fair market value of the assets available for investment averaged over nine quarters. During the years ended June 30, 2015 and 2014, the Board of BET authorized distributions to BAM of \$3,894,962 and \$3,546,077, respectively.

B. BET has no uncertain tax positions as of June 30, 2015 and 2014 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. BET is no longer subject to federal or state and local income tax examinations by tax authorities for years before 2012.

NOTE 9 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following is a summary of investments classified by major type as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Equity securities funds (1)	\$ 38,168,083	\$ 42,449,534
Hedge funds, funds of funds and limited partnerships (2)	11,764,641	17,478,400
Mutual funds (3)	40,921,384	30,104,879
Pooled income funds	<u>102,739</u>	<u>104,485</u>
Total investments	<u>\$ 90,956,847</u>	<u>\$ 90,137,298</u>

The unrealized (loss) gain recognized for the years ended June 30, 2015 and 2014 amounted to (\$858,565) and \$4,617,652, 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 have a broad investment charter that allows them to allocate their assets among investments in equity securities, fixed-income instruments, commodities, futures, options, and other investment companies.

As of June 30, 2015, BET had no outstanding contractual commitments to invest a specific amount of additional capital at a future date.

BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 9 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2015 were classified in the table below as follows:

	Level 1	Level 2	Level 3	Total 2015
ASSETS CARRIED AT FAIR VALUE				
Investments:				
Equity Securities				
Apex Small-Mid Growth Fund	\$ 5,327,489	\$ -	\$ -	\$ 5,327,489
Eagle Capital	4,137,730	-	-	4,137,730
Edgewood LCG	4,518,825	-	-	4,518,825
Great Jones Offshore Fund, Ltd.	4,301,068	-	-	4,301,068
Iridian Private Business Value Equity Fund, L.P.	9,207,037	-	-	9,207,037
Santa Barbara LCC	8,746,691	-	-	8,746,691
Wentworth Hauser Violich Inc.	1,929,243	-	-	1,929,243
Total Equity Securities	<u>38,168,083</u>	<u>-</u>	<u>-</u>	<u>38,168,083</u>
Mutual Funds				
Completion Portfolio	-	39,361,382	-	39,361,382
Liquid Alternatives	-	1,560,002	-	1,560,002
Total Mutual Funds	<u>-</u>	<u>40,921,384</u>	<u>-</u>	<u>40,921,384</u>
Alternative Investments				
Blackstone Madison Avenue Offshore Fund Ltd.	-	-	84,302	84,302
Blackstone Resources Select Offshore Fund Ltd.	-	-	132,489	132,489
OZ Overseas Fund II, Ltd.	-	-	456,966	456,966
Carlson	-	-	2,794,442	2,794,442
Marathon	-	-	2,519,966	2,519,966
Sirios	-	-	2,955,668	2,955,668
York	-	-	2,820,808	2,820,808
Total Alternative Investments	<u>-</u>	<u>-</u>	<u>11,764,641</u>	<u>11,764,641</u>
Pooled Income Fund				
Pooled Income Fund	-	102,739	-	102,739
Total Pooled Income Fund	<u>-</u>	<u>102,739</u>	<u>-</u>	<u>102,739</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 38,168,083</u>	<u>\$ 41,024,123</u>	<u>\$ 11,764,641</u>	<u>\$ 90,956,847</u>

BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 9 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at June 30, 2014 were classified in the table below as follows:

	Level 1	Level 2	Level 3 [▼]	Total 2014
ASSETS CARRIED AT FAIR VALUE				
Investments:				
Equity Securities				
Apex Small-Mid Growth Fund	\$ 4,831,356	\$ -	\$ -	\$ 4,831,356
Eagle Capital	3,698,185	-	-	3,698,185
Edgewood LCG	4,100,236	-	-	4,100,236
Great Jones Offshore Fund, Ltd.	4,095,119	-	-	4,095,119
Iridian Private Business Value Equity Fund, L.P.	8,779,229	-	-	8,779,229
Santa Barbara LCC	8,295,486	-	-	8,295,486
Wentworth Hauser Violich Inc.	2,507,302	-	-	2,507,302
Westend LCC	6,142,621	-	-	6,142,621
Total Equity Securities	42,449,534	-	-	42,449,534
Mutual Funds				
Completion Portfolio	-	27,179,510	-	27,179,510
Liquid Alternatives	-	2,925,369	-	2,925,369
Total Mutual Funds	-	30,104,879	-	30,104,879
Alternative Investments				
Blackstone Madison Avenue Offshore Fund Ltd.	-	-	131,773	131,773
Blackstone Partners Offshore Fund Ltd.	-	-	204,405	204,405
Blackstone Resources Select Offshore Fund Ltd.	-	-	132,489	132,489
OZ Overseas Fund II, Ltd.	-	-	5,965,733	5,965,733
Sanderson International Value Fund	-	-	1	1
Carlson	-	-	2,761,000	2,761,000
Marathon	-	-	2,761,000	2,761,000
Sirios	-	-	2,761,000	2,761,000
York	-	-	2,761,000	2,761,000
Total Alternative Investments	-	-	17,478,401	17,478,401
Pooled Income Fund				
Pooled Income Fund	-	104,485	-	104,485
Total Pooled Income Fund	-	104,485	-	104,485
TOTAL ASSETS AT FAIR VALUE	\$ 42,449,534	\$ 30,209,364	\$ 17,478,401	\$ 90,137,299

Investments in money market funds and corporate equities 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. The net asset values of mutual funds are based on the quoted market-level prices of the underlying securities. 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. Investment 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 determined by the Board of Trustees through the investment managers and general partners.

**BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 9 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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 determined by the Board of Trustees and may neither reflect amounts that could be realized upon immediate sale nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 17,478,401	\$ 22,571,478
Additions	-	11,196,963
Redemptions	(5,808,403)	(17,596,726)
Realized/unrealized gain	<u>94,643</u>	<u>1,306,686</u>
Balance, end of year	<u>\$ 11,764,641</u>	<u>\$ 17,478,401</u>

The following table sets 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, 2015.

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge funds, funds of funds and limited partnerships	<u>\$ 11,764,641</u>	<u>\$ -</u>	Monthly to annual	35 to 90 days
Total	<u><u>\$ 11,764,641</u></u>	<u><u>\$ -</u></u>		

The following table sets 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, 2014.

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge funds, funds of funds and limited partnerships	<u>\$ 17,478,401</u>	<u>\$ -</u>	Monthly to annual	35 to 90 days
Total	<u><u>\$ 17,478,401</u></u>	<u><u>\$ -</u></u>		

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through December 18, 2015, the date the financial statements were available to be issued.