



BROOKLYN ACADEMY OF MUSIC, INC.

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

Years Ended June 30, 2020 and 2019

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

BROOKLYN ACADEMY OF MUSIC, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2020 AND 2019

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-16

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Brooklyn Academy of Music, Inc. ("BAM"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses 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 Brooklyn Academy of Music, Inc. as of June 30, 2020 and 2019, 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 23, 2021

BROOKLYN ACADEMY OF MUSIC, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents (Notes 2C, 9 and 15)	\$ 1,641,648	\$ 865,190
Accounts and other receivables (Notes 2J and 2N)	788,946	470,770
Government receivables, net (Notes 2J and 2N)	2,221,039	12,097,039
Pledges receivable, net (Notes 2F, 2J and 5)	5,819,087	12,805,022
Due from BAM Endowment Trust (Note 7)	4,830	-
Prepaid expenses and other current assets (Note 10)	647,462	1,087,441
Property and equipment, net (Notes 2G and 6)	43,140,995	27,831,900
Beneficial interest in BAM Endowment Trust (Notes 2L, 7, 11 and 15)	92,780,429	101,160,417
TOTAL ASSETS	\$ 147,044,436	\$ 156,317,779
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses, net (Note 10)	\$ 5,851,100	\$ 10,137,504
Due to BAM Endowment Trust (Note 7)	-	2,653,905
Line of credit (Note 8)	-	3,850,000
Loan payable, net (Notes 2M and 8)	2,650,593	2,723,290
Deferred revenue (Note 2D)	-	343,551
TOTAL LIABILITIES	8,501,693	19,708,250
COMMITMENTS AND CONTINGENCIES (Note 14)		
NET ASSETS (Note 2E):		
Without donor restrictions		
General operations	(4,537,569)	(4,440,969)
Cultural Institutions Retirement System (Note 10)	(1,150,360)	(1,311,037)
Net investment in property and equipment (Notes 2G and 6)	41,981,170	27,554,645
Total without donor restrictions	36,293,241	21,802,639
With donor restrictions (Note 11)	102,249,502	114,806,890
TOTAL NET ASSETS	138,542,743	136,609,529
TOTAL LIABILITIES AND NET ASSETS	\$ 147,044,436	\$ 156,317,779

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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total 2020	Without Donor Restrictions	With Donor Restrictions	Total 2019
OPERATING ACTIVITIES (Note 2L):						
OPERATING REVENUE:						
Support:						
Special events revenue (Note 2H)	\$ 897,581	\$ 105,000	\$ 1,002,581	\$ 1,563,004	\$ 40,000	\$ 1,603,004
Less: direct special event expenses	(52,609)	-	(52,609)	(381,577)	-	(381,577)
Special events, net	844,972	105,000	949,972	1,181,427	40,000	1,221,427
The City of New York (Note 12)	3,359,825	-	3,359,825	3,205,098	-	3,205,098
New York State	31,865	-	31,865	17,500	250,000	267,500
Federal government	-	50,000	50,000	352,003	60,000	412,003
Private sector (Note 4)	16,738,360	1,502,985	18,241,345	18,548,336	4,050,230	22,598,566
Distribution from BAM Endowment Trust (Note 7)	6,385,959	-	6,385,959	4,449,813	-	4,449,813
Net assets released from restrictions (Note 11)	3,345,006	(3,345,006)	-	4,517,407	(4,517,407)	-
Total Support	<u>30,705,987</u>	<u>(1,687,021)</u>	<u>29,018,966</u>	<u>32,271,584</u>	<u>(117,177)</u>	<u>32,154,407</u>
Earned Revenue:						
Performance and co-presenter income	5,931,634	-	5,931,634	8,648,278	-	8,648,278
BAM Rose Cinema	2,542,578	-	2,542,578	3,605,007	-	3,605,007
Rentals, BAMart sales, interest and other income	7,665,753	8	7,665,761	5,141,681	10	5,141,691
Total Earned Revenue	<u>16,139,965</u>	<u>8</u>	<u>16,139,973</u>	<u>17,394,966</u>	<u>10</u>	<u>17,394,976</u>
TOTAL OPERATING REVENUE	<u>46,845,952</u>	<u>(1,687,013)</u>	<u>45,158,939</u>	<u>49,666,550</u>	<u>(117,167)</u>	<u>49,549,383</u>
OPERATING EXPENSE:						
Program services	34,302,638	-	34,302,638	39,639,024	-	39,639,024
Management and general	5,166,960	-	5,166,960	4,619,115	-	4,619,115
Fundraising	6,199,185	-	6,199,185	8,044,959	-	8,044,959
TOTAL OPERATING EXPENSE (Notes 2I and 13)	<u>45,668,783</u>	<u>-</u>	<u>45,668,783</u>	<u>52,303,098</u>	<u>-</u>	<u>52,303,098</u>
RESULTS FROM OPERATIONS	<u>1,177,169</u>	<u>(1,687,013)</u>	<u>(509,844)</u>	<u>(2,636,548)</u>	<u>(117,167)</u>	<u>(2,753,715)</u>
NON-OPERATING ACTIVITIES (Note 2L):						
Depreciation and amortization expense (Notes 2G and 6)	(1,789,798)	-	(1,789,798)	(1,811,928)	-	(1,811,928)
Net assets released from restriction for capital projects (Note 11)	2,490,387	(2,490,387)	-	983,594	(983,594)	-
New York City Economic Development Corporation capital grant	9,474,206	-	9,474,206	7,289,414	-	7,289,414
Distribution from BAM Endowment Trust for capital projects (Note 7)	3,213,136	-	3,213,136	-	-	-
(Decrease) Increase in beneficial interest in BAM Endowment Trust (Note 7)	-	(8,379,988)	(8,379,988)	-	1,306,781	1,306,781
TOTAL NON-OPERATING ACTIVITIES	<u>13,387,931</u>	<u>(10,870,375)</u>	<u>2,517,556</u>	<u>6,461,080</u>	<u>323,187</u>	<u>6,784,267</u>
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	14,565,100	(12,557,388)	2,007,712	3,824,532	206,020	4,030,552
Cultural Institutions Retirement System (Note 10)	(74,498)	-	(74,498)	(92,513)	-	(92,513)
CHANGE IN TOTAL NET ASSETS	14,490,602	(12,557,388)	1,933,214	3,732,019	206,020	3,938,039
Net Assets - Beginning of Year	21,802,639	114,806,890	136,609,529	18,070,620	114,600,870	132,671,490
NET ASSETS - END OF YEAR	<u>\$ 36,293,241</u>	<u>\$ 102,249,502</u>	<u>\$ 138,542,743</u>	<u>\$ 21,802,639</u>	<u>\$ 114,806,890</u>	<u>\$ 136,609,529</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, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

FOR THE YEAR ENDED JUNE 30, 2020

	PROGRAM SERVICES													SUPPORTING SERVICES				Total 2020	Total 2019
	Next Wave	Theater	Opera	Dance	Dance					Programming & General			Total Program Services	Management & General	Fundraising	Total Supporting Services			
					Africa	Music	Education	Ancillary	Film	Rentals	Management	Marketing					Operations		
SALARIES AND BENEFITS:																			
Salaries and other personnel costs	\$ 1,051,100	\$ 1,172,719	\$ 4,542	\$ 9,704	\$ 30,229	\$ 10,269	\$ 1,539,545	\$ 131,957	\$ 1,575,918	\$ 3,554,632	\$ 4,831,620	\$ 3,481,747	\$ -	\$ 17,393,982	\$ 2,554,023	\$ 3,536,200	\$ 6,090,223	\$ 23,484,205	\$ 25,427,458
Payroll taxes and employee benefits	394,956	504,344	2,026	4,433	8,899	4,511	560,983	51,357	498,985	1,446,487	1,578,897	1,311,269	-	6,367,147	788,841	1,319,834	2,108,675	8,475,822	8,222,691
Total Salaries and Benefits	1,446,056	1,677,063	6,568	14,137	39,128	14,780	2,100,528	183,314	2,074,903	5,001,119	6,410,517	4,793,016	-	23,761,129	3,342,864	4,856,034	8,198,898	31,960,027	33,650,149
OTHER EXPENSES:																			
Company and artist fees	637,810	267,210	41,892	66,975	24,605	100,240	53,763	153,520	1,500	94,555	-	-	-	1,442,070	400	39,843	40,243	1,482,313	4,429,336
Production expenses	273,118	966,481	3,618	9,547	26,572	5,404	85,789	21,156	35,839	52,936	68,458	33,684	42,872	1,625,474	894	45,731	46,625	1,672,099	1,495,617
Travel, hotel and per diem	502,128	128,894	4,650	18,746	4,051	3,008	40,680	6,296	16,968	14,121	10,063	9,646	11,502	770,753	4,681	42,389	47,070	817,823	1,418,047
Freight	110,701	18,890	-	-	-	-	15,957	14,968	-	12,911	2,918	-	4,400	180,745	-	975	975	181,720	148,821
Consultants and production fees	16,809	303,440	-	-	21,990	1,500	297,782	83,460	53,910	25,655	157,336	15,282	180,960	1,158,124	60,226	21,181	81,407	1,239,531	1,594,456
Professional fees	182	17,030	-	-	2,000	4,350	-	-	-	-	7,282	-	25,693	56,537	554,350	837	555,187	611,724	556,165
Advertising and promotion	215,684	807,635	39	783	235	42	83,023	19,852	123,858	12,271	25,945	114,260	560	1,404,187	238	183,155	183,393	1,587,580	1,754,658
Film rental	-	-	-	-	-	-	-	9,175	1,005,310	-	-	-	-	1,014,485	-	-	-	1,014,485	1,354,091
Cinema concessions	-	-	-	-	-	-	4,467	-	86,499	1,785	-	-	-	92,751	1,090	-	1,090	93,841	136,047
Hospitality and special events	12,696	18,803	20	-	-	20	25,445	38,721	2,381	7,302	13,112	159	765	119,424	8,688	300,829	309,517	428,941	999,619
Patron services	-	-	-	-	-	-	911	594	521	-	2,639	4,667	-	9,332	1,252	22,641	23,893	33,225	69,743
Human resources and personnel training	38	-	-	-	-	-	1,603	34	60	657	7,336	4,662	5,058	19,448	199,182	6,024	205,206	224,654	204,495
Occupancy costs	-	-	-	-	-	23	-	-	-	-	-	-	926,788	926,811	-	100	100	926,911	885,412
Building maintenance	2,092	-	-	-	-	-	-	10,234	6,117	1,800	1,512	-	823,892	845,647	-	2,366	2,366	848,013	1,083,741
Computers, service and supplies	99	100	-	-	50	-	1,732	5,336	2,416	-	5,406	4,077	593,273	612,489	9,515	10,688	20,203	632,692	736,235
Telecommunications	-	141	-	-	-	-	1,486	-	250	-	3,334	725	42,863	48,799	1,282	700	1,982	50,781	54,591
Office supplies	367	1,181	28	-	28	143	14,314	1,416	49,095	46	142,733	14,467	108,010	331,828	4,312	12,565	16,877	348,705	482,793
Postage and shipping	5,807	22,192	108	26	117	-	3,323	1,140	37,021	104	1,449	5,730	5,498	82,515	3,022	35,561	38,583	121,098	236,861
Insurance expense	3,398	20,287	-	-	-	-	968	483	14,152	2,678	-	-	-	41,966	236,887	38,472	275,359	317,325	237,548
Bank and other finance charges	-	-	-	-	-	-	-	-	-	-	-	5	-	5	396,952	152	397,104	397,109	314,451
Bad debt	-	-	-	-	-	-	681	-	-	-	-	-	-	681	-	111,625	111,625	112,306	35,344
Organizational contributions	-	-	-	-	-	-	-	-	-	-	107	-	-	107	363	10,143	10,506	10,613	19,394
Miscellaneous	53,059	147,367	3,227	1,836	1,863	3,686	34,272	26,449	79,945	3,979	21,077	36,563	39,573	452,896	23,575	131,405	154,980	607,876	787,061
Operations allocation	215,651	289,067	3,955	7,367	7,932	8,756	181,903	37,880	236,078	343,979	452,414	331,160	(2,811,707)	(695,565)	317,187	378,378	695,565	-	-
	3,495,695	4,685,781	64,105	119,417	128,571	141,929	2,948,650	614,028	3,826,823	5,575,898	7,333,638	5,368,103	-	34,302,638	5,166,960	6,251,794	11,418,754	45,721,392	52,684,675
Costs of direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(52,609)	(52,609)	(52,609)	(381,577)
Total expenses before depreciation and amortization	3,495,695	4,685,781	64,105	119,417	128,571	141,929	2,948,650	614,028	3,826,823	5,575,898	7,333,638	5,368,103	-	34,302,638	5,166,960	6,199,185	11,366,145	45,668,783	52,303,098
Depreciation and amortization	137,273	184,007	2,517	4,689	5,049	5,573	115,791	24,112	150,276	218,961	287,986	210,801	-	1,347,035	201,906	240,857	442,763	1,789,798	1,811,928
TOTAL EXPENSES	\$ 3,632,968	\$ 4,869,788	\$ 66,622	\$ 124,106	\$ 133,620	\$ 147,502	\$ 3,064,441	\$ 638,140	\$ 3,977,099	\$ 5,794,859	\$ 7,621,624	\$ 5,578,904	\$ -	\$ 35,649,673	\$ 5,368,866	\$ 6,440,042	\$ 11,808,908	\$ 47,458,581	\$ 54,115,026

BROOKLYN ACADEMY OF MUSIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAM SERVICES												SUPPORTING SERVICES				Total 2019	
	Next Wave	Theater	Opera	Dance			Education	Ancillary	Film	Rentals	Programming & General			Total Program Services	Management & Fundraising			Total Supporting Services
				Dance	Africa	Music					Management	Marketing	Operations		General	Fundraising		
SALARIES AND BENEFITS:																		
Salaries and other personnel costs	\$ 1,912,115	\$ 212,746	\$ 218,320	\$ 675,302	\$ 229,450	\$ 246,876	\$ 1,727,627	\$ 512,119	\$ 1,942,571	\$ 2,244,706	\$ 5,368,391	\$ 3,794,242	\$ -	\$ 19,084,465	\$ 2,279,376	\$ 4,063,617	\$ 6,342,993	\$ 25,427,458
Payroll taxes and employee benefits	748,387	88,482	87,515	282,602	88,465	102,551	562,518	186,570	492,410	874,285	1,507,524	1,265,287	-	6,286,596	641,036	1,295,059	1,936,095	8,222,691
Total Salaries and Benefits	2,660,502	301,228	305,835	957,904	317,915	349,427	2,290,145	698,689	2,434,981	3,118,991	6,875,915	5,059,529	-	25,371,061	2,920,412	5,358,676	8,279,088	33,650,149
OTHER EXPENSES:																		
Company and artist fees	1,752,030	99,958	314,588	503,217	46,500	400,626	190,201	741,194	17,050	-	2,300	150	-	4,067,814	-	361,522	361,522	4,429,336
Production expenses	400,993	15,621	9,797	70,848	77,768	54,837	97,800	41,351	83,959	40,788	137,283	11,601	68,844	1,111,490	15,215	368,912	384,127	1,495,617
Travel, hotel and per diem	405,354	48,422	148,801	202,426	70,958	32,333	112,321	19,238	39,607	5,064	32,750	12,415	17,361	1,147,050	28,107	242,890	270,997	1,418,047
Freight	21,348	29,172	26,407	21,627	807	141	4,511	11,090	36	1,857	3,872	-	4,625	125,493	-	23,328	23,328	148,821
Consultants and production fees	110,871	2,200	31,426	2,859	38,935	5,000	345,065	160,689	82,114	32,390	298,135	42,203	57,350	1,209,237	158,746	226,473	385,219	1,594,456
Professional fees	-	660	-	-	7,000	-	-	-	500	12,779	28,856	-	7,000	56,795	488,395	10,975	499,370	556,165
Advertising and promotion	551,532	334,151	58	5,709	51,150	1,729	113,198	55,917	222,274	6,560	1,467	135,187	2,202	1,481,134	287	273,237	273,524	1,754,658
Film rental	-	-	-	-	-	-	3,340	12,175	1,334,805	-	-	-	-	1,350,320	771	3,000	3,771	1,354,091
Cinema concessions	-	-	-	-	-	-	8,860	-	121,739	5,440	-	-	-	136,039	-	8	8	136,047
Hospitality and special events	24,107	4,337	10,305	11,744	7,091	6,034	70,720	60,133	88,007	1,217	23,017	1,319	735	308,766	9,563	681,290	690,853	999,619
Patron services	-	-	-	-	-	-	1,771	-	484	-	1,160	4,184	548	8,147	2,348	59,248	61,596	69,743
Human resources and personnel training	-	14	-	176	125	60	1,301	1,665	680	1,151	13,168	12,530	15,901	46,771	146,869	10,855	157,724	204,495
Occupancy costs	-	-	-	-	-	-	164	-	-	-	-	-	885,127	885,291	-	121	121	885,412
Building maintenance	-	-	-	-	28,500	544	-	14,078	6,226	20,609	2,005	-	986,464	1,058,426	-	25,315	25,315	1,083,741
Computers, service and supplies	-	-	-	1,865	-	-	3,357	22	2,656	11	10,279	20,904	676,146	715,240	11,549	9,446	20,995	736,235
Telecommunications	-	-	-	337	-	-	1,827	-	750	-	4,222	1,760	42,414	51,436	1,365	1,790	3,155	54,591
Office supplies	37	43	-	5,807	1,971	218	18,365	3,546	27,631	830	240,477	17,286	139,817	456,028	8,804	17,961	26,765	482,793
Postage and shipping	35,725	30,227	174	426	2,419	-	8,369	9,126	72,251	243	2,874	9,343	1,663	172,840	3,871	60,150	64,021	236,861
Insurance expense	6,160	80	704	3,488	4,910	937	2,273	2,388	20,883	5,072	-	-	-	46,895	190,599	54	190,653	237,548
Bank and other finance charges	-	-	-	9	-	-	20	-	-	-	28	-	111	168	314,254	29	314,283	314,451
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,344	35,344	35,344
Organizational contributions	-	-	-	-	500	-	464	5,000	464	-	1,893	-	-	8,321	7,883	3,190	11,073	19,394
Miscellaneous	104,031	5,436	18,308	46,153	33,392	18,771	27,626	22,643	109,586	7,376	34,487	53,744	46,661	528,214	48,240	210,607	258,847	787,061
Operations allocation	365,274	52,424	52,114	110,351	41,508	52,370	198,598	111,816	280,702	196,112	464,010	323,738	(2,952,969)	(703,952)	261,837	442,115	703,952	-
	6,437,964	923,973	918,517	1,944,946	731,575	923,027	3,500,296	1,970,760	4,947,385	3,456,490	8,178,198	5,705,893	-	39,639,024	4,619,115	8,426,536	13,045,651	52,684,675
Costs of direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(381,577)	(381,577)	(381,577)
Total expenses before depreciation and amortization	6,437,964	923,973	918,517	1,944,946	731,575	923,027	3,500,296	1,970,760	4,947,385	3,456,490	8,178,198	5,705,893	-	39,639,024	4,619,115	8,044,959	12,664,074	52,303,098
Depreciation and amortization	224,130	32,167	31,977	67,711	25,469	32,134	121,859	68,610	172,237	120,334	280,486	198,644	-	1,375,758	164,890	271,280	436,170	1,811,928
TOTAL EXPENSES	\$ 6,662,094	\$ 956,140	\$ 950,494	\$ 2,012,657	\$ 757,044	\$ 955,161	\$ 3,622,155	\$ 2,039,370	\$ 5,119,622	\$ 3,576,824	\$ 8,458,684	\$ 5,904,537	\$ -	\$ 41,014,782	\$ 4,784,005	\$ 8,316,239	\$ 13,100,244	\$ 54,115,026

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

BROOKLYN ACADEMY OF MUSIC, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,933,214	\$ 3,938,039
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,789,798	1,811,928
Amortization of debt issuance costs	25,368	4,228
Decrease (Increase) in beneficial interest in BAM Endowment Trust	8,379,988	(1,306,781)
Bad debt	112,306	35,344
Change in discount on pledges receivable	(173,945)	90,059
Subtotal	12,066,729	4,572,817
Decrease (increase) in assets:		
Accounts and other receivables	(318,176)	(161,307)
Government receivables	9,876,000	(6,995,092)
Pledges receivable	7,047,574	(76,660)
Prepaid expenses and other current assets	439,979	24,762
Due from BAM Endowment Trust	(4,830)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(4,286,404)	4,606,461
Due to BAM Endowment Trust	(2,653,905)	1,224,170
Deferred revenue	(343,551)	(322,447)
Net Cash Provided by Operating Activities	21,823,416	2,872,704
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	(17,098,893)	(9,278,293)
Net Cash Used in Investing Activities	(17,098,893)	(9,278,293)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of line of credit	(3,850,000)	-
Proceeds from line of credit	-	3,850,000
Debt issuance costs	-	(126,839)
Proceeds from loan payable	-	2,850,000
Repayment of loan payable	(98,065)	(4,099)
Net Cash (Used in) Provided by Financing Activities	(3,948,065)	6,569,062
NET INCREASE IN CASH AND CASH EQUIVALENTS	776,458	163,473
Cash and cash equivalents - beginning of the year	865,190	701,717
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,641,648	\$ 865,190
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 157,870	\$ 55,268

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

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 purchased, 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 11.

- F. ***Pledges Receivable*** – Pledges are recorded as revenue when the pledge is made. BAM discounts long-term pledges using a risk-adjusted interest rate (ranging from 0.7% to 3.7%) for the expected term of the promise to give applicable to the years in which the pledges are received. As of June 30, 2020 and 2019, the discount on pledges receivable amounted to \$186,960 and \$360,905, 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, 2020 AND 2019

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. Donated goods and services amounted to \$4,513 and \$47,880 for the years ended June 30, 2020 and 2019, respectively. Donated goods for the years ended June 30, 2020 and 2019 include: beverages, food, and gifts for attendees of special events, amounting to \$4,513 and \$47,330, respectively. Donated services amounted to \$0 and \$550 for photo booth services for the years ended June 30, 2020 and 2019, respectively. These donations are reflected under private sector support at \$4,513 and \$42,880 and special events of \$0 and \$5,000 in the accompanying statements of activities for the years ended June 30, 2020 and 2019, respectively. 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 statements of functional expenses. 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 (IT, 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. Note 13 provides expenses by functional category inclusive of depreciation and amortization.
- J. **Allowance for Doubtful Accounts** – BAM’s management evaluates the need for an allowance for doubtful accounts applicable to its accounts based on various factors including an assessment of the creditworthiness of its donors, agings of the amounts due and historical experience. As of June 30, 2020 and 2019, management determined that no allowance was necessary for pledges receivable and accounts and other receivables. Management also determined that no allowance was necessary for government receivables as of June 30, 2020 and 2019.
- 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. **Operating and Non-Operating Activities** – BAM’s non-operating activities include depreciation and amortization, capital grants and the change in value of its beneficial interest in BAM Endowment Trust.
- M. **Debt Issuance Costs** – Debt issuance costs are deferred and amortized on a straight-line basis over the life of the related debt, which approximates the effective interest method. Amortization expense for the years ended June 30, 2020 and 2019 was \$25,368 and \$4,228, respectively.
- 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 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. BAM did not receive advances from the governmental and other sources as of June 30, 2020. As of June 30, 2020 and 2019, BAM received conditional grants and contracts in the aggregate amount of approximately \$398,000 and \$0, respectively, that have not been recorded in the accompanying financial statements, as they have not been earned. Revenue from government contracts are subject to audit and negotiations between BAM and the government agencies.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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** – Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities* (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, was adopted for the year ended June 30, 2020. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution of government grant is conditional as described in Note 2N.

FASB ASU 2014-09, *Not-for-Profit Entities* (Topic 606) *Revenue from Contracts with Customers* was adopted for the year ended June 30, 2020. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services as described in Note 2O.

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 line of credit that provide 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 statement of financial position date, included the following as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,641,648	\$ 865,190
Accounts and other receivables	788,946	470,770
Government receivables, net	2,221,039	12,097,039
Pledges receivables, net	<u>6,006,047</u>	<u>13,165,927</u>
Total	10,657,680	26,598,926
Less: pledges receivable in more than one year	(3,196,000)	(4,403,833)
Less: time or purpose restricted contributions	<u>(4,506,191)</u>	<u>(287,219)</u>
Total financial assets available	<u>\$ 2,955,489</u>	<u>\$ 21,907,874</u>

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 – PRIVATE SECTOR SUPPORT

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

	<u>2020</u>	<u>2019</u>
Corporations	\$ 514,997	\$ 3,171,483
Foundations	7,043,515	10,464,303
Individuals	10,504,375	9,009,959
Donated goods and services	4,513	42,880
Change in net present value of discount	<u>173,945</u>	<u>(90,059)</u>
Total private sector support	<u>\$ 18,241,345</u>	<u>\$ 22,598,566</u>

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 percent to 3.7 percent. Amortization of the discount is reflected as contribution 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>2020</u>	<u>2019</u>
Pledges due:		
Within one year	\$ 2,810,047	\$ 8,762,094
In one to five years	<u>3,196,000</u>	<u>4,403,833</u>
Gross pledges receivable	6,006,047	13,165,927
Discount for net present value	<u>(186,960)</u>	<u>(360,905)</u>
Net pledges receivable	<u>\$ 5,819,087</u>	<u>\$ 12,805,022</u>

NOTE 6 – PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
General construction in progress	\$ 35,396,174	\$ 18,696,522
Capital additions and leasehold improvements	16,108,373	15,937,709
Furniture and equipment	5,127,921	4,899,344
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	59,693,579	42,594,686
Less: accumulated depreciation and amortization	<u>(16,552,584)</u>	<u>(14,762,786)</u>
Net book value	<u>\$ 43,140,995</u>	<u>\$ 27,831,900</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 amounted to \$1,789,798 and \$1,811,928, respectively.

Included in construction in progress as of June 30, 2020 and 2019, was general operating improvements to various BAM facilities as well as BAM Strong Project. Construction is expected to be completed by February 2021 with an estimated cost of approximately \$40 million.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 its 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.

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:

	<u>2020</u>	<u>2019</u>
Beneficial interest, beginning of year	\$ 101,160,417	\$ 99,853,636
Change in BET net assets with donor restrictions	<u>(8,379,988)</u>	<u>1,306,781</u>
Beneficial interest, end of year	<u>\$ 92,780,429</u>	<u>\$101,160,417</u>

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

The amount of funds BET owes to BAM amounted to \$4,830 at June 30, 2020. As of June 30, 2019, BAM owed \$2,653,905 to BET for funds temporarily held in BAM. During the years ended June 30, 2020 and 2019, BAM received a management fee of \$250,000 and \$200,000, respectively, for services performed on behalf of BET by BAM employees.

During the years ended June 30, 2020 and 2019, BET appropriated \$4,599,095 and \$4,449,813, respectively, as the distribution to BAM. In addition, BET authorized a special distribution amounting to \$5,000,000 during the year ended June 30, 2020. Those amounts are reflected as revenue in the accompanying statements of activities.

NOTE 8 – NOTES PAYABLE

A. BAM has a line of credit with a bank with maximum borrowing limit of \$3,900,000 as of June 30, 2020. Loan proceeds obtained under this agreement are to be used to finance working capital. The line of credit bears interest at London Inter-Bank Offered Rate plus .50 percent expiring on March 1, 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. As of June 30, 2020 and 2019, the outstanding balance on the line of credit amounted to \$0 and \$3,850,000, respectively. The outstanding balance on the line of credit amounted to \$0 as of February 23, 2021.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 – NOTES PAYABLE (Continued)

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, 2020 and 2019, amounted to \$2,747,835 and \$2,845,901, 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 \$97,242 and \$122,611 as of June 30, 2020 and 2019, respectively.

Minimum annual principal payments are as follows for each of the years ending after June 30, 2020:

2021	\$ 102,000
2022	105,000
2023	110,000
2024	2,431,000

NOTE 9 – 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. As of June 30, 2020 and 2019, there was approximately \$1,330,000 and \$996,000, 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, 2020 and 2019. 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 10 – 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. 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 and 401(k) expense for the years ended June 30, 2020 and 2019 amounted to \$1,872,098 and \$1,836,396, respectively, of which \$291,971 and \$273,520, respectively, was funded by an appropriation from the City (Note 12).

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 BAM’s year ended June 30, 2020 and 2019 financial statements is for the Plan years ended June 30, 2020 and 2019. 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.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 – PENSION AND OTHER RETIREMENT PLAN (Continued)

Based on the Plan’s annual report on Form 5500, the Plan was 92.29% funded for its plan year beginning July 1, 2019. 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 annual report on Form 5500, the Plan’s actuary certified that for the Plan year beginning July 1, 2020, the Plan was not in endangered or critical status.

Pension Plan	Employer Identification Number	Pension Plan Number	PPA Zone Status July 1, 2020	FIP/RP Status Pending/Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
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, 2020 and 2019, the liability of \$1,150,360 and \$1,311,037, 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 \$(183,067) and \$91,826 for the years ended June 30, 2020 and 2019, respectively. Included in prepaid expenses and other current assets, and accounts payable and accrued expenses, net is \$297,810 and \$480,877 as of June 30, 2020 and 2019, respectively, relating to this Plan.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
BAM Karen Project	\$ 2,042,258	\$ 532,258
BAM Strong Project	-	3,990,387
Benefits, galas and special events	105,000	40,000
Dance	400,000	500,000
Education	261,524	403,099
Next Wave	52,500	82,597
Opera and music	53,300	180,000
Other	4,595,172	6,241,507
Time restricted: to be used for general purposes	291,780	9,095
Working capital reserve fund	1,667,539	1,667,530
Beneficial interest in BAM Endowment Trust	<u>92,780,429</u>	<u>101,160,417</u>
Total donor-restricted net assets	<u>\$ 102,249,502</u>	<u>\$ 114,806,890</u>

**BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

	<u>2020</u>	<u>2019</u>
Benefits, galas and special events	\$ 40,000	\$ 5,000
Dance	100,000	375,000
Education	149,075	137,033
Next Wave	82,596	198,000
Opera and music	130,000	100,000
Other (education, ancillary, capital projects, marketing)	1,461,835	2,916,874
Time restricted: to be used for general purposes	<u>1,381,500</u>	<u>785,500</u>
Net assets released from restrictions for operations	3,345,006	4,517,407
BAM Strong Project	<u>2,490,387</u>	<u>983,594</u>
Total net assets released from restrictions	<u>\$ 5,835,393</u>	<u>\$ 5,501,001</u>

NOTE 12 – 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>2020</u>	<u>2019</u>
Operations	\$ 2,306,535	\$ 2,167,294
Energy	702,909	693,595
Energy Conservation Upgrades	-	41,689
Cultural After-School Adventures Program	410	-
Cultural Institutions Retirement System (Note 10)	<u>291,971</u>	<u>273,520</u>
Subtotal: New York City Department of Cultural Affairs	3,301,825	3,176,098
NYC Department of Youth & Community Development	25,000	9,000
New York City Department for the Aging	13,000	-
Borough of Brooklyn	<u>20,000</u>	<u>20,000</u>
Total appropriation from The City of New York	<u>\$ 3,359,825</u>	<u>\$ 3,205,098</u>

NOTE 13 – EXPENSES BY FUNCTIONAL PROGRAM

For the years ended June 30, expenses by functional program (inclusive of depreciation and amortization) are as follows:

	<u>2020</u>	<u>2019</u>
Program services	\$ 35,649,673	\$ 41,014,782
Management and general	5,368,866	4,784,005
Fundraising	<u>6,374,362</u>	<u>8,316,239</u>
Total expenses by functional program	<u>\$ 47,392,901</u>	<u>\$ 54,115,026</u>

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 November 2016, BAM entered into a 25-year license agreement with the City to operate BAM Strong at a nominal fee. In December 2013, BAM entered into a 25-year license agreement with the City to operate BAM Richard B. Fisher Building 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 12).
- 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, 2020 and 2019 in accordance with Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provision for uncertain tax positions.
- E. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on BAM’s business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, BAM is currently unable to fully determine the extent of COVID-19’s impact on its business in future periods. BAM’s performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. BAM continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results.

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, 2020 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	\$ 21,568	\$ -	\$ 21,568
Beneficial interest in BAM Endowment Trust	<u>-</u>	<u>92,780,429</u>	<u>92,780,429</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 21,568</u>	<u>\$ 92,780,429</u>	<u>\$ 92,801,997</u>

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at June 30, 2019 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	\$ 21,362	\$ -	\$ 21,362
Beneficial interest in BAM Endowment Trust	<u>-</u>	<u>101,160,417</u>	<u>101,160,417</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 21,362</u>	<u>\$ 101,160,417</u>	<u>\$ 101,181,779</u>

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 101,160,417	\$ 99,853,636
Additions	2,388,235	2,031,867
Expenses	(9,902,308)	(4,690,241)
Unrealized gain	75,624	3,349,421
Realized (loss) gain	<u>(941,539)</u>	<u>615,734</u>
Balance, end of year	<u>\$ 92,780,429</u>	<u>\$ 101,160,417</u>

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through February 23, 2021, the date the financial statements were available to be issued.

On March 27, 2020 in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES” Act) to provide relief to qualifying businesses 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. Subsequent to year end, BAM received a PPP loan amounting to \$5,837,400 in July 2020. The term of the loan is five years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on SBA criteria.