



BROOKLYN ACADEMY OF MUSIC, INC.

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

Years Ended June 30, 2021 and 2020

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, 2021 AND 2020

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.....	7-17

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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
February 24, 2022

BROOKLYN ACADEMY OF MUSIC, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2C, 10A and 16)	\$ 2,527,714	\$ 1,641,648
Accounts and other receivables (Notes 2J and 2N)	741,778	788,946
Government receivables (Notes 2J and 2N)	5,778,043	2,221,039
Pledges receivable, net (Notes 2F, 2J and 5)	5,137,759	5,819,087
Due from BAM Endowment Trust (Note 7)	73	4,830
Prepaid expenses and other current assets (Note 11)	879,172	647,462
Property and equipment, net (Notes 2G and 6)	46,005,332	43,140,995
Beneficial interest in BAM Endowment Trust (Notes 2L, 7, 12 and 16)	106,944,016	92,780,429
TOTAL ASSETS	\$ 168,013,887	\$ 147,044,436
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses, net (Note 11)	\$ 4,724,621	\$ 5,851,100
Loan payable, net (Notes 2M and 9B)	2,573,896	2,650,593
PPP loan payable (Note 8)	3,880,700	-
Deferred revenue (Note 2D)	8,225	-
TOTAL LIABILITIES	11,187,442	8,501,693
COMMITMENTS AND CONTINGENCIES (Note 15)		
NET ASSETS (Note 2E):		
Without donor restrictions		
General operations	(2,165,097)	(4,537,569)
Cultural Institutions Retirement System (Note 11)	(920,789)	(1,150,360)
Net investment in property and equipment (Notes 2G and 6)	43,206,790	41,981,170
Total without donor restrictions	40,120,904	36,293,241
With donor restrictions (Note 12)	116,705,541	102,249,502
TOTAL NET ASSETS	156,826,445	138,542,743
TOTAL LIABILITIES AND NET ASSETS	\$ 168,013,887	\$ 147,044,436

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, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
OPERATING ACTIVITIES (Note 2L):						
OPERATING REVENUE:						
Support:						
Special events revenue (Note 2H)	\$ 709,027	\$ 45,000	\$ 754,027	\$ 897,581	\$ 105,000	\$ 1,002,581
Less: direct special event expenses	(238,976)	-	(238,976)	(52,609)	-	(52,609)
Special events, net	470,051	45,000	515,051	844,972	105,000	949,972
The City of New York (Note 13)	3,105,966	-	3,105,966	3,359,825	-	3,359,825
New York State	104,500	-	104,500	31,865	-	31,865
Federal government (Notes 2N and 8)	2,006,700	-	2,006,700	-	50,000	50,000
Private sector (Note 4)	8,639,916	2,768,106	11,408,022	16,738,360	1,502,985	18,241,345
Distribution from BAM Endowment Trust (Note 7)	7,687,204	-	7,687,204	6,385,959	-	6,385,959
Net assets released from restrictions (Note 12)	2,020,659	(2,020,659)	-	3,345,006	(3,345,006)	-
Total Support	<u>24,034,996</u>	<u>792,447</u>	<u>24,827,443</u>	<u>30,705,987</u>	<u>(1,687,021)</u>	<u>29,018,966</u>
Earned Revenue:						
Performance and co-presenter income	264,405	-	264,405	5,931,634	-	5,931,634
BAM Rose Cinema	77,798	-	77,798	2,542,578	-	2,542,578
Rentals, BAMart sales, interest and other income	846,770	5	846,775	7,665,753	8	7,665,761
Total Earned Revenue	<u>1,188,973</u>	<u>5</u>	<u>1,188,978</u>	<u>16,139,965</u>	<u>8</u>	<u>16,139,973</u>
TOTAL OPERATING REVENUE	<u>25,223,969</u>	<u>792,452</u>	<u>26,016,421</u>	<u>46,845,952</u>	<u>(1,687,013)</u>	<u>45,158,939</u>
OPERATING EXPENSE:						
Program services	14,577,120	-	14,577,120	34,302,638	-	34,302,638
Management and general	5,038,076	-	5,038,076	5,166,960	-	5,166,960
Fundraising	4,393,958	-	4,393,958	6,199,185	-	6,199,185
TOTAL OPERATING EXPENSE (Notes 2I and 14)	<u>24,009,154</u>	<u>-</u>	<u>24,009,154</u>	<u>45,668,783</u>	<u>-</u>	<u>45,668,783</u>
RESULTS FROM OPERATIONS	<u>1,214,815</u>	<u>792,452</u>	<u>2,007,267</u>	<u>1,177,169</u>	<u>(1,687,013)</u>	<u>(509,844)</u>
NON-OPERATING ACTIVITIES (Note 2L):						
Depreciation and amortization expense (Notes 2G and 6)	(1,698,696)	-	(1,698,696)	(1,789,798)	-	(1,789,798)
Net assets released from restriction for capital projects (Note 12)	500,000	(500,000)	-	2,490,387	(2,490,387)	-
New York City Economic Development Corporation capital grant	1,589,303	-	1,589,303	9,474,206	-	9,474,206
Federal government grant (Notes 2N and 8)	2,227,846	-	2,227,846	-	-	-
Distribution from BAM Endowment Trust for capital projects (Note 7)	-	-	-	3,213,136	-	3,213,136
Increase (decrease) in beneficial interest in BAM Endowment Trust (Note 7)	-	14,163,587	14,163,587	-	(8,379,988)	(8,379,988)
TOTAL NON-OPERATING ACTIVITIES	<u>2,618,453</u>	<u>13,663,587</u>	<u>16,282,040</u>	<u>13,387,931</u>	<u>(10,870,375)</u>	<u>2,517,556</u>
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	3,833,268	14,456,039	18,289,307	14,565,100	(12,557,388)	2,007,712
Cultural Institutions Retirement System (Note 11)	(5,605)	-	(5,605)	(74,498)	-	(74,498)
CHANGE IN TOTAL NET ASSETS	3,827,663	14,456,039	18,283,702	14,490,602	(12,557,388)	1,933,214
Net Assets - Beginning of Year	36,293,241	102,249,502	138,542,743	21,802,639	114,806,890	136,609,529
NET ASSETS - END OF YEAR	<u>\$ 40,120,904</u>	<u>\$ 116,705,541</u>	<u>\$ 156,826,445</u>	<u>\$ 36,293,241</u>	<u>\$ 102,249,502</u>	<u>\$ 138,542,743</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, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAM SERVICES												SUPPORTING SERVICES				Total 2021	Total 2020			
	Next Wave	Theater	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	\$ 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	\$ 23,484,205			
Payroll taxes and employee benefits	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	8,475,822			
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	31,960,027			
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	1,482,313			
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	1,672,099			
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	817,823			
Freight	65	802	6,934	1,749	2,362	-	14,977	-	-	-	-	4,975	31,864	-	2,225	2,225	34,089	181,720			
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	1,239,531			
Professional fees	-	-	-	-	-	-	-	-	-	1,000	-	18,634	19,634	646,917	-	646,917	666,551	611,724			
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	1,587,580			
Film rental	-	-	-	-	-	303	3,833	38,236	-	-	-	-	42,372	-	-	-	42,372	1,014,485			
Cinema concessions	-	-	-	-	-	-	-	13,400	-	-	-	-	13,400	50	-	50	13,450	93,841			
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	428,941			
Patron services	-	-	-	-	-	1,252	-	405	-	2,148	3,641	-	7,446	286	7,388	7,674	15,120	33,225			
Human resources and personnel training	-	-	-	-	-	913	-	-	-	3,221	-	4,100	8,234	153,718	200	153,918	162,152	224,654			
Occupancy costs (Note 15A)	-	-	-	-	-	-	-	-	-	-	-	861,775	861,775	-	-	-	861,775	926,911			
Building maintenance	-	-	79	13	-	-	-	-	-	-	33	723,038	723,163	728	14,200	14,928	738,091	848,013			
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	632,692			
Telecommunications	-	-	-	-	-	2,190	-	75	-	5,278	150	44,075	51,768	2,585	280	2,865	54,633	50,781			
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	348,705			
Postage and shipping	-	28	48	394	-	258	127	1,071	-	82	8	9,638	11,654	4,418	851	5,269	16,923	121,098			
Insurance expense	-	29	79	-	88	-	-	252	-	-	-	3,109	3,557	274,210	-	274,210	277,767	317,325			
Bank and other finance charges	-	-	-	-	-	-	40	-	-	-	-	-	40	300,790	-	300,790	300,830	397,109			
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,056	21,056	112,306		
Organizational contributions	-	-	-	-	-	-	-	-	-	150	-	-	150	750	1,450	2,200	2,350	10,613			
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	607,876			
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	45,721,392			
Costs of direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(238,976)	(238,976)	(238,976)	(52,609)			
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	45,668,783			
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	1,789,798			
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	\$ 47,458,581			

BROOKLYN ACADEMY OF MUSIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

FOR THE YEAR ENDED JUNE 30, 2020

	PROGRAM SERVICES											SUPPORTING SERVICES					Total 2020	
	Next Wave	Theater	Opera	Dance			Education	Ancillary	Film	Rentals	Programming & General			Total Program Services	Management & General	Fundraising		Supporting Services
				Dance	Africa	Music					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
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
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
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
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
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
Freight	110,701	18,890	-	-	-	-	15,957	14,968	-	12,911	2,918	-	4,400	180,745	-	975	975	181,720
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
Professional fees	182	17,030	-	-	2,000	4,350	-	-	-	-	7,282	-	25,693	56,537	554,350	837	555,187	611,724
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
Film rental	-	-	-	-	-	-	-	9,175	1,005,310	-	-	-	-	1,014,485	-	-	-	1,014,485
Cinema concessions	-	-	-	-	-	-	4,467	-	86,499	1,785	-	-	-	92,751	1,090	-	1,090	93,841
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
Patron services	-	-	-	-	-	-	911	594	521	-	2,639	4,667	-	9,332	1,252	22,641	23,893	33,225
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
Occupancy costs (Note 15A)	-	-	-	-	-	-	23	-	-	-	-	-	926,788	926,811	-	100	100	926,911
Building maintenance	2,092	-	-	-	-	-	-	10,234	6,117	1,800	1,512	-	823,892	845,647	-	2,366	2,366	848,013
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
Telecommunications	-	141	-	-	-	-	1,486	-	250	-	3,334	725	42,863	48,799	1,282	700	1,982	50,781
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
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
Insurance expense	3,398	20,287	-	-	-	-	968	483	14,152	2,678	-	-	-	41,966	236,887	38,472	275,359	317,325
Bank and other finance charges	-	-	-	-	-	-	-	-	-	-	-	5	-	5	396,952	152	397,104	397,109
Bad debt	-	-	-	-	-	-	681	-	-	-	-	-	-	681	-	111,625	111,625	112,306
Organizational contributions	-	-	-	-	-	-	-	-	-	-	107	-	-	107	363	10,143	10,506	10,613
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
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
Costs of direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(52,609)	(52,609)	(52,609)
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
Depreciation and amortization (Note 6)	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
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

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

BROOKLYN ACADEMY OF MUSIC, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 18,283,702	\$ 1,933,214
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,698,696	1,789,798
Amortization of debt issuance costs	25,368	25,368
(Increase) decrease in beneficial interest in BAM Endowment Trust	(14,163,587)	8,379,988
Bad debt	21,056	112,306
PPP loan forgiveness	(1,956,700)	-
Change in discount on pledges receivable	(83,912)	(173,945)
Subtotal	3,824,623	12,066,729
Decrease (increase) in assets:		
Accounts and other receivables	47,168	(318,176)
Government receivables	(3,557,004)	9,876,000
Pledges receivable	744,184	7,047,574
Due from BAM Endowment Trust	4,757	(4,830)
Prepaid expenses and other current assets	(231,710)	439,979
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,126,479)	(4,286,404)
Due to BAM Endowment Trust	-	(2,653,905)
Deferred revenue	8,225	(343,551)
Net Cash (Used in) Provided by Operating Activities	(286,236)	21,823,416
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	(4,563,033)	(17,098,893)
Net Cash Used in Investing Activities	(4,563,033)	(17,098,893)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of line of credit	-	(3,850,000)
Proceeds from PPP loan payable	5,837,400	-
Repayment of loan payable	(102,065)	(98,065)
Net Cash Provided by (Used in) Financing Activities	5,735,335	(3,948,065)
NET INCREASE IN CASH AND CASH EQUIVALENTS	886,066	776,458
Cash and cash equivalents - beginning of year	1,641,648	865,190
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,527,714	\$ 1,641,648
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 101,844	\$ 157,870

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

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 12.

- 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 3.2%) for the expected term of the promise to give applicable to the years in which the pledges are received. As of June 30, 2021 and 2020, the discount on pledges receivable amounted to \$103,048 and \$186,960, 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, 2021 AND 2020

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 \$0 and \$4,513 for the years ended June 30, 2021 and 2020, respectively. Donated goods for the year ended June 30, 2020 included: refreshments and a custom frame, amounting to \$4,513. There were no donated services during the years ended June 30, 2021 and 2020. These donations are reflected under private sector support at \$0 and \$4,513 in the accompanying statements of activities for the years ended June 30, 2021 and 2020, 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 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 President’s Office are allocated based on reasonable estimates of time and efforts. Note 14 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 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, 2021 and 2020, 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 16.
- L. **Non-Operating Activities** – BAM’s non-operating activities include: depreciation and amortization, capital grants, grant from federal government and the change in value of its beneficial interest in the 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 was \$25,368 for each of the years ended June 30, 2021 and 2020.
- 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. As of June 30, 2021 and 2020, advances from the governmental and other sources amounted to \$60,000 and \$0, respectively. As of June 30, 2021 and 2020, BAM received conditional grants and contracts in the aggregate amount of approximately \$163,000 and \$398,000, 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, 2021 AND 2020

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.

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 statements of financial position date, included the following as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,527,714	\$ 1,641,648
Accounts and other receivables	741,778	788,946
Government receivables	5,778,043	2,221,039
Pledges receivables	<u>5,240,807</u>	<u>6,006,047</u>
Total	14,288,342	10,657,680
Less: pledges receivable in more than one year	(2,302,497)	(3,196,000)
Less: time or purpose restricted contributions	(4,764,866)	(4,506,191)
Less: advances from governmental and other sources	<u>(60,000)</u>	<u>-</u>
Total financial assets available	<u>\$ 7,160,979</u>	<u>\$ 2,955,489</u>

NOTE 4 – PRIVATE SECTOR SUPPORT

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

	<u>2021</u>	<u>2020</u>
Corporations	\$ 517,573	\$ 514,997
Foundations	7,934,001	7,043,515
Individuals	2,872,536	10,504,375
Donated goods and services	-	4,513
Change in net present value discount	<u>83,912</u>	<u>173,945</u>
Total private sector support	<u>\$ 11,408,022</u>	<u>\$ 18,241,345</u>

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 3.2%. 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>2021</u>	<u>2020</u>
Pledges due:		
Within one year	\$ 2,938,310	\$ 2,810,047
In one to five years	<u>2,302,497</u>	<u>3,196,000</u>
Gross pledges receivable	5,240,807	6,006,047
Discount for net present value	<u>(103,048)</u>	<u>(186,960)</u>
Net pledges receivable	<u>\$ 5,137,759</u>	<u>\$ 5,819,087</u>

NOTE 6 – PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
General construction in progress	\$ 39,923,353	\$ 35,396,174
Capital additions and leasehold improvements	16,108,373	16,108,373
Furniture and equipment	5,163,775	5,127,921
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	64,256,612	59,693,579
Less: accumulated depreciation and amortization	<u>(18,251,280)</u>	<u>(16,552,584)</u>
Net book value	<u>\$ 46,005,332</u>	<u>\$ 43,140,995</u>

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 amounted to \$1,698,696 and \$1,789,798, respectively.

Included in construction in progress as of June 30, 2021 and 2020, 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 June 2024 with an estimated total cost to complete of \$4.6 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 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.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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:

	<u>2021</u>	<u>2020</u>
Beneficial interest, beginning of year	\$ 92,780,429	\$101,160,417
Change in BET net assets	<u>14,163,587</u>	<u>(8,379,988)</u>
Beneficial interest, end of year	<u>\$ 106,944,016</u>	<u>\$ 92,780,429</u>

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

During the years ended June 30, 2021 and 2020, the Board of BET authorized distributions to BAM of \$7,687,204 and \$9,599,095, respectively, of which \$1,250,000 and \$5,000,000, respectively, were appropriated as a special distribution. Those amounts are reflected as revenue in the accompanying statements of activities.

NOTE 8 – GRANT AND PPP LOAN PAYABLE

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 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.

In addition, the CARES Act provides the Employee Retention Credit (“ERC”), which is a refundable tax credit against certain employment taxes. BAM qualified for the ERC under the CARES Act. During the year ended June 30, 2021, BAM recognized \$2,227,846 as a federal grant related to the ERC.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021. Loan proceeds obtained under this agreement are to be used to finance working capital. The line of credit bears interest at LIBOR plus .50 percent expiring on March 1, 2022. 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 both June 30, 2021 and 2020, there was no outstanding balance on the line of credit. The outstanding balance on the line of credit amounted to \$3,550,000 as of February 24, 2022.
- 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, 2021 and 2020 amounted to \$2,645,771 and \$2,747,835, 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 \$71,875 and \$97,242 as of June 30, 2021 and 2020, respectively.

Minimum annual principal payments are as follows for each of the years ending after June 30, 2021:

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

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. As of June 30, 2021 and 2020, there was approximately \$2,223,000 and \$1,330,000, 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, 2021 and 2020, respectively. 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, 2021 and 2020 amounted to \$1,470,862 and \$1,872,098, respectively, of which \$251,126 and \$291,971, respectively, was funded by an appropriation from the City (Note 13).

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.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 – PENSION AND OTHER RETIREMENT PLAN (Continued)

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, 2021 and 2020 financial statements is for the Plan’s years ended June 30, 2021 and 2020. 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 annual report on Form 5500, the Plan was 84% funded for its plan year beginning July 1, 2021. 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, 2021, 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, 2021	<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, 2021 and 2020, the liability of \$920,789 and \$1,150,360, 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 \$(32,700) and \$(183,067) for the years ended June 30, 2021 and 2020, respectively. Included in prepaid expenses and other assets, and accounts payable and accrued expenses, net is \$265,110 and \$297,810 as of June 30, 2021 and 2020, respectively, relating to this Plan.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
BAM Karen Project	\$ 2,042,258	\$ 2,042,258
BAM Rose Cinemas Project	250,000	-
Benefits, galas and special events	46,500	105,000
Dance	300,000	400,000
Education	288,233	261,524
Next Wave	7,500	52,500
Opera and music	350,000	53,300
Theater	39,300	-
Other	3,593,578	4,595,172
Time restricted: to be used for general purposes	1,176,612	291,780
Working capital reserve fund	1,667,544	1,667,539
Beneficial interest in BAM Endowment Trust	<u>106,944,016</u>	<u>92,780,429</u>
Total donor-restricted net assets	<u>\$ 116,705,541</u>	<u>\$ 102,249,502</u>

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

	<u>2021</u>	<u>2020</u>
Benefits, galas and special events	\$ 105,000	\$ 40,000
Dance	100,000	100,000
Education	115,025	149,075
Next Wave	25,000	82,596
Opera and music	3,300	130,000
Other	1,221,594	1,461,835
Time restricted: to be used for general purposes	<u>450,740</u>	<u>1,381,500</u>
Net assets released from restrictions for operations	2,020,659	3,345,006
BAM Strong Project	<u>500,000</u>	<u>2,490,387</u>
Total net assets released from restrictions	<u>\$ 2,520,659</u>	<u>\$ 5,835,393</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>2021</u>	<u>2020</u>
Operations	\$ 2,120,244	\$ 2,306,535
Energy	691,346	702,909
Cultural After-School Adventures Program	-	410
Cultural Institutions Retirement System (Note 11)	<u>251,126</u>	<u>291,971</u>
Subtotal: New York City Department of Cultural Affairs	3,062,716	3,301,825
New York City Department for the Aging	17,000	13,000
New York City Department of Youth and Community Development	21,250	25,000
Borough of Brooklyn	<u>5,000</u>	<u>20,000</u>
Total appropriation from The City of New York	<u>\$ 3,105,966</u>	<u>\$ 3,359,825</u>

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 – EXPENSES BY FUNCTIONAL PROGRAM

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

	2021	2020
Program services	\$ 15,612,452	\$ 35,649,673
Management and general	5,395,903	5,368,866
Fundraising	4,699,495	6,440,042
Total expenses by functional program	\$ 25,707,850	\$ 47,458,581

NOTE 15 – 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 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 was extended on July 21, 2021 for an additional one-year term through September 30, 2022.

Future minimum rental payments under these leases for the years ending subsequent to June 30, 2021 are as follows:

2022	\$145,500
2023	34,500
Total	\$180,000

- 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, 2021 and 2020 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 of operations.

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 16 – 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 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, 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>

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 the 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>

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 92,780,429	\$ 101,160,417
Additions	1,188,465	2,388,235
Expenses	(7,977,696)	(9,902,308)
Unrealized gain	16,809,401	75,624
Realized gain (loss)	<u>4,143,417</u>	<u>(941,539)</u>
Balance, end of year	<u>\$ 106,944,016</u>	<u>\$ 92,780,429</u>

BROOKLYN ACADEMY OF MUSIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 16 – SUBSEQUENT EVENTS

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

In response to COVID-19, the federal government 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”). Subsequent to year end, BAM received the SVOG advance of \$10,000,000 in July 2021. If the funds are used for specified purposes by June 30, 2022, some or all of the SVOG can be recognized as a federal grant.

Subsequent to year end, the Small Business Administration (“SBA”) determined that the proceeds from the PPP loan were used for allowable purposes. As a result, the PPP loan was fully forgiven in November 2021.