

**BROOKLYN ACADEMY OF MUSIC, INC.**

**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**

**YEARS ENDED JUNE 30, 2023 AND 2022**

**BROOKLYN ACADEMY OF MUSIC, INC.**  
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**(Together with Independent Auditors' Report)**  
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## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

We have audited the financial statements of Brooklyn Academy of Music, Inc. ("BAM"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BAM as of June 30, 2023 and 2022, 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.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

### **Mayer Hoffman McCann CPAs**

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In performing an audit in accordance with GAAS, we:

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

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

*Mayer Hoffman McCann CPAs*

New York, NY  
March 25, 2024

**BROOKLYN ACADEMY OF MUSIC, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C and 11A)	\$ 677,414	\$ 2,064,815
Accounts and other receivables (Notes 2J and 2N)	1,141,209	747,990
Government receivables (Notes 2J, 2N and 7)	6,056,390	6,355,576
Pledges receivable, net (Notes 2F, 2J and 4)	2,617,765	5,120,486
Due from BAM Endowment Trust (Note 6)	1,525	73
Prepaid expenses and other current assets (Note 12)	976,941	1,407,227
Property and equipment, net (Notes 2G and 5)	47,682,584	47,878,406
Beneficial interest in BAM Endowment Trust (Notes 2L, 6, 13 and 16)	91,872,615	93,433,236
<b>TOTAL ASSETS</b>	<b>\$ 151,026,443</b>	<b>\$ 157,007,809</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses, net (Note 12)	\$ 3,525,955	\$ 4,889,830
Due to BAM Endowment Trust (Note 6)	1,925,767	-
Lines of credit (Note 10A)	4,350,000	3,550,000
Loan payable, net (Notes 2M and 10B)	2,408,766	2,493,336
Deferred revenue and due to funding sources (Note 2D)	180,766	576,300
<b>TOTAL LIABILITIES</b>	<b>12,391,254</b>	<b>11,509,466</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 15)</b>		
<b>NET ASSETS (Note 2E):</b>		
Without donor restrictions		
General operations	(2,420,220)	506,647
Cultural Institutions Retirement System (Note 12)	(457,499)	(666,935)
Net investment in property and equipment (Notes 2G and 5)	43,712,539	44,309,434
Total without donor restrictions	40,834,820	44,149,146
With donor restrictions (Note 13)	97,800,369	101,349,197
<b>TOTAL NET ASSETS</b>	<b>138,635,189</b>	<b>145,498,343</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 151,026,443</b>	<b>\$ 157,007,809</b>

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, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total 2023	Without Donor Restrictions	With Donor Restrictions	Total 2022
<b>OPERATING ACTIVITIES</b> (Note 2L):						
<b>OPERATING REVENUE:</b>						
Support:						
Special events revenue	\$ 1,270,558	\$ 105,000	\$ 1,375,558	\$ 1,337,104	\$ 30,000	\$ 1,367,104
Less: direct special event expenses	(353,609)	-	(353,609)	(279,610)	-	(279,610)
Special events, net	916,949	105,000	1,021,949	1,057,494	30,000	1,087,494
The City of New York (Notes 2N and 14)	4,043,806	-	4,043,806	3,275,718	-	3,275,718
New York State	69,500	-	69,500	55,000	-	55,000
Federal government (Notes 2N and 7)	20,000	-	20,000	13,930,700	-	13,930,700
Private sector (Note 8)	9,822,407	1,311,214	11,133,621	7,843,586	2,882,123	10,725,709
In-kind support (Notes 2H and 9)	25,304	-	25,304	3,330	-	3,330
Distribution from BAM Endowment Trust (Note 6)	11,829,684	-	11,829,684	4,613,204	-	4,613,204
Net assets released from restrictions (Note 13)	3,385,310	(3,385,310)	-	2,826,809	(2,826,809)	-
Total Support	<u>30,112,960</u>	<u>(1,969,096)</u>	<u>28,143,864</u>	<u>33,605,841</u>	<u>85,314</u>	<u>33,691,155</u>
Earned Revenue: (Note 2O)						
Performance and co-presenter income	13,768,655	-	13,768,655	9,434,894	-	9,434,894
BAM Rose Cinema	2,244,110	-	2,244,110	1,529,921	-	1,529,921
Rentals, BAMart sales, interest and other income	3,078,755	9	3,078,764	2,484,263	2	2,484,265
Total Earned Revenue	<u>19,091,520</u>	<u>9</u>	<u>19,091,529</u>	<u>13,449,078</u>	<u>2</u>	<u>13,449,080</u>
<b>TOTAL OPERATING REVENUE</b>	<u>49,204,480</u>	<u>(1,969,087)</u>	<u>47,235,393</u>	<u>47,054,919</u>	<u>85,316</u>	<u>47,140,235</u>
<b>OPERATING EXPENSE:</b>						
Program services	39,414,748	-	39,414,748	33,673,653	-	33,673,653
Management and general	6,878,807	-	6,878,807	5,641,218	-	5,641,218
Fundraising	5,975,572	-	5,975,572	5,372,608	-	5,372,608
<b>TOTAL OPERATING EXPENSE</b> (Note 2I)	<u>52,269,127</u>	<u>-</u>	<u>52,269,127</u>	<u>44,687,479</u>	<u>-</u>	<u>44,687,479</u>
<b>RESULTS FROM OPERATIONS</b>	<u>(3,064,647)</u>	<u>(1,969,087)</u>	<u>(5,033,734)</u>	<u>2,367,440</u>	<u>85,316</u>	<u>2,452,756</u>
<b>NON-OPERATING ACTIVITIES</b> (Note 2L):						
Depreciation and amortization expense (Notes 2G and 5)	(1,361,920)	-	(1,361,920)	(1,477,940)	-	(1,477,940)
Net assets released from restriction for capital projects (Note 13)	19,120	(19,120)	-	1,930,880	(1,930,880)	-
New York City Economic Development Corporation capital grant (Note 14)	351,816	-	351,816	-	-	-
Private sector capital grant	41,015	-	41,015	-	-	-
Federal government grant (Notes 2N and 7)	307,218	-	307,218	1,189,183	-	1,189,183
Other income	418,812	-	418,812	-	-	-
Decrease in beneficial interest in BAM Endowment Trust (Note 6)	-	(1,560,621)	(1,560,621)	-	(13,510,780)	(13,510,780)
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<u>(223,939)</u>	<u>(1,579,741)</u>	<u>(1,803,680)</u>	<u>1,642,123</u>	<u>(15,441,660)</u>	<u>(13,799,537)</u>
<b>CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES</b>	<u>(3,288,586)</u>	<u>(3,548,828)</u>	<u>(6,837,414)</u>	<u>4,009,563</u>	<u>(15,356,344)</u>	<u>(11,346,781)</u>
Cultural Institutions Retirement System (Note 12)	(25,740)	-	(25,740)	18,679	-	18,679
<b>CHANGE IN TOTAL NET ASSETS</b>	<u>(3,314,326)</u>	<u>(3,548,828)</u>	<u>(6,863,154)</u>	<u>4,028,242</u>	<u>(15,356,344)</u>	<u>(11,328,102)</u>
Net Assets - Beginning of Year	44,149,146	101,349,197	145,498,343	40,120,904	116,705,541	156,826,445
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 40,834,820</u>	<u>\$ 97,800,369</u>	<u>\$ 138,635,189</u>	<u>\$ 44,149,146</u>	<u>\$ 101,349,197</u>	<u>\$ 145,498,343</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, 2023**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

FOR THE YEAR ENDED JUNE 30, 2023

	PROGRAM SERVICES											SUPPORTING SERVICES					Total 2023	Total 2022
	Next Wave	Theater	Dance	Dance Africa	Music	Education	Ancillary	Film	Rentals	Programming & General Management	Marketing	Operations	Total Program Services	Management & General	Fundraising	Total Supporting Services		
<b>SALARIES AND BENEFITS:</b>																		
Salaries and other personnel costs	\$ 1,836,056	\$ 1,498,647	\$ 662,576	\$ 233,921	\$ 135,691	\$ 1,558,150	\$ 677,176	\$ 1,569,384	\$ 1,107,216	\$ 5,527,028	\$ 3,139,563	\$ -	\$ 17,945,408	\$ 2,817,290	\$ 3,551,186	\$ 6,368,476	\$ 24,313,884	\$ 21,565,183
Payroll taxes and employee benefits (Note 11)	758,681	673,243	286,205	97,770	53,463	656,240	261,417	481,976	443,746	1,985,650	1,194,395	-	6,892,786	882,766	1,150,243	2,033,009	8,925,795	7,783,665
<b>Total Salaries and Benefits</b>	<b>2,594,737</b>	<b>2,171,890</b>	<b>948,781</b>	<b>331,691</b>	<b>189,154</b>	<b>2,214,390</b>	<b>938,593</b>	<b>2,051,360</b>	<b>1,550,962</b>	<b>7,512,678</b>	<b>4,333,958</b>	<b>-</b>	<b>24,838,194</b>	<b>3,700,056</b>	<b>4,701,429</b>	<b>8,401,485</b>	<b>33,239,679</b>	<b>29,348,848</b>
<b>OTHER EXPENSES:</b>																		
Company and artist fees	806,379	206,483	608,913	71,714	168,595	137,075	200,426	1,700	-	-	-	-	2,201,285	-	27,425	27,425	2,228,710	2,933,128
Production expenses	403,394	920,650	158,708	118,767	24,040	116,068	183,322	45,675	9,165	97,500	2,077	27,843	2,107,209	3,421	89,275	92,696	2,199,905	1,412,082
Travel, hotel and per diem	824,328	220,014	305,939	78,115	21,501	80,541	12,955	5,924	2,250	19,248	11,219	7,945	1,589,979	9,492	38,728	48,220	1,638,199	1,246,842
Freight	281,798	62,657	82,296	6,424	12	9,849	25,327	-	-	1,325	-	3,950	473,638	-	1,935	1,935	475,573	194,767
Consultants and production fees	95,468	472,482	-	41,000	37,000	345,962	70,707	72,054	7,800	255,667	35,341	98,991	1,532,472	785,237	107,445	892,682	2,425,154	1,343,585
Professional fees	-	12,089	-	16,850	-	-	-	14,074	-	357	-	26,146	69,516	217,318	476	217,794	287,310	276,238
Advertising and promotion	532,095	826,336	-	62,405	-	35,949	55,452	185,109	2,561	24,416	118,767	209	1,843,299	24,699	143,811	168,510	2,011,809	1,530,251
Film rental	-	-	-	-	-	80	5,977	832,165	-	-	-	-	838,222	-	-	-	838,222	563,140
Cinema concessions	-	-	-	-	-	-	-	105,394	3,210	-	-	-	108,604	-	11,128	11,128	119,732	55,589
Hospitality and special events	23,846	29,822	4,924	15,448	4,680	27,682	62,611	279	547	15,990	955	394	187,178	9,488	625,065	634,553	821,731	631,058
Patron services	-	-	-	-	-	705	10	405	-	2,440	2,897	120	6,577	762	26,028	26,790	33,367	25,944
Human resources and personnel training	-	-	-	-	-	65	-	73	-	27,060	1,500	12,203	40,901	290,533	28,758	319,291	360,192	379,038
Occupancy costs (Note 15A)	-	-	-	-	-	-	-	-	-	-	-	1,308,533	1,308,533	-	-	-	1,308,533	960,858
Building maintenance	-	-	-	11,371	-	-	3,720	9,650	8,986	-	-	-	1,045,317	-	-	-	1,079,044	1,264,233
Computers, service and supplies	-	-	-	-	-	1,742	-	750	1,009	15,855	4,100	623,681	647,137	3,146	9,731	12,877	660,014	704,606
Telecommunications	-	-	-	-	-	3,887	-	-	6,180	9,594	-	98,069	117,730	1,284	1,078	2,362	120,092	110,932
Office supplies	310	247	-	5,576	-	8,832	5,412	51,380	-	285,543	6,512	110,945	474,757	2,879	4,825	7,704	482,461	411,476
Postage and shipping	104	104	35	1,852	-	177	22,401	39,278	47	901	435	8,597	73,931	2,127	12,160	14,287	88,218	39,395
Insurance expense	4,055	4,644	3,022	4,907	567	1,778	4,628	11,990	-	28	-	-	35,619	418,627	52	418,679	454,298	357,460
Bank and other finance charges	-	754	-	-	-	-	40	-	-	-	-	729	1,523	613,491	-	613,491	615,014	377,148
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	321,795	-	321,795	321,795	198,970
Organizational contributions	-	-	-	-	-	-	-	-	-	800	-	-	800	414	-	414	1,214	2,308
Miscellaneous	100,371	184,348	85,700	49,698	10,109	13,733	14,645	79,606	17,972	28,735	46,500	39,765	671,182	23,616	117,672	141,288	812,470	599,193
Operations allocation	397,067	358,221	154,030	57,166	31,927	210,098	112,546	245,717	112,857	581,420	319,806	(3,413,437)	(832,582)	450,422	382,160	832,582	-	-
	6,063,952	5,470,741	2,352,348	872,984	487,585	3,208,613	1,718,772	3,752,583	1,723,546	8,879,557	4,884,067	-	39,414,748	6,878,807	6,329,181	13,207,988	52,622,736	44,967,089
Costs of direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(353,609)	(353,609)	(353,609)	(279,610)
<b>Total expenses before depreciation and amortization</b>	<b>6,063,952</b>	<b>5,470,741</b>	<b>2,352,348</b>	<b>872,984</b>	<b>487,585</b>	<b>3,208,613</b>	<b>1,718,772</b>	<b>3,752,583</b>	<b>1,723,546</b>	<b>8,879,557</b>	<b>4,884,067</b>	<b>-</b>	<b>39,414,748</b>	<b>6,878,807</b>	<b>5,975,572</b>	<b>12,854,379</b>	<b>52,269,127</b>	<b>44,687,479</b>
Depreciation and amortization (Note 5)	158,425	142,926	61,456	22,809	12,738	83,827	44,904	98,038	45,028	231,980	127,599	-	1,029,730	179,712	152,478	332,190	1,361,920	1,477,940
<b>TOTAL EXPENSES</b>	<b>\$ 6,222,377</b>	<b>\$ 5,613,667</b>	<b>\$ 2,413,804</b>	<b>\$ 895,793</b>	<b>\$ 500,323</b>	<b>\$ 3,292,440</b>	<b>\$ 1,763,676</b>	<b>\$ 3,850,621</b>	<b>\$ 1,768,574</b>	<b>\$ 9,111,537</b>	<b>\$ 5,011,666</b>	<b>\$ -</b>	<b>\$ 40,444,478</b>	<b>\$ 7,058,519</b>	<b>\$ 6,128,050</b>	<b>\$ 13,186,569</b>	<b>\$ 53,631,047</b>	<b>\$ 46,165,419</b>

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

**BROOKLYN ACADEMY OF MUSIC, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

FOR THE YEAR ENDED JUNE 30, 2022

	PROGRAM SERVICES												SUPPORTING SERVICES			Total 2022	
	Fall Season	Theater	Dance	Dance Africa	Music	Education	Ancillary	Film	Rentals	Programming & General Management	Marketing	Operations	Total Program Services	Management & General	Fundraising		Total Supporting Services
<b>SALARIES AND BENEFITS:</b>																	
Salaries and other personnel costs	\$ 255,427	\$ 935,349	\$ 995,273	\$ 236,779	\$ 345,949	\$ 1,484,050	\$ 527,768	\$ 1,392,468	\$ 841,442	\$ 5,523,189	\$ 3,155,207	\$ -	\$ 15,692,901	\$ 2,615,281	\$ 3,257,001	\$ 5,872,282	\$ 21,565,183
Payroll taxes and employee benefits (Note 11)	80,514	380,901	444,859	101,747	145,385	575,929	194,685	440,848	367,000	2,028,681	1,203,761	-	5,964,310	786,042	1,033,313	1,819,355	7,783,665
<b>Total Salaries and Benefits</b>	<b>335,941</b>	<b>1,316,250</b>	<b>1,440,132</b>	<b>338,526</b>	<b>491,334</b>	<b>2,059,979</b>	<b>722,453</b>	<b>1,833,316</b>	<b>1,208,442</b>	<b>7,551,870</b>	<b>4,358,968</b>	<b>-</b>	<b>21,657,211</b>	<b>3,401,323</b>	<b>4,290,314</b>	<b>7,691,637</b>	<b>29,348,848</b>
<b>OTHER EXPENSES:</b>																	
Company and artist fees	197,256	583,713	962,925	108,500	424,984	139,848	473,300	179	-	-	-	-	2,890,705	-	42,423	42,423	2,933,128
Production expenses	115,407	488,892	77,454	59,069	78,152	212,392	177,691	24,622	8,539	70,877	7,119	14,996	1,335,210	28,114	48,758	76,872	1,412,082
Travel, hotel and per diem	148,046	399,649	339,655	61,037	5,430	23,038	197,780	16,837	4,401	9,157	935	15,888	1,221,853	4,365	20,624	24,989	1,246,842
Freight	15,539	43,382	98,078	577	3,632	1,838	9,049	-	5,203	1,387	-	11,997	190,682	-	4,085	4,085	194,767
Consultants and production fees	23,103	40,246	1,125	47,600	29,250	273,480	134,195	49,850	18,060	186,301	76,192	127,333	1,006,735	215,446	121,404	336,850	1,343,585
Professional fees	-	18,277	-	-	-	-	-	9,449	-	993	-	-	28,719	244,507	3,012	247,519	276,238
Advertising and promotion	294,811	740,021	101	57,506	513	53,066	37,787	98,953	-	20,202	123,762	-	1,426,722	-	103,529	103,529	1,530,251
Film rental	-	-	-	-	-	167	2,257	560,716	-	-	-	-	563,140	-	-	-	563,140
Cinema concessions	-	-	-	-	-	-	-	54,942	-	-	-	-	54,942	-	647	647	55,589
Hospitality and special events	8,578	28,700	12,677	5,597	16,063	13,197	52,600	10,030	7,180	11,004	-	300	165,926	6,659	458,473	465,132	631,058
Patron services	-	-	-	-	-	91	-	405	-	2,802	3,487	-	6,785	266	18,893	19,159	25,944
Human resources and personnel training	-	-	35	-	-	164	-	-	-	5,207	3,714	6,842	15,962	357,643	5,433	363,076	379,038
Occupancy costs (Note 15A)	-	-	-	-	-	-	-	-	-	-	-	960,858	960,858	-	-	-	960,858
Building maintenance	-	-	-	36,612	103	-	5,826	7,252	-	-	-	1,203,271	1,253,064	-	11,169	11,169	1,264,233
Computers, service and supplies	-	-	-	-	-	4,003	-	492	-	765	4,991	679,612	689,863	11,035	3,708	14,743	704,606
Telecommunications	-	-	-	-	-	1,647	-	-	-	8,704	-	98,039	108,390	1,853	689	2,542	110,932
Office supplies	198	-	-	722	-	18,754	4,178	18,476	-	211,879	2,267	144,861	401,335	6,820	3,321	10,141	411,476
Postage and shipping	316	25	94	1,456	120	109	193	17,132	-	635	148	11,096	31,324	3,222	4,849	8,071	39,395
Insurance expense	1,042	3,490	2,809	4,745	1,498	1,334	1,408	8,227	-	-	-	1,249	25,802	331,658	-	331,658	357,460
Bank and other finance charges	-	-	-	-	-	50	-	-	-	-	-	-	50	377,058	40	377,098	377,148
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	198,970	-	198,970	198,970
Organizational contributions	-	-	-	-	-	2,000	-	-	-	-	-	-	2,000	308	-	308	2,308
Miscellaneous	6,403	159,464	56,722	11,880	29,843	16,387	39,518	50,424	5,830	15,593	26,696	28,195	446,955	34,388	117,850	152,238	599,193
Operations allocation	91,184	304,153	238,513	58,487	86,143	226,905	147,961	220,668	100,899	649,405	369,639	(3,304,537)	(810,580)	417,583	392,997	810,580	-
	1,237,824	4,126,262	3,230,320	792,314	1,167,065	3,048,449	2,006,196	2,981,970	1,358,554	8,746,781	4,977,918	-	33,673,653	5,641,218	5,652,218	11,293,436	44,967,089
Costs of direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(279,610)	(279,610)	(279,610)
<b>Total expenses before depreciation and amortization</b>	<b>1,237,824</b>	<b>4,126,262</b>	<b>3,230,320</b>	<b>792,314</b>	<b>1,167,065</b>	<b>3,048,449</b>	<b>2,006,196</b>	<b>2,981,970</b>	<b>1,358,554</b>	<b>8,746,781</b>	<b>4,977,918</b>	<b>-</b>	<b>33,673,653</b>	<b>5,641,218</b>	<b>5,372,608</b>	<b>11,013,826</b>	<b>44,687,479</b>
Depreciation and amortization (Note 5)	41,003	136,676	106,985	26,241	38,653	101,450	66,449	98,742	44,973	289,563	164,789	-	1,115,524	186,796	175,620	362,416	1,477,940
<b>TOTAL EXPENSES</b>	<b>\$ 1,278,827</b>	<b>\$ 4,262,938</b>	<b>\$ 3,337,305</b>	<b>\$ 818,555</b>	<b>\$ 1,205,718</b>	<b>\$ 3,149,899</b>	<b>\$ 2,072,645</b>	<b>\$ 3,080,712</b>	<b>\$ 1,403,527</b>	<b>\$ 9,036,344</b>	<b>\$ 5,142,707</b>	<b>\$ -</b>	<b>\$ 34,789,177</b>	<b>\$ 5,828,014</b>	<b>\$ 5,548,228</b>	<b>\$ 11,376,242</b>	<b>\$ 46,165,419</b>

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, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (6,863,154)	\$ (11,328,102)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	1,361,920	1,477,940
Amortization of debt issuance costs and property lease initial direct cost	26,096	25,368
Decrease in beneficial interest in BAM Endowment Trust	1,560,621	13,510,780
Bad debt	321,795	198,970
PPP loan forgiveness	-	(3,880,700)
Change in discount on pledges receivable	(68,607)	29,801
Subtotal	(3,661,329)	34,057
Decrease (increase) in assets:		
Accounts and other receivables	(393,219)	(6,212)
Government receivables	299,186	(577,533)
Pledges receivable	2,249,533	(211,498)
Due from BAM Endowment Trust	(1,452)	-
Prepaid expenses and other current assets	430,286	(528,055)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,363,875)	273,344
Due to BAM Endowment Trust	1,925,767	-
Deferred revenue and due to funding sources	(395,534)	459,940
<b>Net Cash Used in Operating Activities</b>	<b>(910,637)</b>	<b>(555,957)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions of property and equipment	(1,166,098)	(3,351,014)
<b>Net Cash Used in Investing Activities</b>	<b>(1,166,098)</b>	<b>(3,351,014)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from lines of credit	800,000	3,550,000
Repayment of loan payable	(110,666)	(105,928)
<b>Net Cash Provided by Financing Activities</b>	<b>689,334</b>	<b>3,444,072</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,387,401)</b>	<b>(462,899)</b>
Cash and cash equivalents - beginning of year	2,064,815	2,527,714
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 677,414</b>	<b>\$ 2,064,815</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 298,586	\$ 131,402
Noncash Activity:		
PPP loan forgiveness	\$ -	\$ 3,880,700

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

**BROOKLYN ACADEMY OF MUSIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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 – engaging both global and local communities. With world-renowned programming in theater, dance, music, opera, film, and much more, BAM showcases the work of emerging artists and innovative modern artists.

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

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

- A. **Basis of Accounting** – The financial statements of BAM have been prepared on the accrual basis of accounting. BAM adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.
- C. **Cash and Cash Equivalents** – BAM considers all highly liquid investments with a maturity of three months or less when acquired, to be cash equivalents.
- D. **Deferred Revenue and Due to Funding Sources** – BAM receives advances for ticket sales and records these sales as deferred revenue. BAM receives funding from governmental agencies and to the extent amounts received exceeds amounts spent, BAM records due to funding sources as a liability. For each of the years ended June 30, 2023 and 2022, advances from governmental and other sources amount to \$108,135.
- 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 13.

- F. **Pledges Receivable** – Pledges are recorded as revenue when the unconditional pledge is made. BAM discounts long-term pledges using a risk-adjusted interest rate (ranging from 0.7% to 3.5%) for the expected term of the promise to give applicable to the years in which the pledges are received. As of June 30, 2023 and 2022, the discount on pledges receivable amounted to \$64,242 and \$132,849, 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, 2023 AND 2022**

**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 and they are reported as increases in net assets without donor restrictions unless explicit donor stipulations specify how donated assets must be used. BAM recognizes the fair values of contributed services received if such services create or enhance long-lived assets, or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The amounts reflected in the accompanying financial statements as contributions in-kind are offset by like amounts included in expenses.
- I. **Functional Expense Allocation** – The costs of program and supporting services have been summarized on a functional basis in the financial statements. BAM allocates expenses that are attributed to more than one program or supporting function based on its formal functional expense allocation guidelines that are consistently applied. The expenses that are allocated include salaries and benefits, and other expenses of operations (I.T., Facilities, Securities and Capital Project Departments), which are allocated based on a percentage of total expenses. Salaries and benefits, and other expenses of the President's Office are allocated based on reasonable estimates of time and efforts.
- J. **Allowance for Doubtful Accounts** – BAM's management evaluates the need for an allowance for doubtful accounts applicable to its accounts receivable based on various factors including an assessment of the creditworthiness of its donors, aging of the amounts due and historical experience. As of June 30, 2023 and 2022, 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, other income and the change in value of its beneficial interest in the BAM Endowment Trust. The private sector capital grant for BAM Strong project was \$41,015 and \$0 for the years ended June 30, 2023 and 2022, respectively. Other income includes insurance claim proceeds and earned interest from non-operating activities, amounting to \$418,812 and \$0 for the years ended June 30, 2023 and 2022, respectively.
- M. **Debt Issuance Costs** – Debt issuance costs are reflected as a reduction of the carrying value of the related debt and are deferred and amortized on a straight-line basis over the life of the related debt, which approximates the effective interest method. Amortization expense was \$25,368 for each of the years ended June 30, 2023 and 2022.
- N. **Contributions, Government and Other Grants** – Contributions, government grants and other grants are recognized when the donor makes a promise to give to BAM that is, in substance, unconditional. Conditional contributions and promises to give, those with a measurable performance or other barrier and a right of return, are not recognized as support until the conditions on which they depend are substantially met.

Government and other grants are nonexchange transactions and accounted for under Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08. Grants are recognized as revenue when barriers within the contracts are overcome, and there is no right of return. For each of the years ended June 30, 2023 and 2022, BAM received conditional grants and contracts in the aggregate amounts of approximately \$197,000, that have not been recorded in the accompanying financial statements, as they have not been earned. Revenue from government contracts is subject to audit and negotiations between BAM and the government agencies.

**BROOKLYN ACADEMY OF MUSIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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 lines 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 677,414	\$ 2,064,815
Accounts and other receivables	1,141,209	747,990
Government receivables	6,056,390	6,355,576
Pledges receivable	<u>2,682,007</u>	<u>5,253,335</u>
Total	10,557,020	14,421,716
Less: pledges receivable in more than one year	(700,000)	(1,765,000)
Less: time or purpose restricted contributions	(2,681,438)	(3,313,431)
Less: advances from governmental and other sources	<u>(108,135)</u>	<u>(108,135)</u>
Total financial assets available	<u>\$ 7,067,447</u>	<u>\$ 9,235,150</u>

**NOTE 4 – PLEDGES RECEIVABLE, NET**

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

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

	<u>2023</u>	<u>2022</u>
Pledges due:		
Within one year	\$ 1,982,007	\$ 3,488,335
In one to five years	<u>700,000</u>	<u>1,765,000</u>
Gross pledges receivable	2,682,007	5,253,335
Discount for net present value	<u>(64,242)</u>	<u>(132,849)</u>
Net pledges receivable	<u>\$ 2,617,765</u>	<u>\$ 5,120,486</u>

**BROOKLYN ACADEMY OF MUSIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 5 – PROPERTY AND EQUIPMENT**

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

	<u>2023</u>	<u>2022</u>
General construction in progress	\$ 43,475,672	\$ 42,796,199
Capital additions and leasehold improvements	16,747,345	16,320,323
Furniture and equipment	5,489,596	5,429,993
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	68,773,724	67,607,626
Less: accumulated depreciation and amortization	<u>(21,091,140)</u>	<u>(19,729,220)</u>
Net book value	<u>\$ 47,682,584</u>	<u>\$ 47,878,406</u>

The premises where BAM operates includes property owned by The City of New York. BAM has agreements with The City of New York to lease the city-owned premises for a nominal amount, and responsibility to provide and pay for capital additions and leasehold improvements to these premises (Note 15A).

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 amounted to \$1,361,920 and \$1,477,940, respectively.

Included in construction in progress as of June 30, 2023 and 2022, 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 September 2026 with an estimated total cost to complete of \$13.9 million.

**NOTE 6 – BENEFICIAL INTEREST IN BAM ENDOWMENT TRUST**

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

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

BET adheres to NYPMIFA in determining the amount of annual and supplemental draws, and acts with “the care that an ordinarily prudent person in a like position would exercise under similar circumstances” and considers, where relevant, the eight factors set forth in the NYPMIFA guidance. BET recognizes that NYPMIFA permits the Board of Trustees to appropriate for expenditure all earnings of endowment funds (both realized and unrealized).

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>2023</u>	<u>2022</u>
Beneficial interest, beginning of year	\$ 93,433,236	\$ 106,944,016
Change in BET net assets	<u>(1,560,621)</u>	<u>(13,510,780)</u>
Beneficial interest, end of year	<u>\$ 91,872,615</u>	<u>\$ 93,433,236</u>

**BROOKLYN ACADEMY OF MUSIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 6 – BENEFICIAL INTEREST IN BAM ENDOWMENT TRUST (Continued)**

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, 2023 and 2022, the amount of funds BET owed to BAM was \$1,525 and \$73, respectively. As of June 30, 2023 and 2022, the amount of funds BAM owed to BET was \$1,925,767 and \$0, respectively. During each of the years ended June 30, 2023 and 2022, BAM received a management fee of \$250,000 for services performed on behalf of BET by BAM employees.

During the years ended June 30, 2023 and 2022, the Board of BET authorized distributions to BAM of \$11,829,684 and \$4,613,204, respectively, of which \$7,000,000 and \$0, respectively, were appropriated as a special distribution. Those amounts are reflected as revenue in the accompanying statements of activities.

**NOTE 7 – GRANTS AND PPP LOAN PAYABLE IN RESPONSE TO COVID-19**

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES’ Act”) to provide relief to qualifying business through a program called the Paycheck Protection program (“PPP”).

BAM received a PPP loan amounting to \$5,837,400 in July 2020. For the year ended June 30, 2021, BAM incurred sufficient qualifying expenses and accordingly recognized \$1,956,700 as a federal grant and \$3,880,700 as a PPP loan payable as of June 30, 2021. The PPP loan was fully forgiven in November 2021. As a result, BAM recognized \$3,880,700 as a federal grant for the year ended June 30, 2022 and \$0 for the year ended June 30, 2023.

BAM qualified for an Employee Retention Credit (“ERC”) under the CARES Act. During the years ended June 30, 2023 and 2022, BAM recognized \$307,218 and \$1,189,183, respectively, as a federal grant, related to the ERC. Related with the ERC federal grant, BAM recorded a receivable amounting to \$3,455,725 and \$3,148,507, as of June 30, 2023 and 2022, respectively, reflected as government receivables in the accompanying statements of financial position.

The federal government also passed the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act to provide relief to qualifying business through a program called the Shuttered Venue Operators Grant (“SVOG”). BAM received the SVOG advance amounting to \$10,000,000 in July 2021. BAM incurred sufficient qualifying expenses and recognized \$10,000,000 as a federal grant for the year ended June 30, 2022 and \$0 for the year ended June 30, 2023.

**NOTE 8 – PRIVATE SECTOR SUPPORT**

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

	<u>2023</u>	<u>2022</u>
Corporations	\$ 790,531	\$ 354,703
Foundations	6,146,388	6,653,949
Individuals	4,169,110	3,746,858
Change in net present value discount	<u>68,607</u>	<u>(29,801)</u>
Total private sector support	<u>\$ 11,174,636</u>	<u>\$ 10,725,709</u>

**BROOKLYN ACADEMY OF MUSIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 9 – IN-KIND SUPPORT**

In-kind support for the year ended June 30, 2023 is as follows:

<u>Nonfinancial Asset</u>	<u>2023</u>	<u>Used in Programs/Activities</u>	<u>Donor-imposed Restriction</u> To be used for fundraising events	<u>Fair Value Technique</u> Based on current value of goods donated
Food and beverage	\$ 25,304	Fundraising		

In-kind support for the year ended June 30, 2022 is as follows:

<u>Nonfinancial Asset</u>	<u>2022</u>	<u>Used in Programs/Activities</u>	<u>Donor-imposed Restriction</u> To be used for fundraising events	<u>Fair Value Technique</u> Based on current value of goods donated
Food and beverage	\$ 3,330	Fundraising		

**NOTE 10 – NOTES PAYABLE**

A. BAM had a line of credit with a bank with a maximum borrowing limit of \$3,900,000 as of June 30, 2023. Loan proceeds obtained under this agreement are to be used to finance working capital. The line of credit bears interest at the Bloomberg Short-Term Bank Yield Index (“BSBY”) daily floating rate plus one percent at June 30, 2023 and 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. The outstanding balance as of June 30, 2023 and 2022, amounted to \$0 and \$3,550,000, respectively.

BAM obtained an additional line of credit with a maximum borrowing limit of \$5,000,000 on July 29, 2022. Loan proceeds obtained under this agreement are to be used to finance working capital. The line of credit bears interest at BSBY Daily Floating Rate plus one percent. The outstanding balance as of June 30, 2023 amounted to \$4,350,000.

Interest expense amounted to \$204,501 and \$34,290 for the years ended June 30, 2023 and 2022, respectively. The outstanding balance on the lines of credit amounted to \$2,000,000 as of March 25, 2024.

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, 2023 and 2022 amounted to \$2,429,906 and \$2,539,843, 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 \$21,140 and \$46,507 as of June 30, 2023 and 2022, respectively.

Minimum annual principal payments are approximately as follows after June 30, 2023:

2024	<u>\$ 2,430,000</u>
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**BROOKLYN ACADEMY OF MUSIC, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 11 – CONCENTRATIONS**

- A. Cash and cash equivalents that potentially subject BAM to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Interest-bearing accounts are insured up to \$250,000 per depositor, per insured financial institution. As of June 30, 2023 and 2022, there was approximately \$731,000 and \$2,014,000, 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, 2023 and 2022. 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 12 – 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, 2023 and 2022 amounted to \$1,730,572 and \$1,499,160, respectively, of which \$311,044 and \$279,755, respectively, was funded by an appropriation from The City of New York (Note 14).

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

BAM’s participation in the Plan is outlined in the table below. The Pension Protection Act (“PPA”) Zone Status available in the CIRS years ended June 30, 2023 and 2022 financial statements is for the Plan years ended June 30, 2023 and 2022. The zone status is based on information obtained from the Plan and is certified by the Plan’s actuary. Among other factors, plans in the red zone are generally less than 65% funded.

Based on the Plan’s actuarial valuation, the Plan was 88% funded for its plan year beginning July 1, 2023. The “FIP/RP Status Pending/Implemented” column indicates if a funding improvement plan (“FIP”) or a rehabilitation plan (“RP”) is either pending or has been implemented.

According to the July 1, 2023 actuarial valuation, the Plan’s actuary certified that for the Plan year beginning July 1, 2023, the Plan was not in endangered or critical status.

Pension Plan	Employer Identification Number	Pension Plan Number	PPA Zone Status July 1, 2023	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, 2025



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**NOTE 12 – PENSION AND OTHER RETIREMENT PLAN (CONTINUED)**

In fiscal year 2015, The City of New York notified BAM that for fiscal years 2007-2012, the CIRS had erroneously billed The City of New York for prior pension costs that should have been paid by BAM. The total amount of overpayment by The City of New York was \$2,351,758. The City of New York 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, 2023 and 2022, the liability of \$457,499 and \$666,935, 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 \$20,509 and \$(89,049) for the years ended June 30, 2023 and 2022, respectively. Included in prepaid expenses and other current assets, and accounts payable and accrued expenses, net, is \$196,120 and \$176,061 as of June 30, 2023 and 2022, respectively, relating to this Plan.

**NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
BAM KBH Project	\$ 342,258	\$ 342,258
BAM Strong Project	158,985	-
BAM Rose Cinemas Project	-	19,120
Benefits, galas and special events	109,000	5,000
Dance	100,000	200,000
Education	284,860	439,264
Next Wave	314,000	18,000
Opera and music	325,000	300,000
Other	2,390,337	3,096,368
Time restricted: to be used for general purposes	235,759	1,828,405
Working capital reserve fund	1,667,555	1,667,546
Beneficial interest in BAM Endowment Trust (Notes 6 and 16)	<u>91,872,615</u>	<u>93,433,236</u>
Total donor-restricted net assets	<u>\$ 97,800,369</u>	<u>\$ 101,349,197</u>

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

	<u>2023</u>	<u>2022</u>
Benefits, galas and special events	\$ 5,000	\$ 71,500
Dance	100,000	100,000
Education	250,026	61,469
Next Wave	18,000	7,500
Opera and music	-	50,000
Theatre	-	39,300
Other	1,061,030	1,627,210
Time restricted: to be used for general purposes	<u>1,951,254</u>	<u>869,830</u>
Net assets released from restrictions for operations	3,385,310	2,826,809
BAM KBH Project	-	1,700,000
BAM Rose Cinemas Project	<u>19,120</u>	<u>230,880</u>
Total net assets released from restrictions	<u>\$ 3,404,430</u>	<u>\$ 4,757,689</u>

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**NOTE 14 – PUBLIC SUPPORT APPROPRIATIONS FROM THE CITY OF NEW YORK**

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

	2023	2022
Operating appropriations:		
Operations	\$ 2,587,001	\$ 2,216,758
Energy	1,050,761	711,205
Cultural Institutions Retirement System (Note 12)	311,044	279,755
Subtotal: New York City Department of Cultural Affairs	3,948,806	3,207,718
New York City Department for the Aging	30,000	23,000
New York City Department of Youth and Community Development	35,000	25,000
Borough of Brooklyn	30,000	20,000
Total operating appropriations:	4,043,806	3,275,718
Non-operating appropriations:		
New York Economic Development Corporation	351,816	-
Total appropriation from The City of New York	\$ 4,395,622	\$ 3,275,718

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

A. In 1973, BAM entered into an agreement with The City of New York 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 of New York to operate the BAM Richard B. Fisher Building at a nominal fee. In November 2016, BAM entered into a 25-year license agreement with The City of New York 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 of New York to offset a portion of these costs (Note 14).

BAM is also obligated under a lease for space at 1000 Dean Street. The lease had an expiration date of March 31, 2023 and was extended on March 29, 2023 for an additional four-month term through July 31, 2023. Rent expenses amounted to \$176,214 and \$173,304 for the years ended June 30, 2023 and 2022, respectively.

Subsequent to the year ended June 30, 2023, BAM obtained extensions of the lease for additional terms through March 2024. Future minimum rental payments under the lease are approximately as follows after June 30, 2023:

2024	<u>\$ 117,000</u>
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- B. Government supported projects are subject to audit by the applicable government granting agencies.
- C. During the normal course of business, BAM is a defendant with respect to various claims involving accidents and other issues. Management and counsel believe the ultimate resolution of these pending claims will not have a material impact on the financial position and changes in net assets of BAM.
- D. BAM believes it has no uncertain tax positions as of June 30, 2023 and 2022 in accordance with FASB Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

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**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 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, 2023 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	\$ 21,316	\$ -	\$ 21,316
Beneficial interest in the BAM Endowment Trust	<u>-</u>	<u>91,872,615</u>	<u>91,872,615</u>
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b><u>\$ 21,316</u></b>	<b><u>\$ 91,872,615</u></b>	<b><u>\$ 91,893,931</u></b>

Financial assets carried at fair value at June 30, 2022 are classified as Level 1 and Level 3 in the table as follows:

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

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 93,433,236	\$ 106,944,016
Additions	1,455,665	3,210,512
Expenses	(12,123,299)	(4,905,382)
Loss on uncollectible pledges receivable	(200,000)	-
Change in discount to present value	(308,039)	-
Unrealized gain (loss)	9,965,818	(13,181,853)
Realized (loss) gain	<u>(350,766)</u>	<u>1,365,943</u>
<b>Balance, end of year</b>	<b><u>\$ 91,872,615</u></b>	<b><u>\$ 93,433,236</u></b>

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**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated events subsequent to the date of the statement of financial position through March 25, 2024, the date the financial statements were available to be issued.