

**BAM ENDOWMENT TRUST**

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

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

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
BAM Endowment Trust  
Brooklyn, NY

### **Opinion**

We have audited the financial statements of BAM Endowment Trust ("BET"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities 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 BET 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 BET 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 BET'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**  
The New York Practice of Mayer Hoffman McCann P.C.  
An Independent CPA Firm

685 Third Avenue  
New York, NY 10017

Phone: 212.503.8800  
[mhmcpa.com](http://mhmcpa.com)





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 BET'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 BET'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 19, 2024

**BAM ENDOWMENT TRUST  
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 2E and 5)	\$ 1,135,440	\$ 3,132,174
Investments (Notes 2G, 8 and 10)	87,625,112	88,603,293
Due from Brooklyn Academy of Music, Inc. (Note 6)	1,925,767	-
Pledges receivable - net (Notes 2F, 2I and 7)	1,196,961	1,710,000
<b>TOTAL ASSETS</b>	<b>\$ 91,883,280</b>	<b>\$ 93,445,467</b>
<b>LIABILITIES</b>		
Due to Brooklyn Academy of Music, Inc. (Note 6)	\$ 1,525	\$ 73
Pooled income fund liabilities (Note 8)	9,140	12,158
<b>TOTAL LIABILITIES</b>	<b>10,665</b>	<b>12,231</b>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 9)		
<b>NET ASSETS</b> (Notes 2B and 4):		
Without donor restrictions - Board designated	3,436,273	3,435,798
With donor restrictions		
Pooled income fund	122,139	114,106
Endowment	88,314,203	89,883,332
Total with donor restrictions	88,436,342	89,997,438
<b>TOTAL NET ASSETS</b>	<b>91,872,615</b>	<b>93,433,236</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 91,883,280</b>	<b>\$ 93,445,467</b>

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

**BAM ENDOWMENT TRUST**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions - Board Designated	With Donor Restrictions	Total 2023	Without Donor Restrictions - Board Designated	With Donor Restrictions	Total 2022
	<b>REVENUES AND OTHER SUPPORT:</b>					
Contributions (Note 2H)	\$ -	\$ 15,065	\$ 15,065	\$ -	\$ 47,048	\$ 47,048
Interest and dividends (Notes 2G and 4)	-	1,437,107	1,437,107	-	3,159,315	3,159,315
Miscellaneous income	475	-	475	1,281	-	1,281
Change in discount to present value	-	(308,039)	(308,039)	-	-	-
Change in pooled income fund (Note 8)	-	3,018	3,018	-	2,868	2,868
<b>Total revenues and other support</b>	<b>475</b>	<b>1,147,151</b>	<b>1,147,626</b>	<b>1,281</b>	<b>3,209,231</b>	<b>3,210,512</b>
Net assets released from restrictions (Notes 2B and 4)	12,123,299	(12,123,299)	-	4,905,382	(4,905,382)	-
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>12,123,774</b>	<b>(10,976,148)</b>	<b>1,147,626</b>	<b>4,906,663</b>	<b>(1,696,151)</b>	<b>3,210,512</b>
<b>EXPENSES:</b>						
<b>Program services:</b>						
Distribution - Brooklyn Academy of Music, Inc. (Note 9A)	11,829,684	-	11,829,684	4,613,204	-	4,613,204
<b>Supporting services:</b>						
<b>Management and general</b>						
Management fee (Note 6)	125,000	-	125,000	125,000	-	125,000
Audit, insurance, filing and other fees	43,615	-	43,615	42,178	-	42,178
Loss on uncollectible pledges receivable	-	200,000	200,000	-	-	-
	168,615	200,000	368,615	167,178	-	167,178
<b>Fundraising</b>						
Management fee (Note 6)	125,000	-	125,000	125,000	-	125,000
<b>Total supporting services</b>	<b>293,615</b>	<b>200,000</b>	<b>493,615</b>	<b>292,178</b>	<b>-</b>	<b>292,178</b>
<b>TOTAL EXPENSES</b>	<b>12,123,299</b>	<b>200,000</b>	<b>12,323,299</b>	<b>4,905,382</b>	<b>-</b>	<b>4,905,382</b>
<b>RESULTS FROM OPERATIONS</b>	<b>475</b>	<b>(11,176,148)</b>	<b>(11,175,673)</b>	<b>1,281</b>	<b>(1,696,151)</b>	<b>(1,694,870)</b>
<b>NON-OPERATING ACTIVITIES</b>						
Unrealized gain (loss) on investments	-	9,965,818	9,965,818	-	(13,181,853)	(13,181,853)
Realized (loss) gain on investments	-	(350,766)	(350,766)	-	1,365,943	1,365,943
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<b>-</b>	<b>9,615,052</b>	<b>9,615,052</b>	<b>-</b>	<b>(11,815,910)</b>	<b>(11,815,910)</b>
Reclassifications of donor restrictions (Note 4)	-	-	-	2,000,000	(2,000,000)	-
<b>CHANGE IN TOTAL NET ASSETS</b>	<b>475</b>	<b>(1,561,096)</b>	<b>(1,560,621)</b>	<b>2,001,281</b>	<b>(15,512,061)</b>	<b>(13,510,780)</b>
<b>Net assets - beginning of year</b>	<b>3,435,798</b>	<b>89,997,438</b>	<b>93,433,236</b>	<b>1,434,517</b>	<b>105,509,499</b>	<b>106,944,016</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 3,436,273</b>	<b>\$ 88,436,342</b>	<b>\$ 91,872,615</b>	<b>\$ 3,435,798</b>	<b>\$ 89,997,438</b>	<b>\$ 93,433,236</b>

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

**BAM ENDOWMENT TRUST  
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>		
Change in net assets	\$ (1,560,621)	\$ (13,510,780)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted in perpetuity	(15,065)	(30,000)
Change in pooled income fund	(3,018)	(2,868)
Unrealized (gain) loss on investments	(9,965,818)	13,181,853
Realized loss (gain) on investments	350,766	(1,365,943)
Loss on uncollectible pledges receivable	200,000	-
Change in discount on pledges receivable	308,039	(17,048)
Subtotal	(10,685,717)	(1,744,786)
Changes in operating assets and liabilities:		
Pledges receivable	5,000	8,000
Due from Brooklyn Academy of Music, Inc.	(1,925,767)	-
Due to Brooklyn Academy of Music, Inc.	1,452	-
<b>Net Cash Used in Operating Activities</b>	<b>(12,605,032)</b>	<b>(1,736,786)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from investment sales	28,705,826	20,918,813
Purchases of investments	(18,112,593)	(21,584,858)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>10,593,233</b>	<b>(666,045)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted in perpetuity	15,065	30,000
<b>Net Cash Provided by Financing Activities</b>	<b>15,065</b>	<b>30,000</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,996,734)</b>	<b>(2,372,831)</b>
Cash and cash equivalents - beginning of year	3,132,174	5,505,005
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,135,440</b>	<b>\$ 3,132,174</b>

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

**BAM ENDOWMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

BAM Endowment Trust (“BET”) was incorporated in April 1992. BET operates exclusively for the benefit of Brooklyn Academy of Music, Inc. (“BAM”). The bylaws of BET state that the majority of its Board members cannot be affiliated with BAM’s Board of Trustees. Accordingly, the accounts of BET are not consolidated with the financial statements of BAM, although BAM records its beneficial interest in the net assets of BET.

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

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

- A. ***Basis of Accounting*** – The financial statements of BET have been prepared on the accrual basis of accounting. BET adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Net Assets*** – BET maintains its net assets under the following two classes:
- a. Without Donor Restrictions – represents resources available to support BET’s operations over which the Board of Trustees has discretionary control.
  - b. With Donor Restrictions – represents net assets subject to donor-imposed stipulations as to a specific purpose or time that have not been met. Net assets with donor restrictions which have been both earned and have had their restrictions met in the current year are recorded as net assets without donor restrictions. In addition, BET receives funds for the establishment of certain endowments for its benefit. These endowments have been designated by the donors as endowments to be kept in perpetuity with net appreciation designated to specific purposes or the general operations of BAM. Appropriations of such appreciations are limited in accordance with the New York Prudent Management of Institutional Funds Act (“NYPMIFA”); see Note 4.
- C. ***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.
- D. ***Results from Operations*** – BET reports as operations all gifts, investment income and expenses. Gains and losses on investments are reported as non-operating changes in net assets.
- E. ***Cash and Cash Equivalents*** – BET considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
- F. ***Pledges Receivable*** – Unconditional pledges receivable due in more than one year are recorded at their net present value, determined using a risk-adjusted discount rate commensurate with the rate of U.S. Treasury bills whose maturities correspond to the maturities of the pledges. BET uses a discount rate ranging from 4.31% to 4.99%. As of June 30, 2023 and 2022, the discount on pledges receivable amounted to \$308,309 and \$0, respectively. Restricted pledges are reported as additions to net assets with donor restrictions.
- G. ***Investments and Fair Value*** – Investments are stated at fair value in the accompanying financial statements. The statements of activities include net return on investments consisting of interest and dividend income, net of management and custodial fees, and realized and unrealized gains and losses. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Management and custodial fees amounted to \$316,271 and \$447,688 for the years ended June 30, 2023 and 2022, respectively, and are netted with interest and dividends in the accompanying statements of activities.



**BAM ENDOWMENT TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- G. **Investments and Fair Value (continued)** – 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. Certain of BET’s investments are reported at net asset value (NAV) as provided by the investment managers and is used as a practical expedient to estimate fair value. 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 10.
- H. **Contributions** – Contributions are recorded as support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to BET that is, in substance, unconditional. Conditional contributions and promises to give, those with measurable performance and other barriers and a right of return, are not recognized as support until the conditions on which they depend are substantially met.
- I. **Allowance for Doubtful Accounts** – BET’s management evaluates the need for an allowance for doubtful accounts applicable to its pledges receivable based on various factors including an assessment of the creditworthiness of the donors, aging of the amounts due and historical experience. As of both June 30, 2023 and 2022, BET’s management determined that no allowance for doubtful accounts was necessary.
- J. **Functional Expense Allocation** – The costs of program and supporting services have been summarized on a functional basis in the statements of activities. Since BET operates exclusively for the benefit of BAM, distributions to BAM are classified as program expenses and all other expenses are considered supporting services. BET allocated a management fee paid to BAM based on reasonable estimates of time and efforts of services performed by BAM’s employees on behalf of BET.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

BET regularly monitors liquidity required to meet its operating needs while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, BET considers all expenditures related to its ongoing activities.

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:

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 1,135,440	\$ 3,132,174

**BAM ENDOWMENT TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 4 – NET ASSETS**

The following reflects net assets with donor restrictions that are restricted in perpetuity and the donor designations of the net appreciation as of June 30:

	<u>2023</u>	<u>2022</u>
BAM Programs in BAM Harvey Theater	\$ 2,000,000	\$ 2,000,000
BAM Programs in BAM KBH	2,500,000	2,500,000
BAM Programs in Howard Gilman Opera House	6,288,954	6,288,954
Cinema Programs	125,000	125,000
Collaborative Creativity Among US Artists	3,750,000	3,750,000
Community, Educational and Public Affairs Programs	5,160,000	5,160,000
Dance	136,964	136,964
Education and Humanities	1,711,000	1,711,000
Emerging and Local Musicians	1,000,000	1,000,000
Kriegel Center	33,056	33,056
Max Leavitt Theater Workshop	500,000	500,000
Next Wave	1,775,000	1,775,000
Opera	1,540,100	1,540,100
Opera and Music Theater	4,475,000	4,475,000
Opera and Theater	2,390,000	2,390,000
Performance	317,294	317,294
Peter Jay Sharp Fund for Endowment	13,000,000	13,000,000
Women’s Mentoring	32,293	32,293
Youth Film -Literacy Programs	<u>250,000</u>	<u>250,000</u>
 Total donor designated gifts	 <u>46,984,661</u>	 <u>46,984,661</u>
 Peter Jay Sharp Working Capital Fund	 2,000,000	 2,000,000
Cumulative unappropriated earnings	4,909,726	5,985,881
All other for general purpose	<u>34,419,816</u>	<u>34,912,790</u>
 Total with donor restrictions (endowment)	 88,314,203	 89,883,332
 Pooled income fund	 <u>122,139</u>	 <u>114,106</u>
 Total net assets with donor restrictions	 <u>\$ 88,436,342</u>	 <u>\$ 89,997,438</u>

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 BET has interpreted NYPMIFA as allowing BET to appropriate for expenditure or accumulate so much of an endowment fund as BET determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. See Note 2B for how BET maintains its net assets.

**BAM ENDOWMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 4 – NET ASSETS (Continued)**

BET's endowment investment policy is to invest primarily in a mix of equities, fixed income funds, mutual funds and alternative investments based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns, and achieve long-term growth. BET relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Annual spending from the endowment funds is described above.

Changes in endowment net assets for the year ended June 30, 2023 were as follows:

	Without Donor Restrictions – Board Designated	With Donor Restrictions – Unappropriated Earnings	With Donor Restrictions – Endowment Corpus	Total 2023
Endowment net assets, beginning of year	\$ 3,435,798	\$ 5,985,881	\$ 83,897,451	\$ 93,319,130
Investment activity:				
Interest and dividends	-	1,437,107	-	1,437,107
Unrealized gain on investments	-	9,960,803	-	9,960,803
Realized loss on investments	-	<u>(350,766)</u>	-	<u>(350,766)</u>
Total investment activity	-	11,047,144	-	11,047,144
Contributions	-	-	15,065	15,065
Miscellaneous income	475	-	-	475
Loss on uncollectible pledges receivable	-	-	(200,000)	(200,000)
Change in discount to present value	-	-	(308,039)	(308,039)
Expenditure	(12,123,299)	-	-	(12,123,299)
Appropriations of endowment net assets for expenditure	<u>12,123,299</u>	<u>(12,123,299)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 3,436,273</u>	<u>\$ 4,909,726</u>	<u>\$ 83,404,477</u>	<u>\$ 91,750,476</u>

Changes in endowment net assets for the year ended June 30, 2022 were as follows:

	Without Donor Restrictions – Board Designated	With Donor Restrictions – Unappropriated Earnings	With Donor Restrictions – Endowment Corpus	Total 2022
Endowment net assets, beginning of year	\$ 1,434,517	\$ 19,525,998	\$ 85,850,403	\$106,810,918
Investment activity:				
Interest and dividends	-	3,159,315	-	3,159,315
Unrealized loss on investments	-	(13,159,993)	-	(13,159,993)
Realized gain on investments	-	<u>1,365,943</u>	-	<u>1,365,943</u>
Total investment activity	-	(8,634,735)	-	(8,634,735)
Contributions	-	-	47,048	47,048
Miscellaneous income	1,281	-	-	1,281
Reclassification of donor restrictions	2,000,000	-	(2,000,000)	-
Expenditure	(4,905,382)	-	-	(4,905,382)
Appropriations of endowment net assets for expenditure	<u>4,905,382</u>	<u>(4,905,382)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 3,435,798</u>	<u>\$ 5,985,881</u>	<u>\$ 83,897,451</u>	<u>\$ 93,319,130</u>

**BAM ENDOWMENT TRUST  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

**NOTE 4 – NET ASSETS (Continued)**

During the year ended June 30, 2022, in accordance with grant restructuring, BET was authorized by a donor to remove the prior time and purpose restriction of the endowment contribution, and accordingly, reclassified such contribution from Endowment Net Assets to Net Assets Without Donor Restrictions – Board Designated.

**NOTE 5 – CONCENTRATIONS**

Cash and cash equivalents that potentially subject BET to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. All accounts are insured up to \$250,000 per depositor, per insured financial institution. As of June 30, 2023 and 2022, there was approximately \$980,000 and \$2,550,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.

**NOTE 6 – RELATED-PARTY TRANSACTIONS**

As of June 30, 2023 and 2022, the amount of funds BET owed to BAM was \$1,525 and \$73, respectively. The amount of funds BET was owed from BAM for working capital reserve as of June 30, 2023 and 2022, 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.

**NOTE 7 – PLEDGES RECEIVABLE - NET**

As of June 30, 2023 and 2022, pledges receivable due more than one year have been discounted to reflect their net present value. The pledges receivable from various corporations, foundations and individuals were as follows at June 30:

	<b>2023</b>	<b>2022</b>
Pledges due:		
Within one year	\$ 5,000	\$ 10,000
In one to five years	1,000,000	1,200,000
In six to ten years	500,000	500,000
Gross pledges receivable	1,505,000	1,710,000
Less: discount to present value	(308,039)	-
Total pledges receivable - net	<b>\$ 1,196,961</b>	<b>\$ 1,710,000</b>

The pledges due subsequent to fiscal year 2023 are expected to be fully collected according to their payment schedules.

**NOTE 8 – POOLED INCOME FUND**

During the year ended June 30, 1997, BET established a BAM Pooled Income Fund. The fair value of the assets held in the Pooled Income Fund as of June 30, 2023 and 2022 amounted to \$131,279 and \$126,264, respectively. The discounting for future interests was \$9,140 and \$12,158 as of June 30, 2023 and 2022, respectively, using a discount rate commensurate with the rate of U.S. Treasury Notes whose maturities correspond to the estimated lives of the beneficiaries. The net value to BET as of June 30, 2023 and 2022 of \$122,139 and \$114,106, respectively, is included as net assets with donor restrictions for the estimated life of the income to the beneficiaries. The \$3,018 and \$2,868 of net change in the Pooled Income Fund was classified within net assets with donor restrictions as of and for the years ended June 30, 2023 and 2022, respectively.

**BAM ENDOWMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

A. The Board designates only a portion of BET's cumulative investment return for support of current operations unless donor restrictions exist. The remainder is retained to support operations of future years and used to offset potential market declines. State law allows the Board to appropriate so much of the net appreciation as is prudent considering BET's present and anticipated financial requirements.

BET has made a commitment to make a distribution to BAM each year. 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.

B. BET believes it has no uncertain tax positions as of June 30, 2023 and 2022 in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

**NOTE 10 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The following is a summary of investments classified by major type as of June 30:

	<u>2023</u>	<u>2022</u>
Equity securities funds (1)	\$ 56,108,990	\$ 58,293,437
Hedge funds, funds of funds and limited partnerships (2)	17,321,723	13,568,306
Fixed income funds (3)	14,063,120	16,615,286
Pooled income funds	<u>131,279</u>	<u>126,264</u>
Total investments	<u>\$ 87,625,112</u>	<u>\$ 88,603,293</u>

(1) These funds invest in domestic and international marketable equity securities in various industries, including, but not limited to, corporate securities and mutual funds.

(2) These funds invest in hedge funds, funds of funds and limited partnerships whose objective is to achieve above-average rates of return and long-term capital growth through investments in private equity and private investment in public equity securities.

(3) These funds primarily invest in certificates of deposit issued by various commercial banks.

As of June 30, 2023 and 2022, BET had contractual commitments to invest capital amounting to \$16,523,397 and \$16,054,183, respectively, into alternative investments at a future date.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, BET utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

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**NOTE 10 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Financial assets carried at fair value at June 30, 2023 were classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<b>ASSETS CARRIED AT FAIR VALUE</b>			
Investments:			
Equity securities funds	\$ 45,378,535	\$ 10,730,455	\$ 56,108,990
Fixed income funds	13,813,399	249,721	14,063,120
Pooled income fund	<u>52,858</u>	<u>78,421</u>	<u>131,279</u>
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b><u>\$ 59,244,792</u></b>	<b><u>\$ 11,058,597</u></b>	<b>\$ 70,303,389</b>
Hedge funds, funds of funds and limited partnerships using NAV as a practical expedient			<u>\$ 17,321,723</u>
Total investments			<u>\$ 87,625,112</u>

Financial assets carried at fair value at June 30, 2022 were classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<b>ASSETS CARRIED AT FAIR VALUE</b>			
Investments:			
Equity securities funds	\$ 47,266,869	\$ 11,026,568	\$ 58,293,437
Fixed income funds	16,436,268	179,018	16,615,286
Pooled income fund	<u>51,098</u>	<u>75,166</u>	<u>126,264</u>
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b><u>\$ 63,754,235</u></b>	<b><u>\$ 11,280,752</u></b>	<b>\$ 75,034,987</b>
Hedge funds, funds of funds and limited partnerships using NAV as a practical expedient			<u>\$ 13,568,306</u>
Total investments			<u>\$ 88,603,293</u>

The following tables set forth additional disclosures of BET's alternative investments whose fair value is estimated using NAV per share (or its equivalent):

<u>As of June 30, 2023</u>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency/Notice Period</u>
Hedge funds	\$ 3,910,536	\$ -	Up to 1/12 of the client's capital account balance is permitted quarterly with a 65 day notice.
Private equity funds, funds, funds of funds, and limited partnership	<u>13,411,187</u>	<u>16,523,397</u>	Investment generally cannot be redeemed. Distributions are generally received through the liquidation of the underlying assets of the Partnership
Total	<u>\$ 17,321,723</u>	<u>\$ 16,523,397</u>	

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**NOTE 10 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

As of June 30, 2022

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency/Notice Period</u>
Hedge funds	\$ 3,783,401	\$ -	Up to 1/12 of the client's capital account balance is permitted quarterly with a 65 day notice. Investment generally cannot be redeemed. Distributions are generally received through the liquidation of the underlying assets of the Partnership
Private equity funds, funds, funds of funds, and limited partnership	<u>9,784,905</u>	<u>16,054,183</u>	
Total	<u>\$ 13,568,306</u>	<u>\$ 16,054,183</u>	

Investments in corporate equities and fixed income funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Investments in hedge funds, funds of funds and limited partnerships and the agreements underlying these investments limit BET's ability to liquidate its interest in such investments for a period of time. The fair value of alternative investments has been estimated using the NAV as reported by the management of the respective alternative investment fund. U.S. GAAP guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. NAV, member's capital, partner's capital, or any investor ownership amount reported by each alternative investment fund is used as a practical expedient to estimate the fair value of BET's interest therein.

The estimated fair values of the alternative investments are reviewed by the Board of Trustees and may neither reflect amounts that could be realized upon immediate sale nor amounts that ultimately may be realized. The fair value of BET's investment in these alternative investments generally represents the amount BET would expect to receive if it were to liquidate its investment, excluding any redemption charges that may apply.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through March 19, 2024, the date the financial statements were available to be issued.