

BROOKLYN YOUTH CHORUS ACADEMY, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018 AND 2017

BROOKLYN YOUTH CHORUS ACADEMY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Brooklyn Youth Chorus Academy, Inc.

We have audited the accompanying financial statements of Brooklyn Youth Chorus Academy, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Youth Chorus Academy, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then in accordance with accounting principles generally accepted in the United States of America.

Lotz + Carr, LLP

New York, New York
September 13, 2019

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents (Notes 1b and 10)	\$ 531,304	\$ 288,423
Investments and cash and cash equivalents held for investment (Notes 1b, 1c, 1d, 3 and 11)	1,486,766	1,308,928
Accounts receivable	10,796	41,307
Unconditional promises to give (Notes 1e and 4)	494,899	842,360
Prepaid expenses and other current assets	26,354	40,101
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 5)	<u>1,694,711</u>	<u>1,776,057</u>
Total Assets	<u><u>\$4,244,830</u></u>	<u><u>\$4,297,176</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 120,041	\$ 118,558
Line of credit payable (Note 6)	100,000	100,000
Deferred revenue (Note 1g)	318,096	257,103
Total Liabilities	<u>538,137</u>	<u>475,661</u>
Commitment and Contingency (Note 7)		
Net Assets (Note 2)		
Unrestricted		
Property and equipment (Note 5)	1,694,711	1,776,057
Board designated	609,680	708,227
Other	51,854	55,723
Total Unrestricted	<u>2,356,245</u>	<u>2,540,007</u>
Temporarily restricted	141,061	232,535
Permanently restricted (Note 11)	<u>1,209,387</u>	<u>1,048,973</u>
Total Net Assets	<u><u>3,706,693</u></u>	<u><u>3,821,515</u></u>
Total Liabilities and Net Assets	<u><u>\$4,244,830</u></u>	<u><u>\$4,297,176</u></u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Changes in Unrestricted Net Assets		
Changes in Operations		
Revenue, Gains and Other Support		
Contributions	\$ 724,524	\$ 735,067
Fundraising benefits (Note 8)	275,185	282,277
Less: Direct benefit expenses	(39,360)	(38,535)
Donated services (Note 9)	-	34,023
Tuition and fees, net of scholarships (Note 1h)	741,758	663,899
Box office revenue	99,248	89,990
Contracted performance fees	136,706	197,113
Net investment income (loss) (Note 3)	(1,850)	5,033
Miscellaneous	15,372	13,711
	<u>1,951,583</u>	<u>1,982,578</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	167,104	138,300
Appropriation from endowment (Note 11)	38,740	31,300
Appropriation from board designated cash reserve (Note 2a)	20,541	24,418
Appropriation from 25th Anniversary board designated reserve (Note 2a)	127,800	335,000
Appropriation from Mary Anne Yancey Memorial Fund (Note 2a)	14,580	15,000
	<u>2,320,348</u>	<u>2,526,596</u>
Total Revenue, Gains and Other Support		
Expenses		
Program Services	<u>1,660,653</u>	<u>2,009,142</u>
Supporting Services		
Management and general	343,708	228,316
Fundraising	307,213	334,188
Total Supporting Services	<u>650,921</u>	<u>562,504</u>
Total Expenses	<u>2,311,574</u>	<u>2,571,646</u>
Increase (Decrease) in Unrestricted Net Assets Before Other Revenues, Expenses and Appropriations	<u>8,774</u>	<u>(45,050)</u>
Other Revenues, Expenses and Appropriations		
Depreciation	(93,989)	(96,118)
Net investment income (Note 3)	10,541	20,541
Contributions - 25th Anniversary Campaign Board Designated Funds (Note 2a)	56,983	666,254
Contributions - Mary Anne Yancey Memorial Fund (Note 2a)	12,850	15,150
Appropriation from board designated cash reserve (Note 2a)	(20,541)	(24,418)
Appropriation from 25th Anniversary board designated reserve (Note 2a)	(127,800)	(335,000)
Appropriation from Mary Anne Yancey Memorial Fund (Note 2a)	(14,580)	(15,000)
Reduction for uncollectible 25th Anniversary Campaign Board Designated pledge	(16,000)	-
Total Other Revenues, Expenses and Appropriations	<u>(192,536)</u>	<u>231,409</u>
Increase (Decrease) in Unrestricted Net Assets (carried forward)	<u>(183,762)</u>	<u>186,359</u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Increase (Decrease) in Unrestricted Net Assets (brought forward)	\$ (183,762)	\$ 186,359
Changes in Temporarily Restricted Net Assets		
Contributions	87,691	189,687
Net investment income (Note 3)	41,679	56,788
Reduction for uncollectible pledge	(15,000)	-
Net assets released from restrictions		
Program and time restrictions	(167,104)	(138,300)
Appropriation from endowment (Note 11)	(38,740)	(31,300)
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(91,474)</u>	<u>76,875</u>
Changes in Permanently Restricted Net Assets		
Contributions	<u>160,414</u>	<u>428,973</u>
Increase (decrease) in net assets	(114,822)	692,207
Net assets, beginning of year	<u>3,821,515</u>	<u>3,129,308</u>
Net Assets, End of Year	<u><u>\$3,706,693</u></u>	<u><u>\$3,821,515</u></u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$(114,822)	\$692,207
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	93,989	96,118
Bad debt expense	36,000	1,647
Net realized and unrealized gain on investments	(5,350)	(47,296)
(Increase) decrease in:		
Accounts receivable	30,511	(13,633)
Unconditional promises to give	311,461	(630,773)
Prepaid expenses and other current assets	13,747	(22,300)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,483	14,686
Deferred revenue	60,993	(43,221)
Net Cash Provided By Operating Activities	<u>428,012</u>	<u>47,435</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(12,643)	(42,983)
Purchases of Investments	(654,373)	(979,243)
Proceeds from sales of investments	481,885	705,187
Net Cash Used By Investing Activities	<u>(185,131)</u>	<u>(317,039)</u>
Cash Flows From Financing Activities		
Proceeds from line of credit	-	100,000
Net increase (decrease) in cash and cash equivalents	242,881	(169,604)
Cash and cash equivalents, beginning of year	<u>288,423</u>	<u>458,027</u>
Cash and Cash Equivalents, End of Year	<u>\$ 531,304</u>	<u>\$288,423</u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Now in its 26th season, the GRAMMY® Award-winning Brooklyn Youth Chorus (“BYCA”) offers high-level performance-based vocal music education to over six hundred children annually. BYCA’s program is comprised of ten sequential choral divisions (seven Training Divisions and three Performing Ensembles), which serve children from seven to eighteen years of age at the Organization’s headquarters in Downtown Brooklyn, at BYC’s Neighborhood locations in Bedford-Stuyvesant and Red Hook, and at various NYC public schools through its Ready, Set, Sing! program.

Although Brooklyn based, Brooklyn Youth Chorus is a true New York City institution and serves students from across the five boroughs. Brooklyn Youth Chorus is one of the country’s leading youth choruses and the ensemble of choice for internationally renowned orchestras and artists, including the New York Philharmonic, London and Atlanta symphonies, Mariinsky Orchestra, Barbra Streisand, Elton John, Grizzly Bear, and Glen Hansard. The Chorus won a Grammy® Award for the world premiere live recording of John Adams’ On the Transmigration of Souls with the New York Philharmonic in 2005 and appears on Bryce Dessner and Kronos Quartet’s 2013 release Aheym. Brooklyn Youth Chorus’s first full-length co-commission and co-production with the Brooklyn Academy of Music, Black Mountain Songs, premiered in November 2014 with Richard Parry, Bryce Dessner, Jonathan King and Caroline Shaw. Brooklyn Youth Chorus reached a London audience when it performed Black Mountain Songs at the Barbican in May of 2015. Named WQXR’s 2016-17 Artists-in-Residence, the Chorus premiered Silent Voices, its 25th Anniversary production, at the BAM Opera House in May 2017.

Year after year, Brooklyn Youth Chorus is reinventing the artistic role of youth choruses by commissioning and presenting daring new works and by collaborating with some of the most inspiring and influential composers and artists of our time. The Chorus’s commitment to the twin values of diversity and excellence has led the Organization to enroll all children without regard to their ability to pay. In twenty-six years, no student has ever been turned away because of financial circumstances. It is all part of its mission to help children from all backgrounds achieve and surpass their goals as both musicians and people.

b - Cash and Cash Equivalents

BYCA considers all highly liquid debt instruments purchased with a maturity of three months or less, including money market accounts, to be cash equivalents, except for cash and short-term investments classified as investments and cash held for investment.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****c - Fair Value Measurements**

BYCA reflects investments at fair value in the statement of financial position. Fair value is defined as the price that would be received if an asset was sold in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of BYCA. Unobservable inputs reflect BYCA's assumptions about the inputs market participants would use in pricing the asset based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that BYCA has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

d - Investments and Investment Income

Investments are measured at fair value on a consistent basis. Investments with fair values that are based on quoted market prices in active markets are, therefore, classified within Level 1. These include equities, fixed income, and cash and money market funds. All of BYCA's investments are classified within Level 1.

Interest, dividends, and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in restricted assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****e - Unconditional Promises to Give and Contributions**

Contributions are recognized when the donor makes a promise to give to BYCA, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

BYCA uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

f - Property and Equipment

Property and equipment acquired are recorded at cost and are depreciated using the straight-line method over the useful life of the related asset.

g - Deferred Revenue

Deferred tuition and other income represent receipt of income for future periods.

h - Scholarships

Scholarships are given on the basis of financial need and are deducted from gross tuition income. Scholarships awarded during the years ended June 30, 2018 and 2017 were \$282,560 and \$295,381, respectively.

i - Financial Statement Presentation

BYCA reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

j - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k - Prior Year Information

Certain amounts have been reclassified for comparative purposes.

l - Tax Status

Brooklyn Youth Chorus Academy, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

m - Subsequent Events

BYCA has evaluated subsequent events through September 13, 2019, the date that the financial statements are considered available to be issued.

Note 2 - Net Assets

a - Board Designated Net Assets

Board designated net assets consist of the following:

	2018	2017
Cash reserve	\$302,770	\$312,770
25 th Anniversary Campaign Funds for Programs and Infrastructure	274,487	361,304
Mary Anne Yancey Memorial Fund	32,423	34,153
	\$609,680	\$708,227

During the years ended June 30, 2018 and 2017, appropriations of \$20,541 and \$24,418, respectively, were made from the Cash Reserve Fund for operations.

During the years ended June 30, 2018 and 2017, appropriations of \$127,800 and \$335,000, respectively, were made from the 25th Anniversary Campaign Funds for programming and infrastructure.

During the years ended June 30, 2018 and 2017, appropriations of \$14,580 and \$15,000, respectively, were made from the Mary Anne Yancey Memorial Fund for scholarships.

b - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes:

	2018	2017
Future periods	\$ 17,274	\$143,084
Future programs	91,500	60,103
Temporarily restricted endowment earnings	32,287	29,348
	\$141,061	\$232,535

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 2 - Net Assets (continued)

c - Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
The Charles J. and Irene F. Hamm Scholarship Fund	\$ 759,387	\$ 598,973
Operating Endowment	400,000	400,000
The Irving Caesar Scholarship Fund	<u>50,000</u>	<u>50,000</u>
	<u>\$1,209,387</u>	<u>\$1,048,973</u>

Note 3 - Investments and Cash and Cash Equivalents Held for Investment

Investments and cash held for investment at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 107,537	\$ 107,537	\$ 114,696	\$ 114,696
Certificates of deposit	35,000	34,990	30,000	29,956
Mutual funds - bonds	269,617	258,987	275,366	276,327
Mutual funds - equities	464,153	488,466	446,414	468,525
Corporate preferred stock	78,865	77,565	51,066	55,879
Domestic equities	379,497	384,208	365,517	363,545
Bonds - corporate, government, and foreign	<u>138,233</u>	<u>135,013</u>	<u>-</u>	<u>-</u>
	<u>\$1,472,902</u>	<u>\$1,486,766</u>	<u>\$1,283,059</u>	<u>\$1,308,928</u>

Investment income (loss) consists of the following:

	<u>2018</u>	<u>2017</u>
Net realized and unrealized gain on investments	\$ 5,350	\$47,296
Interest and dividend income	51,754	41,756
Less: Investment fees	<u>(6,734)</u>	<u>(6,690)</u>
	<u>\$50,370</u>	<u>\$82,362</u>

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 3 - Investments and Cash and Cash Equivalents Held for Investment (continued)

Investment income (loss) is allocated as follows:

	<u>2018</u>	<u>2017</u>
Operations	\$ (1,850)	\$ 5,033
Board designated cash reserve	10,541	20,541
Temporarily restricted	<u>41,679</u>	<u>56,788</u>
Total	<u>\$50,370</u>	<u>\$82,362</u>

Note 4 - Unconditional Promises to Give

Unconditional promises to give are restricted for the following purposes and are due as of June 30 as follows:

	<u>2018</u>				
	<u>Unrestricted</u>	<u>Board Designated Campaign</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Due within one year	\$108,469	\$152,400	\$ 79,500	\$61,100	\$401,469
Due in one to five years	<u>-</u>	<u>43,400</u>	<u>25,500</u>	<u>30,100</u>	<u>99,000</u>
	108,469	195,800	105,000	91,200	500,469
Less: Discount to present value	<u>-</u>	<u>(2,544)</u>	<u>(1,225)</u>	<u>(1,801)</u>	<u>(5,570)</u>
Total	<u>\$108,469</u>	<u>\$193,256</u>	<u>\$103,775</u>	<u>\$89,399</u>	<u>\$494,899</u>
	<u>2017</u>				
	<u>Unrestricted</u>	<u>Board Designated Campaign</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Due within one year	\$94,520	\$252,600	\$138,500	\$172,900	\$658,520
Due in one to four years	<u>-</u>	<u>121,800</u>	<u>37,000</u>	<u>37,200</u>	<u>196,000</u>
	94,520	374,400	175,500	210,100	854,520
Less: Discount to present value	<u>-</u>	<u>(7,217)</u>	<u>(2,416)</u>	<u>(2,527)</u>	<u>(12,160)</u>
Total	<u>\$94,520</u>	<u>\$367,183</u>	<u>\$173,084</u>	<u>\$207,573</u>	<u>\$842,360</u>

Uncollectible promises are expected to be insignificant. Unconditional promises to give due after one year are discounted to net present value using a discount rate of 3%.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 5 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2018</u>	<u>2017</u>
Land and building	50 years	\$1,100,000	\$1,100,000
Building improvements	7-50 years	1,456,893	1,456,893
Website infrastructure	5 years	55,133	55,133
Database	5 years	128,769	122,695
Equipment	3-10 years	<u>197,495</u>	<u>190,926</u>
		2,938,290	2,925,647
Less: Accumulated depreciation		<u>(1,243,579)</u>	<u>(1,149,590)</u>
		<u>\$1,694,711</u>	<u>\$1,776,057</u>

BYCA owns a two-unit condominium building. Under the terms of a government grant, one unit is restricted to be used as a center for music, performing arts and cultural programs.

Depreciation expense for the years ended June 30, 2018 and 2017 was \$93,989 and \$96,118, respectively.

Note 6 - Line of Credit

BYCA has access to a line of credit collateralized by its cash reserve investment account. Line of credit borrowings accrue interest at a variable base rate determined by the financial institution (4.75% at June 30). As of June 30, 2018, the loan balance outstanding was \$100,000. In July 2018, BYCA repaid the loan balance in full.

Note 7 - Commitment and Contingency

a - BYCA has an employment agreement with its Artistic Director which provides for automatic extensions unless written notice of non-renewal is provided by either party.

b - Government supported projects are subject to audit by the applicable government agency.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 8 - Fundraising Benefits

Proceeds and expenses from fundraising benefits were as follows:

	<u>2018</u>	<u>2017</u>
Gross proceeds	\$275,185	\$282,277
Less: Expenses directly benefiting donors	<u>(39,360)</u>	<u>(38,535)</u>
	235,825	243,742
Less: Indirect expenses	<u>(67,602)</u>	<u>(20,722)</u>
Net Proceeds	<u>\$168,223</u>	<u>\$223,020</u>

Note 9 - Donated Services

BYCA received donated legal services with a value of \$34,023 during the year ended June 30, 2017.

Note 10 - Concentration of Credit Risk

BYCA maintains its cash and cash equivalents in financial institutions located in New York City. The balances are insured by the Federal Deposit Insurance Corporation and other agencies, and at times, may exceed the insured limits.

Note 11 - Endowment Funds

BYCA's endowment consists of funds established for the purposes described in Note 2c. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State Prudent Management of Institutional Funds Act (NYPMIFA) Not-for-profit Corporation Law, BYCA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by BYCA.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 11 - Endowment Funds (continued)

In accordance with NYPMIFA, BYCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of BYCA and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of BYCA;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on BYCA; and
- (viii) the investment policy of BYCA

BYCA's endowment funds composition, by type of fund and net asset classification, are summarized as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds, 2018	<u>\$32,287</u>	<u>\$1,119,988</u>	<u>\$1,152,275</u>
Donor-restricted funds, 2017	<u>\$29,348</u>	<u>\$ 841,400</u>	<u>\$ 870,748</u>

Changes in BYCA's endowment funds as of June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, beginning of year	<u>\$ 29,348</u>	<u>\$ 841,400</u>	<u>\$ 870,748</u>
Contributions	-	278,588	278,588
Investment income	41,679	-	41,679
Appropriation for program support	<u>(38,740)</u>	<u>-</u>	<u>(38,740)</u>
	<u>2,939</u>	<u>278,588</u>	<u>281,527</u>
Endowment Funds, End of Year	<u>\$ 32,287</u>	<u>\$1,119,988</u>	<u>\$1,152,275</u>

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 11 - Endowment Funds (continued)

	2017		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, beginning of year	\$ 3,860	\$620,000	\$623,860
Contributions	-	221,400	221,400
Investment income	56,788	-	56,788
Appropriation for program support	<u>(31,300)</u>	<u>-</u>	<u>(31,300)</u>
	<u>25,488</u>	<u>221,400</u>	<u>246,888</u>
Endowment Funds, End of Year	<u>\$ 29,348</u>	<u>\$841,400</u>	<u>\$870,748</u>

The overall financial objective of the endowment assets is to provide the operations of BYCA with a relatively stable stream of spendable revenue that increases over time. Specific investment guidelines are developed with the guidance of an investment manager approved by the board, who has demonstrated interest in working with not-profits and a history of excellent service to clients with relatively small investment portfolios.

Preservation of capital and moderate annual returns are emphasized over short-term above-market rates of return or aggressive growth. The guidelines identify permitted asset classes as well as expected levels of return. It is anticipated that most investments will be chosen for their suitability for being held long-term.

Each year, 5% of the thirty-six months trailing average of the value of the Endowment may be drawn down. The draw or withdrawal will be recommended by management and must be approved by the Finance and Executive Committees of the Board.

Note 12 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 12 - Functional Allocation of Expenses (continued)

Expenses by functional classification for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Total expenses per the statements of activities	\$2,311,574	\$2,571,646
Depreciation	93,989	96,118
Reduction for uncollectible 25 th Anniversary Campaign Board Designated pledge	16,000	-
Reduction for uncollectible pledge	<u>15,000</u>	<u>-</u>
	<u>\$2,436,563</u>	<u>\$2,667,764</u>
Program Services	\$1,742,893	\$2,093,245
Supporting Services		
Management and general	384,107	237,928
Fundraising	<u>309,563</u>	<u>336,591</u>
Total Expenses	<u>\$2,436,563</u>	<u>\$2,667,764</u>

SUPPLEMENTARY INFORMATION



LUTZ AND CARR

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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Trustees of
Brooklyn Youth Chorus Academy, Inc.

We have audited the financial statements of Brooklyn Youth Chorus Academy, Inc. as of and for the years ended June 30, 2018 and 2017, and our report thereon dated September 13, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended June 30, 2018 with comparative totals for 2017 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
September 13, 2019

BROOKLYN YOUTH CHORUS ACADEMY, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS 2017

	Program Services	Supporting Services		2018	2017
		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 891,987	\$ 217,405	\$ 150,216	\$1,259,608	\$1,316,272
Payroll taxes and benefits	156,635	41,663	31,607	229,905	220,694
Outside professional services	177,496	17,048	38,063	232,607	354,591
Supplies	28,113	-	-	28,113	47,781
Production expense	90,098	-	-	90,098	238,713
Audio and video production	8,036	-	-	8,036	6,797
Uniform expense	2,942	-	-	2,942	2,893
Building maintenance	72,807	8,321	2,080	83,208	105,593
Insurance	37,134	4,244	1,061	42,439	44,171
Telephone	19,855	2,269	567	22,691	24,107
Office supplies and printing	33,925	1,738	435	36,098	28,671
Stationery and postage	4,094	374	1,630	6,098	5,853
Promotion	3,590	-	11,417	15,007	14,635
Audit	-	30,647	-	30,647	28,689
Bank and processing fees	31,743	6,810	488	39,041	30,374
Tour expenses	-	-	-	-	29,063
Information technology	27,564	2,909	735	31,208	-
Transportation	55,930	1,483	550	57,963	35,032
Merchandise purchases	12,128	-	-	12,128	-
Miscellaneous	6,576	3,797	762	11,135	15,348
Indirect benefit expenses	-	-	67,602	67,602	20,722
Bad debt expense	-	5,000	-	5,000	1,647
Total expenses before depreciation	1,660,653	343,708	307,213	2,311,574	
Depreciation	82,240	9,399	2,350	93,989	
Reduction for uncollectible 25th Anniversary Campaign Board Designated pledge	-	16,000	-	16,000	-
Reduction for uncollectible pledge	-	15,000	-	15,000	-
Total Expenses, 2018	<u>\$1,742,893</u>	<u>\$ 384,107</u>	<u>\$ 309,563</u>	<u>\$2,436,563</u>	
Total expenses before depreciation	\$2,009,142	\$ 228,316	\$ 334,188		\$2,571,646
Depreciation	84,103	9,612	2,403		96,118
Total Expenses, 2017	<u>\$2,093,245</u>	<u>\$ 237,928</u>	<u>\$ 336,591</u>		<u>\$2,667,764</u>

See independent auditors' report on supplementary information.