

BROOKLYN YOUTH CHORUS ACADEMY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022



LUTZ AND CARR

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Brooklyn Youth Chorus Academy, Inc. (a nonprofit organization), 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 financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Youth Chorus Academy, Inc. 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. 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 Brooklyn Youth Chorus Academy, Inc. 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 Brooklyn Youth Chorus Academy, Inc.'s ability to continue as a going concern within 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 generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Brooklyn Youth Chorus Academy, Inc.'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 Brooklyn Youth Chorus Academy, Inc.'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.

Lotz + Carr, LLP

New York, New York
April 29, 2024

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|---|---------------------------|---------------------------|
| Assets | | |
| Cash and cash equivalents (Notes 1b and 10) | \$ 395,634 | \$ 801,944 |
| Investments and cash and cash equivalents held for investment (Notes 1b, 1c, 1d, 4 and 11) | 1,586,047 | 1,519,508 |
| Contributions receivable (Notes 1e and 5a) | 783,826 | 556,227 |
| Accounts receivable | 33,081 | 31,656 |
| Prepaid expenses and other current assets | 8,929 | 8,624 |
| Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 6) | <u>1,377,113</u> | <u>1,427,725</u> |
| Total Assets | <u><u>\$4,184,630</u></u> | <u><u>\$4,345,684</u></u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 167,757 | \$ 146,246 |
| Loan payable - Paycheck Protection Program (Note 7) | 12,014 | 12,014 |
| Deferred revenue (Note 1g) | <u>186,557</u> | <u>125</u> |
| Total Liabilities | <u>366,328</u> | <u>158,385</u> |
| Commitment and Contingency (Note 9) | | |
| Net Assets (Note 3) | | |
| Without Donor Restrictions | | |
| Property and equipment (Note 6) | 1,377,113 | 1,427,725 |
| Board designated | 554,337 | 597,013 |
| Other | <u>385,660</u> | <u>796,610</u> |
| Total Without Donor Restrictions | <u>2,317,110</u> | <u>2,821,348</u> |
| With Donor Restrictions | | |
| Subject to time and purpose restrictions | 182,990 | 47,749 |
| Perpetual in nature (Note 11) | <u>1,318,202</u> | <u>1,318,202</u> |
| Total With Donor Restrictions | <u>1,501,192</u> | <u>1,365,951</u> |
| Total Net Assets | <u>3,818,302</u> | <u>4,187,299</u> |
| Total Liabilities and Net Assets | <u><u>\$4,184,630</u></u> | <u><u>\$4,345,684</u></u> |

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| Changes in Net Assets Without Donor Restrictions | | |
| Changes in Operations | | |
| Revenue, Gains and Other Support | | |
| Contributions | \$ 665,691 | \$ 607,463 |
| Fundraising benefit | 171,853 | 126,275 |
| Less: Direct benefit expenses | (31,574) | (30,686) |
| Federal Relief Programs | | |
| Employee Retention Tax Credits (Note 12a) | - | 304,008 |
| Shuttered Venue Operators Grant (Note 12b) | - | 625,068 |
| Loan forgiveness - Paycheck Protection Program (Note 7) | - | 546,881 |
| Donated legal services (Note 8) | 42,513 | 29,890 |
| Tuition and fees, net of scholarships (Note 1h) | 622,080 | 438,417 |
| Box office revenue | 78,324 | 30,613 |
| Contracted performance fees | 117,434 | 73,976 |
| Licensing revenue | 39,254 | - |
| Net investment income (Note 4) | 13,422 | 5,608 |
| Miscellaneous | 19,957 | 4,545 |
| | <u>1,738,954</u> | <u>2,762,058</u> |
| Net assets released from restrictions | | |
| Satisfaction of time and program restrictions | 90,000 | 54,277 |
| Appropriation from endowment (Note 11) | 82,472 | 84,195 |
| Appropriation from 25th Anniversary board designated reserve (Note 3a) | 35,378 | - |
| Appropriation from Mary Anne Yancey Memorial Fund (Note 3a) | 15,000 | - |
| | <u>222,850</u> | <u>222,567</u> |
| Total Revenue, Gains and Other Support | <u>1,961,804</u> | <u>2,900,530</u> |
| Expenses | | |
| Program Services | <u>1,646,030</u> | <u>1,395,636</u> |
| Supporting Services | | |
| Management and general | 382,252 | 347,354 |
| Fundraising | 333,052 | 271,226 |
| Total Supporting Services | <u>715,304</u> | <u>618,580</u> |
| Total Expenses | <u>2,361,334</u> | <u>2,014,216</u> |
| Increase (Decrease) in Net Assets Without Donor Restrictions Before Other Revenues, Expenses and Appropriations | <u>(399,530)</u> | <u>886,314</u> |
| Other Revenues, Expenses and Appropriations | | |
| Depreciation | (62,032) | (66,428) |
| Net investment income (loss) (Note 4) | 6,702 | (27,594) |
| Contributions - 25th Anniversary Campaign Board Designated Funds (Note 3a) | 1,000 | - |
| Appropriation from 25th Anniversary board designated reserve (Note 3a) | (35,378) | - |
| Appropriation from Mary Anne Yancey Memorial Fund (Note 3a) | (15,000) | - |
| Reduction for uncollectible 25th Anniversary Campaign Board Designated pledges | - | (23,965) |
| Transfers from endowment | - | 61,581 |
| Total Other Revenues, Expenses and Appropriations | <u>(104,708)</u> | <u>(56,406)</u> |
| Increase (Decrease) in Net Assets Without Donor Restrictions (carried forward) | <u>(504,238)</u> | <u>829,908</u> |

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|---|---------------------------|---------------------------|
| Increase (Decrease) in Net Assets Without Donor Restrictions (brought forward) | <u>\$ (504,238)</u> | <u>\$ 829,908</u> |
| Changes in Net Assets With Donor Restrictions | | |
| Contributions | 251,436 | 130,100 |
| Net investment income (loss) (Note 4) | 56,277 | (112,820) |
| Reduction for uncollectible endowment pledges | - | (1,500) |
| Net assets released from restrictions | | |
| Time and program restrictions | (90,000) | (54,277) |
| Appropriation and transfers from endowment (Note 11) | <u>(82,472)</u> | <u>(145,776)</u> |
| Increase (Decrease) in Net Assets With Donor Restrictions | <u>135,241</u> | <u>(184,273)</u> |
| Increase (decrease) in net assets | (368,997) | 645,635 |
| Net assets, beginning of year | <u>4,187,299</u> | <u>3,541,664</u> |
| Net Assets, End of Year | <u><u>\$3,818,302</u></u> | <u><u>\$4,187,299</u></u> |

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | | | | 2022 | | | |
|-------------------------------------|--------------------|--|-------------------|--------------------|--------------------|--|-------------------|--------------------|
| | Program Services | Supporting Services Management and General | Fundraising | Total Expenses | Program Services | Supporting Services Management and General | Fundraising | Total Expenses |
| Salaries | \$ 976,448 | \$ 191,922 | \$ 164,641 | \$1,333,011 | \$ 815,650 | \$ 179,234 | \$ 163,395 | \$1,158,279 |
| Payroll taxes and benefits | 178,289 | 41,357 | 35,478 | 255,124 | 150,290 | 40,076 | 36,535 | 226,901 |
| Outside professional services | 79,644 | 111,433 | 62,168 | 253,245 | 89,210 | 101,367 | 28,570 | 219,147 |
| Supplies | 25,368 | - | - | 25,368 | 28,460 | - | - | 28,460 |
| Production expense | 78,530 | - | - | 78,530 | 69,302 | - | - | 69,302 |
| Audio and video production | 7,287 | - | - | 7,287 | 3,841 | - | - | 3,841 |
| Uniform expense | 696 | - | - | 696 | 1,119 | - | - | 1,119 |
| Building maintenance | 87,940 | 10,050 | 2,513 | 100,503 | 81,442 | 9,308 | 2,327 | 93,077 |
| Insurance | 27,096 | 3,097 | 774 | 30,967 | 26,154 | 2,989 | 747 | 29,890 |
| Telephone | 11,651 | 1,331 | 333 | 13,315 | 13,226 | 1,511 | 378 | 15,115 |
| Office supplies and printing | 30,365 | 1,510 | 377 | 32,252 | 29,232 | 2,226 | 557 | 32,015 |
| Stationery and postage | 2,369 | 270 | 68 | 2,707 | 6,178 | 186 | 46 | 6,410 |
| Promotion | 16,815 | - | 9,282 | 26,097 | 11,500 | - | 8,126 | 19,626 |
| Bank and processing fees | 40,382 | - | 3,512 | 43,894 | 23,717 | - | 3,160 | 26,877 |
| Information technology | 40,292 | 4,576 | 1,692 | 46,560 | 28,591 | 2,862 | 887 | 32,340 |
| Transportation | 12,659 | 11,254 | 562 | 24,475 | 6,694 | 5,347 | 1,224 | 13,265 |
| Merchandise purchases | 18,308 | - | - | 18,308 | - | - | - | - |
| Miscellaneous | 11,891 | 4,795 | 1,444 | 18,130 | 11,030 | 2,248 | 1,643 | 14,921 |
| Indirect benefit expenses | - | - | 50,208 | 50,208 | - | - | 23,631 | 23,631 |
| Bad debt expense | - | 657 | - | 657 | - | - | - | - |
| Total expenses before depreciation | 1,646,030 | 382,252 | 333,052 | 2,361,334 | 1,395,636 | 347,354 | 271,226 | 2,014,216 |
| Depreciation | 54,278 | 6,203 | 1,551 | 62,032 | 58,125 | 6,642 | 1,661 | 66,428 |
| Reduction for uncollectible pledges | - | - | - | - | - | 25,465 | - | 25,465 |
| Total Expenses | <u>\$1,700,308</u> | <u>\$ 388,455</u> | <u>\$ 334,603</u> | <u>\$2,423,366</u> | <u>\$1,453,761</u> | <u>\$ 379,461</u> | <u>\$ 272,887</u> | <u>\$2,106,109</u> |

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Increase (decrease) in net assets | \$ (368,997) | \$ 645,635 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 62,032 | 66,428 |
| Bad debt expense | 657 | 25,465 |
| Net realized and unrealized (gain) loss on investments | (18,514) | 202,385 |
| Loan forgiveness - Paycheck Protection Program | - | (546,881) |
| (Increase) decrease in: | | |
| Contributions receivable | (228,256) | (160,753) |
| Accounts receivable | (1,425) | (10,474) |
| Prepaid expenses and other current assets | (305) | 7,569 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 21,511 | (4,433) |
| Deferred revenue | 186,432 | - |
| Net Cash Provided (Used) By Operating Activities | <u>(346,865)</u> | <u>224,941</u> |
| Cash Flows From Investing Activities | | |
| Acquisition of property and equipment | (11,420) | (6,009) |
| Purchases of investments | (758,635) | (1,798,573) |
| Proceeds from sales of investments | 710,610 | 1,739,276 |
| Net Cash Used By Investing Activities | <u>(59,445)</u> | <u>(65,306)</u> |
| Net increase (decrease) in cash and cash equivalents | (406,310) | 159,635 |
| Cash and cash equivalents, beginning of year | <u>801,944</u> | <u>642,309</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 395,634</u> | <u>\$ 801,944</u> |

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Founded in 1992, the GRAMMY® Award-winning Brooklyn Youth Chorus Academy (BYCA) is dedicated to offering music training and choral performances to enrich the lives of its students and community. Through music study and professional-level performances, BYCA unites children of diverse backgrounds and helps them develop into confident and expressive musicians and individuals. BYCA strives to advance the artistic role of youth choruses through innovative concerts, commissions and artistic collaborations.

In 2022-2023, BYCA provided comprehensive music education using Founding Artistic Director, Dianne Berkun Menaker's trademarked Cross-Choral Training pedagogy. With an emphasis on healthy vocal development, music literacy, and group performance, BYCA served a diverse population of over 400 NYC students ages 5-18. BYCA's robust program of choral instruction included nine levels grouped by age, skill, and experience, six training division levels and three performing ensembles. In its first full year offering a Pre-Preparatory division for 5-6 year olds, BYCA added a second class mid-year to accommodate demand. In addition to providing choral instruction, BYCA offered private lessons in voice and piano and a range of special workshops including college panels and vocal masterclasses.

BYCA focused on supporting a student body of racially and socio-economically diverse choristers through financial aid and fellowship programs. Students hailed from 54 zip codes in all five boroughs and attended 126 schools. BYCA offered need-based financial aid and tuition subsidy for electives to 35% of students. Tuition was subsidized at \$700-\$2,050, although the program's cost per student was \$3,500 per year. According to a recent survey, 46% of choristers are non-white: 21% Black, 13% Latinx, and 12% Asian.

This season also saw the launch of Brooklyn Youth Chorus's new College and Career Readiness Initiative building on our prior work with the Van Lier Fellowship program and Mary Anne Yancey Memorial Fund Advancement Scholars. The initiative included opportunities for all high school students eligible for financial aid to participate in college counseling and info sessions, to receive tuition-free private voice lessons, to receive mentors from professional artists, and to partake in artistic masterclasses. These programs provide a powerful source of focused support and generator of opportunities for BYCA choristers who may lack these opportunities in their schools and communities.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****a - Organization (continued)**

BYCA's robust performance season included 19 live concerts and events to audiences of over 55,000 in parks, outdoor plazas and major performing venues. All BYCA singers had multiple opportunities to perform in classroom showcases, school assemblies, and/or traditional concerts. The chorus's self-produced annual shows including three winter concerts and three spring concerts featured all singers in the Preparatory level and provided free and discounted tickets to school and community partners.

The chorus began its performance calendar in August with six sold-out shows at Radio City Music Hall performing "Joe Hisaishi: Music from the Studio Ghibli Films of Hayao Miyazaki" with the American Symphony Orchestra. In the fall BYCA appeared as part of the re-opening of David Geffen Hall and in the winter joined The Knights orchestra and Met Opera stars Anthony Roth Costanzo, and Angel Blue. In February BYCA was part of The Lord of the Rings In Concert followed quickly by a performance of Bach's St. Matthew Passion with Davóne Tines and the New York Philharmonic. In May BYCA performed in two new-music festivals premiering seven new works in two weeks.

The year also included exciting recording and film projects such as Fatoumata Diawara's album "London Ko," Julian Rosenfeldt's film installation "Euphoria" at Park Avenue Armory and recording a new score by composer Jeff Beal for an upcoming film, "Afghan Dreamers." BYCA also offered 4 free community concerts including a performance at St. Ann's Warehouse in the culminating event of the Little Amal Walks NYC event series.

The Chorus continued its groundbreaking contributions to the field performing world premieres by a wide range of composers including Laurie Anderson, Helga Davis and Petros Klampanis, Haley Fohr, Alev Lenz, and Paola Prestini. These unique achievements built on a long artistic history including the 2014 premiere of Black Mountain Songs on BAM's Next Wave Festival (winning the Festival's Richard B. Fisher Prize); over 120 commissions since 2001; national and international touring; and the release of two commercial recordings, Black Mountain Songs and Silent Voices.

BYCA has an active and engaged board of trustees who provide guidance and oversight and participate in a number of committees to help support and advocate for the organization. As part of their responsibilities the board regularly reviews compensation for the Executive Director and Artistic Director.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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.

c - Fair Value Measurements

Generally accepted accounting principles establish a fair value measurement hierarchy that prioritizes the inputs to valuation techniques. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. BYCA uses the higher priority valuation techniques based on available inputs to measure fair values. The fair value of BYCA's investments is measured using Level 1 inputs, quoted prices in active markets.

d - Investments and Investment Income

BYCA reflects its investments at fair value in the statement of financial position. Investment income is reflected in the statement of activities as an increase or decrease in net assets without donor restrictions unless its use is restricted by explicit donor stipulations or by law. Investment income that is restricted by the donor is reported as increases or decreases in net assets without donor restrictions if the restrictions are met in the same fiscal year in which the investment income is recognized.

e - Contributions and Contributions Receivable

Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. 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.

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

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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 - Revenue Recognition

BYCA has multiple revenue streams that are accounted for as exchange transactions including tuition and fees, net of scholarships, box office revenue, contracted performance fees, and licensing revenue.

Tuition and fees, net of scholarships, is collected prior to the start of the class or on a payment plan during the course of the class. Tuition and fees are recorded as revenue in the period the class takes place. Tuition and fees relating to future periods are recorded as deferred income.

Box office revenue and contracted performance fees are recognized on the date of the performance. Licensing revenue is recognized over the contracted term of the license.

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, 2023 and 2022 were \$136,346 and \$145,934, respectively.

i - Financial Statement Presentation

BYCA's financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require BYCA to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of BYCA. These net assets may be used at the discretion of BYCA's management and Board of Trustees.

Net Assets With Donor Restrictions

Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of BYCA or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****j - Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Depreciation, telephone and utilities, postage, security, building and equipment maintenance, and insurance are allocated on the basis of square footage.

Salaries, payroll taxes, and employee benefits are allocated on the basis of time and effort for administration and management and time sheet records for remaining staff.

k - 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.

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.

m - Subsequent Events

BYCA has evaluated subsequent events through April 29, 2024, the date that the financial statements are considered available to be issued.

Note 2 - Information Regarding Liquidity and Availability

BYCA manages a balanced budget each fiscal year attributable to annual revenues necessary to meet the cash needs of BYCA's future expenditures. The annual revenue consists mainly of contributions, tuition and performance revenues, and investment income, along with other sources during the current year. General expenditures are comprised of expenses related to ongoing program projects, general and administrative expenses, and fundraising activities created to support these projects.

BYCA manages its liquidity regularly with a policy structured to ensure it adheres to its operating needs and other commitments and obligations while simultaneously maximizing its investments of excess available funds. BYCA maintains liquid financial assets on an ongoing basis sufficient to cover 120 days of general expenditures. BYCA has a policy structured to have management quarterly prepare cash flow projections determining its liquidity needs.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 2 - Information Regarding Liquidity and Availability (continued)

BYCA's financial assets as of June 30, 2023 and 2022 available to meet cash needs for general expenditures within one year are summarized as follows:

| | <u>2023</u> | <u>2022</u> |
|---|--------------------|--------------------|
| Financial Assets at Year End: | | |
| Cash and cash equivalents | \$ 395,634 | \$ 801,944 |
| Investments and cash and cash equivalents held for investment | 1,586,047 | 1,519,508 |
| Contributions receivable | 783,826 | 556,227 |
| Accounts receivable | <u>33,081</u> | <u>31,656</u> |
| Total Financial Assets | 2,798,588 | 2,909,335 |
| Less: Amounts not Available to be Used within One Year: | | |
| Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time | (341,436) | (180,000) |
| Plus: Net assets with donor restrictions expected to be met in less than one year | 220,000 | 115,000 |
| Net assets with donor restrictions for endowment, subject to spending policy and appropriation | (1,159,756) | (1,185,951) |
| Plus: Amounts appropriated for use within one year | 84,000 | 84,000 |
| Net assets without donor restrictions - board designated reserves | (554,337) | (597,013) |
| Plus: Amounts appropriated for use within one year | <u>24,000</u> | <u>24,000</u> |
| Financial Assets Available to Meet General Expenditures within One Year | <u>\$1,071,059</u> | <u>\$1,169,371</u> |

In addition to these financial assets available within one year, BYCA's board designated reserves (Note 3a) could be made available at any time to meet cash needs for general expenditure at the discretion of the Board.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 3 - Net Assets

a - Net Assets Without Donor Restrictions - Board Designated Reserves

Board designated net assets consist of the following:

| | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| Cash reserve | \$345,135 | \$338,433 |
| 25 th Anniversary Campaign Funds for Programs and Infrastructure | 166,779 | 201,157 |
| Mary Anne Yancey Memorial Fund | <u>42,423</u> | <u>57,423</u> |
| | <u>\$554,337</u> | <u>\$597,013</u> |

During the year ended June 30, 2023, contributions of \$1,000 and appropriations of \$35,378 were made from the 25th Anniversary Campaign Funds for programming and infrastructure. There were no contributions or appropriations made from the 25th Anniversary Campaign Funds during the year ended June 30, 2022.

During the year ended June 30, 2023, appropriations of \$15,000 were made from the Mary Anne Yancey Memorial Fund for scholarships. There were no contributions or appropriations made from the Mary Anne Yancey Memorial Fund during the year ended June 30, 2022.

b - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| Subject to expenditure for specific purpose: | | |
| Future programs and purposes | \$ 326,436 | \$ 150,000 |
| Subject to passage of time | <u>15,000</u> | <u>30,000</u> |
| | <u>341,436</u> | <u>180,000</u> |
| Endowments subject to spending policy and appropriation: | | |
| Investment income below original gift amount | <u>(158,446)</u> | <u>(132,251)</u> |
| Investment in perpetuity: | | |
| The Charles J. and Irene F. Hamm Scholarship Fund | 868,202 | 868,202 |
| Operating Endowment | 400,000 | 400,000 |
| The Irving Caesar Scholarship Fund | <u>50,000</u> | <u>50,000</u> |
| Total Investment in Perpetuity | <u>1,318,202</u> | <u>1,318,202</u> |
| Total Endowments | <u>1,159,756</u> | <u>1,185,951</u> |
| Total Net Assets With Donor Restrictions | <u>\$1,501,192</u> | <u>\$1,365,951</u> |

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 4 - Investments and Cash and Cash Equivalents Held for Investment

Investments and cash and cash equivalents held for investment at June 30, 2023 and 2022 consist of the following:

| | <u>2023</u> | | <u>2022</u> | |
|---|--------------------|--------------------|--------------------|--------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Cash and cash equivalents | \$ 308,970 | \$ 308,970 | \$ 285,047 | \$ 285,047 |
| Mutual funds - bonds | 560,402 | 510,416 | 521,535 | 471,763 |
| Mutual funds - equities | 422,435 | 385,258 | 494,235 | 413,170 |
| Domestic equities | 277,433 | 271,119 | 163,547 | 149,585 |
| Bonds - corporate, government, and foreign | <u>119,737</u> | <u>110,284</u> | <u>221,239</u> | <u>199,943</u> |
| | <u>\$1,688,977</u> | <u>\$1,586,047</u> | <u>\$1,685,603</u> | <u>\$1,519,508</u> |

Investment income (loss) consists of the following:

| | <u>2023</u> | <u>2022</u> |
|---|-----------------|--------------------|
| Net realized and unrealized gain (loss) on investments | \$18,514 | \$(202,385) |
| Interest and dividend income | 65,253 | 74,140 |
| Less: Investment fees | <u>(7,366)</u> | <u>(6,561)</u> |
| | <u>\$76,401</u> | <u>\$(134,806)</u> |

Investment income (loss) is allocated as follows:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|-----------------|--------------------|
| Operations | \$13,422 | \$ 5,608 |
| Board designated cash reserve | 6,702 | (27,594) |
| Donor restricted endowments | <u>56,277</u> | <u>(112,820)</u> |
| Total | <u>\$76,401</u> | <u>\$(134,806)</u> |

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 5 - Contributions Receivablea - Unconditional Contributions Receivable

Contributions receivable are restricted for the following purposes and are due as of June 30 as follows:

| | 2023 | | | | Total |
|---------------------------------|---------------------------------------|--|--|--------------------------------|------------------|
| | Without Donor Restrictions | | With Donor Restrictions | | |
| | Operating | Board Designated Campaign | Future Programs and Periods | Perpetual in Nature | |
| Due within one year | \$564,425 | \$ 500 | \$110,000 | \$3,500 | \$678,425 |
| Due in one to five years | - | - | 110,000 | 2,000 | 112,000 |
| | <u>564,425</u> | <u>500</u> | <u>220,000</u> | <u>5,500</u> | <u>790,425</u> |
| Less: Discount to present value | <u>-</u> | <u>-</u> | <u>(6,314)</u> | <u>(285)</u> | <u>(6,599)</u> |
| Total | <u>\$564,425</u> | <u>\$ 500</u> | <u>\$213,686</u> | <u>\$5,215</u> | <u>\$783,826</u> |
| | 2022 | | | | |
| | Without Donor Restrictions | | With Donor Restrictions | | |
| | Operating | Board Designated Campaign | Future Programs and Periods | Perpetual in Nature | Total |
| Due within one year | \$485,512 | \$ 500 | \$65,000 | \$3,500 | \$554,512 |
| Due in one to five years | - | - | - | 2,000 | 2,000 |
| | <u>485,512</u> | <u>500</u> | <u>65,000</u> | <u>5,500</u> | <u>556,512</u> |
| Less: Discount to present value | <u>-</u> | <u>-</u> | <u>-</u> | <u>(285)</u> | <u>(285)</u> |
| Total | <u>\$485,512</u> | <u>\$ 500</u> | <u>\$65,000</u> | <u>\$5,215</u> | <u>\$556,227</u> |

Uncollectible contributions receivable are expected to be insignificant. Contributions receivable 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, 2023 AND 2022

Note 5 - Contributions Receivable (continued)

b - Conditional Contributions Receivable

A portion of BYCA's revenue is derived from cost-reimbursable government contracts and grants, which are contingent upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when BYCA has incurred expenditures in compliance with specific contract or grant provisions and the funds have been approved for appropriation by the government agency. Amounts received prior to incurring qualifying expenditures, if any, are reported as refundable advances in the statement of financial position. As of June 30, 2023, BYCA was awarded cost-reimbursable grants totaling \$84,500 that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred or the funds have not been approved for appropriation by the government agency. There were no advance payments received as of June 30, 2023.

Note 6 - Property and Equipment

Property and equipment consist of the following:

| | <u>Life</u> | <u>2023</u> | <u>2022</u> |
|--------------------------------|-------------|--------------------|--------------------|
| Land and building | 50 years | \$1,100,000 | \$1,100,000 |
| Building improvements | 7-50 years | 1,471,868 | 1,471,868 |
| Website infrastructure | 5 years | 55,133 | 55,133 |
| Database | 5 years | 128,769 | 128,769 |
| Equipment | 3-10 years | <u>227,491</u> | <u>216,071</u> |
| | | 2,983,261 | 2,971,841 |
| Less: Accumulated depreciation | | <u>(1,606,148)</u> | <u>(1,544,116)</u> |
| | | <u>\$1,377,113</u> | <u>\$1,427,725</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.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 7 - Loans Payable - Paycheck Protection Program**

In May 2020, BYCA received a \$286,500 Paycheck Protection Program (“PPP”) loan with an interest rate of 1% and a maturity of two years. The loan and any accrued interest was eligible to be forgiven in its entirety if the loan proceeds were applied towards applicable payroll and occupancy costs, as defined by the Coronavirus Aid, Relief and Economic Security Act. On August 24, 2021, BYCA received forgiveness for a portion of the loan amount. Accordingly, \$274,486 of the loan has been recognized as revenue in the accompanying statement of activities for the year ended June 30, 2022. The balance of \$12,014 remains outstanding at June 30, 2023.

In March 2021, BYCA received a second PPP loan of \$272,395. The loan bears interest at 1% annum, is due on March 2026, and may be forgiven if BYCA meets certain employee retention requirements and funds are used for eligible expenses. On March 3, 2022, BYCA received forgiveness of the full loan amount. Accordingly, this amount has been recognized as revenue in the accompanying statement of activities for the year ended June 30, 2022.

Note 8 - Donated Legal Services

During the year ended June 30, 2023 and 2022, BYCA received donated legal services of \$42,513 and \$29,890, respectively. Donated services are stated at fair value as provided by the service providers, estimated based on current market rates for similar services.

Note 9 - 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.

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.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 11 - Endowment Funds

BYCA's endowment consists of funds established for the purposes described in Note 3. 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 Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), BYCA classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted 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 as net assets that are perpetual in nature is classified as net assets subject to spending policy and appropriation until those amounts are appropriated for expenditure by BYCA.

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:

| | Investment Income Below Original Gift Amount | Investment in Perpetuity | Total |
|------------------------------|---|-------------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Donor-restricted funds, 2023 | \$(158,446) | \$1,312,987 | \$1,154,541 |
| Donor-restricted funds, 2022 | \$(132,251) | \$1,312,987 | \$1,180,736 |

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 11 - Endowment Funds (continued)

Changes in BYCA's endowment funds as of June 30, 2023 and 2022 are summarized as follows:

| | 2023 | | |
|--|---|-------------------------------------|--------------------|
| | Investment Income Below Original Gift Amount | Investment in Perpetuity | Total |
| Endowment funds, beginning of year | \$(132,251) | \$1,312,987 | \$1,180,736 |
| Investment gain | 56,277 | - | 56,277 |
| Appropriation and transfers for program support | <u>(82,472)</u> | <u>-</u> | <u>(82,472)</u> |
| | <u>(26,195)</u> | <u>-</u> | <u>(26,195)</u> |
| Endowment Funds, End of Year | <u>\$(158,446)</u> | <u>\$1,312,987</u> | <u>\$1,154,541</u> |
| | | | |
| | 2022 | | |
| | Investment Income Below Original Gift Amount | Investment in Perpetuity | Total |
| Endowment funds, beginning of year | \$ 126,345 | \$1,312,887 | \$1,439,232 |
| Contributions | - | 100 | 100 |
| Investment loss | (112,820) | - | (112,820) |
| Appropriation and transfers for program support | <u>(145,776)</u> | <u>-</u> | <u>(145,776)</u> |
| | <u>(258,596)</u> | <u>100</u> | <u>(258,496)</u> |
| Endowment Funds, End of Year | <u>\$(132,251)</u> | <u>\$1,312,987</u> | <u>\$1,180,736</u> |

The fair value of assets associated with individual donor restricted endowment funds may fall below the level required to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2023 and 2022, funds with an original gift value of \$1,312,987 were "underwater" by \$158,446 and \$132,251, respectively. These deficiencies resulted from unfavorable market fluctuations and from the appropriation to operations that occurred after the investment of donor-restricted endowment contributions.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2023 AND 2022****Note 11 - Endowment Funds (continued)**

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, 5-7% of the thirty-six months trailing average of the value of the Endowment may be drawn down (7% for 2023 and 2022). The draw or withdrawal will be recommended by management and must be approved by the Finance and Executive Committees of the Board.

Note 12 - Federal Relief Programs

a - The Coronavirus Aid, Relief and Economic Security (“CARES”) Act enacted in 2020 allowed eligible employers to claim employee retention tax credits for qualified wages paid after March 12, 2020 and before September 30, 2021. BYCA qualified for credits of \$304,008. Accordingly, this amount has been recognized as contribution income in the accompanying statements of activities for the year ended June 30, 2022.

b - On July 1, 2021, BYCA received a Shuttered Venue Operators Grant (the “SVOG”) from the SBA in the amount of \$625,068. This grant covered allowable expenses, including payroll costs and other ordinary and necessary business expenses incurred between July 1, 2021 through June 30, 2022. This grant was recognized as revenue during the year ended June 30, 2022.