

BROOKLYN YOUTH CHORUS ACADEMY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, Brooklyn Youth Chorus Academy, Inc. has suspended some of its program activities at the direction of state and local government authorities. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
April 30, 2020

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents (Notes 1b and 9)	\$ 613,961	\$ 531,304
Investments and cash and cash equivalents held for investment (Notes 1b, 1c, 1d, 4 and 10)	1,510,856	1,486,766
Contributions receivable (Notes 1e and 5)	608,531	494,899
Accounts receivable	55,233	10,796
Prepaid expenses and other current assets	20,447	26,354
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 6)	<u>1,614,166</u>	<u>1,694,711</u>
Total Assets	<u><u>\$4,423,194</u></u>	<u><u>\$4,244,830</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 155,873	\$ 120,041
Line of credit payable (Note 7)	-	100,000
Deferred revenue (Note 1g)	347,103	318,096
Total Liabilities	<u>502,976</u>	<u>538,137</u>
Commitment and Contingency (Notes 8 and 11)		
Net Assets (Note 3)		
Without Donor Restrictions		
Property and equipment (Note 6)	1,614,166	1,694,711
Board designated	618,023	609,680
Other	58,255	51,854
Total Without Donor Restrictions	<u>2,290,444</u>	<u>2,356,245</u>
With Donor Restrictions		
Subject to time and purpose restrictions	310,802	141,061
Perpetual in nature (Note 10)	1,318,972	1,209,387
Total With Donor Restrictions	<u>1,629,774</u>	<u>1,350,448</u>
Total Net Assets	<u>3,920,218</u>	<u>3,706,693</u>
Total Liabilities and Net Assets	<u><u>\$4,423,194</u></u>	<u><u>\$4,244,830</u></u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Donor Restrictions		
Changes in Operations		
Revenue, Gains and Other Support		
Contributions	\$ 796,288	\$ 724,524
Fundraising benefits	168,130	275,185
Less: Direct benefit expenses	(84,771)	(39,360)
Tuition and fees, net of scholarships (Note 1h)	883,800	741,758
Box office revenue	97,833	99,248
Contracted performance fees	269,275	136,706
Net investment income (loss) (Note 4)	1,880	(1,850)
Miscellaneous	11,033	15,372
	<u>2,143,468</u>	<u>1,951,583</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	87,500	167,104
Appropriation from endowment (Note 10)	48,254	38,740
Appropriation from board designated cash reserve (Note 3a)	-	20,541
Appropriation from 25th Anniversary board designated reserve (Note 3a)	66,000	127,800
Appropriation from Mary Anne Yancey Memorial Fund (Note 3a)	13,400	14,580
	<u>2,358,622</u>	<u>2,320,348</u>
Total Revenue, Gains and Other Support		
Expenses		
Program Services	1,732,472	1,660,653
Supporting Services		
Management and general	313,123	343,708
Fundraising	301,554	307,213
Total Supporting Services	<u>614,677</u>	<u>650,921</u>
Total Expenses	<u>2,347,149</u>	<u>2,311,574</u>
Increase in Net Assets Without Donor Restrictions Before Other Revenues, Expenses and Appropriations	<u>11,473</u>	<u>8,774</u>
Other Revenues, Expenses and Appropriations		
Depreciation	(85,617)	(93,989)
Net investment income (Note 4)	8,610	10,541
Contributions - 25th Anniversary Campaign Board Designated Funds (Note 3a)	65,733	56,983
Contributions - Mary Anne Yancey Memorial Fund (Note 3a)	13,400	12,850
Appropriation from board designated cash reserve (Note 3a)	-	(20,541)
Appropriation from 25th Anniversary board designated reserve (Note 3a)	(66,000)	(127,800)
Appropriation from Mary Anne Yancey Memorial Fund (Note 3a)	(13,400)	(14,580)
Reduction for uncollectible 25th Anniversary Campaign Board Designated pledge	-	(16,000)
Total Other Revenues, Expenses and Appropriations	<u>(77,274)</u>	<u>(192,536)</u>
Decrease in Net Assets Without Donor Restrictions (carried forward)	<u>(65,801)</u>	<u>(183,762)</u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Decrease in Net Assets Without Donor Restrictions (brought forward)	\$ (65,801)	\$ (183,762)
Changes in Net Assets With Donor Restrictions		
Contributions	359,693	248,105
Net investment income (Note 4)	55,387	41,679
Reduction for uncollectible pledge	-	(15,000)
Net assets released from restrictions		
Time and program restrictions	(87,500)	(167,104)
Appropriation from endowment (Note 10)	(48,254)	(38,740)
Increase in Net Assets With Donor Restrictions	<u>279,326</u>	<u>68,940</u>
Increase (decrease) in net assets	213,525	(114,822)
Net assets, beginning of year	<u>3,706,693</u>	<u>3,821,515</u>
Net Assets, End of Year	<u><u>\$3,920,218</u></u>	<u><u>\$3,706,693</u></u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018				
	Program Services	Supporting Services Management and General	Fundraising	Total Expenses	Program Services	Supporting Services Management and General	Fundraising	Total Expenses
Salaries	\$ 872,274	\$ 207,884	\$ 160,798	\$1,240,956	\$ 891,987	\$ 217,405	\$ 150,216	\$1,259,608
Payroll taxes and benefits	163,866	42,318	35,742	241,926	156,635	41,663	31,607	229,905
Outside professional services	215,393	7,174	53,960	276,527	177,496	17,048	38,063	232,607
Supplies	41,442	-	-	41,442	28,110	-	-	28,110
Production expense	99,364	-	-	99,364	90,098	-	-	90,098
Audio and video production	11,443	-	-	11,443	8,036	-	-	8,036
Uniform expense	3,906	-	-	3,906	2,942	-	-	2,942
Building maintenance	74,122	8,471	2,118	84,711	72,807	8,321	2,080	83,208
Insurance	32,845	7,212	938	40,995	37,134	4,244	1,061	42,439
Telephone	12,759	1,457	365	14,581	19,855	2,269	567	22,691
Office supplies and printing	29,193	1,681	420	31,294	33,928	1,738	435	36,101
Stationery and postage	6,598	754	189	7,541	4,094	374	1,630	6,098
Promotion	3,315	-	12,053	15,368	3,590	-	11,417	15,007
Audit	-	24,047	-	24,047	-	30,647	-	30,647
Bank and processing fees	33,945	5,111	13,081	52,137	31,743	6,810	488	39,041
Information technology	33,546	3,949	1,483	38,978	27,564	2,909	735	31,208
Transportation	85,157	70	655	85,882	55,930	1,483	550	57,963
Merchandise purchases	2,299	-	-	2,299	12,128	-	-	12,128
Miscellaneous	11,005	1,726	2,235	14,966	6,576	3,797	762	11,135
Indirect benefit expenses	-	-	17,517	17,517	-	-	67,602	67,602
Bad debt expense	-	1,269	-	1,269	-	5,000	-	5,000
Total expenses before depreciation	1,732,472	313,123	301,554	2,347,149	1,660,653	343,708	307,213	2,311,574
Depreciation	74,915	8,562	2,140	85,617	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	<u>\$1,807,387</u>	<u>\$ 321,685</u>	<u>\$ 303,694</u>	<u>\$2,432,766</u>	<u>\$1,742,893</u>	<u>\$ 384,107</u>	<u>\$ 309,563</u>	<u>\$2,436,563</u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$213,525	\$(114,822)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	85,617	93,989
Bad debt expense	1,269	36,000
Net realized and unrealized gain on investments	(8,473)	(5,350)
(Increase) decrease in:		
Contributions receivable	(114,901)	311,461
Accounts receivable	(44,437)	30,511
Prepaid expenses and other current assets	5,907	13,747
Increase in:		
Accounts payable and accrued expenses	35,832	1,483
Deferred revenue	29,007	60,993
Net Cash Provided By Operating Activities	<u>203,346</u>	<u>428,012</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(5,072)	(12,643)
Purchases of investments	(355,949)	(654,373)
Proceeds from sales of investments	340,332	481,885
Net Cash Used By Investing Activities	<u>(20,689)</u>	<u>(185,131)</u>
Cash Flows From Financing Activities		
Repayment of line of credit	(100,000)	-
Net increase in cash and cash equivalents	82,657	242,881
Cash and cash equivalents, beginning of year	<u>531,304</u>	<u>288,423</u>
Cash and Cash Equivalents, End of Year	<u><u>\$613,961</u></u>	<u><u>\$ 531,304</u></u>
Supplemental Disclosure		
Interest paid	<u>\$ 5,848</u>	<u>\$ -</u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****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 2019, BYCA served over 700 diverse New York City students, including 600 who trained in choral ensembles (at our Brooklyn facility, purchased in 2002, and at Neighborhood Expansion Program sites), and 100 served through school-based programming.

At BYCA, each member trains and performs as part of a choral ensemble grouped by age, skill and experience. Six progressively advanced divisions form the core program: three training divisions (Prep, Pre-Teen, and Teen), and three performing ensembles (Concert, Men’s, and Junior). BYCA’s electives include private voice and instrumental lessons, solo performance training, Middle and High School audition preparation, and skills-building class. BYCA also offers annual professional development workshops for public school music teachers and conductors on their trademarked Cross-Choral Training pedagogy.

2019 artistic achievements include commissioning and premiering the final production of the three-part Silent Voices series, Silent Voices: Lovestate, first at ASU Gammage in Tempe, Arizona and then at The New Victory Theatre in New York City and releasing our second commercial album Silent Voices on the New Amsterdam Label. This added to a long performance history including concerts at Brooklyn Academy of Music, National Sawdust, and more. Additional achievements include the 2014 premiere of Black Mountain Songs on BAM’s Next Wave Festival (winning the Festival’s Richard B. Fisher Prize); over 100 commissions since 2001; national and international touring, including to London’s Barbican Centre in 2016; and releasing two commercial recordings, Black Mountain Songs and Silent Voices.

While gaining artistic prominence, BYCA ensures broad access. In the past five years, BYCA has dramatically expanded financial aid, launched a Neighborhood Expansion Program now in three sites and free school-based training programs to bring BYCA programs to Brooklyn neighborhoods from Red Hook to Brownsville, and expanded performances and community events to engage and connect with diverse groups.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****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. 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, 2019 AND 2018****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 - 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, 2019 and 2018 were \$315,888 and \$282,560, respectively.

i - Financial Statement Presentation

BYCA's financial statements have been prepared in accordance with U.S. generally accepted accounting principles, 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.

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.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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 - Prior Year Information

Certain amounts have been reclassified for comparative purposes.

m - 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.

n - Subsequent Events

BYCA has evaluated subsequent events through April 30, 2020, the date that the financial statements are considered available to be issued.

o - New Accounting Pronouncement

In 2019, BYCA adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, BYCA opted to not disclose liquidity and availability information for 2018.

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.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2 - Information Regarding Liquidity and Availability (continued)

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.

BYCA's financial assets as of June 30, 2019 and those available within one year to meet cash needs for general expenditures are summarized as follows:

Financial Assets at Year End:	
Cash and cash equivalents	\$ 613,961
Investments and cash and cash equivalents held for investment	1,510,856
Contributions receivable	608,531
Accounts receivable	<u>55,233</u>
Total Financial Assets	2,788,581
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	(271,382)
Plus: Net assets with donor restrictions expected to be met in less than one year	189,118
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(1,358,392)
Plus: Amounts appropriated for use within one year	35,000
Net assets without donor restrictions - board designated reserves	(618,023)
Plus: Amounts appropriated for use within one year	<u>142,500</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 907,402</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.

BYCA also has available a line of credit from which it may draw upon, the terms of which are more fully described in Note 7.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 3 - Net Assets

a - Board Designated Reserves

Board designated net assets consist of the following:

	2019	2018
Cash reserve	\$311,380	\$302,770
25 th Anniversary Campaign Funds for Programs and Infrastructure	274,220	274,487
Mary Anne Yancey Memorial Fund	32,423	32,423
	\$618,023	\$609,680

During the year ended June 30, 2018, appropriations of \$20,541 were made from the Cash Reserve Fund for operations.

During the years ended June 30, 2019 and 2018, appropriations of \$66,000 and \$127,800, respectively, were made from the 25th Anniversary Campaign Funds for programming and infrastructure.

During the years ended June 30, 2019 and 2018, appropriations of \$13,400 and \$14,580, respectively, were made from the Mary Anne Yancey Memorial Fund for scholarships.

b - Net Assets With Donor Restrictions

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

	2019	2018
Subject to expenditure for specific purpose:		
Future programs and purposes	\$ 264,000	\$ 91,500
Subject to passage of time	7,382	17,274
	271,382	108,774
Endowments subject to spending policy and appropriation:		
Investment income above original gift amount	39,420	32,287
Investment in Perpetuity:		
The Charles J. and Irene F. Hamm Scholarship Fund	868,972	759,387
Operating Endowment	400,000	400,000
The Irving Caesar Scholarship Fund	50,000	50,000
Total Investment in Perpetuity	1,318,972	1,209,387
Total Endowments	1,358,392	1,241,674
Total Net Assets With Donor Restrictions	\$1,629,774	\$1,350,448

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

Investments and cash held for investment at June 30, 2019 and 2018 consist of the following:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 46,022	\$ 46,022	\$ 107,537	\$ 107,537
Certificates of deposit	-	-	35,000	34,990
Mutual funds - bonds	270,896	273,487	269,617	258,987
Mutual funds - equities	574,456	565,926	464,153	488,466
Corporate preferred stock	77,654	76,622	78,865	77,565
Domestic equities	385,773	416,889	379,497	384,208
Bonds - corporate, government, and foreign	129,316	131,910	138,233	135,013
	\$1,484,117	\$1,510,856	\$1,472,902	\$1,486,766

Investment income consists of the following:

	2019	2018
Net realized and unrealized gain on investments	\$ 8,473	\$ 5,350
Interest and dividend income	67,106	51,754
Less: Investment fees	(9,702)	(6,734)
	\$65,877	\$50,370

Investment income (loss) is allocated as follows:

	2019	2018
Operations	\$ 1,880	\$(1,850)
Board designated cash reserve	8,610	10,541
Donor restricted endowments	55,387	41,679
Total	\$65,877	\$50,370

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 5 - Contributions Receivable

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

	2019				Total
	Without Donor Restrictions		With Donor Restrictions		
	Operating	Board Designated Campaign	Future Programs and Periods	Perpetual in Nature	
Due within one year	\$173,225	\$142,450	\$ 182,500	\$75,800	\$573,975
Due in one to five years	-	12,000	17,000	7,500	36,500
	<u>173,225</u>	<u>154,450</u>	<u>199,500</u>	<u>83,300</u>	<u>610,475</u>
Less: Discount to present value	-	(911)	(117)	(916)	(1,944)
Total	<u>\$173,225</u>	<u>\$153,539</u>	<u>\$199,383</u>	<u>\$82,384</u>	<u>\$608,531</u>

	2018				Total
	Without Donor Restrictions		With Donor Restrictions		
	Operating	Board Designated Campaign	Future Programs and Periods	Perpetual in Nature	
Due within one year	\$108,469	\$152,400	\$ 79,500	\$61,100	\$401,469
Due in one to four years	-	43,400	25,500	30,100	99,000
	<u>108,469</u>	<u>195,800</u>	<u>105,000</u>	<u>91,200</u>	<u>500,469</u>
Less: Discount to present value	-	(2,544)	(1,225)	(1,801)	(5,570)
Total	<u>\$108,469</u>	<u>\$193,256</u>	<u>\$103,775</u>	<u>\$89,399</u>	<u>\$494,899</u>

Uncollectible contributions 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, 2019 AND 2018

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2019</u>	<u>2018</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	128,769
Equipment	3-10 years	<u>202,567</u>	<u>197,495</u>
		2,943,362	2,938,290
Less: Accumulated depreciation		<u>(1,329,196)</u>	<u>(1,243,579)</u>
		<u>\$1,614,166</u>	<u>\$1,694,711</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.

Note 7 - 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. The balance of \$100,000 due at June 30, 2018 was repaid July 2018. There were no additional borrowings during 2019.

Note 8 - 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, 2019 AND 2018****Note 9 - 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 10 - 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

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 10 - Endowment Funds (continued)

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

	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Donor-restricted funds, 2019	<u>\$39,420</u>	<u>\$1,236,588</u>	<u>\$1,276,008</u>
Donor-restricted funds, 2018	<u>\$32,287</u>	<u>\$1,119,988</u>	<u>\$1,152,275</u>

Changes in BYCA's endowment funds as of June 30, 2019 and 2018 are summarized as follows:

	2019		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	<u>\$32,287</u>	<u>\$1,119,988</u>	<u>\$1,152,275</u>
Contributions	-	116,600	116,600
Investment income	55,387	-	55,387
Appropriation for program support	<u>(48,254)</u>	-	<u>(48,254)</u>
	<u>7,133</u>	<u>116,600</u>	<u>123,733</u>
Endowment Funds, End of Year	<u>\$39,420</u>	<u>\$1,236,588</u>	<u>\$1,276,008</u>
	2018		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
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>(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, 2019 AND 2018****Note 10 - 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% 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 11 - Subsequent Event

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, BYCA has suspended some of its program activities at the direction of state and local governmental authorities. Management is currently evaluating the potential impact that the resulting economic uncertainties will have on BYCA's operations.