

BROOKLYN YOUTH CHORUS ACADEMY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



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, 2020 and 2019, 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 from 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, 2020 and 2019, 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 12 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
May 10, 2021

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents (Notes 1b and 10)	\$ 576,224	\$ 613,961
Investments and cash and cash equivalents held for investment (Notes 1b, 1c, 1d, 4 and 11)	1,456,480	1,510,856
Contributions receivable (Notes 1e and 5)	394,135	608,531
Accounts receivable	2,593	55,233
Prepaid expenses and other current assets	30,024	20,447
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 6)	<u>1,530,632</u>	<u>1,614,166</u>
Total Assets	<u><u>\$3,990,088</u></u>	<u><u>\$4,423,194</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 98,741	\$ 155,873
Loan payable - Paycheck Protection Program (Note 8)	286,500	-
Deferred revenue (Note 1g)	425	347,103
Total Liabilities	<u>385,666</u>	<u>502,976</u>
Commitment and Contingencies (Notes 9 and 12)		
Net Assets (Note 3)		
Without Donor Restrictions		
Property and equipment (Note 6)	1,530,632	1,614,166
Board designated	572,759	618,023
Other	31,184	58,255
Total Without Donor Restrictions	<u>2,134,575</u>	<u>2,290,444</u>
With Donor Restrictions		
Subject to time and purpose restrictions	150,410	310,802
Perpetual in nature (Note 11)	1,319,437	1,318,972
Total With Donor Restrictions	<u>1,469,847</u>	<u>1,629,774</u>
Total Net Assets	<u><u>3,604,422</u></u>	<u><u>3,920,218</u></u>
Total Liabilities and Net Assets	<u><u>\$3,990,088</u></u>	<u><u>\$4,423,194</u></u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions		
Changes in Operations		
Revenue, Gains and Other Support		
Contributions	\$ 626,044	\$ 796,288
Fundraising benefits	157,741	168,130
Less: Direct benefit expenses	-	(84,771)
Donated legal services	15,000	-
Tuition and fees, net of scholarships (Note 1h)	890,378	883,800
Box office revenue	60,942	97,833
Contracted performance fees	59,656	269,275
Net investment income (Note 4)	271	1,880
Miscellaneous	4,201	11,033
	<u>1,814,233</u>	<u>2,143,468</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	171,690	87,500
Appropriation from endowment (Note 11)	54,308	48,254
Appropriation from 25th Anniversary board designated reserve (Note 3a)	51,709	66,000
Appropriation from Mary Anne Yancey Memorial Fund (Note 3a)	12,500	13,400
	<u>390,207</u>	<u>215,154</u>
Total Revenue, Gains and Other Support	<u>2,104,440</u>	<u>2,358,622</u>
Expenses		
Program Services	<u>1,401,503</u>	<u>1,732,472</u>
Supporting Services		
Management and general	418,647	313,123
Fundraising	311,361	301,554
Total Supporting Services	<u>730,008</u>	<u>614,677</u>
Total Expenses	<u>2,131,511</u>	<u>2,347,149</u>
Increase (Decrease) in Net Assets Without Donor Restrictions Before Other Revenues, Expenses and Appropriations	<u>(27,071)</u>	<u>11,473</u>
Other Revenues, Expenses and Appropriations		
Depreciation	(83,534)	(85,617)
Net investment income (Note 4)	3,834	8,610
Contributions - 25th Anniversary Campaign Board Designated Funds (Note 3a)	2,611	65,733
Contributions - Mary Anne Yancey Memorial Fund (Note 3a)	12,500	13,400
Appropriation from 25th Anniversary board designated reserve (Note 3a)	(51,709)	(66,000)
Appropriation from Mary Anne Yancey Memorial Fund (Note 3a)	(12,500)	(13,400)
Total Other Revenues, Expenses and Appropriations	<u>(128,798)</u>	<u>(77,274)</u>
Decrease in Net Assets Without Donor Restrictions (carried forward)	<u>(155,869)</u>	<u>(65,801)</u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Decrease in Net Assets Without Donor Restrictions (brought forward)	\$ (155,869)	\$ (65,801)
Changes in Net Assets With Donor Restrictions		
Contributions	75,083	359,693
Net investment income (loss) (Note 4)	(9,012)	55,387
Net assets released from restrictions		
Time and program restrictions	(171,690)	(87,500)
Appropriation from endowment (Note 11)	<u>(54,308)</u>	<u>(48,254)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(159,927)</u>	<u>279,326</u>
Increase (decrease) in net assets	(315,796)	213,525
Net assets, beginning of year	<u>3,920,218</u>	<u>3,706,693</u>
Net Assets, End of Year	<u><u>\$3,604,422</u></u>	<u><u>\$3,920,218</u></u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020				2019			
	Program Services	Supporting Services Management and General	Fundraising	Total Expenses	Program Services	Supporting Services Management and General	Fundraising	Total Expenses
Salaries	\$ 872,932	\$ 238,997	\$ 163,199	\$1,275,128	\$ 872,274	\$ 207,884	\$ 160,798	\$1,240,956
Payroll taxes and benefits	174,366	49,111	40,246	263,723	163,866	42,318	35,742	241,926
Outside professional services	107,440	18,191	42,326	167,957	215,393	7,174	53,960	276,527
Supplies	15,985	-	-	15,985	41,442	-	-	41,442
Production expense	31,663	-	-	31,663	99,364	-	-	99,364
Audio and video production	2,625	-	-	2,625	11,443	-	-	11,443
Uniform expense	789	-	-	789	3,906	-	-	3,906
Building maintenance	63,588	7,267	1,817	72,672	74,122	8,471	2,118	84,711
Insurance	33,379	3,814	954	38,147	32,845	7,212	938	40,995
Telephone	11,375	1,300	325	13,000	12,759	1,457	365	14,581
Office supplies and printing	30,228	1,478	369	32,075	29,193	1,681	420	31,294
Stationery and postage	2,867	328	664	3,859	6,598	754	189	7,541
Promotion	2,903	-	12,539	15,442	3,315	-	12,053	15,368
Audit	-	39,869	-	39,869	-	24,047	-	24,047
Bank and processing fees	-	35,898	3,589	39,487	33,945	5,111	13,081	52,137
Information technology	30,289	3,523	1,283	35,095	33,546	3,949	1,483	38,978
Transportation	8,081	456	233	8,770	85,157	70	655	85,882
Merchandise purchases	1,186	-	-	1,186	2,299	-	-	2,299
Miscellaneous	11,807	2,664	1,466	15,937	11,005	1,726	2,235	14,966
Indirect benefit expenses	-	-	42,351	42,351	-	-	17,517	17,517
Bad debt expense	-	15,751	-	15,751	-	1,269	-	1,269
Total expenses before depreciation	1,401,503	418,647	311,361	2,131,511	1,732,472	313,123	301,554	2,347,149
Depreciation	73,092	8,354	2,088	83,534	74,915	8,562	2,140	85,617
Total Expenses	<u>\$1,474,595</u>	<u>\$ 427,001</u>	<u>\$ 313,449</u>	<u>\$2,215,045</u>	<u>\$1,807,387</u>	<u>\$ 321,685</u>	<u>\$ 303,694</u>	<u>\$2,432,766</u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$(315,796)	\$213,525
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	83,534	85,617
Bad debt expense	15,751	1,269
Net realized and unrealized (gain) loss on investments	41,328	(8,473)
(Increase) decrease in:		
Contributions receivable	198,645	(114,901)
Accounts receivable	52,640	(44,437)
Prepaid expenses and other current assets	(9,577)	5,907
Increase (decrease) in:		
Accounts payable and accrued expenses	(57,132)	35,832
Deferred revenue	(346,678)	29,007
Net Cash Provided (Used) By Operating Activities	<u>(337,285)</u>	<u>203,346</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	-	(5,072)
Purchases of investments	(715,558)	(355,949)
Proceeds from sales of investments	728,606	340,332
Net Cash Provided (Used) By Investing Activities	<u>13,048</u>	<u>(20,689)</u>
Cash Flows From Financing Activities		
Proceeds from loan payable - Paycheck Protection Program	286,500	-
Repayment of line of credit	-	(100,000)
Net Cash Provided (Used) By Financing Activities	<u>286,500</u>	<u>(100,000)</u>
Net increase (decrease) in cash and cash equivalents	(37,737)	82,657
Cash and cash equivalents, beginning of year	<u>613,961</u>	<u>531,304</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 576,224</u></u>	<u><u>\$613,961</u></u>
Supplemental Disclosure		
Interest paid	<u>\$ -</u>	<u>\$ 5,848</u>

See notes to financial statements.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****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 2020, BYCA served over 600 diverse New York City students, including a record breaking 615 who sang in our multi-level training divisions and performing ensembles (at our Brooklyn facility, purchased in 2002, and at Neighborhood Expansion Program sites), and 57 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.

BYCA's fiscal year 2020 artistic work started off strong with appearances in the rag & bone fashion show and on Jimmy Kimmel Live! backing the inimitable David Byrne. In December, all of the singers participated in the annual winter concerts, Holiday Harmonies and Winter's Eve where the ensemble choristers were joined by guest artist Metropolitan Opera star and countertenor, Anthony Roth Costanzo. BYCA also participated in a series of recordings celebrating the release of the new Bon Iver album, where BYCA had provided backup vocals and laying down tracks for upcoming albums with artists Wye Oak and Johan Lenox.

BYCA also continued its groundbreaking creative artistry, commissioning and workshopping eight pieces as part of the development of a new multi-year theatrical choral production She Is Called. The first iteration of this production was intended to premiere in concert form at UNC-Chapel Hill in the spring of 2020. Though it was canceled due to the COVID-19 pandemic, BYCA looks forward to introducing the new work in the coming seasons both in live performance and in virtual and recorded presentations. Similarly, a March tour to perform Aging Magician at San Diego Opera was postponed due to the pandemic, and is currently rescheduled for performance in the 2021-2022 season. Additional achievements include 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 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.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****a - Organization (continued)**

While continually gaining artistic prominence, BYCA ensures broad access. In the past five years, BYCA has dramatically increased financial aid, launched a Neighborhood Expansion Program - now in three sites - as well as expanding free school-based training programs to bring choral music education to Brooklyn neighborhoods. This work includes performances and community events which allow BYCA to engage and connect with diverse audiences.

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.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****e - Contributions and Contributions Receivable (continued)**

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.

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, 2020 and 2019 were \$349,061 and \$315,888, respectively.

i - Financial Statement Presentation

BYCA's financial statements have been prepared in accordance with accounting principles generally accepted in the United States, 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, 2020 AND 2019****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 May 10, 2021, the date that the financial statements are considered available to be issued.

n - New Accounting Pronouncement

For 2020, BYCA adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Analysis of the various provisions of this standard resulted in no significant changes in the way BYCA recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

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, 2020 AND 2019

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, 2020 and 2019, and those available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 576,224	\$ 613,961
Investments and cash and cash equivalents held for investment	1,456,480	1,510,856
Contributions receivable	394,135	608,531
Accounts receivable	<u>2,593</u>	<u>55,233</u>
Total Financial Assets	2,429,432	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	(174,310)	(271,382)
Plus: Net assets with donor restrictions expected to be met in less than one year	159,310	189,118
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(1,295,537)	(1,358,392)
Plus: Amounts appropriated for use within one year	80,000	35,000
Net assets without donor restrictions - board designated reserves	(572,759)	(618,023)
Plus: Amounts appropriated for use within one year	<u>43,000</u>	<u>142,500</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 669,136</u>	<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, 2020 AND 2019

Note 3 - Net Assets

a - Net Assets Without Donor Restrictions - Board Designated Reserves

Board designated net assets consist of the following:

	2020	2019
Cash reserve	\$315,214	\$311,380
25 th Anniversary Campaign Funds for Programs and Infrastructure	225,122	274,220
Mary Anne Yancey Memorial Fund	32,423	32,423
	\$572,759	\$618,023

During the years ended June 30, 2020 and 2019, appropriations of \$51,709 and \$66,000, respectively, were made from the 25th Anniversary Campaign Funds for programming and infrastructure.

During the years ended June 30, 2020 and 2019, appropriations of \$12,500 and \$13,400, 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:

	2020	2019
Subject to expenditure for specific purpose:		
Future programs and purposes	\$ 126,810	\$ 264,000
Subject to passage of time	47,500	7,382
	174,310	271,382
Endowments subject to spending policy and appropriation:		
Investment income above (below) original gift amount	(23,900)	39,420
Investment in perpetuity:		
The Charles J. and Irene F. Hamm Scholarship Fund	869,437	868,972
Operating Endowment	400,000	400,000
The Irving Caesar Scholarship Fund	50,000	50,000
Total Investment in Perpetuity	1,319,437	1,318,972
Total Endowments	1,295,537	1,358,392
Total Net Assets With Donor Restrictions	\$1,469,847	\$1,629,774

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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

Investments and cash held for investment at June 30, 2020 and 2019 consist of the following:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 202,286	\$ 202,286	\$ 46,022	\$ 46,022
Mutual funds - bonds	219,393	233,030	270,896	273,487
Mutual funds - equities	427,335	386,752	574,456	565,926
Corporate preferred stock	41,500	37,637	77,654	76,622
Domestic equities	439,623	461,138	385,773	416,889
Bonds - corporate, government, and foreign	<u>130,174</u>	<u>135,637</u>	<u>129,316</u>	<u>131,910</u>
	<u>\$1,460,311</u>	<u>\$1,456,480</u>	<u>\$1,484,117</u>	<u>\$1,510,856</u>

Investment income (loss) consists of the following:

	2020	2019
Net realized and unrealized gain (loss) on investments	\$(41,328)	\$ 8,473
Interest and dividend income	45,822	67,106
Less: Investment fees	<u>(9,401)</u>	<u>(9,702)</u>
	<u>\$ (4,907)</u>	<u>\$65,877</u>

Investment income (loss) is allocated as follows:

	2020	2019
Operations	\$ 271	\$ 1,880
Board designated cash reserve	3,834	8,610
Donor restricted endowments	<u>(9,012)</u>	<u>55,387</u>
Total	<u>\$ (4,907)</u>	<u>\$65,877</u>

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 5 - Contributions Receivablea - Unconditional Contributions Receivable

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

	2020				Total
	Without Donor Restrictions		With Donor Restrictions		
	Operating	Board Designated Campaign	Future Programs and Periods	Perpetual in Nature	
Due within one year	\$166,675	\$93,500	\$85,910	\$36,500	\$382,585
Due in one to five years	<u>1,000</u>	<u>5,500</u>	<u>-</u>	<u>5,500</u>	<u>12,000</u>
	167,675	99,000	85,910	42,000	394,585
Less: Discount to present value	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450)</u>	<u>(450)</u>
Total	<u>\$167,675</u>	<u>\$99,000</u>	<u>\$85,910</u>	<u>\$41,550</u>	<u>\$394,135</u>
	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	<u>-</u>	<u>12,000</u>	<u>17,000</u>	<u>7,500</u>	<u>36,500</u>
	173,225	154,450	199,500	83,300	610,475
Less: Discount to present value	<u>-</u>	<u>(911)</u>	<u>(117)</u>	<u>(916)</u>	<u>(1,944)</u>
Total	<u>\$173,225</u>	<u>\$153,539</u>	<u>\$199,383</u>	<u>\$82,384</u>	<u>\$608,531</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, 2020 AND 2019

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. During the year ended June 30, 2020, BYCA was awarded cost-reimbursable grants of \$83,500 that have not been recognized at June 30, 2020 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, 2020.

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2020</u>	<u>2019</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>202,567</u>
		2,943,362	2,943,362
Less: Accumulated depreciation		<u>(1,412,730)</u>	<u>(1,329,196)</u>
		<u>\$1,530,632</u>	<u>\$1,614,166</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, 2020 AND 2019****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. There were no borrowings during 2019 or 2020.

Note 8 - Loan 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 can be forgiven in its entirety if the loan proceeds are applied towards applicable payroll and occupancy costs, as defined by the Coronavirus Aid, Relief and Economic Security Act. Management expects the full amount of this loan to be forgiven.

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, 2020 AND 2019

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 Above (Below) Original Gift Amount	Investment in Perpetuity	Total
	<u> </u>	<u> </u>	<u> </u>
Donor-restricted funds, 2020	<u>\$(23,900)</u>	<u>\$1,277,887</u>	<u>\$1,253,987</u>
Donor-restricted funds, 2019	<u>\$ 39,420</u>	<u>\$1,236,588</u>	<u>\$1,276,008</u>

BROOKLYN YOUTH CHORUS ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 11 - Endowment Funds (continued)

Changes in BYCA's endowment funds as of June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>		
	<u>Investment Income Below Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$ 39,420	\$1,236,588	\$1,276,008
Contributions	-	41,299	41,299
Investment loss	(9,012)	-	(9,012)
Appropriation for program support	<u>(54,308)</u>	<u>-</u>	<u>(54,308)</u>
	<u>(63,320)</u>	<u>41,299</u>	<u>(22,021)</u>
Endowment Funds, End of Year	<u>\$(23,900)</u>	<u>\$1,277,887</u>	<u>\$1,253,987</u>
	<u>2019</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$32,287	\$1,119,988	\$1,152,275
Contributions	-	116,600	116,600
Investment income	55,387	-	55,387
Appropriation for program support	<u>(48,254)</u>	<u>-</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>

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, 2020, funds with an original gift value of \$1,277,887 were "underwater" by \$23,900. These deficiencies resulted from unfavorable market fluctuations and from the appropriation to operations that occurred after the investment of donor-restricted endowment contributions.

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.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 11 - Endowment Funds (continued)**

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 (5% for 2020 and 2019). The draw or withdrawal will be recommended by management and must be approved by the Finance and Executive Committees of the Board.

Note 12 - Risks and Uncertainties

The COVID-19 pandemic transformed the world and BYCA in a short period of time. BYCA moved quickly and creatively to provide continued service to choristers and audiences, and support for the students and families.

In March 2020, due to NYS PAUSE restrictions, BYCA closed its headquarters and redesigned the curriculum to function virtually. In late March, BYCA launched online choral rehearsals and elective classes on Zoom. Throughout the spring, BYCA maintained attendance of over 90% as choristers were eager to connect with peers, to engage with an activity that they love, and to recapture a sense of normalcy.

While all of BYCA's spring 2020 live concerts and tours were canceled or postponed, BYCA continued to create and premiere virtual chorus performances both independently and with major music organizations including The Brooklyn Academy of Music and American Composers Orchestra.

To meet the needs of students and families, BYCA offered a record \$351,605 in aid and subsidy to 40% of students during fiscal year 2020, including core program financial aid and tuition subsidy, elective financial aid, and merit scholarships to support student advancement. As businesses shuttered across the city, BYCA was contacted by families facing economic hardship to request that their remaining payments be converted to financial aid. BYCA met all requests and offered approximately \$15,000 in additional aid.

BROOKLYN YOUTH CHORUS ACADEMY, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 12 - Risks and Uncertainties (continued)**

Thanks to consistent support from the community and some special COVID-related funding (Note 8), BYCA was able to maintain full employment through the end of the spring 2020 program even as BYCA restructured its programming. Pandemic-specific grants and generous individual funders helped BYCA meet its budgeted needs for the year ended June 30, 2020.

BYCA management believes that the steps taken thus far, and the plans for the fiscal year 2021, will allow BYCA to continue to provide continued service to choristers and audiences.