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Independent Auditor's Report

**To the Board of Trustees of
Brooklyn Queens Conservatory of Music**

We have audited the accompanying financial statements of Brooklyn Queens Conservatory of Music (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and the related statements of activities, cash flows and functional expenses for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

Independent Auditor's Report

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Queens Conservatory of Music as of June 30, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report Summarized Comparative Information

We have previously audited Brooklyn Queens Conservatory of Music's June 30, 2020 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Owen J. Flanagan & Co.

January 26, 2022

BROOKLYN QUEENS CONSERVATORY OF MUSICSTATEMENT OF FINANCIAL POSITIONJUNE 30, 2021(WITH COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash	\$ 2,074,894	\$ 1,754,512
Unconditional promises to give	600,700	104,330
Tuition receivable, net of allowance for uncollectible amounts (\$85,068 in 2021 and \$65,068 in 2020)	449,873	263,031
Prepaid expenses and other receivables	50,779	30,562
Investments	38,214	25,979
Property and equipment (net)	2,146,594	1,207,805
Security deposit	<u>3,798</u>	<u>3,798</u>
<u>Total Assets</u>	<u>\$ 5,364,852</u>	<u>\$ 3,390,017</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 188,300	\$ 191,512
Deferred tuition revenue	1,078,204	469,211
PPP loan	765,647	765,647
Loans payable	<u>1,290,652</u>	<u>300,098</u>
<u>Total Liabilities</u>	<u>3,322,803</u>	<u>1,726,468</u>
<u>Net Assets</u>		
Without donor restrictions		
Available for general use	(780,994)	268,791
Property and equipment	<u>2,146,594</u>	<u>1,207,805</u>
	<u>1,365,600</u>	<u>1,476,596</u>
With donor restrictions		
Time or purpose restricted	628,000	138,504
Endowment fund	<u>48,449</u>	<u>48,449</u>
	<u>676,449</u>	<u>186,953</u>
<u>Total Net Assets</u>	<u>2,042,049</u>	<u>1,663,549</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 5,364,852</u>	<u>\$ 3,390,017</u>

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

BROOKLYN QUEENS CONSERVATORY OF MUSIC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total 2021	Total 2020
		Time or Purpose Restricted	Endowment Fund		
<u>Revenue (Before Public Support)</u>					
Tuition, net of scholarships and discounts	\$ 1,985,176			\$ 1,985,176	2,243,252
Music Partners service fees	235,760			235,760	390,299
Music Therapy service fees	293,955			293,955	465,889
Box office income	1,770			1,770	37,516
Rental income	1,375			1,375	30,961
Other income	25,861			25,861	34,016
Net investment return	<u>2,843</u>	\$ -	\$ 53	<u>2,896</u>	<u>84</u>
<u>Total Revenue (Before Public Support)</u>	<u>2,546,740</u>	<u>-</u>	<u>53</u>	<u>2,546,793</u>	<u>3,202,017</u>
<u>Public Support</u>					
Government	1,088,147	-	-	1,088,147	371,680
Foundation	141,350	790,000	-	931,350	368,534
Corporate	62,400	-	-	62,400	32,075
Board and individual	239,159	-	-	239,159	425,688
Special events (net of expenses of \$118,208 and \$44,145 in 2021 and 2020, respectively) (See Note 6)	<u>303,153</u>	<u>-</u>	<u>-</u>	<u>303,153</u>	<u>176,904</u>
<u>Total Public Support</u>	<u>1,834,209</u>	<u>790,000</u>	<u>-</u>	<u>2,624,209</u>	<u>1,374,881</u>
<u>Total Revenue and Public Support</u>	<u>4,380,949</u>	<u>790,000</u>	<u>53</u>	<u>5,171,002</u>	<u>4,576,898</u>
Net Assets Released From Restrictions	<u>300,557</u>	<u>(300,504)</u>	<u>(53)</u>	<u>-</u>	<u>-</u>
<u>Expenses</u>					
Program services	3,293,071			3,293,071	3,421,995
Management and general	1,067,224			1,067,224	746,061
Fundraising	<u>432,207</u>			<u>432,207</u>	<u>340,139</u>
<u>Total Expenses</u>	<u>4,792,502</u>			<u>4,792,502</u>	<u>4,508,195</u>
Change in Net Assets for Year	(110,996)	489,496	-	378,500	68,703
Net Assets, beginning of year	<u>1,476,596</u>	<u>138,504</u>	<u>48,449</u>	<u>1,663,549</u>	<u>1,594,846</u>
Net Assets, End of Year	<u>\$ 1,365,600</u>	<u>\$ 628,000</u>	<u>\$ 48,449</u>	<u>\$ 2,042,049</u>	<u>\$ 1,663,549</u>

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

BROOKLYN QUEENS CONSERVATORY OF MUSIC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets for Year	\$ 378,500	\$ 68,703
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	93,918	86,440
Net realized gain and change in unrealized appreciation on investments	(2,843)	56
(Increase) decrease in assets:		
Unconditional promises to give	(496,370)	90,440
Tuition receivable	(186,842)	55,289
Prepaid expenses and other receivables	(20,217)	16,196
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(3,212)	(21,259)
Deferred tuition revenue	608,993	(319,211)
Deferred revenue	<u>-</u>	<u>(2,700)</u>
<u>Cash Provided by (Used in) Operating Activities</u>	<u>371,927</u>	<u>(26,046)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,032,707)	(122,938)
Purchase of investments	(22,792)	(20,136)
Proceeds from sale of investments	<u>13,400</u>	<u>-</u>
<u>Cash Used in Investing Activities</u>	<u>(1,042,099)</u>	<u>(143,074)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans	2,365,647	1,365,647
Repayment of loans	<u>(1,375,093)</u>	<u>(611,073)</u>
<u>Cash Provided by Financing Activities</u>	<u>990,554</u>	<u>754,574</u>
<u>Net Increase in Cash for Year</u>	320,382	585,454
Cash, beginning of year	<u>1,754,512</u>	<u>1,169,058</u>
Cash, End of Year	<u>\$ 2,074,894</u>	<u>\$ 1,754,512</u>
Supplemental Information:		
Interest paid	<u>\$ 26,864</u>	<u>\$ 16,431</u>

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

BROOKLYN QUEENS CONSERVATORY OF MUSIC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2021</u>	<u>Total 2020</u>
Salaries and benefits	\$ 2,935,757	\$ 510,326	\$ 309,832	\$ 3,755,915	\$ 3,548,141
Artistic fees	37,723	506	130	38,359	50,861
Professional fees	16,501	303,201	58,898	378,600	255,081
Facility costs	40,302	5,880	4,071	50,253	63,622
Insurance	-	58,963	-	58,963	58,593
Supplies	38,339	5,594	3,873	47,806	50,962
Telephone	9,816	1,432	992	12,240	10,345
Postage and shipping	435	1,982	-	2,417	6,416
Maintenance and repairs	79,862	11,652	8,067	99,581	102,549
Conferences and meetings	2,783	409	116	3,308	10,843
Community engagement	-	20,196	120,701	140,897	106,217
Printing, advertising and promotions	53,120	4,689	32,048	89,857	65,658
Credit card and collection fees	32	90,689	3,956	94,677	92,655
Depreciation	75,320	10,989	7,609	93,918	86,440
Miscellaneous	3,081	40,716	122	43,919	43,947
Subtotals	<u>3,293,071</u>	<u>1,067,224</u>	<u>550,415</u>	<u>4,910,710</u>	<u>4,552,330</u>
Less: Direct fundraising event expenses	<u>-</u>	<u>-</u>	<u>118,208</u>	<u>118,208</u>	<u>44,145</u>
Totals	<u>\$ 3,293,071</u>	<u>\$ 1,067,224</u>	<u>\$ 432,207</u>	<u>\$ 4,792,502</u>	<u>\$ 4,508,185</u>
Comparative Totals - 2020	<u>\$ 3,421,995</u>	<u>\$ 746,061</u>	<u>\$ 340,139</u>		

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

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1 Organization

The Brooklyn Queens Conservatory of Music (the “Conservatory”) is a not-for-profit corporation founded in 1897 and incorporated under the laws of the State of New York and granted a charter by the New York State Board of Regents in 1909. The Conservatory promotes individual and community growth through music. By presenting free and subsidized music instruction, music therapy and concerts in its facilities and in the community, the Conservatory makes music accessible to people of all ages, backgrounds and skill levels.

The Conservatory provides music instruction and music therapy to approximately 1,000 students at its location in Park Slope, Brooklyn through its Community Music School, Suzuki and Music Therapy programs. At its offsite Music Partners program, music instruction is provided in under-serviced New York City public schools, in pre-schools, and at senior centers. Music Partners reaches approximately 4,500 New Yorkers every year. The offsite Music Therapy program serves approximately 1,500 New Yorkers of all ages at partner locations throughout NYC. Together, the Music Partners and Music Therapy programs operate at more than 70 partner sites in all five boroughs of New York City. The Conservatory also presents over 150 public performances each year, featuring world-class artists, local musicians and student performers.

The Conservatory’s support comes primarily through tuition, service fees, special events and grants and contributions.

NOTE 2 Summary of Significant Accounting Policies

Basis of Presentation

The Conservatory’s financial statements have been prepared on the accrual basis of accounting. Revenue is recorded when earned, contributions are recorded when pledges are received and expenses are recorded when incurred.

Net Assets Without Donor Restrictions – Nets assets which have no donor-imposed stipulations and may be used for general operations.

Net Assets With Donor Restrictions – Nets assets from contributions which have donor-imposed stipulations that either expire due to the passage of time or actions of the Conservatory or require that they be held in perpetuity by the Conservatory. When the donor stipulations have been satisfied, the contribution is reclassified to net assets without donor restrictions. The donor-restricted endowment funds consist of \$48,449 of original gifts to be held in perpetuity. The investment return from these funds must be spent in accordance with donor stipulations.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are provided for on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of assets are 30 ½ - 40 years for capital building replacements, 5 to 10 years for furniture, equipment, software and instruments.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2 Summary of Significant Accounting Policies (Continued)

Cash

Cash consists of cash in checking accounts.

Estimates

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

Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Conservatory 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 and released once the restriction has been satisfied.

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

Advertising Costs

The Conservatory expenses advertising costs the first time the advertising occurs.

Tuition Revenue

Tuition revenue is recognized when earned. An allowance for uncollectible receivables is provided based on management's evaluation of potential uncollectible receivables, using past experience and other known circumstances affecting a student's ability to meet their obligations. It is the Conservatory's policy to write off tuition receivable when management determines it is uncollectible.

Tuition income received, but not earned, is recorded as deferred tuition revenue.

Tax Status

The Conservatory is a not-for-profit organization 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.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2 Summary of Significant Accounting Policies (Continued)

Investment Policy

The Conservatory maintains a conservative investment policy, investing in short term money markets in order to preserve the original value of endowment funds as well as provide a stable stream of income on net assets with donor restrictions.

Fair Value Measurement of Investments

Investments are carried at fair value based on quoted market prices. The Conservatory follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs related to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

FASB guidance provides for the use of the Net Asset Value ("NAV") as a "Practical Expedient" for estimating fair value of non-publicly traded investment funds. The Conservatory has adopted a policy to exclude investments valued at NAV from the fair value hierarchy in accordance with FASB guidance.

Investment Income Recognition

Investments are recorded at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income that is restricted by the donor is reported as an increase in in the endowment fund until appropriated for expenditure.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Subsequent Events

The Conservatory has evaluated for subsequent events after the statement of financial position date of June 30, 2021 through January 26, 2022, the date the financial statements were available to be issued.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 2 Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis on the statement of activities and on the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Conservatory. Certain categories of expenses are attributable to more than one program or supporting service and are allocated on a reasonable basis which is consistently applied. The Conservatory allocates these expenses based on estimates of time and effort per employee and other Conservatory resources utilized on programmatic activities as compared to management of the Conservatory.

Accounting for Uncertainty in Income Taxes

The Conservatory recognizes the effect of income tax positions only if these positions are more likely than not to be sustained. Management has determined that the Conservatory has no uncertain tax positions that would require financial statement recognition and/or disclosure. The Conservatory is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to June 30, 2018.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Conservatory's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

NOTE 3 Long-term Pledges

The Conservatory discounts its long-term pledges receivable at a rate of 5% per annum, if considered material. There is no allowance for uncollectible pledges recorded, as the Conservatory believes all of its pledges are collectible.

NOTE 4 Concentration of Credit Risk

The Conservatory maintains cash balances with banking institutions that at times during the year exceed the Federal Deposit Insurance Corporation's insurance limits. This potentially subjects the Conservatory to a concentration of credit risk. The Conservatory has not experienced any losses in such accounts.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 5 Tuition and Scholarship

The Conservatory offers music instruction on various instruments at reasonable tuition rates throughout the year. Students may apply for need-based scholarships and can receive other discounts when certain qualifications are met. The Conservatory also records a reserve for uncollectible tuition receivable, which is netted against tuition income. For the years ended June 30, 2021 and 2020, net tuition was as follows:

	2021	2020
Tuition income	\$ 2,148,638	\$ 2,427,595
Less: Scholarships	(74,105)	(30,049)
Discounts	(69,357)	(154,294)
	2,005,176	2,243,252
Allowance for uncollectible tuition	(20,000)	-
	<u>\$ 1,985,176</u>	<u>\$ 2,243,252</u>

NOTE 6 Special Events

The Conservatory hosts numerous fundraising, cultivation events and concerts to generate contributions and awareness of the programs offered. The Special Event revenue reported on the fiscal year 2021 Statement of Activities is derived from the two major fundraising events: the House Party held in November of 2020 and the Spring Benefit in May of 2021. These two events generated gross income of \$421,361 and direct expenses of \$118,208 resulting in net Special Events income of \$303,153.

During fiscal year 2020, the Spring Benefit was cancelled due to COVID-19 and replaced by a series of smaller non ticketed fundraisers. These fundraisers generated gross revenue of approximately \$334,000. Because these were non ticketed events, they are not classified as Special Events. The revenues are captured within Public Support from the Board, Individuals, Foundations and Corporations on the Statement of Activities. The direct costs for these fundraisers of approximately \$13,000 is reflected within the fundraising column on the Statement of Functional Expenses. Overall, the net fundraising income from these fundraisers was approximately \$321,000. There was one Special Event in fiscal year 2020, the House Party which took place in November 2019. The event generated income of \$221,049 and direct expenses of \$44,145 resulting in net Special Events income of \$176,904.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 7 Investments

At June 30, 2021 and 2020 investments consist of:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents held in money market accounts	\$ 38,214	\$ 38,214	\$ 23,832	\$ 23,832
Equities	<u>-</u>	<u>-</u>	<u>2,147</u>	<u>2,147</u>
	<u>\$ 38,214</u>	<u>\$ 38,214</u>	<u>\$ 25,979</u>	<u>\$ 25,979</u>

Equities held at June 30, 2020 are considered level 1 investments under the fair value hierarchy.

Investment income during the years ended June 30, 2021 and 2020 is comprised of:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 53	\$ 140
Realized and unrealized losses	<u>2,843</u>	<u>(56)</u>
	<u>\$ 2,896</u>	<u>\$ 84</u>

NOTE 8 Public Support

The Conservatory's public support, including gross revenue from special events, is derived as follows:

	<u>2021</u>			<u>2020</u>		
	<u>General</u>	<u>Special Events</u>	<u>Total</u>	<u>General</u>	<u>Special Events</u>	<u>Total</u>
Government	\$ 1,088,147	\$ -	\$ 1,088,147	\$ 371,680	\$ -	\$ 371,680
Foundation	931,350	32,500	963,850	368,534	25,000	393,534
Corporate	62,400	36,958	99,358	32,075	41,840	73,915
Board and individual	<u>239,159</u>	<u>351,903</u>	<u>591,062</u>	<u>425,688</u>	<u>154,209</u>	<u>579,897</u>
	<u>\$ 2,321,056</u>	<u>\$ 421,361</u>	<u>\$ 2,742,417</u>	<u>\$ 1,197,977</u>	<u>\$ 221,049</u>	<u>\$ 1,419,026</u>

Per Note 6, revenues from the spring fundraisers during fiscal year 2020 are not classified as Special Events revenue, but instead categorized under the relevant donor category.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 9 Property and Equipment

The Conservatory entered into an option agreement on Feb 27, 2020 providing it with an exclusive option to purchase a vacant parcel of land adjoining its garden for a purchase price of one million dollars (\$1,000,000). The option agreement established the purchase price and terms of the seller financing for a period of 12 months. Under the terms of the option agreement, the Conservatory placed \$100,000 in escrow. The escrow payment is reflected within property and equipment on the Statement of Financial Position and on the table below.

In July 2020, the Conservatory elected to exercise its option under the option agreement and proceed with the acquisition of the land. The land acquisition closed on October 1, 2020 for a total of \$1,057,000, including closing costs. The Conservatory funded the acquisition with a loan of \$1,000,000 provided by the seller. The \$57,000 in closing costs were funded with cash out of the escrow account. Of the remaining \$43,000 in the escrow account, \$17,600 was applied to future interest payments on the loan and \$25,400 was refunded to the Conservatory.

The Conservatory expended an additional approximately \$129,000 to transform the acquired vacant parcel of land into a community garden. The improvements included design, landscaping, tents, wiring, heating, tables and chairs, etc., which is reflected under buildings and improvements on the table below. The garden opened to the public in November 2020.

At June 30, 2021 and 2020, property and equipment consist of:

	2021	2020
Land	\$ 1,015,000	\$ 15,000
Building and improvements	2,911,268	2,780,822
Computers and office equipment	82,187	79,926
Software	40,245	40,245
Library	1,782	1,782
Furniture and fixtures	183,658	183,658
Pianos and instruments	257,985	257,985
Website	15,768	15,768
	4,507,893	3,375,186
Less: Accumulated depreciation	(2,361,299)	(2,267,381)
	2,146,594	1,107,805
Land acquisition in progress	-	100,000
	<u>\$2,146,594</u>	<u>\$ 1,207,805</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$93,918 and \$86,440, respectively.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 10 The City of New York Support

During fiscal year 2020, the Conservatory took possession of 19 new Steinway pianos funded by \$1,034,000 of capital allocated by the City of New York. These pianos replace the Conservatory's aging piano inventory. The City maintains ownership of the pianos. The Conservatory is responsible for insuring and maintaining the equipment.

The City of New York appropriated \$500,000 towards the Conservatory's acquisition of an adjacent, vacant parcel of land in its fiscal year 2021 budget. The appropriation of capital through the City's budget process is not a guarantee of funding.

In its fiscal year 2022 budget, the City of New York appropriated \$1,350,000 in capital funding towards the Conservatory's building project. The appropriation of capital through the City's budget process is not a guarantee of funding.

NOTE 11 PPP Loan

In April 2020, the Conservatory was granted a loan in the amount of \$765,647, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan matures after two years and bears interest at a rate of 1% per annum, payable monthly after six months. Funds from the loan may be used for payroll costs, health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred after February 15, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Conservatory received forgiveness on the loan in July 2021 and recognized it as government support during fiscal year 2021.

In January 2021 the U.S. Small Business Administration, in consultation with the Treasury Department, announced that the Paycheck Protection Program (the "PPP") reopened for new and certain existing PPP borrowers under certain limitations. In February 2021, the Conservatory was granted a loan during the second round in the amount of \$765,647 subject to the same general loan terms as their first draw. The Conservatory intends to use the entire loan amount for qualifying expenses in order to achieve full forgiveness.

NOTE 12 Loans Payable

As of June 30, 2021, in addition to the \$765,647 PPP loan, the Conservatory had three additional loans payable.

Short Term Debt: The first is a quarterly balloon payment loan from the Fund for the City of New York with a principal balance of \$200,000. The Conservatory pays a 1.5% transaction fee each time it refinances the loan.

Long Term Debt: The Conservatory refinanced a term loan with a new 10-year loan which closed on February 1, 2019 with an original principal balance of \$113,829. The loan carries an interest rate of 5.5% and is fully payable over its 10-year term. The loan has the option to be pre-paid in full or part without penalty. This loan refinanced a previous loan the Conservatory held, that had a higher interest rate and more stringent repayment terms. As of June 30, 2021, the outstanding balance on this loan was \$90,652.

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NOTE 12 Loans Payable (Continued)

The Conservatory funded the acquisition of a vacant adjoining parcel of land with a loan of \$1,000,000 provided by the seller, as described in Note 9. The loan carries an interest rate of 5% and is fully payable over its 30-year term. The loan has the option to be pre-paid at any time, without penalty, upon one month's notice. There was an initial grace period in which no interest accrued and no payments of principal were required until February 28, 2021. After the grace period expired, an interest-only period went into effect to end February 28, 2024. In conjunction with the closing, the Conservatory prefunded several months of interest expense, resulting in the first interest payment being paid on July 1, 2021. Amortized payments, including interest and principal are expected to begin on April 1, 2024.

The expected repayment of the three loans are as follows:

2022	\$ 209,894
2023	10,450
2024	15,716
2025	29,854
2026	31,440
2027 to 2051	<u>993,298</u>
	<u>\$ 1,290,652</u>

NOTE 13 Endowment Funds

The Conservatory's endowment consists of funds received from donors for which the earnings are restricted to provide scholarships. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. Consistent with New York not-for-profit corporation law, the Conservatory classifies contributions received with the restrictions to hold funds in perpetuity as net assets with donor restrictions - endowment fund. Under the Conservatory's spending policy, earnings on endowment funds up to 7% of principal may be appropriated and spent each year.

As of June 30, 2021 and 2020, the total endowment consisted of \$48,449 for a scholarship endowment. Earnings on the endowment are to be used for need and merit-based scholarships. During 2021 and 2020, \$53 and \$140, respectively, was earned and appropriated for scholarship support.

Endowment funds are reported in the following asset categories on the accompanying statement of financial position:

	<u>2020</u>	<u>2019</u>
Cash	\$24,617	\$42,550
Investment money markets	<u>23,832</u>	<u>5,899</u>
	<u>\$48,449</u>	<u>\$48,449</u>

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NOTE 14 Time or Purpose Restricted Net Assets

Time or purpose restricted net assets as of June 30, 2021 and 2020 consists of:

	<u>2021</u>	<u>2020</u>
Time restricted	\$ 478,000	\$ 59,990
Music Partners	95,000	75,000
Scholarships	<u>55,000</u>	<u>3,514</u>
	<u>\$ 628,000</u>	<u>\$ 138,504</u>

Net assets released from restriction during the years ended June 30, 2021 and 2020 consists of:

	<u>2021</u>	<u>2020</u>
Time restricted	\$ 181,990	\$ 18,000
Scholarships	43,567	140
Capital	-	10,000
Music Partners	<u>75,000</u>	<u>75,000</u>
	<u>\$ 300,557</u>	<u>\$ 103,140</u>

NOTE 15 Commitment and Contingency

Commencing in early 1998, the Conservatory launched a \$2.5 million Centennial Campaign to restore and renovate its historic Brooklyn landmark building, built in 1881. Work included restoration of the building's exterior, including roofing, brownstone repair and replacement, repointing, window replacement, fencing and bluestone repair.

As part of this project, the Conservatory obtained a Historic Preservation Grant ("Grant") from the New York State Office of Parks, Recreation and Historic Preservation (State). Funding received during the grant period February 25, 1998 to June 30, 2000 totaled \$294,958. The Grant Agreement stipulated various provisions for a period of twenty (20) years. The Conservatory was contingently liable to the State to comply with those provisions until fiscal year 2020 at which point the term expired.

As part of the same project, the Conservatory received funding from the City of New York for \$1,225,000 dated October 17, 1997. The contract requires the Conservatory, for a period of 30 years following "Substantial Completion" of the project, a milestone which was reached on June 30, 1999 to "continue to own and use the premises for a school for music and the arts or, subject to the prior written approval of a Deputy Major acting for the City, for such other purpose as may be determined by the City, in its sole discretion, to be in the public interest". The Conservatory is contingently liable to the City to comply with the provisions of the contract until fiscal year 2029.

The contract also states that, during the same 30-year term, the Conservatory cannot "sell, assign lease, license or otherwise, convey all or any portion of the premises except with the prior written consent of the City, although the Conservatory may permit portions of the space to be used for concerts, exhibitions and similar activities in keeping with its purposes".

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 16 COVID-19

In March 2020, the World Health Organization declared the incidence of COVID-19 to be a pandemic. The COVID-19 pandemic has resulted in substantial volatility in global financial markets. As the outbreak continues, the Conservatory may continue to experience a disruption in operations as well as a decline in contributions received or level of contributions and level of enrollment. Due to changing market conditions, an estimate of the total loss due to the outbreak, if any, cannot be determined as this time.

NOTE 17 Liquidity and Availability of Financial Assets

The following reflects the Conservatory's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditures within one year of the statement of financial position date because of contractual or donor-imposed restrictions. Amounts available include donor-restricted amounts that are available for general expenditure in the following year:

	<u>2021</u>	<u>2020</u>
Cash	\$2,074,894	\$1,754,512
Unconditional promises to give	600,700	104,330
Tuition receivable	449,873	263,031
Other receivables	413	3,538
Investments	<u>38,214</u>	<u>25,979</u>
	3,164,094	2,151,390
Contractual or donor-imposed restrictions		
Purpose restricted	(150,000)	(78,514)
Time restricted (long term)	(100,000)	-
Endowment funds	<u>(48,449)</u>	<u>(48,449)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$2,865,645</u>	<u>\$2,024,427</u>

The Conservatory continued to build liquidity, ending fiscal year 2021 with cash on hand of approximately \$2,075,000. Management is continuing to make substantial investments in its organizational capacity, facilities and operational infrastructure while also paying down its debt. The Conservatory monitors its cash flow regularly throughout the year, analyzing income expected based on music instruction registrations, planned events and expected giving. Spending is diligently monitored comparative to the budget, while also monitoring the needs of programs as they have continued to grow. Adjustments to spending are made as needed.