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MEMBERS OF AMERICAN
INSTITUTE OF CERTIFIED
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INDEPENDENT AUDITOR'S REPORT

**The Board of Trustees of
Brooklyn Queens Conservatory of Music**

Opinion

We have audited the accompanying financial statements of Brooklyn Queens Conservatory of Music (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Queens Conservatory of Music as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brooklyn Queens Conservatory of Music and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Brooklyn Queens Conservatory of Music's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Independent Auditor's Report
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Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brooklyn Queens Conservatory of Music's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brooklyn Queens Conservatory of Music's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Report Summarized Comparative Information

We have previously audited Brooklyn Queens Conservatory of Music's June 30, 2022 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



February 8, 2024

BROOKLYN QUEENS CONSERVATORY OF MUSICSTATEMENT OF FINANCIAL POSITIONJUNE 30, 2023(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash	\$ 2,277,830	\$ 2,066,439
Unconditional promises to give	293,525	303,600
Tuition receivable, net of allowance for uncollectible amounts (\$156,981 in 2023 and \$106,981 in 2022)	354,340	333,289
Prepaid expenses and other receivables	33,434	10,794
Investments	9,970	4,014
Property and equipment (net)	1,948,624	2,097,303
Capital-building project in progress	722,761	71,790
Security deposit	3,798	3,798
	<u>3,798</u>	<u>3,798</u>
<u>Total Assets</u>	<u>\$ 5,644,282</u>	<u>\$ 4,891,027</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 499,726	\$ 371,568
Deferred tuition revenue	871,603	1,007,745
Deferred revenue	2,500	-
Loans payable	1,702,146	1,280,610
	<u>1,702,146</u>	<u>1,280,610</u>
<u>Total Liabilities</u>	<u>3,075,975</u>	<u>2,659,923</u>
<u>Net Assets</u>		
Without donor restrictions		
Available for general use	(625,527)	(660,648)
Board designated	500,000	-
Property, equipment and capital-building project	2,671,385	2,097,303
	<u>2,045,858</u>	<u>1,436,655</u>
With donor restrictions		
Time or purpose restricted	474,000	746,000
Endowment fund	48,449	48,449
	<u>522,449</u>	<u>794,449</u>
<u>Total Net Assets</u>	<u>2,568,307</u>	<u>2,231,104</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 5,644,282</u>	<u>\$ 4,891,027</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, 2023

(WITH COMPARATIVE TOTALS FOR 2022)

	Without Donor Restrictions	With Donor Restrictions		Total 2023	Total 2022
		Time or Purpose Restricted	Endowment Fund		
<u>Revenue (Before Public Support)</u>					
Tuition, net of financial aid and discounts	\$ 2,987,198			\$ 2,987,198	\$ 2,383,221
Music Partners service fees	443,579			443,579	398,448
Music Therapy service fees	467,530			467,530	399,361
Box office income	62,192			62,192	55,232
Rental income	53,396			53,396	19,351
Other income	33,203			33,203	34,268
Net investment return	682	\$ -	\$ 161	843	(344)
<u>Total Revenue (Before Public Support)</u>	<u>4,047,780</u>	<u>-</u>	<u>161</u>	<u>4,047,941</u>	<u>3,289,537</u>
<u>Public Support</u>					
Government	1,162,118	35,000	-	1,197,118	1,402,777
Foundation	857,050	220,000	-	1,077,050	539,900
Corporate	73,482	-	-	73,482	-
Board and individual	324,636	-	-	324,636	324,642
Special events (net of expenses of \$238,763 and \$179,665 in 2023 and 2022, respectively) (See Note 6)	273,348	-	-	273,348	182,886
<u>Total Public Support</u>	<u>2,690,634</u>	<u>255,000</u>	<u>-</u>	<u>2,945,634</u>	<u>2,450,205</u>
<u>Total Revenue and Public Support</u>	<u>6,738,414</u>	<u>255,000</u>	<u>161</u>	<u>6,993,575</u>	<u>5,739,742</u>
Net Assets Released From Restrictions	527,161	(527,000)	(161)	-	-
<u>Expenses</u>					
Program services	4,759,971			4,759,971	3,943,569
Management and general	1,002,353			1,002,353	1,249,652
Fundraising	894,048			894,048	357,466
<u>Total Expenses</u>	<u>6,656,372</u>			<u>6,656,372</u>	<u>5,550,687</u>
Change in Net Assets for Year	609,203	(272,000)	-	337,203	189,055
Net Assets, beginning of year	1,436,655	746,000	48,449	2,231,104	2,042,049
Net Assets, End of Year	\$ 2,045,858	\$ 474,000	\$ 48,449	\$ 2,568,307	\$ 2,231,104

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

BROOKLYN QUEENS CONSERVATORY OF MUSICSTATEMENT OF CASH FLOWSFOR THE YEAR ENDED JUNE 30, 2023(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets for Year	\$ 337,203	\$ 189,055
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	148,678	101,307
Net realized loss (gain) and change in unrealized appreciation on investments	(928)	409
Decrease (increase) in assets:		
Unconditional promises to give	10,075	297,100
Tuition receivable	(21,051)	116,584
Prepaid expenses and other receivables	(22,640)	39,985
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	128,158	183,268
Deferred tuition revenue	(136,142)	(70,459)
<u>Cash Provided by Operating Activities</u>	<u>445,853</u>	<u>857,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(650,970)	(123,806)
Purchase of investments	(13,183)	(6,262)
Proceeds from sale of investments	8,155	40,053
<u>Cash Used in Investing Activities</u>	<u>(655,998)</u>	<u>(90,015)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans	832,116	400,000
Repayment of loans	(410,580)	(1,175,689)
<u>Cash Provided by (Used in) Financing Activities</u>	<u>421,536</u>	<u>(775,689)</u>
<u>Net Increase (Decrease) in Cash for Year</u>	<u>211,391</u>	<u>(8,455)</u>
Cash, beginning of year	<u>2,066,439</u>	<u>2,074,894</u>
Cash, End of Year	<u>\$ 2,277,830</u>	<u>\$ 2,066,439</u>
Supplemental Information:		
Interest paid	<u>\$ 61,223</u>	<u>\$ 60,762</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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Program	Management and General	Fundraising	Total 2023	Total 2022
Salaries and benefits	\$ 4,141,039	\$ 464,381	\$ 572,779	\$ 5,178,199	\$ 4,257,412
Artistic fees	166,817	-	23,924	190,741	129,778
Professional fees	24,655	231,942	181,393	437,990	301,158
Facility costs	54,938	11,045	13,845	79,828	58,125
Insurance	-	59,386	-	59,386	46,712
Supplies	93,379	9,777	16,040	119,196	110,373
Telephone	15,153	3,046	3,819	22,018	26,814
Postage and shipping	222	3,407	54	3,683	5,318
Maintenance and repairs	73,346	14,743	18,484	106,573	164,150
Conferences and meetings	6,737	6,330	1,197	14,264	9,970
Community engagement and special events	196	-	244,072	244,268	213,553
Printing, advertising and promotions	75,830	15,242	19,109	110,181	105,796
Credit card and collection fees	1,377	86,592	11,316	99,285	91,187
Depreciation	102,324	20,568	25,786	148,678	101,307
Miscellaneous	3,958	75,894	993	80,845	108,699
Subtotals	<u>4,759,971</u>	<u>1,002,353</u>	<u>1,132,811</u>	<u>6,895,135</u>	<u>5,730,352</u>
Less: Direct fundraising event expenses	-	-	238,763	238,763	179,665
Totals	<u>\$ 4,759,971</u>	<u>\$ 1,002,353</u>	<u>\$ 894,048</u>	<u>\$ 6,656,372</u>	<u>\$ 5,550,687</u>
Comparative Totals - 2022	<u>\$ 3,943,569</u>	<u>\$ 1,249,652</u>	<u>\$ 357,466</u>		

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

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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 throughout New York City, the Conservatory endeavors to make music education and music therapy accessible to people of all ages, backgrounds and abilities.

The Conservatory provides music instruction and music therapy to approximately 1,300 students and clients 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-served New York City public schools, senior centers and other community based organizations. Music Partners reaches approximately 4,500 New Yorkers every year. The offsite Music Therapy program serves approximately 1,900 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 – Net 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, 2023

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 as incurred.

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, 2023

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.

Donated Securities

Donated securities are recorded at their fair value at the date of gift. The Conservatory has a policy to liquidate securities upon receipt. Accordingly, the proceeds of the sale are recorded as operating cash flows.

Subsequent Events

The Conservatory has evaluated for subsequent events after the statement of financial position date of June 30, 2023 through February 8, 2024, the date the financial statements were available to be issued.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2020.

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, 2022 from which the summarized information was derived.

Certain prior year information has been reclassified to conform to the present year presentation.

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, 2023

NOTE 5 Tuition and Financial Aid

The Conservatory offers music instruction and music therapy to students and clients at reasonable tuition rates. Students may apply for need-based financial aid 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, 2023 and 2022, net tuition was as follows:

	<u>2023</u>	<u>2022</u>
Tuition income	\$ 3,499,875	\$ 2,653,225
Less: Financial aid	(336,068)	(148,535)
Discounts	<u>(150,447)</u>	<u>(91,704)</u>
	3,013,360	2,412,986
Allowance for uncollectible tuition	<u>(26,162)</u>	<u>(29,765)</u>
	<u>\$ 2,987,198</u>	<u>\$ 2,383,221</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 Statement of Activities is derived from the two major fundraising events: the House Party held in November and Open Stages, the Conservatory's spring benefit, held in May. In fiscal year 2023, these two events generated gross income of \$512,111 and direct expenses of \$238,763 resulting in net Special Events income of \$273,348. In fiscal year 2022, these two events generated gross income of \$362,551 and direct expenses of \$179,665 resulting in net Special Events income of \$182,886.

NOTE 7 Investments

At June 30, 2023 and 2022 investments consist of:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents held in money market accounts	<u>\$ 9,970</u>	<u>\$ 9,970</u>	<u>\$ 4,014</u>	<u>\$ 4,014</u>

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 7 Investments (Continued)

Net investment return during the years ended June 30, 2023 and 2022 is comprised of:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 843	\$ 65
Realized (loss) gain and change in unrealized appreciation	<u>-</u>	<u>(409)</u>
	<u>\$ 843</u>	<u>\$ (344)</u>

NOTE 8 Public Support

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

	<u>2023</u>			<u>2022</u>		
	General	Special Events	Total	General	Special Events	Total
Government	\$ 1,197,118	\$ -	\$ 1,197,118	\$ 1,402,777	\$ -	\$ 1,402,777
Foundation	1,077,050	16,350	1,093,400	539,900	15,000	554,900
Corporate	73,482	48,425	121,907	-	52,300	52,300
Board and individual	<u>324,636</u>	<u>447,336</u>	<u>771,972</u>	<u>324,642</u>	<u>295,251</u>	<u>619,893</u>
	<u>\$ 2,672,286</u>	<u>\$ 512,111</u>	<u>\$ 3,184,397</u>	<u>\$ 2,267,319</u>	<u>\$ 362,551</u>	<u>\$ 2,629,870</u>

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.

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 BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 9 Property and Equipment (Continued)

The Conservatory expended an additional \$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.

The Conservatory is currently pursuing a capital expansion project reflected in this document as “Capital-building project”. All related capitalizable expenses will be reflected in property and equipment and will begin depreciating after the project is completed.

At June 30, 2023 and 2022, property and equipment consist of:

	2023	2022
Land	\$ 1,015,000	\$ 1,015,000
Building and improvements	2,937,606	2,937,606
Computers and office equipment	84,384	84,384
Software	40,245	40,245
Library	1,782	1,782
Furniture and fixtures	207,139	207,139
Pianos and instruments	257,985	257,985
Website	15,768	15,768
	4,559,909	4,559,909
Less: Accumulated depreciation	(2,611,285)	(2,462,606)
	1,948,624	2,097,303
Capital-building project in progress	722,761	71,790
	\$ 2,671,385	\$ 2,169,093

Depreciation expense for the years ended June 30, 2023 and 2022 was \$148,678 and \$101,307, respectively.

NOTE 10 New York State and 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.

New York State and the City of New York have appropriated capital funding towards the Conservatory’s capital-building project. These appropriations of capital through the City and State’s budget process are not a guarantee of funding. A summary of these appropriations is as follows:

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 10 New York State and City of New York Support (Continued)

<u>Fiscal Year</u>	<u>City</u>	<u>State</u>	<u>Total</u>
2021	\$ 500,000		\$ 500,000
2022	1,350,000		1,350,000
2023	<u>1,350,000</u>	<u>\$ 5,250,000</u>	<u>6,600,000</u>
Sub-total	3,200,000	5,250,000	8,450,000
2024 To date	<u>3,550,000</u>	<u>-</u>	<u>3,550,000</u>
	<u>\$ 6,750,000</u>	<u>\$ 5,250,000</u>	<u>\$ 12,000,000</u>

NOTE 11 PPP Loans

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 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 received forgiveness on the loan in December 2021 and recognized it as government support during fiscal year 2022.

NOTE 12 Employer Retention Tax Credit (ERTC)

The Employee Retention Tax Credit (ERTC) is a fully refundable tax credit program created by the CARES Act for employers who pay qualified wages and qualified health plan expenses to their employees. The ERTC covers certain eligible time periods during 2020 and 2021. The Conservatory qualified for ERTC for fiscal years 2020 and 2021 and applied for \$606,000 and \$1,137,000, respectively. In fiscal years 2022 and 2023, the Conservatory received distributions of \$181,630 and \$724,228, respectively under the ERTC program which is reported as government support on the statement of activities.

NOTE 13 Loans Payable

As of June 30, 2023, the Conservatory had four 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.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 13 Loans Payable (Continued)

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, 2023, the outstanding balance on this loan was \$70,030.

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. The purchase agreement provided an initial grace period during which debt service was not required. The grace period expired on February 28, 2021. After that, the loan provided for an interest-only period until February 28, 2024.

During fiscal 2023, the Conservatory received a \$432,116 short-term working capital loan from its payroll service provider. The loan has a 0% interest rate, 18 month loan intended to bridge the payroll provider's submission of the Conservatory's ERTC application and receipt of the funds from the IRS. (as described in Note 12)

The expected principal repayment of the four loans is as follows:

2024	\$	647,832
2025		29,854
2026		31,440
2027		33,110
2028		32,442
2029 to 2051		<u>927,468</u>
		<u>\$ 1,702,146</u>

NOTE 14 Endowment Funds

The Conservatory's endowment consists of funds received from donors for which the earnings are restricted to provide financial aid. 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, 2023 and 2022, the total endowment consisted of \$48,449 for a scholarship endowment. Earnings on the endowment are to be used for need and merit-based financial aid. During 2023 and 2022, \$161 and \$65, respectively, was earned and appropriated for scholarship support.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 14 Endowment Funds

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 38,479	\$ 44,435
Investment money markets	<u>9,970</u>	<u>4,014</u>
	<u>\$ 48,449</u>	<u>\$ 48,449</u>

NOTE 15 Time or Purpose Restricted Net Assets

Time or purpose restricted net assets as of June 30, 2023 and 2022 consists of:

	<u>2023</u>	<u>2022</u>
Time restricted	\$ 39,000	\$ 351,000
Director of development	300,000	
Music Partners	100,000	95,000
Chestnut Commons	35,000	-
Capital-building project	<u>-</u>	<u>300,000</u>
	<u>\$ 474,000</u>	<u>\$ 746,000</u>

Net assets released from restriction during the years ended June 30, 2023 and 2022 consists of:

	<u>2023</u>	<u>2022</u>
Time restricted	\$ 300,000	\$ 300,500
Financial aid	-	55,065
Endowment earnings	161	65
Chestnut Commons	35,000	-
Music Partners	<u>192,000</u>	<u>95,000</u>
	<u>\$ 527,161</u>	<u>\$ 450,630</u>

NOTE 16 Board Designated Net Assets

During fiscal 2023, the Conservatory received a \$500,000 grant for general support purposes. The Board elected to designate that money for the Capital-Building Project.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 17 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 the 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".

NOTE 18 Liquidity and Availability of Financial Assets

The following reflects the Conservatory's financial assets as of June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash	\$ 2,277,830	\$ 2,066,439
Unconditional promises to give	293,525	303,600
Tuition receivable	354,340	333,289
Other receivables	40,336	4,628
Investments	<u>9,970</u>	<u>4,014</u>
	2,976,001	2,711,970
Contractual or donor-imposed restrictions		
Purpose restricted	(474,000)	(395,000)
Board designated net assets	(500,000)	-
Time restricted (long term)	-	(49,500)
Endowment funds	<u>(48,449)</u>	<u>(48,449)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,953,552</u>	<u>\$ 2,219,021</u>

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 18 Liquidity and Availability of Financial Assets (Continued)

The Conservatory continued to build liquidity, ending fiscal year 2023 with cash on hand of approximately \$2,278,000. 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.