

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**FINANCIAL STATEMENTS**

**JUNE 30, 2024**



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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## INDEPENDENT AUDITORS' REPORT

To 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, 2024, and the related statements of activities, functional expenses and cash flows 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, 2024, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brooklyn Queens Conservatory of Music and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brooklyn 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.

*Lotz + Carr, LLP*

New York, New York  
December 12, 2024

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2024**

**Assets**

Cash and cash equivalents	
Without donor restrictions	\$3,444,636
Contributions receivable	
Without donor restrictions	639,670
With donor restrictions	406,610
Tuition receivable, net	473,269
Other receivables	90,422
Property and equipment, net	1,806,729
Construction in progress	<u>1,539,956</u>
<b>Total Assets</b>	<b><u><u>\$8,401,292</u></u></b>

**Liabilities and Net Assets**

Liabilities	
Accounts payable and accrued expenses	\$ 492,391
Loans payable	2,611,191
Deferred revenue	<u>1,344,367</u>
Total Liabilities	<u><u>4,447,949</u></u>

Commitments and Contingencies

Net Assets

Without Donor Restrictions	
Available for general use	66,327
Board designated	500,000
Property and equipment	<u>1,806,729</u>
Total Without Donor Restrictions	<u>2,373,056</u>
With Donor Restrictions	<u>1,580,287</u>
Total Net Assets	<u><u>3,953,343</u></u>

<b>Total Liabilities and Net Assets</b>	<b><u><u>\$8,401,292</u></u></b>
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See notes to financial statements.

## BROOKLYN QUEENS CONSERVATORY OF MUSIC

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Changes in Net Assets</b>			
Revenue and Public Support			
Revenue			
Tuition, net of financial aid and discounts	\$ 3,743,088	\$ -	\$3,743,088
Music Partners service fees, net of financial aid	448,501	-	448,501
Music Therapy service fees, net of financial aid	591,597	-	591,597
Box office income	77,221	-	77,221
Rental income	81,558	-	81,558
Interest and other income	92,713	-	92,713
	<u>5,034,678</u>	<u>-</u>	<u>5,034,678</u>
Public Support			
Government	499,470	-	499,470
Foundation	476,134	907,316	1,383,450
Corporate	50,485	50,000	100,485
Board and individual	251,520	558,897	810,417
Benefit event, net of direct expenses totaling \$189,614	234,894	-	234,894
Net assets released from restrictions			
Satisfaction of time and program restrictions	316,747	(316,747)	-
	<u>1,829,250</u>	<u>1,199,466</u>	<u>3,028,716</u>
Total Public Support	<u>1,829,250</u>	<u>1,199,466</u>	<u>3,028,716</u>
Total Revenue and Public Support	<u>6,863,928</u>	<u>1,199,466</u>	<u>8,063,394</u>
Expenses			
Program Services	4,946,186	-	4,946,186
Supporting Services			
Management and general	1,782,608	-	1,782,608
Fundraising	1,005,177	-	1,005,177
Total Supporting Services	<u>2,787,785</u>	<u>-</u>	<u>2,787,785</u>
Total Expenses	<u>7,733,971</u>	<u>-</u>	<u>7,733,971</u>
Increase (decrease) in net assets	<u>(870,043)</u>	<u>1,199,466</u>	<u>329,423</u>
Net assets, beginning of year, as previously reported	2,045,858	522,449	2,568,307
Prior period adjustments	1,197,241	(141,628)	1,055,613
Net assets, beginning of year, as restated	<u>3,243,099</u>	<u>380,821</u>	<u>3,623,920</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 2,373,056</u></u>	<u><u>\$ 1,580,287</u></u>	<u><u>\$3,953,343</u></u>

See notes to financial statements.

## BROOKLYN QUEENS CONSERVATORY OF MUSIC

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries, payroll taxes, and benefits	\$4,463,395	\$ 695,883	\$ 725,534	\$5,884,812
Artistic fees	168,666	-	27,770	196,436
Professional fees	41,175	392,789	135,202	569,166
Occupancy	2,500	65,582	-	68,082
Insurance	-	107,270	-	107,270
Telephone	-	23,847	227	24,074
Maintenance and repairs	615	117,816	205	118,636
Supplies	85,056	15,194	13,928	114,178
Community engagement	7,131	50	34,471	41,652
Postage and shipping	30	2,606	-	2,636
Printing, advertising and promotions	44,924	39,737	29,513	114,174
Travel and conferences	5,859	6,188	1,421	13,468
Processing fees, credit card and collection fees	2,335	147,965	18,600	168,900
Miscellaneous	14,208	16,174	378	30,760
Interest	-	8,395	-	8,395
Depreciation	110,292	17,195	17,928	145,415
Bad debt expense	-	125,917	-	125,917
Total Expenses	<u>\$4,946,186</u>	<u>\$ 1,782,608</u>	<u>\$ 1,005,177</u>	<u>\$7,733,971</u>

See notes to financial statements.

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2024**

<b>Cash Flows From Operating Activities</b>	
Increase in net assets	\$ 329,423
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	145,415
Bad debt expense	125,917
Amortization of debt issuance costs	1,757
(Increase) decrease in:	
Contributions receivable	201,366
Tuition receivable	(244,846)
Other receivables	(891)
Increase in:	
Accounts payable and accrued expenses	24,810
Deferred revenue	438,119
Net Cash Provided By Operating Activities	<u>1,021,070</u>
 <b>Cash Flows From Investing Activities</b>	
Acquisition of property and equipment and payments toward construction in progress	<u>(820,715)</u>
 <b>Cash Flows From Financing Activities</b>	
Proceeds from loans	1,200,000
Financing costs paid	(35,197)
Repayments of loans	(208,322)
Net Cash Provided By Financing Activities	<u>956,481</u>
Net increase in cash and cash equivalents	1,156,836
Cash and cash equivalents, beginning of year	<u>2,287,800</u>
 <b>Cash and Cash Equivalents, End of Year</b>	 <u><u>\$3,444,636</u></u>
 <b>Supplemental Information:</b>	
Interest paid	<u>\$ 51,266</u>

See notes to financial statements.

**BROOKLYN QUEENS CONSERVATORY OF MUSIC****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2024****Note 1 - Organization**

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 1,500 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 2,000 New Yorkers of all ages at partner locations throughout NYC. Together, the Music Partners and Music Therapy programs operate at more than 80 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****a - Basis of Accounting**

The Conservatory's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

**b - Financial Statement Presentation**

US GAAP requires the Conservatory 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 the Conservatory. These net assets may be used at the discretion of the Conservatory's management and Board of Trustees.



**BROOKLYN QUEENS CONSERVATORY OF MUSIC****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2024****Note 2 - Summary of Significant Accounting Policies (continued)****b - Financial Statement Presentation (continued)**Net Assets With Donor Restrictions

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

**c - Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Conservatory considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

**d - Contributions and Contributions Receivable**

Contributions are recognized when the donor makes a promise to give to the Conservatory, that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future, are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as contributions with donor restrictions, and released from restriction in the period that the assets are placed in service. 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 contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**e - Tuition Receivable and Current Expected Credit Loss**

Tuition receivable is presented net of an allowance for credit losses, if any, which is an estimate of amounts that may not be collectible. In determining the amount of the allowance as of the statement of financial position date, the Conservatory develops a loss rate based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

**f - Property and Equipment**

Property and equipment acquired are recorded at cost and are depreciated using the straight-line method over the estimated useful life of the asset.

**BROOKLYN QUEENS CONSERVATORY OF MUSIC****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2024****Note 2 - Summary of Significant Accounting Policies (continued)****g - Deferred Financing Costs**

The Conservatory incurred financing costs in connection with a loan obtained for the acquisition of property. These costs are recorded as a reduction of the loan payable and amortization of the costs is reported as interest expense, on a straight-line basis over the term of the loan.

**h - Revenue Recognition**

The Conservatory has multiple revenue streams that are accounted for as exchange transactions including tuition revenue, Music Partner service fees, Music Therapy service fees, box office income and rental income. All of the Conservatory's revenue from contracts with customers are from performance obligations with an initial expected duration of one year or less. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. The Conservatory records deferred revenue in situations when amounts are collected, but the performance obligations have not yet been met.

**i - Advertising**

Advertising costs are charged to operations when they first take place.

**j - Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Conservatory's expenses are directly related to program activities. Salaries, payroll taxes and employee benefits are allocated based on an estimate of employee time and effort.

**k - Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**l - Tax Status**

The Conservatory is a not-for-profit organization exempt from federal income tax 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**

The Conservatory has evaluated subsequent events through December 12, 2024, the date that the financial statements are considered available to be issued.

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**Note 2 - Summary of Significant Accounting Policies (continued)**

n - New Accounting Standard

During 2023, the Conservatory adopted ASU 2016-13, *Current Expected Credit Losses* ("Topic 326"). The core principles of ASU 2016-13 (the "ASU") significantly change the way organization recognize credit losses from the incurred loss model to the expected loss model for most financial assets. The financial asset held by the Conservatory that is subject to the ASU was tuition receivable. The adoption of the ASU did not have a significant impact to net assets.

**Note 3 - Information Regarding Liquidity and Availability**

The Conservatory maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Conservatory's management meets monthly to address projected cash flows to meet its operational expenditures. The Conservatory also invests cash in excess of budget requirements in money market funds, fixed income funds, mutual funds and exchange-traded funds, which are highly liquid investments.

The Conservatory's financial assets as of June 30, 2024 available to meet cash needs for general expenditures within one year are summarized as follows:

Financial Assets at Year End:	
Cash and cash equivalents	\$3,444,636
Contributions receivable	1,046,280
Tuition receivable	473,269
Other receivables	<u>90,422</u>
Total Financial Assets	5,054,607
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	(1,580,287)
Plus: Amounts included in construction in progress	1,067,416
Plus: Net assets with donor restrictions expected to be met in less than one year	147,698
Less: Board Designated Net Assets	<u>(500,000)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$4,189,434</u>

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**Note 4 - Net Assets**

a - Net Assets Without Donor Restrictions - Board Designated

During fiscal year 2023, the Conservatory received a \$500,000 grant for general support purposes, which the Board of Trustees elected to designate towards its capital project.

b - Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2024 are restricted as follows:

Subject to expenditure for specific purpose:	
Capital Campaign	\$1,406,213
Music Partners	25,000
Videography Grant	40,625
Community Music School Jazz Program	<u>10,000</u>
	1,481,838
Subject to expenditure for future periods:	
General operations	50,000
Endowment fund subject to spending policy and appropriation:	
Investment in perpetuity	<u>48,449</u>
	<u>\$1,580,287</u>

**Note 5 - Contributions Receivable**

Contributions receivable at June 30, 2024 are due as follows:

Due within one year	\$ 799,633
Due in one to three years	<u>258,750</u>
	1,058,383
Less: Discount to present value	<u>(12,103)</u>
	<u>\$1,046,280</u>

Amounts due in more than one year have been discounted to present value using a discount rate of 4.4% to 5.1%. Uncollectible contributions receivable are expected to be insignificant.

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**Note 6 - Allowance for Credit Losses**

Changes in the allowance for credit losses on tuition receivable for the year ended June 30, 2024 were as follows:

Balance, beginning of year	\$156,981
Current year adjustment	<u>125,917</u>
Balance, End of Year	<u>\$282,898</u>

**Note 7 - Property and Equipment**

At June 30, 2024, property and equipment consist of:

	<u>Life</u>	<u>Amount</u>
Building and improvements	5-20 years	\$2,937,604
Computers and office equipment	3 years	87,904
Software	3 years	40,245
Library	3 years	1,782
Furniture and fixtures	5 years	207,139
Pianos and instruments	5 years	257,985
Website	5 years	<u>15,768</u>
		3,548,427
Less: Accumulated depreciation		<u>(2,756,698)</u>
		791,729
Land		<u>1,015,000</u>
		<u>\$1,806,729</u>

As part of building improvements in prior years, the Conservatory received funding from the City of New York for \$1,225,000. The contract requires the Conservatory, for a period of 30 years following the completion of the project, a milestone which was reached on June 30, 1999, to 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 may not 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.

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**Note 8 - Capital Expansion Project**

During fiscal year 2023, the Conservatory's Board of Trustees launched a capital campaign with a working goal of \$30 million, to raise funds for a capital expansion project.

Through June 30, 2024, the Conservatory has raised \$2,002,000 in private contributions with donor restrictions, has designated \$500,000 of funds without donor restrictions as a reserve for the project, and has received appropriations from federal, state and local government agencies, summarized as follows:

U.S. Department of Housing and Urban Development	\$ 2,000,000
New York State	5,250,000
The City of New York	<u>10,950,000</u>
	<u>\$18,200,000</u>

Since the appropriations are conditioned upon the registration of formal contracts, and will be paid on a reimbursement basis upon the Conservatory incurring eligible expenditures, these amounts have not been recognized in the accompanying financial statements.

Through June 30, 2024, the Conservatory has capitalized \$1,539,956 as construction in progress in connection with the project.

**Note 9 - Loans Payable**

a - The Conservatory received a short-term 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. At June 30, 2024, the outstanding balance on this loan was \$200,000.

b - The Conservatory refinanced a term loan with a new 10-year loan that 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. At June 30, 2024, the outstanding balance on the loan was \$61,708.

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**Note 9 - Loans Payable (continued)**

- c - The Conservatory funded the acquisition of a vacant adjoining parcel of land with a loan of \$1,000,000 provided by the seller. 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. At June 30, 2024, the outstanding balance on this loan was \$952,564, net of unamortized debt issuance costs of \$47,436.
- d - The Conservatory received an 18-month \$432,116 non-interest bearing working capital loan from its payroll service provider, intended to bridge the payroll provider's submission of the Conservatory's Employee Retention Tax Credit application and receipt of the funds. At June 30, 2024, the outstanding balance on this loan was \$432,116.
- e - In June 2024, the Conservatory received a \$1,000,000 Capital loan. The loan bears interest of 6% and has a 5 year term. Payment of interest only are due monthly for the first 24 months. Thereafter, Beginning in August 2026, payments of principal and interest are due monthly, with the remaining principal amortized over the remaining 36 months. The loan is secured by a first-priority lien on the Conservatory's general accounts receivable and the proceeds thereof. At June 30, 2024, the outstanding balance on this loan was \$964,803 net of unamortized debt issuance costs of \$35,297.

The following is a schedule of future maturities:

<u>Year Ending June 30,</u>	
2025	\$ 665,827
2026	31,440
2027	319,497
2028	366,312
2029	381,255
Thereafter	<u>929,493</u>
	2,693,824
Less: Unamortized debt issuance costs	<u>(82,633)</u>
Total	<u>\$2,611,191</u>

**Note 10 - 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 U.S. GAAP, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**Note 10 - Endowment Funds (continued)**

Consistent with New York State Not-for-Profit Corporation Law and the New York State Prudent Management of Institutional Funds Act, the Conservatory 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 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 perpetual in nature is classified as net assets subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Conservatory.

The Conservatory's endowment funds are donor-restricted endowment funds classified as net assets with donor restrictions and total \$48,449 at June 30, 2024.

For the year ended June 30, 2024, no amounts were appropriated to operations for expenditure.

**Note 11 - 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 year ended June 30, 2024, net tuition was as follows:

Tuition income	\$4,136,855
Less: Financial aid	(230,194)
Discounts	<u>(163,573)</u>
Total	<u>\$3,743,088</u>

**Note 12 - Employee Retention Tax Credit**

The Coronavirus Aid, Relief and Economic Security ("CARES") Act enacted in 2020 allowed eligible employers to claim Employee Retention Tax Credits ("ERTC") for qualified wages paid after March 21, 2020 and before September 30, 2021. The Conservatory qualified for the credit during this period based on partial suspension due to government COVID-related orders and a decrease in gross receipts.



**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**Note 12 - Employee Retention Tax Credit (continued)**

Of the \$1,743,501 total ERTC claimed, \$1,311,385 has been received and \$432,116 remains outstanding at June 30, 2024. In addition, the Conservatory recognized interest income associated with these payments. \$67,376 of accrued interest was collected at July 1, 2023, \$49,102 was collected during the year ended June 30, 2024, and \$70,105 was outstanding at June 30, 2024.

**Note 13 - Concentrations and Contingency**

- a - The Conservatory maintains its cash and cash equivalents in four financial institutions. The cash balances, at times, may exceed federally insured limits.
- b - During the year ending June 30, 2024, approximately 31% of grants and contributions were received from one foundation. At June 30, 2024, approximately 41% of contributions receivable are due from one government agency.
- c - Government supported programs are subject to audit by the applicable granting agency.

**Note 14 - Prior Period Adjustments**

Net assets without donor restrictions as of July 1, 2023 have been increased to reflect the following prior period adjustments:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
To recognize conditional contributions, for which conditions had been met in prior years (Employee Retention Tax Credits), and related interest earned on balances due	\$1,006,420	\$ -	\$ 1,006,420
To reflect net assets with donor restrictions not previously released from restriction	141,628	(141,628)	-
To capitalize debt issuance costs that were previously expensed	<u>49,193</u>	<u>-</u>	<u>49,193</u>
	<b><u>\$1,197,241</u></b>	<b><u>\$(141,628)</u></b>	<b><u>\$1,055,613</u></b>

**BROOKLYN QUEENS CONSERVATORY OF MUSIC****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2024****Note 15 - Subsequent Event**

In November 2024, the Conservancy entered into a purchase agreement to acquire property in the amount of \$4.75 million.