

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**



**LUTZ AND CARR**

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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 statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 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 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  
April 23, 2026

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,831,752	\$3,444,636
Contributions receivable		
Without donor restrictions	165,500	639,670
With donor restrictions	2,000,368	406,610
Tuition receivable, net	213,384	473,269
Prepaid expenses and other receivables	185,298	90,422
Operating lease right-of-use asset	124,799	-
Property and equipment, net	1,665,824	1,806,729
Construction in progress	<u>2,448,867</u>	<u>1,539,956</u>
<b>Total Assets</b>	<u><u>\$10,635,792</u></u>	<u><u>\$8,401,292</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 446,980	\$ 492,391
Loans payable	2,626,183	2,611,191
Operating lease liability	126,149	-
Deferred revenue	<u>1,450,960</u>	<u>1,344,367</u>
Total Liabilities	<u>4,650,272</u>	<u>4,447,949</u>
Commitments and Contingencies		
Net Assets		
Without Donor Restrictions		
Available for general use	(301,698)	66,327
Board designated	500,000	500,000
Property and equipment	<u>1,665,824</u>	<u>1,806,729</u>
Total Without Donor Restrictions	<u>1,864,126</u>	<u>2,373,056</u>
With Donor Restrictions	<u>4,121,394</u>	<u>1,580,287</u>
Total Net Assets	<u>5,985,520</u>	<u>3,953,343</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$10,635,792</u></u>	<u><u>\$8,401,292</u></u>

See notes to financial statements.

## BROOKLYN QUEENS CONSERVATORY OF MUSIC

## STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Changes in Net Assets</b>						
Revenue and Public Support						
Revenue						
Tuition, net of financial aid and discounts	\$ 4,207,070	\$ -	\$ 4,207,070	\$ 3,743,088	\$ -	\$ 3,743,088
Music Partners service fees	526,910	-	526,910	448,501	-	448,501
Music Therapy service fees	668,369	-	668,369	591,597	-	591,597
Box office income	84,113	-	84,113	77,221	-	77,221
Rental income	107,605	-	107,605	81,558	-	81,558
Interest and other income	99,569	-	99,569	92,713	-	92,713
Total Revenue	<u>5,693,636</u>	<u>-</u>	<u>5,693,636</u>	<u>5,034,678</u>	<u>-</u>	<u>5,034,678</u>
Public Support						
Government	662,243	448,818	1,111,061	499,470	-	499,470
Foundation	973,638	1,598,903	2,572,541	476,134	907,316	1,383,450
Corporate	89,420	23,960	113,380	50,485	50,000	100,485
Board and individual	350,064	958,247	1,308,311	251,520	558,897	810,417
Benefit income	342,836	-	342,836	424,508	-	424,508
Less: direct benefit expenses	(173,008)	-	(173,008)	(189,614)	-	(189,614)
Net assets released from restrictions						
Satisfaction of time and program restrictions	488,821	(488,821)	-	316,747	(316,747)	-
Total Public Support	<u>2,734,014</u>	<u>2,541,107</u>	<u>5,275,121</u>	<u>1,829,250</u>	<u>1,199,466</u>	<u>3,028,716</u>
Total Revenue and Public Support	<u>8,427,650</u>	<u>2,541,107</u>	<u>10,968,757</u>	<u>6,863,928</u>	<u>1,199,466</u>	<u>8,063,394</u>
Expenses						
Program Services	6,812,478	-	6,812,478	5,531,735	-	5,531,735
Supporting Services						
Management and general	1,259,441	-	1,259,441	1,101,877	-	1,101,877
Fundraising	864,661	-	864,661	1,100,359	-	1,100,359
Total Supporting Services	<u>2,124,102</u>	<u>-</u>	<u>2,124,102</u>	<u>2,202,236</u>	<u>-</u>	<u>2,202,236</u>
Total Expenses	<u>8,936,580</u>	<u>-</u>	<u>8,936,580</u>	<u>7,733,971</u>	<u>-</u>	<u>7,733,971</u>
Increase (decrease) in net assets	(508,930)	2,541,107	2,032,177	(870,043)	1,199,466	329,423
Net assets, beginning of year	<u>2,373,056</u>	<u>1,580,287</u>	<u>3,953,343</u>	<u>3,243,099</u>	<u>380,821</u>	<u>3,623,920</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,864,126</u>	<u>\$ 4,121,394</u>	<u>\$ 5,985,520</u>	<u>\$ 2,373,056</u>	<u>\$ 1,580,287</u>	<u>\$ 3,953,343</u>

See notes to financial statements.

## BROOKLYN QUEENS CONSERVATORY OF MUSIC

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025 WITH COMPARATIVE TOTALS FOR 2024

	2025			Total Expenses	2024
	Program Services	Supporting Services Management and General	Fundraising		Total Expenses
Salaries, payroll taxes, and benefits	\$5,287,555	\$ 758,073	\$ 491,291	\$6,536,919	\$5,884,812
Artistic fees	167,428	4,435	1,708	173,571	196,436
Professional fees	413,131	216,161	193,014	822,306	569,166
Occupancy	217,132	31,385	20,175	268,692	68,082
Insurance	82,792	11,870	7,693	102,355	107,270
Telephone	19,024	2,728	1,768	23,520	24,074
Maintenance and repairs	133,255	21,300	12,382	166,937	118,636
Supplies	60,514	38,207	2,942	101,663	114,178
Community engagement	48,184	2,596	34,682	85,462	41,652
Postage and shipping	-	3,022	-	3,022	2,636
Printing, advertising and promotions	56,203	90,440	51,368	198,011	114,174
Travel and conferences	3,874	11,834	291	15,999	13,468
Processing fees, credit card and collection fees	147,510	20,854	31,002	199,366	168,900
Miscellaneous	56,536	8,111	5,256	69,903	30,760
Interest	5,365	22,085	499	27,949	8,395
Depreciation	113,975	16,340	10,590	140,905	145,415
Bad debt expense	-	-	-	-	125,917
Total Expenses, 2025	<u>\$6,812,478</u>	<u>\$ 1,259,441</u>	<u>\$ 864,661</u>	<u>\$8,936,580</u>	
Total Expenses, 2024	<u>\$5,531,735</u>	<u>\$ 1,101,877</u>	<u>\$ 1,100,359</u>		<u>\$7,733,971</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	264,344	133,344	171,478	569,166
Occupancy	53,917	5,807	8,358	68,082
Insurance	84,100	9,499	13,671	107,270
Telephone	18,696	2,112	3,266	24,074
Maintenance and repairs	92,984	10,432	15,220	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	118,133	13,344	37,423	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>\$5,531,735</u>	<u>\$ 1,101,877</u>	<u>\$ 1,100,359</u>	<u>\$7,733,971</u>

See notes to financial statements.

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2025 AND 2024**

	<b>2025</b>	<b>2024</b>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$2,032,177	\$ 329,423
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Non-cash operating lease expense	85,763	-
Depreciation expense	140,905	145,415
Bad debt expense	-	125,917
Amortization of debt issuance costs	8,816	1,757
(Increase) decrease in:		
Contributions receivable	(1,119,588)	201,366
Tuition receivable	259,885	(244,846)
Prepaid expenses and other receivables	(94,876)	(891)
Increase (decrease) in:		
Accounts payable and accrued expenses	(45,411)	24,810
Operating lease liability	(84,413)	-
Deferred revenue	106,593	438,119
Net Cash Provided By Operating Activities	1,289,851	1,021,070
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment and payments toward construction in progress	(908,911)	(820,715)
<b>Cash Flows From Financing Activities</b>		
Proceeds from loans	700,000	1,200,000
Financing costs paid	-	(35,197)
Repayments of loans	(693,824)	(208,322)
Net Cash Provided By Financing Activities	6,176	956,481
Net increase in cash and cash equivalents	387,116	1,156,836
Cash and cash equivalents, beginning of year	3,444,636	2,287,800
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$3,831,752</b>	<b>\$3,444,636</b>
<b>Supplemental Information:</b>		
Interest paid	\$ 120,949	\$ 51,266
Operating lease right-of-use asset obtained in exchange for lease liability	\$ 210,562	\$ -

**See notes to financial statements.**

**BROOKLYN QUEENS CONSERVATORY OF MUSIC****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2025 AND 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. In its facilities and throughout New York City, the Conservatory endeavors to make music education and music therapy accessible to people of all ages, background and abilities and to support the livelihoods and artistic pursuits of emerging and professional musicians.

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 3,000 New Yorkers in all five boroughs of New York City. The Studio Collective, the Conservatory's studio rental program, provides thousands of hours of deeply discounted rehearsal space to more than 3,500 emerging and professional musicians. 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 ("U.S. GAAP").

**b - Financial Statement Presentation**

U.S. 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, 2025 AND 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, 2025 AND 2024****Note 2 - Summary of Significant Accounting Policies (continued)****g - Operating Lease Right-of-Use Asset and Operating Lease Liability**

For leases with an initial term greater than twelve months, the conservatory's operating lease liability is initially recorded at the present value of the unpaid lease payments. The Conservatory's operating lease right-of-use asset is initially recorded at the carrying amount of the lease liability adjusted for initial direct costs and lease incentives, if any. Operating lease cost is recognized on a straight-line basis over the lease term.

**h - 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.

**i - 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.

**j - Advertising**

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

**k - 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, professional fees, occupancy, insurance, telephone, maintenance and repairs, processing fees, credit card and collection fees, miscellaneous expenses, interest and depreciation are allocated based on an estimate of employee time and effort.

**l - Estimates**

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

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

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

m - 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.

n - Prior Year Information

For comparability, certain 2024 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2025.

**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 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2025</u>	<u>2024</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$3,831,752	\$3,444,636
Contributions receivable	2,165,868	1,046,280
Tuition receivable	213,384	473,269
Receivables (included in prepaid expenses and other receivables)	<u>4,425</u>	<u>90,422</u>
Total Financial Assets	6,215,429	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	(4,121,394)	(1,580,287)
Plus: Amounts included in construction in progress	2,028,563	1,067,416
Plus: Net assets with donor restrictions expected to be met in less than one year	57,434	147,698
Less: Board Designated Net Assets	<u>(500,000)</u>	<u>(500,000)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$3,680,032</u>	<u>\$4,189,434</u>

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 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 are restricted as follows:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specific purpose:		
Capital Campaign	\$3,963,931	\$1,406,213
Music Partners	-	25,000
Music Therapy	40,000	-
Community Music School	44,014	-
Videography Grant	-	40,625
Community Music School Jazz Program	<u>10,000</u>	<u>10,000</u>
	4,057,945	1,481,838
Subject to expenditure for future periods:		
General operations	15,000	50,000
Endowment fund subject to spending policy and appropriation:		
Investment in perpetuity	<u>48,449</u>	<u>48,449</u>
	<u>\$4,121,394</u>	<u>\$1,580,287</u>

**Note 5 - Contributions Receivable**

Contributions receivable at June 30 are due as follows:

	<u>2025</u>	<u>2024</u>
Due within one year	\$ 920,332	\$ 799,633
Due in one to four years	<u>1,347,750</u>	<u>258,750</u>
	2,268,082	1,058,383
Less: Discount to present value	<u>(102,214)</u>	<u>(12,103)</u>
	<u>\$2,165,868</u>	<u>\$1,046,280</u>

Amounts due in more than one year have been discounted to present value using a discount rate ranging from 3.68% to 3.96%. Uncollectible contributions receivable are expected to be insignificant.

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

**Note 6 - Allowance for Credit Losses**

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

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$282,898	\$156,981
Write-offs	(91,055)	-
Current year adjustment	<u>-</u>	<u>125,917</u>
Balance, End of Year	<u>\$191,843</u>	<u>\$282,898</u>

**Note 7 - Property and Equipment**

At June 30, property and equipment consist of:

	<u>Life</u>	<u>2025</u>	<u>2024</u>
Building and improvements	5-20 years	\$2,937,604	\$2,937,604
Computers and office equipment	3 years	87,904	87,904
Software	3 years	-	40,245
Library	3 years	-	1,782
Furniture and fixtures	5 years	207,139	207,139
Pianos and instruments	5 years	257,985	257,985
Website	5 years	<u>15,768</u>	<u>15,768</u>
		3,506,400	3,548,427
Less: Accumulated depreciation		<u>(2,855,576)</u>	<u>(2,756,698)</u>
		650,824	791,729
Land		<u>1,015,000</u>	<u>1,015,000</u>
		<u>\$1,665,824</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, 2025 AND 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, 2025, the Conservatory cumulatively has raised \$5,088,513 in 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	\$ 3,000,000
New York State	10,247,500
The City of New York	<u>10,950,000</u>
	<u>\$24,197,500</u>

A contract for the federal funds has been registered, and \$474,306 has been recognized in the accompanying financial statements based on incurring eligible costs as of June 30, 2025. The remaining amount remains conditional on incurring additional eligible costs, and accordingly has not been recognized in the accompanying financial statements. 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, 2025, the Conservatory has capitalized \$2,448,867 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, 2025 and 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. At June 30, 2024, the outstanding balance on the loan was \$61,708. During the year ending June 30, 2025, the loan was fully repaid.

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 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 on September 24, 2020 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, 2025 and 2024, the outstanding balance on this loan was \$954,321 and \$952,564, respectively. Unamortized debt issuance costs total \$45,679 and \$47,436 at June 30, 2025 and 2024, respectively.
- 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 (ERTC) application and receipt of the funds. At June 30, 2024, the outstanding balance on this loan was \$432,116. During the year ending June 30, 2025, the ERTC funds were received and the loan was fully repaid.
- e - In June 2024, the Conservatory received a \$1,000,000 Capital pre-development loan from the Leviticus Fund. The loan bears interest of 6% and has a 5 year term. Payments 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, 2025 and 2024, the outstanding balance on this loan was \$971,862 and \$964,803, respectively. Unamortized debt issuance costs total \$28,138 and \$35,297 at June 30, 2025 and 2024, respectively. This loan was fully repaid subsequent to June 30, 2025.
- f - In January 2025, the Conservatory received a \$500,000 loan. The loan carries an interest rate of 5% and has a 4 year term. Payments of interest only are due every 6 months with the outstanding balance of principal and interest due at the end of its term. At June 30, 2025, the outstanding balance on this loan was \$500,000. This loan was fully repaid subsequent to June 30, 2025.

The following is a schedule of future maturities:

<b><u>Year Ending June 30,</u></b>	
2026	\$ 237,328
2027	306,495
2028	352,580
2029	874,103
2030	23,355
Thereafter	<u>906,139</u>
	2,700,000
Less: Unamortized debt issuance costs	<u>(73,817)</u>
Total	<u>\$2,626,183</u>

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

**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.

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, 2025 and 2024.

For the years ended June 30, 2025 and 2024, the endowment funds were held in cash, there were no earnings on the funds, and 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. For the years ended June 30, net tuition was as follows:

	<u>2025</u>	<u>2024</u>
Tuition income	\$4,706,586	\$4,136,855
Less:		
Financial aid	(227,158)	(230,194)
Discounts	<u>(272,358)</u>	<u>(163,573)</u>
Balance, End of Year	<u>\$4,207,070</u>	<u>\$3,743,088</u>

**BROOKLYN QUEENS CONSERVATORY OF MUSIC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

**Note 12 - 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, 2025 and 2024, approximately 29% and 31%, respectively, of grants and contributions were received from one foundation. At June 30, 2025 and 2024, approximately 54% and 41% of contributions receivable are due from one foundation and one government agency, respectively.
- c - Government supported programs are subject to audit by the applicable granting agency.

**Note 13 - Operating Lease Liability**

In September 2024, the Conservatory entered into an operating lease agreement for a property at 84 7th Avenue in Brooklyn, New York, with a term of two years, through August 31, 2026.

Operating lease expense for the year ended June 30, 2025 was \$91,350. There were no variable lease costs incurred. As of June 30, 2025, the remaining term of the conservatory's operating lease is 14 months and the discount rate is 3.88%.

Maturities of the conservatory's operating lease liability as of June 30, 2025, are as follows:

Year ending June 30, 2026	\$110,700
Thereafter, through August 31, 2026	<u>18,540</u>
	129,240
Less: Amount attributable to interest	<u>(3,091)</u>
	<u>\$126,149</u>

**BROOKLYN QUEENS CONSERVATORY OF MUSIC****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2025 AND 2024****Note 14 - Subsequent Events**

In December 2025, the Conservatory purchased the property at 1 Prospect Park West that the Conservatory had been leasing and cancelled the associated lease. In connection with the purchase, the Conservatory executed three loans with a lender: an acquisition loan for \$4,750,000, a second loan for \$1,500,000 and a building loan for \$3,250,000, for a total of \$9,500,000. The proceeds were used to purchase the property for \$4,559,790, pay off the loan described in Note 9e for \$1,003,000, pay off the loan described in Note 9f for \$510,417, and pay debt issuance costs associated with the new debt totaling \$176,793. The remaining \$3,250,000 is allocated to facility renovation costs.

The Conservatory has evaluated subsequent events through April 23, 2026, the date that the financial statements are considered available to be issued.