

**THE BROOKLYN QUEENS**  
**CONSERVATORY OF MUSIC**

**JUNE 30, 2016**

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**DONALD F. SCHERER**

**Independent Auditor's Report**

To the Board of Directors of  
The Brooklyn Queens Conservatory of Music

We have audited the accompanying financial statements of The Brooklyn Queens Conservatory of Music (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Brooklyn Queens Conservatory of Music as of June 30, 2016 and, the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Summarized Comparative Information***

We have previously audited The Brooklyn Queens Conservatory of Music's June 30, 2015 financial statements, and we have expressed an unmodified opinion on those audited financial statements in our report dated January 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedule 1, Schedule of Functional Expenses, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Owen J. Granagan & Co*

February 16, 2017  
New York, NY

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash	\$ 203,442	\$ 212,809
Unconditional promises to give	78,375	143,910
Tuition receivable, net of allowance for uncollectible amounts (\$70,715 and \$80,006 in 2016 and 2015, respectively)	309,960	417,995
Prepaid expenses and other receivables	25,336	38,487
Investments	50,406	48,434
Property and equipment (net)	1,365,889	1,418,498
Security deposits	<u>3,798</u>	<u>3,798</u>
<u>Total Assets</u>	<u>\$2,037,206</u>	<u>\$2,283,931</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 147,868	\$ 217,868
Deferred tuition revenue	824,225	838,474
Loans payable	<u>444,513</u>	<u>443,670</u>
<u>Total Liabilities</u>	<u>1,416,606</u>	<u>1,500,012</u>
 <u>Net Assets</u>		
Unrestricted	509,884	650,720
Temporarily restricted	62,267	84,750
Permanently restricted	<u>48,449</u>	<u>48,449</u>
<u>Total Net Assets</u>	<u>620,600</u>	<u>783,919</u>
<u>Total Liabilities and Net Assets</u>	<u>\$2,037,206</u>	<u>\$2,283,931</u>

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

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
<u>Revenue (Before Public Support)</u>					
Tuition, net of scholarships and discounts	\$1,815,505			\$1,815,505	\$1,818,573
Music Partners service fees	454,511			454,511	528,219
Box office income	34,579			34,579	23,219
Rental income	20,845			20,845	28,641
Investment income	(199)	\$ 95	\$ -	(104)	2,350
Special event (net of expenses of \$166,075)	134,144			134,144	88,542
Other income	<u>25,065</u>			<u>25,065</u>	<u>14,384</u>
<u>Total Revenue (Before Public Support)</u>	<u>2,484,450</u>	<u>95</u>	<u>-</u>	<u>2,484,545</u>	<u>2,503,928</u>
<u>Public Support</u>					
Government	88,000	80,000	-	168,000	201,690
Foundation	44,475	60,000	-	104,475	186,261
Corporate	6,000	-	-	6,000	11,149
Board	22,519	30,000	-	52,519	17,106
Individual	41,549	-	-	41,549	47,987
<u>Total Public Support</u>	<u>202,543</u>	<u>170,000</u>	<u>-</u>	<u>372,543</u>	<u>464,193</u>
<u>Total Revenue and Public Support</u>	<u>2,686,993</u>	<u>170,095</u>	<u>-</u>	<u>2,857,088</u>	<u>2,968,121</u>
<u>Net Assets Released From Restrictions</u>	<u>192,578</u>	<u>(192,578)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Expenses</u>					
Program services	2,256,807			2,256,807	2,353,709
Supporting services	607,671			607,671	799,911
Management and general	155,929			155,929	93,681
Fundraising	<u>763,600</u>			<u>763,600</u>	<u>893,592</u>
<u>Total Expenses</u>	<u>3,020,407</u>			<u>3,020,407</u>	<u>3,247,301</u>

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Change in Net Assets for Year	(140,836)	(22,483)	-	(163,319)	(279,180)
Net Assets, beginning of year	<u>650,720</u>	<u>84,750</u>	<u>48,449</u>	<u>783,919</u>	<u>1,063,099</u>
Net Assets, End of Year	<u>\$ 509,884</u>	<u>\$ 62,267</u>	<u>\$ 48,449</u>	<u>\$ 620,600</u>	<u>\$ 783,919</u>

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

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets for Year	\$(163,319)	\$(279,180)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	89,858	87,204
Unrealized appreciation and realized loss on investments	202	-
Decrease (Increase) in assets		
Unconditional promises to give	65,535	74,283
Tuition receivable	108,035	(68,168)
Prepaid expenses and other receivables	13,151	(17,979)
Security deposits	-	-
Increase (Decrease) in liabilities		
Accounts payable and accrued expenses	(70,000)	107,278
Deferred performance revenue	-	(3,750)
Deferred tuition	(14,249)	71,398
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>29,213</u>	<u>(28,914)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(37,249)	(8,574)
Purchase of investments	(44,491)	(93,510)
Proceeds from sale of investments	42,317	60,151
<u>Net Cash Used in Investing Activities</u>	<u>(39,423)</u>	<u>(41,933)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans	292,011	928,000
Repayment of loans	(291,168)	(734,330)
<u>Net Cash Provided by Financing Activities</u>	<u>843</u>	<u>193,670</u>
Net (Decrease) Increase in Cash for Year	(9,367)	122,823
Cash, beginning of year	<u>212,809</u>	<u>89,986</u>
Cash, End of Year	<u>\$ 203,442</u>	<u>\$ 212,809</u>
Supplemental Information:		
Interest paid	<u>\$ 20,202</u>	<u>\$ 20,971</u>

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

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 1 Organization and Summary of Significant Accounting Policies**

**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 and concerts in its facilities and in the community, the Conservatory makes music accessible to people of all ages, backgrounds and skill levels.

The Conservatory provides music instruction at its location in Park Slope, Brooklyn. Through its Music Partners program, music instruction is provided to school children in the New York City public schools. The Music Therapy program also serves thousands of children and adults both onsite and offsite. The Conservatory also presents over 100 public performances each year, featuring world-class artists, local musicians and student performers.

**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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

**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 receivables when management determines it is uncollectible.

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

**Investment Policy**

The Conservatory maintains a conservative investment policy, investing in short term money markets in order to preserve the original value of permanently restricted gifts as well as provide a stable stream of income on unrestricted net assets.



THE BROOKLYN QUEENS CONSERVATORY OF MUSIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 1 Organization and Summary of Significant Accounting Policies ( Continued)**

**Investments**

The Conservatory reflects investments 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 unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income that is restricted by the donor is reported as an increase in temporarily restricted net assets until appropriated for expenditure.

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. the exit price at the measurement date). Fair value measurements are not adjusted for transactions costs. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The values assigned to these investments are reported based on available information and do not necessarily represent amounts that might be realized if sold and such differences could be material. The ultimate realization of such amounts depends on future events and circumstances and therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation and amortization is provided on a straight line basis over the estimated useful lives of the assets, or for leasehold improvements, over the shorter of the length of the lease or the estimated useful lives. 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.

**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 are recorded as either unrestricted, temporarily restricted or permanently restricted based on donor restrictions or lack thereof. Earnings on permanently restricted net assets are classified as temporarily restricted until appropriated.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 1 Organization and Summary of Significant Accounting Policies ( Continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents consists of cash in checking accounts.

**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.

**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.

**Subsequent Events**

The Conservatory has evaluated for subsequent events after the statement of financial position date of June 30, 2016 through February xx, 2017, the date the financial statements were available to be issued.

**Functional Allocation of Expenses**

The cost of providing various programs and other activities has been summarized on a functional benefit on the statement of activities and on the schedule 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.

**NOTE 2 Unconditional Promises to Give**

The Conservatory's unconditional promises to give are expected to be collected during its 2017 fiscal year.

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

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 3 Investments**

At June 30, 2016 and 2015 investments, all of which are Level 1 within the fair value hierarchy, consists of:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents held in money market accounts	\$48,153	\$48,153	\$48,434	\$48,434
Equities	2,249	2,253	-	-
	<u>\$50,402</u>	<u>\$50,406</u>	<u>\$48,434</u>	<u>\$48,434</u>

Investment income during the years ended June 30, 2016 and 2015 is comprised of:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 96	\$ 5
Realized and unrealized gains (losses)	<u>(202)</u>	<u>-</u>
	<u>\$ (104)</u>	<u>\$ 5</u>

**NOTE 4 Property and Equipment**

At June 30, 2016 and 2015, property and equipment consist of:

	<u>2016</u>	<u>2015</u>
Land	\$ 15,000	\$ 15,000
Building and improvements	2,746,957	2,714,147
Computer and office equipment	53,876	50,261
Software	40,245	40,245
Library	1,782	1,782
Furniture and fixtures	164,670	163,846
Piano and instruments	251,370	251,370
Website	<u>15,768</u>	<u>15,768</u>
	3,289,668	3,252,419
Less: Accumulated depreciation	<u>(1,923,779)</u>	<u>(1,833,921)</u>
	<u>\$1,365,889</u>	<u>\$1,418,498</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$89,858 and \$87,204, respectively.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 5 Loans Payable**

As of June 30, 2016, the Conservatory has two loans payable. The first is a 4 month \$230,000 loan payable on September 30, 2016 with a one time 1.5% finance fee. The second loan was a line of credit which the bank terminated in March 2015 and has instituted a repayment plan over six years bearing an interest rate of the prime rate plus 1% per annum. The expected repayment of these loans are as follows:

2017	\$270,888
2018	42,900
2019	44,870
2020	46,932
2021	<u>38,923</u>
	<u>\$444,513</u>

**NOTE 6 Endowment Funds**

The Conservatory's endowment consists of funds received from donors for which the earnings are restricted to provide scholarships. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence 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 permanently restricted net assets.

Under the Conservatory's spending policy, earnings on permanently restricted funds up to 7% of principal may be appropriated and spent each year.

As of June 30, 2016 and 2015, the total endowment consisted of \$48,449 of permanently restricted net assets for a scholarship endowment. During the year ended June 30, 2015, \$21,162 of permanently restricted net assets was released by the donors to unrestricted net assets. Earnings on the endowment are to be used for need and merit based scholarships. During 2016 and 2015, \$95 and \$5, respectively, was earned and appropriated for scholarship support.

Permanently restricted net assets are reported in the following asset categories on the accompanying statement of financial position:

	<u>2016</u>	<u>2015</u>
Cash	\$ 296	\$ 15
Investments	<u>48,153</u>	<u>48,434</u>
	<u>\$48,449</u>	<u>\$48,449</u>

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 7 Temporarily Restricted Net Assets**

Temporarily restricted net assets as of June 30, 2016 and 2015 consists of:

	<u>2016</u>	<u>2015</u>
Time restricted	\$30,000	\$44,250
Chorus program	-	5,000
Jazz scholarships	-	15,000
Music Therapy program	17,939	-
Music Partners	<u>14,328</u>	<u>20,500</u>
	<u>\$62,267</u>	<u>\$84,750</u>

Net assets released from restriction during the years ended June 30, 2016 and 2015 consists of:

	<u>2016</u>	<u>2015</u>
Time restricted	\$ 44,250	\$ 52,139
Jazz fellowships	15,000	15,000
Band program	-	17,500
Music Therapy program	59,061	29,167
Music Partners program	69,172	5,000
Suzuki program	5,000	-
Scholarship support	<u>95</u>	<u>5</u>
	<u>\$192,578</u>	<u>\$118,811</u>

**NOTE 8 Commitment and Contingency**

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

As part of this project, the Conservatory obtained a Historic Preservation Grant ("Grant") from the New York State Office of Parks, Recreation and Historic Preservation (State). Funding received during the grant period February 25, 1998 to June 30, 2000 totaled \$294,958. The Grant Agreement requires the Conservatory to:

- a) Convey an easement or preservation restriction to the State and, such others as the State deems necessary.
- b) Not subordinate to any other security interest in the property including, but not limited to, purchase money mortgages.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 8 Commitment and Contingency (Continued)**

- c) Not alter, demolish, sell, leave or otherwise convey the property, in whole or in part, unless it shall have first received the written approval of the State.
- d) Own or hold by lease and to maintain and operate the property for a period of twenty (20) years from the date of the final disbursement of State funds under the agreement.

Accordingly, as of the report date the Conservatory is contingently liable to the State for a period of four (4) years to comply with the aforementioned provisions. In the event of a violation of any provision, the State may, at its option, excise any or all of the following remedies:

- a) Declare the grant forfeited and demand the return of all funds disbursed under this agreement.
- b) Declare the grant forfeited and demand the return of all funds disbursed under this agreement plus a penalty equal to ½ of the amount of the grant.
- c) Enter the property, correct any violation of the terms of this agreement, restore the property to its prior condition, and hold the Conservatory or any successor in interest responsible for the cost thereof.
- d) Institute suit to enjoin such violations and, if appropriate, require the restoration of the property to its prior condition.

As part of the same project, the Conservatory entered into a contract with 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 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 9 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, 2016

**NOTE 10 Tuition and Scholarship**

The Conservatory offers music instruction on various instruments at reasonable tuition rates throughout the year. Students may apply for need based scholarships and can receive other discounts when certain qualifications are met. The conservatory also records a reserve for uncollectible tuition receivable, which is netted against tuition income. For the years ended June 30, 2016 and 2015, net tuition was as follows:

	2016	2015
Tuition income	\$2,001,037	\$1,984,584
Less: Scholarships	(32,046)	(48,570)
Discounts	(100,175)	(104,051)
	1,868,816	1,831,963
Allowance for uncollectible tuition	(53,311)	(13,390)
Net Tuition	<u>\$1,815,505</u>	<u>\$1,818,573</u>

**NOTE 11 In-Kind Donation**

During the fiscal year 2016, the conservatory received two in-kind service contributions. The first was an award for donated marketing consulting time. The second was for a Board Advancement program, which continued into fiscal year 2017. No value has been recorded for these services, as the amount was deemed immaterial to the financial statements on a whole.

During the year ended June 30, 2015, the Conservatory received approximately \$87,600 of pro bono legal services for review of a possible business merger. These donated services were management related and have not been reflected in the financial statements.

**NOTE 12 Decrease in Net Assets and Management Plans**

In the spring and summer of 2016, the Conservatory's Board of Trustees and Staff committed to a series of critical strategic and financial actions to address the organization's financial condition. The key priorities were to stabilize and strengthen the Conservatory, and put the organization on a path to long term, sustainable growth.

The Board took a number of affirmative steps to directly address the organization's financial challenges, including, expanding the Board with regard to size and experience and increase the give/get commitment required of each member.

In August of 2016, the Conservatory hired Chad Cooper to serve as its new Executive Director and thus revamped the leadership roles. Chad was formerly a Board member, and had been serving as the Treasurer since October of 2015. Chad comes with a strong financial background with the ability and foresight to institute new financial models. He also agreed to work for extremely minimal compensation to relieve some of the financial stress on the Conservatory.

THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

**NOTE 12 Decrease in Net Assets and Management Plans (Continued)**

As part of the strategic planning and budgeting process for FY 2017, the Board and Staff overhauled the Conservatory's development strategy instituting new key components. This included hiring a development advisor, expansion of the Conservatory's donor base to include more of the community, a wider range of foundation and government support as well as individual donor support.

The Board and Staff committed to a series of fiscal action steps to address the Conservatory's financial difficulties, including rigorous budgeting for FY17 with a stronger focus on program. Individual programs are to be evaluated for profitability, while monitoring variable expenses more closely.

The Conservatory's financial action plan and revamped development model have produced immediate, positive results. At the six-month mark in FY17, the Conservatory is well ahead of the budgeted expectations for the turnaround. It has achieved an increase in net income of approximately \$320,000, an increase in total net assets of approximately \$155,000 and an approximate \$184,000 reduction in liabilities compare to the prior fiscal year six-month mark. The Conservatory has also overcome the monthly cash flow shortfalls and have worked on building cash reserves.



## THE BROOKLYN QUEENS CONSERVATORY OF MUSIC

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2016</u>
Salaries and benefits	\$1,957,571	\$320,504	\$128,328	\$2,406,403
Artistic fees	29,135	-	-	29,135
Professional fees	-	94,693	6,675	101,368
Facility costs	30,737	5,035	2,016	37,788
Insurance	-	40,554	-	40,554
Supplies	50,126	8,211	3,288	61,625
Telephone	10,453	1,712	686	12,851
Postage and shipping	-	2,407	1,589	3,996
Maintenance and repairs	54,840	8,983	3,597	67,420
Conferences and meetings	2,885	9,935	2,175	14,995
Printing, advertising and promotions	42,403	6,946	2,781	52,130
Credit card and collection fees	-	49,784	-	49,784
Depreciation	73,091	11,973	4,794	89,858
Miscellaneous	<u>5,566</u>	<u>46,934</u>	<u>-</u>	<u>52,500</u>
<u>Total</u>	<u>\$2,256,807</u>	<u>\$607,671</u>	<u>\$155,929</u>	<u>\$3,020,407</u>

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