

BAM ENDOWMENT TRUST

**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended June 30, 2022 and 2021

BAM ENDOWMENT TRUST
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the
BAM Endowment Trust

Opinion

We have audited the financial statements of BAM Endowment Trust ("BET"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BAM Endowment Trust as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of BET 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.

Report on 2021 Financial Statements

The financial statements of BAM Endowment Trust as of and for the year ended June 30, 2021, were audited by another auditor whose report dated February 24, 2022, expressed an unmodified opinion on those statements.

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 BET's ability to continue as a going concern for 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if 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.

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In performing an audit in accordance with GAAS, we:

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

Mayer Hoffman McCann CPAs

New York, NY
March 30, 2023

BAM ENDOWMENT TRUST
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Notes 2E and 5)	\$ 3,132,174	\$ 5,505,005
Investments (Notes 2G, 8 and 10)	88,603,293	99,753,158
Pledges receivable - net (Notes 2F, 2I and 7)	1,710,000	1,700,952
TOTAL ASSETS	\$ 93,445,467	\$ 106,959,115
LIABILITIES		
Due to Brooklyn Academy of Music, Inc. (Note 6)	\$ 73	\$ 73
Pooled income fund liabilities (Note 8)	12,158	15,026
TOTAL LIABILITIES	12,231	15,099
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Notes 2B and 4):		
Without donor restrictions - Board designated	3,435,798	1,434,517
With donor restrictions		
Pooled income fund	114,106	133,098
Endowment	89,883,332	105,376,401
Total with donor restrictions	89,997,438	105,509,499
TOTAL NET ASSETS	93,433,236	106,944,016
TOTAL LIABILITIES AND NET ASSETS	\$ 93,445,467	\$ 106,959,115

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

**BAM ENDOWMENT TRUST
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	Year Ended June 30, 2022			Year Ended June 30, 2021		
	Without Donor Restrictions - Board Designated	With Donor Restrictions	Total 2022	Without Donor Restrictions - Board Designated	With Donor Restrictions	Total 2021
REVENUES AND OTHER SUPPORT:						
Contributions (Note 2H)	\$ -	\$ 47,048	\$ 47,048	\$ -	\$ 21,467	\$ 21,467
Interest and dividends (Notes 2G and 4)	-	3,159,315	3,159,315	-	1,164,273	1,164,273
Miscellaneous income	1,281	-	1,281	-	-	-
Change in pooled income fund (Note 8)	-	2,868	2,868	-	2,725	2,725
Total revenues and other support	1,281	3,209,231	3,210,512	-	1,188,465	1,188,465
Net assets released from restrictions (Notes 2B and 4)	4,905,382	(4,905,382)	-	7,977,696	(7,977,696)	-
TOTAL REVENUES AND OTHER SUPPORT	4,906,663	(1,696,151)	3,210,512	7,977,696	(6,789,231)	1,188,465
EXPENSES:						
Program services:						
Distribution - Brooklyn Academy of Music, Inc. (Note 9A)	4,613,204	-	4,613,204	7,687,204	-	7,687,204
Supporting services:						
Management and general						
Management fee (Note 6)	125,000	-	125,000	125,000	-	125,000
Audit, insurance, filing and other fees	42,178	-	42,178	40,492	-	40,492
	167,178	-	167,178	165,492	-	165,492
Fundraising						
Management fee (Note 6)	125,000	-	125,000	125,000	-	125,000
Total supporting services	292,178	-	292,178	290,492	-	290,492
TOTAL EXPENSES	4,905,382	-	4,905,382	7,977,696	-	7,977,696
RESULTS FROM OPERATIONS	1,281	(1,696,151)	(1,694,870)	-	(6,789,231)	(6,789,231)
NON-OPERATING ACTIVITIES						
Unrealized (loss) gain on investments	-	(13,181,853)	(13,181,853)	-	16,809,401	16,809,401
Realized gain on investments	-	1,365,943	1,365,943	-	4,143,417	4,143,417
TOTAL NON-OPERATING ACTIVITIES	-	(11,815,910)	(11,815,910)	-	20,952,818	20,952,818
Reclassifications of donor restrictions (Note 4)	2,000,000	(2,000,000)	-	-	-	-
CHANGE IN TOTAL NET ASSETS	2,001,281	(15,512,061)	(13,510,780)	-	14,163,587	14,163,587
Net assets - beginning of year, as previously stated	1,434,517	105,509,499	106,944,016	6,840,953	85,939,476	92,780,429
Restatement (Note 4)	-	-	-	(5,406,436)	5,406,436	-
Net assets - beginning of year, restated	1,434,517	105,509,499	106,944,016	1,434,517	91,345,912	92,780,429
NET ASSETS - END OF YEAR	\$ 3,435,798	\$ 89,997,438	\$ 93,433,236	\$ 1,434,517	\$ 105,509,499	\$ 106,944,016

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

**BAM ENDOWMENT TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (13,510,780)	\$ 14,163,587
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted in perpetuity	(30,000)	(21,467)
Change in pooled income fund	(2,868)	(2,725)
Unrealized loss (gain) on investments	13,181,853	(16,809,401)
Realized gain on investments	(1,365,943)	(4,143,417)
Change in discount on pledges receivable	(17,048)	(16,467)
Subtotal	(1,744,786)	(6,829,890)
Changes in operating assets and liabilities:		
Pledges receivable	8,000	3,000
Due to Brooklyn Academy of Music, Inc.	-	(4,757)
Net Cash Used in Operating Activities	(1,736,786)	(6,831,647)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment sales	20,918,813	16,668,057
Purchases of investments	(21,584,858)	(14,474,514)
Net Cash (Used in) Provided by Investing Activities	(666,045)	2,193,543
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted in perpetuity	30,000	21,467
Net Cash Provided by Financing Activities	30,000	21,467
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,372,831)	(4,616,637)
Cash and cash equivalents - beginning of year	5,505,005	10,121,642
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,132,174	\$ 5,505,005

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

BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

BAM Endowment Trust (“BET”) was incorporated in April 1992. BET operates exclusively for the benefit of Brooklyn Academy of Music, Inc. (“BAM”). The bylaws of BET state that the majority of its Board members cannot be affiliated with BAM’s Board of Trustees. Accordingly, the accounts of BET are not consolidated with the financial statements of BAM, although BAM records its beneficial interest in the net assets of BET.

BET is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and similar provisions at the New York State and City level.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** – The financial statements of BET have been prepared on the accrual basis of accounting. BET adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Net Assets*** – BET maintains its net assets under the following two classes:
- a. Without Donor Restrictions – represents resources available to support BET’s operations over which the Board of Trustees has discretionary control.
 - b. With Donor Restrictions – represents net assets subject to donor-imposed stipulations as to a specific purpose or time that have not been met. Net assets with donor restrictions which have been both earned and have had their restrictions met in the current year are recorded as net assets without donor restrictions. In addition, BET receives funds for the establishment of certain endowments for its benefit. These endowments have been designated by the donors as endowments to be kept in perpetuity with net appreciation designated to specific purposes or the general operations of BAM. Appropriations of such appreciations are limited in accordance with the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) see Note 4.
- C. ***Use of 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 at the date of the financial statements. Actual results could differ from those estimates.
- D. ***Results from Operations*** – BET reports as operations all gifts, investment income and expenses. Gains and losses on investments are reported as non-operating changes in net assets.
- E. ***Cash and Cash Equivalents*** – BET considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
- F. ***Pledges Receivable*** – Unconditional pledges receivable due in more than one year are recorded at their net present value, determined using a risk-adjusted discount rate commensurate with the rate of U.S. Treasury bills whose maturities correspond to the maturities of the pledges. The discount rate was 3.5 percent. However, there were no pledges receivable due in more than one year as of June 30, 2022. Amortization of the discounts on pledges is reflected as a component of contribution income in the accompanying financial statements. Restricted pledges are reported as additions to net assets with donor restrictions.
- G. ***Investments and Fair Value*** – Investments are stated at fair value in the accompanying financial statements. The statements of activities include net return on investments consisting of interest and dividend income, net of management and custodial fees, and realized and unrealized gains and losses. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Management and custodial fees amounted to \$447,688 and \$237,683, for the years ended June 30, 2022 and 2021, respectively, and are netted with interest and dividends in the accompanying statements of activities.

**BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. **Investments and Fair Value (continued)** – Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certain of BET’s investments are reported at net asset value (NAV) as provided by the investment managers and is used as a practical expedient to estimate fair value. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 10.
- H. **Contributions** – Contributions are recorded as support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to BET that is, in substance, unconditional. Conditional contributions and promises to give, those with measurable performance and other barriers and a right of return, are not recognized as support until the conditions on which they depend are substantially met.
- I. **Allowance for Doubtful Accounts** – BET’s management evaluates the need for an allowance for doubtful accounts applicable to its pledges receivable based on various factors including an assessment of the creditworthiness of the donors, aging of the amounts due and historical experience. As of both June 30, 2022 and 2021, BET’s management determined that no allowance for doubtful accounts was necessary.
- J. **Functional Expense Allocation** – The costs of program and supporting services have been summarized on a functional basis in the statements of activities. Since BET operates exclusively for the benefit of BAM, distributions to BAM are classified as program expenses and all other expenses are considered supporting services. BET allocated a management fee paid to BAM based on reasonable estimates of time and efforts of services performed by BAM’s employees on behalf of BET.
- K. **Restatement** – The net asset presentation in Note 4 and fair value presentation in Note 10 of the June 30, 2021 financial statements were restated to conform to the June 30, 2022 presentation. Such reclassification did not affect the change in total net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY

BET regularly monitors liquidity required to meet its operating needs while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, BET considers all expenditures related to its ongoing activities.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, included the following as of June 30:

	2022	2021
Cash and cash equivalents	<u>\$ 3,132,174</u>	<u>\$ 5,505,005</u>

BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 – NET ASSETS

The following reflects net assets with donor restrictions that are restricted in perpetuity and the donor designations of the net appreciation as of June 30:

	<u>2022</u>	<u>2021</u>
BAM Programs in BAM Harvey Theater	\$ 2,000,000	\$ 4,000,000
BAM Programs in BAM Karen	2,500,000	2,500,000
BAM Programs in Howard Gilman Opera House	6,288,954	6,288,954
Cinema Programs	125,000	125,000
Collaborative Creativity Among US Artists	3,750,000	3,750,000
Community, Educational and Public Affairs Programs	5,160,000	5,160,000
Dance	136,964	136,964
Education and Humanities	1,711,000	1,711,000
Emerging and Local Musicians	1,000,000	1,000,000
Kriegel Center	33,056	33,056
Max Leavitt Theater Workshop	500,000	500,000
Next Wave	1,775,000	1,775,000
Opera	1,540,100	1,540,100
Opera and Music Theater	4,475,000	4,475,000
Opera and Theater	2,390,000	2,390,000
Performance	317,294	317,294
Peter Jay Sharp Fund for Endowment	13,000,000	13,000,000
Women's Mentoring	32,293	32,293
Youth Film-Literacy Programs	250,000	250,000
	<u>46,984,661</u>	<u>48,984,661</u>
Total donor designated gifts		
Peter Jay Sharp Working Capital Fund	2,000,000	2,000,000
Cumulative unappropriated earnings	5,985,882	19,525,999
All other for general purpose	34,912,789	34,865,741
	<u>89,883,332</u>	<u>105,376,401</u>
Total with donor restrictions (endowment)		
Pooled income fund	114,106	133,098
	<u>114,106</u>	<u>133,098</u>
Total net assets with donor restrictions	<u>\$ 89,997,438</u>	<u>\$ 105,509,499</u>

BET adheres to NYPMIFA. BET recognizes that NYPMIFA permits the Board of Trustees to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of the fair value of the endowment funds. Any unappropriated earnings that would otherwise be considered without donor restrictions by the donor will be reflected as net assets with donor restrictions until appropriated.

The Board of Trustees of BET has interpreted NYPMIFA as allowing BET to appropriate for expenditure or accumulate so much of an endowment fund as BET determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. See Note 2B for how BET maintains its net assets.

BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 – NET ASSETS (Continued)

BET's endowment investment policy is to invest primarily in a mix of equities, fixed income funds, mutual funds and alternative investments based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns, and achieve long-term growth. BET relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Annual spending from the endowment funds is described above.

Changes in endowment net assets for the year ended June 30, 2022 were as follows:

	<u>Without Donor Restrictions – Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>
Investment activity:			
Interest and dividends	\$ -	\$ 3,159,315	\$ 3,159,315
Unrealized loss on investments	-	(13,159,993)	(13,159,993)
Realized gain on investments	-	<u>1,365,943</u>	<u>1,365,943</u>
Total investment activity	-	(8,634,735)	(8,634,735)
Contributions	-	47,048	47,048
Other income	1,281	-	1,281
Net assets released from restrictions	4,905,382	(4,905,382)	-
Reclassification of donor restrictions	2,000,000	(2,000,000)	-
Amount appropriated for expenditure	<u>(4,905,382)</u>	<u>-</u>	<u>(4,905,382)</u>
Change in endowment net assets	<u>2,001,281</u>	<u>(15,493,069)</u>	<u>(13,491,788)</u>
Endowment net assets, beginning of year	<u>1,434,517</u>	<u>105,376,401</u>	<u>106,810,918</u>
Endowment net assets, end of year	<u>\$ 3,435,798</u>	<u>\$ 89,883,332</u>	<u>\$ 93,319,130</u>

Changes in endowment net assets for the year ended June 30, 2021 were as follows:

	<u>Without Donor Restrictions – Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>
Investment activity:			
Interest and dividends	\$ -	\$ 1,164,273	\$ 1,164,273
Unrealized gain on investments	-	16,789,569	16,789,569
Realized gain on investments	-	<u>4,143,417</u>	<u>4,143,417</u>
Total investment activity	-	22,097,259	22,097,259
Contributions	-	21,467	21,467
Net assets released from restrictions	7,977,696	(7,977,696)	-
Amount appropriated for expenditure	<u>(7,977,696)</u>	<u>-</u>	<u>(7,977,696)</u>
Change in endowment net assets	<u>-</u>	<u>14,141,030</u>	<u>14,141,030</u>
Endowment net assets, beginning of year before restatement	<u>6,840,953</u>	<u>85,828,935</u>	<u>92,669,888</u>
Restatement	<u>(5,406,436)</u>	<u>5,406,436</u>	<u>-</u>
Endowment net assets, beginning of year	<u>1,434,517</u>	<u>91,235,371</u>	<u>92,669,888</u>
Endowment net assets, end of year	<u>\$ 1,434,517</u>	<u>\$ 105,376,401</u>	<u>\$ 106,810,918</u>

**BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 – NET ASSETS (Continued)

During the year ended June 30, 2022, in accordance with grant restructuring, BET was authorized by a donor to remove the prior time and purpose restriction of the endowment contribution, and accordingly, reclassified such contribution from Endowment Net Assets to Net Assets Without Donor Restrictions – Board Designated.

During the year ended June 30, 2022, BET determined that \$5,406,436 of cumulative earnings previously classified as net assets Without Donor Restrictions - Board Designated should be classified as net assets with donor restrictions.

NOTE 5 – CONCENTRATIONS

Cash and cash equivalents that potentially subject BET to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. All accounts are insured up to \$250,000 per depositor, per insured financial institutions. As of June 30, 2022 and 2021, there was approximately \$2,550,000 and \$4,750,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.

NOTE 6 – RELATED-PARTY TRANSACTIONS

As of June 30, 2022 and 2021, the amount of funds BET owed to BAM was \$73. During the years ended June 30, 2022 and 2021, BAM received a management fee of \$250,000 for services performed on behalf of BET by BAM employees.

NOTE 7 – PLEDGES RECEIVABLE - NET

Pledges receivable as of June 30, 2022 and 2021 to BET have been discounted to reflect their net present value. The pledges receivable from various corporations, foundations and individuals were as follows at June 30:

	<u>2022</u>	<u>2021</u>
Pledges due:		
Within one year	\$ 1,710,000	\$ 1,218,000
In one to five years	<u> -</u>	<u> 500,000</u>
Gross pledges receivable	1,710,000	1,718,000
Less: discount to present value	<u> -</u>	<u> (17,048)</u>
Total pledges receivable - net	<u>\$ 1,710,000</u>	<u>\$ 1,700,952</u>

The pledges due subsequent to fiscal year 2022 are expected to be fully collected according to their payment schedules.

NOTE 8 – POOLED INCOME FUND

During the year ended June 30, 1997, BET established a BAM Pooled Income Fund. The fair value of the assets held in the Pooled Income Fund as of June 30, 2022 and 2021 amounted to \$126,264 and \$148,124, respectively. The discounting for future interests was \$12,158 and \$15,026 as of June 30, 2022 and 2021, respectively, using a discount rate commensurate with the rate of U.S. Treasury Notes whose maturities correspond to the estimated lives of the beneficiaries. The net value to BET as of June 30, 2022 and 2021 of \$114,106 and \$133,098, respectively, is included as net assets with donor restrictions for the estimated life of the income to the beneficiaries. The \$2,868 and \$2,725 of net change in the Pooled Income Fund was classified within net assets with donor restrictions as of and for the years ended June 30, 2022 and 2021, respectively.

BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. The Board designates only a portion of BET’s cumulative investment return for support of current operations unless donor restrictions exist. The remainder is retained to support operations of future years and used to offset potential market declines. State law allows the Board to appropriate so much of the net appreciation as is prudent considering BET’s present and anticipated financial requirements.

BET has made a commitment to make a distribution to BAM each year. During the years ended June 30, 2022 and 2021, the Board of BET authorized distributions to BAM of \$4,613,204 and \$7,687,204, respectively, of which \$0 and \$1,250,000, respectively, were appropriated as a special distribution.

B. BET believes it has no uncertain tax positions as of June 30, 2022 and 2021 in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 10 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following is a summary of investments classified by major type as of June 30:

	<u>2022</u>	<u>2021</u>
Equity securities funds (1)	\$ 58,293,437	\$ 66,424,026
Hedge funds, funds of funds and limited partnerships (2)	13,568,306	8,973,913
Fixed income funds (3)	16,615,286	24,207,095
Pooled income funds	<u>126,264</u>	<u>148,124</u>
Total investments	<u>\$ 88,603,293</u>	<u>\$ 99,753,158</u>

(1) These funds invest in domestic and international marketable equity securities in various industries, including, but not limited to corporate securities and mutual funds.

(2) These funds invest in hedge funds, funds of funds and limited partnerships whose objective is to achieve above-average rates of return and long-term capital growth through investments in private equity and private investment in public equity securities.

(3) These funds primarily invest in certificates of deposit issued by various commercial banks.

As of June 30, 2022 and 2021, BET had contractual commitments to invest capital amounting to \$16,054,183 and \$10,353,324, respectively, into alternative investments at a future date.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, BET utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at June 30, 2022 were classified in the table as follows:

	Level 1	Level 2	Total
ASSETS CARRIED AT FAIR VALUE			
Investments:			
Equity securities funds	\$ 47,266,869	\$ 11,026,568	\$ 58,293,437
Fixed income funds	16,436,268	179,018	16,615,286
Pooled income fund	51,098	75,166	126,264
TOTAL ASSETS AT FAIR VALUE	\$ 63,754,235	\$ 11,280,752	75,034,987
Hedge funds, funds of funds and limited partnerships using NAV as a practical expedient			13,568,306
Total investments			\$ 88,603,293

Financial assets carried at fair value at June 30, 2021 were classified in the table as follows:

	Level 1	Level 2	Total
ASSETS CARRIED AT FAIR VALUE			
Investments:			
Equity securities funds	\$ 50,806,600	\$ 15,617,426	\$ 66,424,026
Fixed income funds	22,265,438	1,941,657	24,207,095
Pooled income fund	49,960	98,164	148,124
TOTAL ASSETS AT FAIR VALUE	\$ 73,121,998	\$ 17,657,247	90,779,245
Hedge funds, funds of funds and limited partnerships using NAV as a practical expedient			8,973,913
Total investments			\$ 99,753,158

The following tables set forth additional disclosures of BET's alternative investments whose fair value is estimated using NAV per share (or its equivalent):

	As of June 30, 2022		
	Fair Value	Unfunded Commitment	Redemption Frequency / Notice Period
Hedge Funds	\$ 3,783,401	\$ -	Up to 1/12th of the client's capital account balance are permitted quarterly with a 65 day notice
Private equity, funds, funds of funds and limited partnerships	9,784,905	16,054,183	Investment generally cannot be redeemed. Distributions are generally received through the liquidation of the underlying assets of the Partnership.
Total	\$ 13,568,306	\$ 16,054,183	

BAM ENDOWMENT TRUST
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	As of June 30, 2021		
	Fair Value	Unfunded Commitment	Redemption Frequency / Notice Period
Hedge Funds	\$ 3,956,865	\$ -	Up to 1/12th of the client's capital account balance are permitted quarterly with a 65 day notice
Private equity, funds, funds of funds and limited partnerships	5,017,048	10,353,324	Investment generally cannot be redeemed. Distributions are generally received through the liquidation of the underlying assets of the Partnership.
Total	\$ 8,973,913	\$ 10,353,324	

Investments in corporate equities and fixed income funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Investments in hedge funds, funds of funds and limited partnerships and the agreements underlying these investments limit BET's ability to liquidate its interest in such investments for a period of time. The fair value of alternative investments has been estimated using the NAV as reported by the management of the respective alternative investment fund. U.S. GAAP guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. NAV, member's capital, partner's capital, or any investor ownership amount reported by each alternative investment fund is used as a practical expedient to estimate the fair value of BET's interest therein.

The estimated fair values of the alternative investments are reviewed by the Board of Trustees and may neither reflect amounts that could be realized upon immediate sale nor amounts that ultimately may be realized. The fair value of BET's investment in these alternative investments generally represents the amount BET would expect to receive if it were to liquidate its investment, excluding any redemption charges that may apply.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through March 30, 2023, the date the financial statements were available to be issued.