

VocalEssence
Minneapolis, Minnesota

Financial Statements
with Additional Information
Auditor's Report
For the Years Ended
June 30, 2023 and 2022



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
VocalEssence
Minneapolis, Minnesota

Opinion

We have audited the accompanying financial statements of VocalEssence (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, 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 VocalEssence as of June 30, 2023 and 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VocalEssence 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 VocalEssence's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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, including omissions, 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 VocalEssence'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 VocalEssence'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Detail Schedule of Activities and Detailed Schedules of Financial Position are 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.

Carpenter Ent and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
September 28, 2023

VOCALESSENCE

EXHIBIT A

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions of Financial Assets	\$ 471,873	\$ 1,114,726	\$ 1,586,599	\$ 635,242	\$ 1,270,016	\$ 1,905,258
Contributions of Non-Financial Assets	19,750	-	19,750	24,830	-	24,830
Special Events Revenue	311,502	-	311,502	-	-	-
Less: Costs of Direct Benefits to Donors	(149,747)	-	(149,747)	(3,002)	-	(3,002)
Net Revenues from Special Events	161,755	-	161,755	(3,002)	-	(3,002)
Government Grants	355,696	-	355,696	502,359	-	502,359
Performance Revenue	120,689	-	120,689	175,243	-	175,243
Investment Income (Loss)	297,401	383,272	680,673	(607,539)	(593,205)	(1,200,744)
Miscellaneous	838	-	838	780	-	780
Net Assets Released from Restrictions:						
Satisfaction of Purpose and Time Restrictions	481,848	(481,848)	-	491,430	(491,430)	-
Total Support and Revenue	1,909,850	1,016,150	2,926,000	1,219,343	185,381	1,404,724
Expense:						
Program Services:						
Artistic Series	811,565	-	811,565	902,986	-	902,986
Learning and Engagement	273,295	-	273,295	263,192	-	263,192
Youth Choir	496,298	-	496,298	333,761	-	333,761
Total Program Services	1,581,158	-	1,581,158	1,499,939	-	1,499,939
Support Services:						
Management and General	224,807	-	224,807	204,717	-	204,717
Fundraising	308,705	-	308,705	332,705	-	332,705
Total Support Services	533,512	-	533,512	537,422	-	537,422
Total Expense	2,114,670	-	2,114,670	2,037,361	-	2,037,361
Change in Net Assets - From Operations	(204,820)	1,016,150	811,330	(818,018)	185,381	(632,637)
Other Changes in Net Assets:						
Fund Transfers	240,000	(240,000)	-	200,000	(200,000)	-
Change in Net Assets	35,180	776,150	811,330	(618,018)	(14,619)	(632,637)
Net Assets - Beginning of Year	3,667,997	3,629,812	7,297,809	4,286,015	3,644,431	7,930,446
Net Assets - End of Year	\$ 3,703,177	\$ 4,405,962	\$ 8,109,139	\$ 3,667,997	\$ 3,629,812	\$ 7,297,809

The accompanying Notes to Financial Statements
are an integral part of these statements.

VOCALESSENCE

EXHIBIT B

STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2023 WITH COMPARATIVE TOTALS FOR 2022

	2023						2022		
	Program Services			Support Services			Total All Services	Total All Services	
	Artistic Series	Learning and Engagement	Youth Choir	Total Program Services	Management & General	Fund- raising			Total Support Services
Personnel Expense:									
Salaries	\$ 280,549	\$ 93,725	\$ 97,459	\$ 471,733	\$ 142,080	\$ 194,318	\$ 336,398	\$ 808,131	\$ 753,622
Payroll Taxes	24,010	8,021	8,341	40,372	12,160	16,630	28,790	69,162	65,283
Employee Benefits	30,747	10,272	10,681	51,700	15,571	21,296	36,867	88,567	84,997
Total Personnel Costs	335,306	112,018	116,481	563,805	169,811	232,244	402,055	965,860	903,902
Performance Expense:									
Travel	47,298	11,961	213,560	272,819	-	-	-	272,819	234,077
Production	62,973	26,422	40,192	129,587	168	426	594	130,181	156,127
Printing and Advertising	79,443	163	8,230	87,836	-	-	-	87,836	88,327
Ensemble	70,908	-	4,785	75,693	-	360	360	76,053	91,332
Guest Artists and Contract Services	16,906	17,800	36,803	71,509	-	-	-	71,509	108,068
Recording	38,711	12,440	12,400	63,551	-	-	-	63,551	65,580
School Artists	-	56,325	-	56,325	-	-	-	56,325	20,800
Orchestra	34,888	-	-	34,888	-	-	-	34,888	36,785
Other Expense	3,163	-	17,500	20,663	-	695	695	21,358	9,693
Composers/Copyists	5,507	-	7,500	13,007	-	-	-	13,007	17,700
Postage and Delivery	8,204	-	1,240	9,444	-	-	-	9,444	10,185
Total Performance Expense	368,001	125,111	342,210	835,322	168	1,481	1,649	836,971	838,674
General Expense:									
Contract Services and Professional Fees	39,223	13,103	13,625	65,951	19,864	27,167	47,031	112,982	107,910
Equipment Rental and Maintenance	18,919	6,320	6,572	31,811	9,581	13,104	22,685	54,496	47,111
Rent	18,896	6,313	6,564	31,773	9,570	13,088	22,658	54,431	54,347
Travel	12,939	4,323	4,495	21,757	6,553	8,960	15,513	37,270	20,641
Printing and Advertising	5,043	1,685	1,752	8,480	2,554	3,493	6,047	14,527	17,020
Other Expense	4,117	1,375	1,430	6,922	2,085	2,851	4,936	11,858	10,263
Telephone	2,268	758	788	3,814	1,148	1,571	2,719	6,533	8,623
Subscriptions and Dues	2,249	751	781	3,781	1,139	1,558	2,697	6,478	5,923
Insurance	1,177	393	409	1,979	596	815	1,411	3,390	3,073
Postage	1,099	367	382	1,848	556	761	1,317	3,165	3,423
Supplies	874	292	304	1,470	442	605	1,047	2,517	2,702
Interest	-	-	-	-	3	-	3	3	254
Depreciation	1,454	486	505	2,445	737	1,007	1,744	4,189	13,495
Total General Expense	108,258	36,166	37,607	182,031	54,828	74,980	129,808	311,839	294,785
Total Expense	\$ 811,565	\$ 273,295	\$ 496,298	\$ 1,581,158	\$ 224,807	\$ 308,705	\$ 533,512	\$ 2,114,670	\$ 2,037,361

The accompanying Notes to Financial Statements
are an integral part of this statement.

VOCALLESSENCE
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services				Support Services			Total All Services
	Artistic Series	Learning and Engagement	Youth Choir	Total Program Services	Management & General	Fund- raising	Total Support Services	
Personnel Expense:								
Salaries	\$ 241,762	\$ 128,945	\$ 42,504	\$ 413,211	\$ 128,945	\$ 211,466	\$ 340,411	\$ 753,622
Payroll Taxes	20,943	11,170	3,682	35,795	11,170	18,318	29,488	65,283
Employee Benefits	27,267	14,543	4,794	46,604	14,543	23,850	38,393	84,997
Total Personnel Costs	289,972	154,658	50,980	495,610	154,658	253,634	408,292	903,902
Performance Expense:								
Travel	89,632	3,672	140,098	233,402	675	-	675	234,077
Production	84,598	12,646	58,554	155,798	6	323	329	156,127
Printing and Advertising	81,051	-	7,276	88,327	-	-	-	88,327
Ensemble	91,182	-	-	91,182	-	150	150	91,332
Guest Artists and Contract Services	40,875	16,815	50,378	108,068	-	-	-	108,068
Recording	53,672	4,703	7,205	65,580	-	-	-	65,580
School Artists	-	20,800	-	20,800	-	-	-	20,800
Orchestra	36,785	-	-	36,785	-	-	-	36,785
Other Expense	9,113	-	-	9,113	-	580	580	9,693
Composers/Copyists	15,000	1,500	1,200	17,700	-	-	-	17,700
Postage and Delivery	9,005	-	1,180	10,185	-	-	-	10,185
Total Performance Expense	510,913	60,136	265,891	836,940	681	1,053	1,734	838,674
General Expense:								
Contract Services and Professional Fees	34,618	18,463	6,086	59,167	18,463	30,280	48,743	107,910
Equipment Rental and Maintenance	17,035	7,557	2,728	27,320	7,740	12,051	19,791	47,111
Rent	19,652	8,717	3,147	31,516	8,929	13,902	22,831	54,347
Travel	7,464	3,311	1,195	11,970	3,391	5,280	8,671	20,641
Printing and Advertising	6,155	2,730	985	9,870	2,796	4,354	7,150	17,020
Other Expense	3,711	1,647	594	5,952	1,686	2,625	4,311	10,263
Telephone	3,118	1,383	499	5,000	1,417	2,206	3,623	8,623
Subscriptions and Dues	2,142	950	343	3,435	973	1,515	2,488	5,923
Insurance	1,111	493	178	1,782	505	786	1,291	3,073
Postage	1,238	549	198	1,985	562	876	1,438	3,423
Supplies	977	433	156	1,566	445	691	1,136	2,702
Interest	-	-	-	-	254	-	254	254
Depreciation	4,880	2,165	781	7,826	2,217	3,452	5,669	13,495
Total General Expense	102,101	48,398	16,890	167,389	49,378	78,018	127,396	294,785
Total Expense	\$ 902,986	\$ 263,192	\$ 333,761	\$ 1,499,939	\$ 204,717	\$ 332,705	\$ 537,422	\$ 2,037,361

The accompanying Notes to Financial Statements
are an integral part of this statement.

VOCALLESSENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 151,721	\$ 80,422
Accounts Receivable	4,658	3,245
Pledges Receivable	333,700	522,050
Prepaid Expenses	55,934	101,589
Total Current Assets	546,013	707,306
Pledges Receivable	667,183	943,717
Investments	6,997,965	5,767,790
Property and Equipment - Net	10,656	14,845
Total Assets	\$ 8,221,817	\$ 7,433,658
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 52,496	\$ 23,975
Accrued Payroll Liabilities	60,182	58,641
Deferred Revenue	-	52,375
Capital Lease Payable	-	858
Total Current Liabilities	112,678	135,849
Net Assets:		
Without Donor Restrictions:		
Undesignated	1,844,744	1,995,949
Endowment	1,858,433	1,672,048
Total Without Donor Restrictions	3,703,177	3,667,997
With Donor Restrictions	4,405,962	3,629,812
Total Net Assets	8,109,139	7,297,809
Total Liabilities and Net Assets	\$ 8,221,817	\$ 7,433,658

The accompanying Notes to Financial Statements
are an integral part of these statements.

VOCALLESSENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 811,330	\$ (632,637)
Total Adjustments	<u>(442,586)</u>	<u>(188,975)</u>
Net Cash Provided (Used) by Operating Activities	368,744	(821,612)
Cash Flows from Investing Activities:		
Proceeds from the Sale of Investments	1,854,471	1,272,686
Purchase of Investments	<u>(2,473,431)</u>	<u>(1,337,739)</u>
Net Cash (Used) by Investing Activities	(618,960)	(65,053)
Cash Flows from Financing Activities:		
Proceeds from Contributions Restricted for Endowment	322,373	853,774
Principal Payments on Capital Lease	<u>(858)</u>	<u>(10,077)</u>
Net Cash Provided by Financing Activities	<u>321,515</u>	<u>843,697</u>
Net Increase (Decrease) in Cash and Cash Equivalents	71,299	(42,968)
Cash and Cash Equivalents - Beginning of Year	<u>80,422</u>	<u>123,390</u>
Cash and Cash Equivalents - End of Year	<u>\$ 151,721</u>	<u>\$ 80,422</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 3</u>	<u>\$ 254</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

VOCALESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies

Organizational Purpose

VocalEssence's mission is to explore the interaction of voices and instruments through innovative programming of music, past and present. They seek to engage and enrich their audiences, who expect from them the unexpected. Their focus is on commissioned and first performances of music as well as important, but rarely heard, works of the past. VocalEssence strives to inspire learners of all ages through creative community engagement programs.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to VocalEssence, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restriction. A description of the groupings is as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. VocalEssence reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, VocalEssence considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Doubtful Accounts

VocalEssence extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and VocalEssence does not charge interest on accounts receivable balances. VocalEssence reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Investments

VocalEssence carries its investments at market value.

Property and Equipment

All major expenditures for property and equipment in excess of \$1,000 are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

Revenue and Revenue Recognition

VocalEssence recognizes program service fee revenue when the performance obligations of providing the services are met. Deferred revenue is recorded when amounts are received, but the revenue is not yet earned. Special event revenue is recognized when the event takes place and is comprised of an exchange element based upon the direct benefits the donor receive and a contribution element for the difference.

VocalEssence recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of VocalEssence’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when VocalEssence has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

The following provides information about significant changes in Deferred Revenue ended June 30:

	<u>2023</u>	<u>2022</u>
Deferred Revenue – Beginning of Year	\$ 52,375	\$ -
Revenue recognized that was included in deferred revenue at the beginning of the year	(52,375)	-
Increases in deferred revenue due to cash received during the year	-	52,375
Deferred Revenue– End of Year	<u>\$ -</u>	<u>\$ 52,375</u>

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations of expenses between categories must be made. When allocations are required, they are based on the best estimates of management

New Accounting Pronouncement

In the year ended June 30, 2023, VocalEssence adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. VocalEssence elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

Contributions of Nonfinancial Assets

VocalEssence records contributions of nonfinancial assets at fair market value at date of donation. VocalEssence's policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of VocalEssence. If an asset is provided that does not allow VocalEssence to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist.

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Leases

VocalEssence determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. The operating lease expense is recognized on a straight-line basis over the lease term. VocalEssence does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Based on the length of the leases VocalEssence has determined their leases are short-term leases and the difference with operating leases is not material.

Income Tax

VocalEssence has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted Accounting for Uncertainty in Income Taxes, ASC 740-10. VocalEssence's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. VocalEssence continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, VocalEssence annually files a Return of Organization Exempt From Income Tax (Form 990).

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform with the presentation in the current year financial statements.

Subsequent Events

VocalEssence has evaluated the effect that subsequent events would have on the financial statements through September 28, 2023, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

VocalEssence provides services primarily within the Twin Cities area. The amounts due for services provided are from local institutions. Pledges receivable are from local individuals and institutions.

VOCALLESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

3. Investments

Investments were comprised of the following as of:

	June 30,			
	2023		2022	
	Cost	Market	Cost	Market
Money Market Funds	\$ 351,535	\$ 351,535	\$ 1,397,869	\$ 1,397,869
Mutual Funds and ETFs	6,131,840	6,646,430	4,476,211	4,369,921
Total	\$ 6,483,375	\$ 6,997,965	\$ 5,874,080	\$ 5,767,790

Investment income was as follows as of:

	June 30,	
	2023	2022
Interest and Dividend Income	\$ 105,120	\$ 97,359
Realized Gain (Loss)	(72,038)	(129,413)
Unrealized Gain (Loss)	680,982	(1,134,295)
Investment Fees	(33,391)	(34,395)
Total	\$ 680,673	\$ (1,200,744)

4. Pension Plan

VocalEssence made contributions of \$40,750 and \$37,291 to employees' individual retirement accounts in the 403(b) plan for the years ended June 30, 2023 and 2022, respectively. Employees age 21 and over, with a least 1,000 hours of service per year, are covered by the plan.

5. Short Term Leases

Rental commitments under a noncancelable lease for equipment and office space in effect at June 30, 2023, total \$7,652. The future annual rental commitments are as follows:

Due in the Year Ending June 30,

2024	\$ 5,739
2025	1,913
	\$ 7,652

Rental expense for office space and equipment was \$54,431 and \$54,347 for the years ended June 30, 2023 and 2022, respectively. Office space lease is a month to month agreement.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

6. Fair Value

VocalEssence adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures (“ASC 820”). In accordance with ASC 820, “fair value” is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at:

June 30, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 351,535	\$ -	\$ -	\$ 351,535
Mutual Funds and ETFs	6,646,430	-	-	6,646,430
Pledges Receivable	-	667,183	-	667,183
Total	<u>\$ 6,997,965</u>	<u>\$ 667,183</u>	<u>\$ -</u>	<u>\$ 7,665,148</u>

June 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 1,397,869	\$ -	\$ -	\$ 1,397,869
Mutual Funds and ETFs	4,369,921	-	-	4,369,921
Pledges Receivable	-	943,717	-	943,717
Total	<u>\$ 5,767,790</u>	<u>\$ 943,717</u>	<u>\$ -</u>	<u>\$ 6,711,507</u>

7. Property and Equipment

VocalEssence owned the following as of:

	<u>June 30,</u>		<u>Estimated</u>
	<u>2023</u>	<u>2022</u>	<u>Useful Lives</u>
Furniture and Equipment	\$ 150,554	\$ 150,554	5-15 years
Leasehold Improvements	62,657	62,657	10 years
	213,211	213,211	
Less Accumulated Depreciation	<u>202,555</u>	<u>198,366</u>	
	<u>\$ 10,656</u>	<u>\$ 14,845</u>	

Depreciation expense of \$4,189 and \$13,495 was recorded for the years ended June 30, 2023 and 2022, respectively.

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

8. Pledges Receivable

The outstanding balance of pledges receivable at June 30, 2023, is expected to be collected over the following fiscal years:

Due in the Year Ending June 30,

2024	\$ 333,700
2025	277,500
2026	169,500
2027	44,500
2028	44,500
2029 and Beyond	<u>198,939</u>
	1,068,639
Less discount to present value at 4%	<u>67,756</u>
	1,000,883
Due within one year	<u>333,700</u>
Long-term portion	<u>\$ 667,183</u>

9. Net Asset Designations

The Board of Directors has established an Endowment Fund to invest resources for the long-term benefit of VocalEssence. Annually, the Board determines the portion of the Endowment Fund earnings to be retained in order to offset the effect of inflation and to determine the portion that should be assigned or transferred to the Operating Fund.

Board designated net assets consisted of amounts for the following as of:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Board Designated Endowment	<u>\$ 1,858,433</u>	<u>\$ 1,672,048</u>

10. Net Assets

Net Assets With Donor Restrictions consisted of amounts for the following as of:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose and the passage of time:		
Future Years Operating and Program Support	\$ 1,141,744	\$ 831,239
Cross Cultural Education	37,263	30,741
Unappropriated Investment Income (Loss) – Endowment Fund	<u>45,779</u>	<u>(90,971)</u>
	1,224,786	771,009
Endowment – To be Held in Perpetuity	<u>3,181,176</u>	<u>2,858,803</u>
Total Net Assets With Donor Restrictions	<u>\$ 4,405,962</u>	<u>\$ 3,629,812</u>

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

11. Contributions of Non-Financial Assets

Contributions of Non-Financial Assets included the following as of:

	June 30,	
	2023	2022
Travel, Lodging and Parking	\$ 16,000	\$ 16,600
Professional Services	3,750	-
Advertising	-	8,230
	\$ 19,750	\$ 24,830

Contributions of Non-Financial Assets were utilized for the Artistic Series and Youth Choir programs during the years ended June 30, 2023 and 2022, and had no donor restrictions. Values were used based on the current market rates VocalEssence would have paid for the same services if they were not donated.

12. Capital Lease Payable

VocalEssence leases certain equipment under a non-cancelable lease. The lease has been capitalized and included in equipment for the amount of \$29,160 less accumulated depreciation of \$29,160.

Amortization expense related to the lease of \$810 and \$9,720 is included in depreciation expense for the years ended June 30, 2023 and 2022, respectively. Interest expense for the years ended June 30, 2023 and 2022 were \$3 and \$254, respectively.

13. Notes Payable

On March 26, 2021, VocalEssence was granted a second PPP loan from the SBA through Sunrise Bank in the amount of \$182,000. VocalEssence recorded the loan as debt on the Statement of Financial Position when received. The loan was forgiven in the year-ending June 30, 2022 and was recorded as Government Grant Income.

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

14. Endowment Fund

Description

Endowment funds consist of donor restricted net assets and without donor restrictions established for the purposes:

Donor Restricted Net Assets to be held in perpetuity are donor restricted to be held for designated purposes with the income and related investment gains to be used for those designated purposes.

Donor Restricted Net Assets are earnings on invested funds not yet appropriated for use by the Board of Directors and held for long-term purposes.

Funds designated by the Board of Directors to function as endowments are held at the discretion of the Board of Directors with the income and investment gains to be used for operation in accordance with an established spending formula.

Undesignated Net Assets are investments that are invested in the endowment but can be used by the organization for any purpose.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, VocalEssence classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the 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 in donor restricted net assets in perpetuity is classified as donor restricted net assets until those amounts are appropriated for expenditure by VocalEssence in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, VocalEssence considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of VocalEssence and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of VocalEssence
7. The investment policies of VocalEssence.

VOCALLESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

14. Endowment Fund (continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of VocalEssence has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under the law.

At June 30, 2022, funds with original gift values of \$2,858,803, fair values of \$2,823,693, and deficiencies of \$35,110 were reported in net assets without donor restrictions.

Endowment Net Asset Composition by Type of Fund:

June 30, 2023	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted			
Original donor-restricted gift and amounts to be maintained in perpetuity by donor	\$ -	\$ 3,181,176	\$ 3,181,176
Board-Designated	1,858,433	-	1,858,433
Undesignated	<u>1,958,356</u>	<u>-</u>	<u>1,958,356</u>
Total	<u>\$ 3,816,789</u>	<u>\$ 3,181,176</u>	<u>\$ 6,997,965</u>
June 30, 2022	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
Donor-Restricted			
Original donor-restricted gift and amounts to be maintained in perpetuity by donor	\$ -	\$ 2,858,803	\$ 2,858,803
Board-Designated	1,672,048	-	1,672,048
Undesignated	<u>1,236,939</u>	<u>-</u>	<u>1,236,939</u>
Total	<u>\$ 2,908,987</u>	<u>\$ 2,858,803</u>	<u>\$ 5,767,790</u>

VOCALLESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

14. Endowment Fund (continued)

Changes in Endowment Net Assets:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2021	\$ 4,203,322	\$ 2,763,124	\$ 6,966,446
Investment Return:			
Investment Income	20,354	77,004	97,358
Net Decline	<u>(276,779)</u>	<u>(1,021,323)</u>	<u>(1,298,102)</u>
Total Investment Return	(256,425)	(944,319)	(1,200,744)
Other Changes:			
Contributions	-	853,774	853,774
Appropriation	<u>(1,037,910)</u>	<u>186,224</u>	<u>(851,686)</u>
June 30, 2022	<u>\$ 2,908,987</u>	<u>\$ 2,858,803</u>	<u>\$ 5,767,790</u>
Investment Return:			
Investment Income	25,453	81,587	107,040
Net Appreciation	<u>91,913</u>	<u>488,070</u>	<u>579,983</u>
Total Investment Return	117,366	569,657	687,023
Other Changes:			
Contributions	-	322,373	322,373
Appropriations	<u>790,436</u>	<u>(569,657)</u>	<u>220,780</u>
June 30, 2023	<u>\$ 3,816,789</u>	<u>\$ 3,181,176</u>	<u>\$ 6,997,965</u>

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

15. Liquidity and Availability

The following represents VocalEssence's financial assets at June 30,

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 151,721	\$ 80,422
Accounts Receivable	4,658	3,245
Pledges Receivable	1,000,883	1,465,767
Investments	<u>6,997,965</u>	<u>5,767,790</u>
Total Financial Assets	8,155,227	7,317,224
Less assets not available to be used for general expenditures within one year:		
Net Assets With Donor Restrictions	4,405,962	3,629,812
Board Designated Endowment	1,858,433	1,672,048
Net Assets With Restrictions to be met within a year	<u>(792,835)</u>	<u>(316,242)</u>
Total assets not available for general expenditures within one year:	<u>5,471,560</u>	<u>4,985,618</u>
Financial assets available for general expenditures within one year	<u>\$ 2,683,667</u>	<u>\$ 2,331,606</u>

VocalEssence's Board Designated portion of its Endowment is not considered available for use within one year but could be available for use with a board resolution.

As part of VocalEssence's liquidity plan, VocalEssence has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

VOCALLESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

16. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash (Used) by Operating Activities were as follows as of:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Depreciation	\$ 4,189	\$ 13,495
PPP Loan Forgiveness	-	(182,000)
Unrealized (Gain) Loss on Investments	(683,246)	1,134,295
Realized Loss on Investments	72,031	129,413
Pledges Receivable	276,534	(308,855)
Contributions Restricted for Endowment	(322,373)	(853,774)
Increases in Current Liabilities:		
Accounts Payable	28,521	(27,406)
Accrued Payroll Liabilities	1,541	6,404
Deferred Revenue	(52,375)	52,375
Decreases (Increases) in Current Assets:		
Accounts Receivable	(1,413)	9,681
Pledges Receivable	188,350	(131,430)
Prepaid Expenses	45,655	(31,173)
Total Adjustments	<u>\$ (442,586)</u>	<u>\$ (188,975)</u>