VocalEssence

Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2025 and 2024

CEA
CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

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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, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VocalEssence as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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
October 1, 2025

Carpenter, Evert & Associates

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, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VocalEssence as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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.

Carpenter Ent and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
October 1, 2025

VOCALESSENCE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

EXHIBIT A

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions of Financial Assets	$ 669,164	$ 598,616	$ 1,267,780	$ 883,399	$ 218,806	$ 1,102,205
Contributions of Non-Financial Assets	10,000	-	10,000	48,519	-	48,519
Special Events Revenue	500	-	500	262,385	-	262,385
Less: Costs of Direct Benefits to Donors	(1,362)	-	(1,362)	(139,273)	-	(139,273)
Net Revenues from Special Events	(862)	-	(862)	123,112	-	123,112
Government Grants	70,983	-	70,983	191,979	-	191,979
Performance Revenue	228,924	-	228,924	160,764	-	160,764
Investment Income	88,449	581,962	670,411	350,178	670,455	1,020,633
Miscellaneous	400	-	400	-	-	-
Net Assets Released from Restrictions:						
Satisfaction of Purpose and Time Restrictions	364,443	(364,443)	-	388,000	(388,000)	-
Total Support and Revenue	1,431,501	816,135	2,247,636	2,145,951	501,261	2,647,212
Expense:						
Program Services:						
Artistic Series	1,095,537	-	1,095,537	1,059,363	-	1,059,363
Learning and Engagement	284,142	-	284,142	286,711	-	286,711
Youth Choir	338,742	-	338,742	390,427	-	390,427
Total Program Services	1,718,421	-	1,718,421	1,736,501	-	1,736,501
Support Services:						
Management and General	189,096	-	189,096	190,363	-	190,363
Fundraising	297,380	-	297,380	311,570	-	311,570
Total Support Services	486,476	-	486,476	501,933	-	501,933
Total Expense	2,204,897	-	2,204,897	2,238,434	-	2,238,434
Change in Net Assets - From Operations	(773,396)	816,135	42,739	(92,483)	501,261	408,778
Other Changes in Net Assets:						
Fund Transfers	360,000	(360,000)	-	270,000	(270,000)	-
Change in Net Assets	(413,396)	456,135	42,739	177,517	231,261	408,778
Net Assets - Beginning of Year	3,880,694	4,637,223	8,517,917	3,703,177	4,405,962	8,109,139
Net Assets - End of Year	$ 3,467,298	$ 5,093,358	$ 8,560,656	$ 3,880,694	$ 4,637,223	$ 8,517,917

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, 2025 WITH COMPARATIVE TOTALS FOR 2024

	2025								2024
	Program Services				Support Services				
Personnel Expense:	Artistic Series	Learning and Engagement	Youth Choir	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	$ 374,502	$ 109,808	$ 87,769	$ 572,079	$ 125,844	$ 196,832	$ 322,676	$ 894,755	$ 863,232
Payroll Taxes	33,931	9,949	7,952	51,832	11,402	17,833	29,235	81,067	78,521
Employee Benefits	39,222	11,501	9,192	59,915	13,180	20,615	33,795	93,710	90,480
Total Personnel Costs	447,655	131,258	104,913	683,826	150,426	235,280	385,706	1,069,532	1,032,233
Performance Expense:									
Travel	45,364	13,432	144,586	203,382	-	31	31	203,413	246,131
Ensemble	142,941	210	-	143,151	-	600	600	143,751	110,424
Production	90,937	8,638	33,496	133,071	-	388	388	133,459	163,633
Printing and Advertising	100,582	1,828	4,719	107,129	-	-	-	107,129	105,141
Guest Artists and Contract Services	50,130	16,100	15,339	81,569	200	-	200	81,769	73,103
Orchestra	65,081	-	1,000	66,081	-	-	-	66,081	11,628
School Artists	-	58,872	-	58,872	-	-	-	58,872	53,310
Recording	17,505	19,330	525	37,360	-	-	-	37,360	51,654
Other Expense	2,756	958	7,373	11,087	58	1,001	1,059	12,146	18,798
Composers/Copyists	11,157	-	-	11,157	-	-	-	11,157	23,195
Postage and Delivery	7,119	-	-	7,119	-	-	-	7,119	8,627
Total Performance Expense	533,572	119,368	207,038	859,978	258	2,020	2,278	862,256	865,644
General Expense:									
Contract Services and Professional Fees	34,545	10,129	8,096	52,770	11,608	18,156	29,764	82,534	158,842
Rent	26,484	7,765	6,207	40,456	8,899	13,920	22,819	63,275	46,064
Equipment Rental and Maintenance	21,605	6,335	5,063	33,003	7,260	11,355	18,615	51,618	57,174
Travel	8,995	2,637	2,108	13,740	3,023	4,728	7,751	21,491	27,365
Printing and Advertising	5,094	1,493	1,194	7,781	1,712	2,677	4,389	12,170	16,955
Other Expense	3,693	1,083	866	5,642	1,241	1,941	3,182	8,824	10,156
Subscriptions and Dues	3,304	969	775	5,048	1,111	1,737	2,848	7,896	6,385
Telephone	2,440	716	572	3,728	820	1,283	2,103	5,831	6,525
Insurance	1,617	474	379	2,470	543	850	1,393	3,863	3,684
Supplies	1,397	409	327	2,133	469	734	1,203	3,336	2,803
Postage	1,382	406	324	2,112	465	727	1,192	3,304	2,915
Depreciation	3,754	1,100	880	5,734	1,261	1,972	3,233	8,967	1,689
Total General Expense	114,310	33,516	26,791	174,617	38,412	60,080	98,492	273,109	340,557
Total Expense	$ 1,095,537	$ 284,142	$ 338,742	$ 1,718,421	$ 189,096	$ 297,380	$ 486,476	$ 2,204,897	$ 2,238,434

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

EXHIBIT C

VOCALESSENCE
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services				Support Services			
Personnel Expense:	Artistic Series	Learning and Engagement	Youth Choir	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services
Salaries	$ 360,959	$ 106,668	$ 86,251	$ 553,878	$ 119,703	$ 189,651	$ 309,354	$ 863,232
Payroll Taxes	32,833	9,703	7,846	50,382	10,888	17,251	28,139	78,521
Employee Benefits	37,834	11,181	9,040	58,055	12,547	19,878	32,425	90,480
Total Personnel Costs	431,626	127,552	103,137	662,315	143,138	226,780	369,918	1,032,233
Performance Expense:								
Travel	54,546	9,789	181,796	246,131	-	-	-	246,131
Ensemble	101,189	-	-	101,189	-	9,235	9,235	110,424
Production	101,788	29,166	32,679	163,633	-	-	-	163,633
Printing and Advertising	104,926	63	152	105,141	-	-	-	105,141
Guest Artists and Contract Services	32,325	16,630	24,148	73,103	-	-	-	73,103
Orchestra	11,628	-	-	11,628	-	-	-	11,628
School Artists	-	53,310	-	53,310	-	-	-	53,310
Recording	42,834	8,120	700	51,654	-	-	-	51,654
Other Expense	4,274	-	13,789	18,063	-	735	735	18,798
Composers/Copyists	23,195	-	-	23,195	-	-	-	23,195
Postage and Delivery	8,627	-	-	8,627	-	-	-	8,627
Total Performance Expense	485,332	117,078	253,264	855,674	-	9,970	9,970	865,644
General Expense:								
Contract Services and Professional Fees	66,420	19,628	15,871	101,919	22,026	34,897	56,923	158,842
Rent	19,261	5,692	4,602	29,555	6,389	10,120	16,509	46,064
Equipment Rental and Maintenance	23,907	7,065	5,713	36,685	7,928	12,561	20,489	57,174
Travel	11,443	3,381	2,734	17,558	3,795	6,012	9,807	27,365
Printing and Advertising	7,090	2,095	1,694	10,879	2,351	3,725	6,076	16,955
Other Expense	4,247	1,255	1,015	6,517	1,408	2,231	3,639	10,156
Subscriptions and Dues	2,670	789	638	4,097	885	1,403	2,288	6,385
Telephone	2,728	806	652	4,186	905	1,434	2,339	6,525
Insurance	1,541	455	367	2,363	511	810	1,321	3,684
Supplies	1,172	346	280	1,798	389	616	1,005	2,803
Postage	1,220	360	291	1,871	404	640	1,044	2,915
Depreciation	706	209	169	1,084	234	371	605	1,689
Total General Expense	142,405	42,081	34,026	218,512	47,225	74,820	122,045	340,557
Total Expense	$ 1,059,363	$ 286,711	$ 390,427	$ 1,736,501	$ 190,363	$ 311,570	$ 501,933	$ 2,238,434

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

VOCALESSENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 29,750	$ 311,391
Accounts Receivable	11,066	10,498
Pledges Receivable	250,545	472,449
Prepaid Expenses	207,961	37,212
Total Current Assets	499,322	831,550
Pledges Receivable	105,000	285,208
Investments	8,110,903	7,476,056
Property and Equipment - Net	-	8,967
Total Assets	$ 8,715,225	$ 8,601,781
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 49,408	$ 47,752
Accrued Payroll Liabilities	35,963	36,112
Deferred Revenue	69,198	-
Total Current Liabilities	154,569	83,864
Net Assets:		
Without Donor Restrictions:		
Undesignated	1,424,230	1,846,260
Endowment - Board Designated	2,043,068	2,034,434
Total Without Donor Restrictions	3,467,298	3,880,694
With Donor Restrictions	5,093,358	4,637,223
Total Net Assets	8,560,656	8,517,917
Total Liabilities and Net Assets	$ 8,715,225	$ 8,601,781

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

EXHIBIT E

VOCALESSENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities:		
Change in Net Assets	$ 42,739	$ 408,778
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	8,967	1,689
Realized and Unrealized (Gain) on Investments	(554,653)	(893,131)
Contributions Restricted for Endowment	(2,000)	(64,466)
Decreases (Increases) in Operating Assets:		
Accounts Receivable	(568)	(5,840)
Pledges Receivable	402,112	243,226
Prepaid Expenses	(170,749)	18,722
Increases (Decreases) in Operating Liabilities:		
Accounts Payable	1,656	(4,744)
Accrued Payroll Liabilities	(149)	(24,070)
Deferred Revenue	69,198	-
Net Cash (Used) by Operating Activities	(203,447)	(319,836)
Cash Flows from Investing Activities:		
Proceeds from the Sale of Investments	5,322,831	5,006,036
Purchase of Investments	(5,403,025)	(4,590,996)
Net Cash Provided (Used) by Investing Activities	(80,194)	415,040
Cash Flows from Financing Activities:		
Proceeds from Contributions Restricted for Endowment	2,000	64,466
Net Cash Provided by Financing Activities	2,000	64,466
Net Increase (Decrease) in Cash and Cash Equivalents	(281,641)	159,670
Cash and Cash Equivalents - Beginning of Year	311,391	151,721
Cash and Cash Equivalents - End of Year	$ 29,750	$ 311,391

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

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 Allowance for Credit Losses

Accounts receivable are generally uncollateralized and VocalEssence does not charge interest on accounts receivable balances. Allowance for credit losses on accounts receivable is determined based on historical experience, an assessment on economic conditions, and review of subsequent collections. VocalEssence reviews accounts receivable balances on a periodic basis and writes off delinquent receivables to the allowance when they are considered uncollectible. No allowance for credit losses has been provided as accounts receivable are considered collectable.

Investments

VocalEssence carries its investments at market value.

1. Summary of Significant Accounting Policies (continued)

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.

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.

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:

	2025	2024
Deferred Revenue – Beginning of Year	$ -	$ -
Revenue recognized that was included in deferred revenue at the beginning of the year	-	-
Increases in deferred revenue due to cash received during the year	69,198	-
Deferred Revenue– End of Year	$ 69,198	$ -

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.

1. Summary of Significant Accounting Policies (continued)

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

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The statements of functional expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Salaries and related expenses are allocated based on time spent or estimated time spent. Expenses that can be identified with a particular function are expensed to that function. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on management's best estimates of employees' time and efforts.

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).

1. Summary of Significant Accounting Policies (continued)

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 October 1, 2025, 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.

3. Investments

Investments were comprised of the following as of:

	June 30,			
	2025		2024	
	Cost	Market	Cost	Market
Money Market Funds	$ 619,062	$ 619,062	$ 236,282	$ 236,282
Mutual Funds and ETFS	5,878,770	7,491,841	5,866,182	7,239,774
Total	$ 6,497,832	$ 8,110,903	$ 6,102,464	$ 7,476,056

Investment income was as follows as of:

	June 30,	
	2025	2024
Interest and Dividend Income	$ 156,494	$ 163,579
Unrealized and Realized Gain	554,653	893,131
Investment Fees	(40,736)	(36,077)
Total	$ 670,411	$ 1,020,633

4. Retirement Plan

VocalEssence made contributions of $44,808 and $42,927 to employees' individual retirement accounts in the 403(b) plan for the years ended June 30, 2025 and 2024, 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

VocalEssence had no future rental commitments under noncancelable leases for equipment or office space as of the year ended June 30, 2025.

Rental expense for office space and equipment was $63,275 and $46,064 for the years ended June 30, 2025 and 2024, respectively. Office space lease is a month to month agreement.

6. Fair Value

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, 2025

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 619,062	$ -	$ -	$ 619,062
Mutual Funds and ETFs	7,491,841	-	-	7,491,841
Total	$ 8,110,903	$ -	$ -	$ 8,110,903

June 30, 2024

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 236,282	$ -	$ -	$ 236,282
Mutual Funds and ETFs	7,239,774	-	-	7,239,774
Pledges Receivable - Discounted	-	285,208	-	285,208
Total	$ 7,476,056	$ 285,208	$ -	$ 7,761,264

7. Property and Equipment

VocalEssence owned the following as of:

	June 30, 2025	June 30, 2024	Estimated Useful Lives
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	213,211	204,244	
	$ -	$ 8,967	

Depreciation expense of $8,967 and $1,689 was recorded for the years ended June 30, 2025 and 2024, respectively.

8. Pledges Receivable

The outstanding balance of pledges receivable at June 30, 2025, is expected to be collected over the following fiscal years:

Due in the Year Ending June 30,	
2026	$ 250,545
2027	42,500
2028	17,500
2029	17,500
2030	17,500
2031 and Beyond	10,000
	355,545
Due within one year	250,545
Long-term portion	$ 105,000

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:

	June 30, 2025	June 30, 2024
Board Designated Endowment	$ 2,043,068	$ 2,034,434

10. Net Assets

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

	June 30, 2025	June 30, 2024
Subject to expenditure for specified purpose and the passage of time:		
Future Years Operating and Program Support	$ 1,140,257	$ 908,084
Cross Cultural Education	53,636	47,104
Unappropriated Investment Income – Endowment Fund	651,823	436,393
	1,845,716	1,391,581
Endowment – To be Held in Perpetuity	3,247,642	3,245,642
Total Net Assets With Donor Restrictions	$ 5,093,358	$ 4,637,223

11. Contributions of Non-Financial Assets

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

	June 30, 2025	June 30, 2024
Rehearsal Space	$ 10,000	$ 16,000
Professional Services	-	32,519
	$ 10,000	$ 48,519

Contributions of Non-Financial Assets were utilized for the Artistic Series and Youth Choir programs during the years ended June 30, 2025 and 2024, 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.

13. 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.

13. Endowment Fund (continued)

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.

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.

Endowment Net Asset Composition by Type of Fund:

June 30, 2025	Without Donor Restrictions	With Donor Restricted	Total
Donor-Restricted			
Original donor-restricted gift and amounts to be maintained in perpetuity by donor	$ -	$ 3,247,642	$ 3,247,642
Restricted Unappropriated Investment Income	-	651,821	651,821
Board-Designated	2,043,068	-	2,043,068
Undesignated	2,168,372	-	2,820,193
Total	$ 4,211,440	$ 3,899,463	$ 8,110,903

13. Endowment Fund (continued)

Endowment Net Asset Composition by Type of Fund (continued):

June 30, 2024	Without Donor Restrictions	With Donor Restricted	Total
Donor-Restricted			
Original donor-restricted gift and amounts to be maintained in perpetuity by donor	$ -	$ 3,245,642	$ 3,245,642
Restricted Unappropriated Investment Income	-	436,393	436,393
Board-Designated	2,034,434	-	2,034,434
Undesignated	1,759,587	-	1,759,587
Total	$ 3,794,021	$ 3,682,035	$ 7,476,056

Changes in Endowment Net Assets:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2023	$ 3,771,010	$ 3,226,955	$ 6,997,965
Investment Return:			
Investment Income	48,887	109,931	158,818
Net Appreciation	121,506	735,548	857,054
Total Investment Return	170,393	845,479	1,015,872
Other Changes:			
Contributions	-	64,466	64,466
Appropriation	(147,382)	(454,865)	(602,247)
June 30, 2024	$ 3,794,021	$ 3,682,035	$ 7,476,056
Investment Return:			
Investment Income	35,920	118,146	154,066
Net Appreciation	50,101	463,816	513,917
Total Investment Return	86,021	581,962	667,983
Other Changes:			
Contributions	-	2,000	2,000
Appropriation	331,398	(366,534)	(35,136)
June 30, 2025	$ 4,211,440	$ 3,899,463	$ 8,110,903

14. Liquidity and Availability

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

	2025	2024
Financial Assets:		
Cash and Cash Equivalents	$ 29,750	$ 311,391
Accounts Receivable	11,066	10,498
Pledges Receivable	355,545	757,657
Investments	8,110,903	7,476,056
Total Financial Assets	8,507,264	8,555,602
Less assets not available to be used for general expenditures within one year:		
Net Assets With Donor Restrictions	5,093,358	4,572,758
Board Designated Endowment	2,043,068	2,034,434
Net Assets With Restrictions to be met within a year	(230,545)	(472,449)
Total assets not available for general expenditures within one year:	6,905,881	6,134,743
Financial assets available for general expenditures within one year	$ 1,601,383	$ 2,420,859

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.