

VocalEssence
Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2026 and 2025



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, 2026 and 2025, 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, 2026 and 2025, 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.

Coyette Ert and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
October 7, 2026

VOCALLESSENCE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

EXHIBIT A

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions of Financial Assets	\$ 623,482	\$ 49,000	\$ 672,482	\$ 669,164	\$ 598,616	\$ 1,267,780
Contributions of Non-Financial Assets	10,000	-	10,000	10,000	-	10,000
Special Events Revenue	86,351	-	86,351	500	-	500
Less: Costs of Direct Benefits to Donors	(16,403)	-	(16,403)	(1,362)	-	(1,362)
Net Revenues from Special Events	69,948	-	69,948	(862)	-	(862)
Government Grants	217,521	-	217,521	70,983	-	70,983
Performance Revenue	231,039	-	231,039	228,924	-	228,924
Investment Income	139,184	1,178,212	1,317,396	88,449	581,962	670,411
Miscellaneous	166	-	166	400	-	400
Net Assets Released from Restrictions:						
Satisfaction of Purpose and Time Restrictions	547,754	(547,754)	-	364,443	(364,443)	-
Total Support and Revenue	1,839,094	679,458	2,518,552	1,431,501	816,135	2,247,636
Expense:						
Program Services:						
Artistic Series	1,270,559	-	1,270,559	1,095,537	-	1,095,537
Learning and Engagement	259,718	-	259,718	284,142	-	284,142
Youth Choir	384,690	-	384,690	338,742	-	338,742
Total Program Services	1,914,967	-	1,914,967	1,718,421	-	1,718,421
Support Services:						
Management and General	187,625	-	187,625	189,096	-	189,096
Fundraising	256,909	-	256,909	297,380	-	297,380
Total Support Services	444,534	-	444,534	486,476	-	486,476
Total Expense	2,359,501	-	2,359,501	2,204,897	-	2,204,897
Change in Net Assets - From Operations	(520,407)	679,458	159,051	(773,396)	816,135	42,739
Other Changes in Net Assets:						
Fund Transfers	390,000	(390,000)	-	360,000	(360,000)	-
Change in Net Assets	(130,407)	289,458	159,051	(413,396)	456,135	42,739
Net Assets - Beginning of Year	3,467,298	5,093,358	8,560,656	3,880,694	4,637,223	8,517,917
Net Assets - End of Year	\$ 3,336,891	\$ 5,382,816	\$ 8,719,707	\$ 3,467,298	\$ 5,093,358	\$ 8,560,656

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

VOCALLESSENCE

EXHIBIT B

STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2026 WITH COMPARATIVE TOTALS FOR 2025

	2026							2025		
	Program Services				Support Services					
	Artistic Series	Learning and Engagement	Youth Choir	Total Program Services	Management & General	Fund-raising	Total Support Services	Costs of Direct Benefit to Donors	Total All Services	Total All Services
Personnel Expense:										
Salaries	\$ 384,958	\$ 108,651	\$ 83,626	\$ 577,235	\$ 124,256	\$ 170,684	\$ 294,940	\$ -	\$ 872,175	\$ 894,755
Payroll Taxes	37,399	10,556	8,124	56,079	12,072	16,582	28,654	-	84,733	81,067
Employee Benefits	42,606	12,025	9,255	63,886	13,752	18,890	32,642	-	96,528	93,710
Total Personnel Costs	464,963	131,232	101,005	697,200	150,080	206,156	356,236	-	1,053,436	1,069,532
Performance Expense:										
Travel	190,889	20,592	192,939	404,420	642	-	642	-	405,062	203,413
Production	119,337	6,426	33,924	159,687	-	-	-	-	159,687	133,459
Ensemble	153,306	420	-	153,726	-	-	-	-	153,726	143,751
Printing and Advertising	83,400	-	5,850	89,250	-	49	49	-	89,299	107,129
Guest Artists and Contract Services	34,985	15,165	12,755	62,905	200	-	200	-	63,105	81,769
Orchestra	49,593	-	-	49,593	-	-	-	-	49,593	66,081
Recording	37,485	8,060	-	45,545	-	-	-	-	45,545	37,360
School Artists	-	45,465	-	45,465	-	-	-	-	45,465	58,872
Composers/Copyists	9,651	-	7,500	17,151	-	-	-	-	17,151	11,157
Other Expense	5,928	264	6,017	12,209	-	289	289	-	12,498	12,146
Postage and Delivery	7,316	-	-	7,316	-	-	-	-	7,316	7,119
Total Performance Expense	691,890	96,392	258,985	1,047,267	842	338	1,180	-	1,048,447	862,256
General Expense:										
Contract Services and Professional Fees	41,683	11,765	9,055	62,503	13,454	18,481	31,935	-	94,438	82,534
Rent	24,224	6,837	5,262	36,323	7,819	10,740	18,559	-	54,882	63,275
Equipment Rental and Maintenance	20,970	5,919	4,555	31,444	6,769	9,298	16,067	-	47,511	51,618
Costs of Direct Benefit to Donors	-	-	-	-	-	-	-	16,403	16,403	1,362
Travel	6,186	1,746	1,344	9,276	1,997	2,743	4,740	-	14,016	21,491
Printing and Advertising	4,278	1,208	929	6,415	1,381	1,897	3,278	-	9,693	12,170
Subscriptions and Dues	3,594	1,014	781	5,389	1,160	1,594	2,754	-	8,143	7,896
Other Expense	3,451	974	750	5,175	1,115	1,530	2,645	-	7,820	8,824
Insurance	2,508	708	545	3,761	809	1,112	1,921	-	5,682	3,863
Telephone	2,377	671	516	3,564	768	1,054	1,822	-	5,386	5,831
Postage	2,316	654	503	3,473	747	1,027	1,774	-	5,247	3,304
Supplies	2,119	598	460	3,177	684	939	1,623	-	4,800	3,336
Depreciation	-	-	-	-	-	-	-	-	-	8,967
Total General Expense	113,706	32,094	24,700	170,500	36,703	50,415	87,118	16,403	274,021	274,471
Subtotal Expenses	1,270,559	259,718	384,690	1,914,967	187,625	256,909	444,534	16,403	2,375,904	2,206,259
Less Expenses Included with Revenues on the Statement of Activities										
Special Events	-	-	-	-	-	-	-	(16,403)	(16,403)	(1,362)
Total Expense	\$ 1,270,559	\$ 259,718	\$ 384,690	\$ 1,914,967	\$ 187,625	\$ 256,909	\$ 444,534	\$ -	\$ 2,359,501	\$ 2,204,897

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

VOCALLESENCE
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2025

	Program Services				Support Services				
	Artistic Series	Learning and Engagement	Youth Choir	Total Program Services	Management & General	Fund-raising	Total Support Services	Costs of Direct Benefit to Donors	Total All Services
Personnel Expense:									
Salaries	\$ 374,502	\$ 109,808	\$ 87,769	\$ 572,079	\$ 125,844	\$ 196,832	\$ 322,676	\$ -	\$ 894,755
Payroll Taxes	33,931	9,949	7,952	51,832	11,402	17,833	29,235	-	81,067
Employee Benefits	39,222	11,501	9,192	59,915	13,180	20,615	33,795	-	93,710
Total Personnel Costs	447,655	131,258	104,913	683,826	150,426	235,280	385,706	-	1,069,532
Performance Expense:									
Travel	45,364	13,432	144,586	203,382	-	31	31	-	203,413
Production	90,937	8,638	33,496	133,071	-	388	388	-	133,459
Ensemble	142,941	210	-	143,151	-	600	600	-	143,751
Printing and Advertising	100,582	1,828	4,719	107,129	-	-	-	-	107,129
Guest Artists and Contract Services	50,130	16,100	15,339	81,569	200	-	200	-	81,769
Orchestra	65,081	-	1,000	66,081	-	-	-	-	66,081
Recording	17,505	19,330	525	37,360	-	-	-	-	37,360
School Artists	-	58,872	-	58,872	-	-	-	-	58,872
Composers/Copyists	11,157	-	-	11,157	-	-	-	-	11,157
Other Expense	2,756	958	7,373	11,087	58	1,001	1,059	-	12,146
Postage and Delivery	7,119	-	-	7,119	-	-	-	-	7,119
Total Performance Expense	533,572	119,368	207,038	859,978	258	2,020	2,278	-	862,256
General Expense:									
Contract Services and Professional Fees	34,545	10,129	8,096	52,770	11,608	18,156	29,764	-	82,534
Rent	26,484	7,765	6,207	40,456	8,899	13,920	22,819	-	63,275
Equipment Rental and Maintenance	21,605	6,335	5,063	33,003	7,260	11,355	18,615	-	51,618
Costs of Direct Benefit to Donors	-	-	-	-	-	-	-	1,362	1,362
Travel	8,995	2,637	2,108	13,740	3,023	4,728	7,751	-	21,491
Printing and Advertising	5,094	1,493	1,194	7,781	1,712	2,677	4,389	-	12,170
Subscriptions and Dues	3,304	969	775	5,048	1,111	1,737	2,848	-	7,896
Other Expense	3,693	1,083	866	5,642	1,241	1,941	3,182	-	8,824
Insurance	1,617	474	379	2,470	543	850	1,393	-	3,863
Telephone	2,440	716	572	3,728	820	1,283	2,103	-	5,831
Postage	1,382	406	324	2,112	465	727	1,192	-	3,304
Supplies	1,397	409	327	2,133	469	734	1,203	-	3,336
Depreciation	3,754	1,100	880	5,734	1,261	1,972	3,233	-	8,967
Total General Expense	114,310	33,516	26,791	174,617	38,412	60,080	98,492	1,362	274,471
Total Expense	\$ 1,095,537	\$ 284,142	\$ 338,742	\$ 1,718,421	\$ 189,096	\$ 297,380	\$ 486,476	\$ 1,362	\$ 2,206,259
Less Expenses Included with Revenues on the Statement of Activities									
Special Events	-	-	-	-	-	-	-	(1,362)	(1,362)
Total Expense	\$ 1,095,537	\$ 284,142	\$ 338,742	\$ 1,718,421	\$ 189,096	\$ 297,380	\$ 486,476	\$ -	\$ 2,204,897

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

VOCALLESSENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 13,373	\$ 29,750
Accounts Receivable	14,487	11,066
Pledges Receivable	140,171	250,545
Prepaid Expenses	<u>39,415</u>	<u>207,961</u>
Total Current Assets	207,446	499,322
 Pledges Receivable	 70,000	 105,000
Investments	<u>8,505,981</u>	<u>8,110,903</u>
Total Assets	<u><u>\$ 8,783,427</u></u>	<u><u>\$ 8,715,225</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 28,635	\$ 49,408
Accrued Payroll Liabilities	35,085	35,963
Deferred Revenue	<u>-</u>	<u>69,198</u>
Total Current Liabilities	63,720	154,569
 Net Assets:		
Without Donor Restrictions:		
Undesignated	1,261,087	1,424,230
Endowment - Board Designated	<u>2,075,804</u>	<u>2,043,068</u>
Total Without Donor Restrictions	3,336,891	3,467,298
 With Donor Restrictions	<u>5,382,816</u>	<u>5,093,358</u>
Total Net Assets	<u>8,719,707</u>	<u>8,560,656</u>
Total Liabilities and Net Assets	<u><u>\$ 8,783,427</u></u>	<u><u>\$ 8,715,225</u></u>

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

VOCALLESSENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 159,051	\$ 42,739
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	-	8,967
Realized and Unrealized (Gain) on Investments	(1,200,481)	(554,653)
Contributions Restricted for Endowment	-	(2,000)
Decreases (Increases) in Operating Assets:		
Accounts Receivable	(3,421)	(568)
Pledges Receivable	145,374	402,112
Prepaid Expenses	168,546	(170,749)
Increases (Decreases) in Operating Liabilities:		
Accounts Payable	(20,773)	1,656
Accrued Payroll Liabilities	(878)	(149)
Deferred Revenue	(69,198)	69,198
Net Cash (Used) by Operating Activities	(821,780)	(203,447)
Cash Flows from Investing Activities:		
Proceeds from the Sale of Investments	3,568,792	5,322,831
Purchase of Investments	(2,763,389)	(5,403,025)
Net Cash Provided (Used) by Investing Activities	805,403	(80,194)
Cash Flows from Financing Activities:		
Proceeds from Contributions Restricted for Endowment	-	2,000
Net Cash Provided by Financing Activities	-	2,000
Net (Decrease) in Cash and Cash Equivalents	(16,377)	(281,641)
Cash and Cash Equivalents - Beginning of Year	29,750	311,391
Cash and Cash Equivalents - End of Year	<u>\$ 13,373</u>	<u>\$ 29,750</u>

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

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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.

VOCALESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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:

	<u>2026</u>	<u>2025</u>
Deferred Revenue – Beginning of Year	\$ 69,198	\$ -
Revenue recognized that was included in deferred revenue at the beginning of the year	(69,198)	-
Increases in deferred revenue due to cash received during the year	<u>-</u>	<u>69,198</u>
Deferred Revenue– End of Year	<u>\$ -</u>	<u>\$ 69,198</u>

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.

VOCALESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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 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.

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).

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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 7, 2026, 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,			
	2026		2025	
	Cost	Market	Cost	Market
Money Market Funds	\$ 75,196	\$ 75,196	\$ 619,062	\$ 619,062
Mutual Funds and ETFs	5,796,397	8,430,785	5,878,770	7,491,841
Total	<u>\$ 5,871,593</u>	<u>\$ 8,505,981</u>	<u>\$ 6,497,832</u>	<u>\$ 8,110,903</u>

Investment income was as follows as of:

	June 30,	
	2026	2025
Interest and Dividend Income	\$ 158,918	\$ 156,494
Unrealized and Realized Gain	1,200,481	554,653
Investment Fees	(42,003)	(40,736)
Total	<u>\$ 1,317,396</u>	<u>\$ 670,411</u>

4. Retirement Plan

VocalEssence made contributions of \$41,758 and \$44,808 to employees' individual retirement accounts in the 403(b) plan for the years ended June 30, 2026 and 2025, respectively. Employees age 21 and over, with a least 1,000 hours of service per year, are covered by the plan.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

5. Leases

VocalEssence signed a 3 year lease that commences on July 1, 2026, that results in future commitments of \$162,386 as of June 30, 2026. In accordance with accounting standards the operating lease liability and right of use asset will be recognized on July 1, 2026 when the lease commences.

Rental expense for office space and equipment was \$54,882 and \$63,275 for the years ended June 30, 2026 and 2025, 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. 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, 2026

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 75,196	\$ -	\$ -	\$ 75,196
Mutual Funds and ETFs	8,430,785	-	-	8,430,785
Total	<u>\$ 8,505,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,505,981</u>

June 30, 2025

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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

7. Property and Equipment

VocalEssence owned the following as of:

	<u>June 30,</u>		<u>Estimated</u>
	<u>2026</u>	<u>2025</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	213,211	213,211	
	<u>\$ -</u>	<u>\$ -</u>	

Depreciation expense of \$0 and \$8,967 was recorded for the years ended June 30, 2026 and 2025, respectively.

8. Pledges Receivable

The outstanding balance of pledges receivable at June 30, 2026, is expected to be collected over the following fiscal years:

<u>Due in the Year Ending June 30,</u>	
2027	\$ 140,171
2028	17,500
2029	17,500
2030	17,500
2031	17,500
	<u>210,171</u>
Due within one year	<u>140,171</u>
Long-term portion	<u>\$ 70,000</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>2026</u>	<u>2025</u>
Board Designated Endowment	<u>\$ 2,075,804</u>	<u>\$ 2,043,068</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

10. Net Assets

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

	<u>June 30,</u>	
	<u>2026</u>	<u>2025</u>
Subject to expenditure for specified purpose and the passage of time:		
Future Years Operating and Program Support	\$ 641,504	\$ 1,140,257
Cross Cultural Education	68,198	53,636
Unappropriated Investment Income – Endowment Fund	<u>1,425,472</u>	<u>651,823</u>
	2,135,174	1,845,716
Endowment – To be Held in Perpetuity	<u>3,247,642</u>	<u>3,247,642</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,382,816</u>	<u>\$ 5,093,358</u>

11. Contributions of Non-Financial Assets

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

	<u>June 30,</u>	
	<u>2026</u>	<u>2025</u>
Rehearsal Space	<u>\$ 10,000</u>	<u>\$ 10,000</u>

Contributions of Non-Financial Assets were utilized for the Artistic Series and Youth Choir programs during the years ended June 30, 2026 and 2025, 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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

12. 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.

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NOTES TO FINANCIAL STATEMENTS
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12. 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, 2026	<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	\$ -	\$ 3,247,642	\$ 3,247,642
Restricted Unappropriated Investment Income	-	1,425,472	1,425,472
Board-Designated	2,075,804	-	2,075,804
Undesignated	<u>1,757,063</u>	<u>-</u>	<u>1,757,063</u>
Total	<u>\$ 3,832,867</u>	<u>\$ 4,673,114</u>	<u>\$ 8,505,981</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

12. Endowment Fund (continued)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restricted</u>	<u>Total</u>
June 30, 2025			
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	<u>2,168,372</u>	<u>-</u>	<u>2,168,373</u>
Total	<u>\$ 4,211,440</u>	<u>\$ 3,899,463</u>	<u>\$ 8,110,903</u>

Changes in Endowment Net Assets:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2024	\$ 3,794,021	\$ 3,682,035	\$ 7,476,056
Investment Return:			
Investment Income	35,920	118,146	154,066
Net Appreciation	<u>50,101</u>	<u>463,816</u>	<u>513,917</u>
Total Investment Return	86,021	581,962	667,983
Other Changes:			
Contributions	-	2,000	2,000
Appropriation	<u>331,398</u>	<u>(366,534)</u>	<u>(35,136)</u>
June 30, 2025	<u>\$ 4,211,440</u>	<u>\$ 3,899,463</u>	<u>\$ 8,110,903</u>
Investment Return:			
Investment Income	28,848	125,579	154,427
Net Appreciation	<u>105,844</u>	<u>1,052,634</u>	<u>1,158,478</u>
Total Investment Return	134,692	1,178,213	1,312,905
Other Changes:			
Contributions	-	-	-
Appropriation	<u>(513,265)</u>	<u>(404,562)</u>	<u>(917,827)</u>
June 30, 2026	<u>\$ 3,832,867</u>	<u>\$ 4,673,114</u>	<u>\$ 8,505,981</u>

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

13. Liquidity and Availability

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

	<u>2026</u>	<u>2025</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 13,373	\$ 29,750
Accounts Receivable	14,487	11,066
Pledges Receivable	210,171	355,545
Investments	<u>8,505,981</u>	<u>8,110,903</u>
Total Financial Assets	8,744,012	8,507,264
Less assets not available to be used for general expenditures within one year:		
Net Assets With Donor Restrictions	5,382,816	5,093,358
Board Designated Endowment	2,075,804	2,043,068
Net Assets With Restrictions to be met within a year	<u>(140,171)</u>	<u>(230,545)</u>
Total assets not available for general expenditures within one year:	<u>7,318,449</u>	<u>6,905,881</u>
Financial assets available for general expenditures within one year	<u>\$ 1,425,563</u>	<u>\$ 1,601,383</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.