

**THE MINNESOTA CHORALE
MINNEAPOLIS, MINNESOTA**

**FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

THE MINNESOTA CHORALE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Minnesota Chorale
Minneapolis, Minnesota

Opinion

We have audited the financial statements of The Minnesota Chorale, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Minnesota Chorale 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 The Minnesota Chorale's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

We have previously audited The Minnesota Chorale's June 30, 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 8, 2021. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schafn and Associates, Ltd.

Minneapolis, Minnesota
November 14, 2022

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THE MINNESOTA CHORALE

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

| ASSETS | 2022 | 2021 |
|---|-------------------|-------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 76,919 | \$ 144,677 |
| Grants and pledges receivable | 23,001 | 1,682 |
| Inventory | 9,788 | 8,638 |
| Total Current Assets | 109,708 | 154,997 |
| Property and Equipment | | |
| Office and computer equipment | 5,637 | 5,637 |
| Less: Accumulated depreciation | 4,837 | 4,437 |
| Property and Equipment, net | 800 | 1,200 |
| TOTAL ASSETS | \$ 110,508 | \$ 156,197 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Obligation under line of credit agreement | \$ 11,000 | \$ 15,000 |
| Current portion of long-term debt | - | 1,000 |
| Accounts payable | 1,793 | 1,443 |
| Total Current Liabilities | 12,793 | 17,443 |
| Long-Term Debt, net | - | 41,100 |
| Total Liabilities | 12,793 | 58,543 |
| Net Assets | | |
| Without donor restrictions | | |
| Board designated | 38,000 | 68,000 |
| Undesignated | 39,715 | 29,654 |
| With donor restrictions | 20,000 | - |
| Total Net Assets | 97,715 | 97,654 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 110,508 | \$ 156,197 |

See Notes to Financial Statements

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THE MINNESOTA CHORALE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2022

With Comparative Totals for the Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Totals | |
|--|----------------------------------|-------------------------------|------------------|------------------|
| | | | 2022 | 2021 |
| Public Support | | | | |
| Corporate and foundation grants | \$ 27,122 | \$ 20,000 | \$ 47,122 | \$ 17,309 |
| Individual contributions | 113,944 | - | 113,944 | 90,801 |
| Government grants | 132,374 | - | 132,374 | 48,635 |
| Special events fundraising | 14,210 | - | 14,210 | 34,596 |
| Value of contributed services by unpaid volunteer singers | 156,446 | - | 156,446 | 34,608 |
| Total Public Support | <u>444,096</u> | <u>20,000</u> | <u>464,096</u> | <u>225,949</u> |
| Revenues | | | | |
| Other revenue | 5,109 | - | 5,109 | 8,902 |
| Performance fees and ticket revenue | 101,913 | - | 101,913 | 1,170 |
| Interest | 52 | - | 52 | 534 |
| Forgiveness of PPP loan and interest | 41,341 | - | 41,341 | 44,069 |
| Total Revenues | <u>148,415</u> | <u>-</u> | <u>148,415</u> | <u>54,675</u> |
| Net Assets Released From Restrictions | | | | |
| | - | - | - | - |
| Total Public Support and Revenues | <u>592,511</u> | <u>20,000</u> | <u>612,511</u> | <u>280,624</u> |
| Functional Expenses | | | | |
| Program services | 514,124 | - | 514,124 | 210,358 |
| Fundraising | 44,745 | - | 44,745 | 33,124 |
| General and administrative | 53,581 | - | 53,581 | 53,609 |
| Total Functional Expenses | <u>612,450</u> | <u>-</u> | <u>612,450</u> | <u>297,091</u> |
| Increase (Decrease) in Net Assets | (19,939) | 20,000 | 61 | (16,467) |
| NET ASSETS - BEGINNING OF YEAR | | | | |
| | 97,654 | - | 97,654 | 114,121 |
| NET ASSETS - END OF YEAR | | | | |
| | <u>\$ 77,715</u> | <u>\$ 20,000</u> | <u>\$ 97,715</u> | <u>\$ 97,654</u> |

See Notes to Financial Statements

THE MINNESOTA CHORALE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

| | <u>Program Services</u> | | <u>Total Program Services</u> |
|--------------------------------------|---------------------------------|-------------------------------|---------------------------------------|
| | <u>Performance Programs</u> | <u>Education Programs</u> | |
| Salaries | \$ 153,170 | \$ 70,405 | \$ 223,575 |
| In-kind singer expense | 156,446 | - | 156,446 |
| Contract singers | 74,470 | - | 74,470 |
| Recording and producing | 26,086 | 5,298 | 31,384 |
| Other contract services | 266 | - | 266 |
| Office and postage | 6,370 | 2,945 | 9,315 |
| Payroll taxes | 7,350 | 3,621 | 10,971 |
| Employee benefits | 2,733 | 1,240 | 3,973 |
| Advertising and promotion | - | - | - |
| Insurance | 921 | 921 | 1,842 |
| Fundraising campaign | - | - | - |
| Telephone | 952 | 476 | 1,428 |
| Interest expense | - | - | - |
| Dues and membership | 62 | 62 | 124 |
| Depreciation | 140 | 80 | 220 |
| Travel | 55 | 55 | 110 |
| TOTAL FUNCTIONAL EXPENSES | \$ 429,021 | \$ 85,103 | \$ 514,124 |

See Notes to Financial Statements

| General and Administrative | Fundraising | Totals |
|---------------------------------------|--------------------|-------------------|
| \$ 25,928 | \$ 28,078 | \$ 277,581 |
| - | - | 156,446 |
| - | - | 74,470 |
| - | - | 31,384 |
| 18,322 | 13 | 18,601 |
| 2,827 | 4,566 | 16,708 |
| 1,297 | 1,577 | 13,845 |
| 1,239 | 1,239 | 6,451 |
| - | 4,990 | 4,990 |
| 1,842 | - | 3,684 |
| - | 3,518 | 3,518 |
| 476 | 476 | 2,380 |
| 1,152 | - | 1,152 |
| 248 | 248 | 620 |
| 140 | 40 | 400 |
| 110 | - | 220 |
| <hr/> | | |
| \$ 53,581 | \$ 44,745 | \$ 612,450 |
| <hr/> | | |

THE MINNESOTA CHORALE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

| | <u>Program Services</u> | | <u>Total</u> |
|---------------------------|-------------------------|------------------|-------------------|
| | <u>Performance</u> | <u>Education</u> | <u>Program</u> |
| | <u>Programs</u> | <u>Programs</u> | <u>Services</u> |
| Salaries | \$ 88,609 | \$ 51,732 | \$ 140,341 |
| In-kind singer expense | 34,608 | - | 34,608 |
| Contract singers | 5,735 | - | 5,735 |
| Recording and producing | 1,850 | 1,616 | 3,466 |
| Other contract services | 182 | - | 182 |
| Office and postage | 4,444 | 1,923 | 6,367 |
| Payroll taxes | 4,912 | 3,772 | 8,684 |
| Employee benefits | 5,306 | 2,322 | 7,628 |
| Advertising and promotion | - | - | - |
| Insurance | 715 | 715 | 1,430 |
| Fundraising campaign | - | - | - |
| Telephone | 982 | 491 | 1,473 |
| Interest expense | - | - | - |
| Dues and membership | 112 | 112 | 224 |
| Depreciation | 140 | 80 | 220 |
| Travel | - | - | - |
| TOTAL FUNCTIONAL | | | |
| EXPENSES | \$ 147,595 | \$ 62,763 | \$ 210,358 |

See Notes to Financial Statements

| | General and Administrative | Fundraising | Totals |
|-------|---------------------------------------|--------------------|-------------------|
| \$ | 16,888 | \$ 18,835 | \$ 176,064 |
| | - | - | 34,608 |
| | - | - | 5,735 |
| | - | 2,799 | 6,265 |
| | 20,619 | 637 | 21,438 |
| | 8,073 | 3,964 | 18,404 |
| | 1,434 | 1,554 | 11,672 |
| | 2,321 | 2,321 | 12,270 |
| | - | 1,780 | 1,780 |
| | 1,431 | - | 2,861 |
| | - | 255 | 255 |
| | 491 | 491 | 2,455 |
| | 1,764 | - | 1,764 |
| | 448 | 448 | 1,120 |
| | 140 | 40 | 400 |
| | - | - | - |
| <hr/> | | | |
| \$ | 53,609 | \$ 33,124 | \$ 297,091 |

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THE MINNESOTA CHORALE

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|--|-------------------------|--------------------------|
| Cash Flows From Operating Activities | | |
| Increase (Decrease) in net assets | \$ 61 | \$ (16,467) |
| Adjustments to reconcile change in net assets to net cash (used in) operating activities: | | |
| Depreciation | 400 | 400 |
| Forgiveness of long-term debt principal | (41,100) | (43,800) |
| (Increase) Decrease in: | | |
| Grants and pledges receivable | (21,319) | 22,966 |
| Inventory | (1,150) | 400 |
| (Decrease) in: | | |
| Accounts payable | 350 | (708) |
| Funds held for others | - | (57,083) |
| Net Cash (Used In) Operating Activities | <u>(62,758)</u> | <u>(94,292)</u> |
| Cash Flows From Financing Activities | | |
| Proceeds from issuance of long-term debt | - | 41,100 |
| Payments on obligation under line of credit agreement | (4,000) | (2,000) |
| Payments on long-term debt | (1,000) | (13,000) |
| Net Cash Provided By (Used In) Financing Activities | <u>(5,000)</u> | <u>26,100</u> |
| Net (Decrease) in Cash and Cash Equivalents | (67,758) | (68,192) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 144,677 | 212,869 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 76,919</u> | <u>\$ 144,677</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash Paid During the Year for: | | |
| Interest | \$ 1,152 | \$ 1,764 |

See Notes to Financial Statements

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THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Description of Organization

The Minnesota Chorale (the Organization) is a Minnesota Non-Profit Corporation, which serves its community of audiences through all forms of choral music, performed at the highest level of artistic quality. The Organization celebrates the human voice and its ability to educate, unite, enrich and inspire.

The Organization comprises a family of choirs, including an acclaimed symphonic chorus, multiple youth choirs and a choir for senior adults. The symphonic chorus performs with the Minnesota Orchestra, the Saint Paul Chamber Orchestra and other musical organizations. Its annual “Bridges” program engages underserved populations and raises awareness of pressing social needs. An educational program is provided in support of the musical programs of certain inner-city schools. The Organization also operates the Minneapolis Youth Chorus and Prelude, auditioned choruses offered at no charge to students in grades 3-9 enrolled in Minneapolis Public Schools. Fundraising and administrative activities are carried out to support the performances and the educational programs.

Change in Accounting Principles

During the year, the Organization adopted FASB Accounting Standards Update (ASU) No 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency around contributed nonfinancial assets, also known as in-kind gifts, including how those gifts are used and valued by the Organization. This update does not change existing recognition and measurement of in-kind gifts but requires additional presentation and disclosures related to contributed nonfinancial assets. This update requires the Organization to present contributed nonfinancial assets as a separate line in the statement of activities, apart from contributions of cash or financial assets. Disclosure requirements include disaggregation of the amount of nonfinancial assets recognized within the statement of activities, qualitative detail and policy on if the contributed nonfinancial assets were monetized or utilized, description of programs that utilized contributed nonfinancial assets, donor restrictions on contributed nonfinancial assets, and detail on the valuation techniques used to arrive at a fair value of contributed nonfinancial assets. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure, and has been applied retrospectively.

Basis of Accounting and Support and Revenue Recognition

The Organization maintains its books and records on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

The Organization follows a five-step analysis of contracts to determine when and how to recognize revenue. The five steps are as follows: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the Organization satisfies a performance obligation.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Support and Revenue Recognition (Continued)

Revenue is measured based on consideration specified with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a service or product to a customer.

For performance obligations related to the Organization's special events, performance fees and other revenue, control transfers to the customer and revenue is recognized at a point in time when the events occur and no additional performance obligations are required. The payment terms and conditions in customer contracts require payments as performance obligations are completed, therefore the Organization does not have any significant financing components.

Performance obligations satisfied at a point in time totaled \$107,022 and \$10,072 for the years ended June 30, 2022 and 2021, respectively. Revenue from performance obligations satisfied at a point in time consist of the direct benefit to donors for special events (if any), performance fees and other revenue. These services are sold to donors, grantors and patrons.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities, based on the existence or absence of donor imposed restrictions as either:

Net Assets Without Restrictions – Net assets available for use in general operations and not subject to restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to imposed restrictions. Some imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified. Other imposed restrictions are perpetual in nature, where the restriction stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents

Cash and cash equivalents includes all demand deposits and investments with an original maturity of three months or less. The Organization holds no cash balances with financial institutions that exceed the federally insured limit.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and Summary of Significant Accounting Policies (Continued)

Pledges and Grants Receivable

The Organization records pledges and grants as revenue when an unconditional commitment to contribute has been made by a donor or grantor. Pledges and grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Balances that are still outstanding after reasonable collection efforts have been exhausted are written off. All pledges and grants receivable are expected to be collected within one year of the statement of financial position date.

Inventory

Inventory consists of promotional items such as clothing and compact discs. Inventory is valued at the lower of cost or net realizable value on a first-in, first-out basis.

Property and Equipment

Equipment is stated at the lower of its cost, fair value or fair value at the time of donation (for in-kind contributions of equipment). Depreciation is computed using the straight-line method over estimated useful lives of three to five years. When the property and equipment are sold, retired or disposed of, the cost and the related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in the Statement of Activities.

Expenditures for maintenance and repairs are recorded as expenses in the Statement of Activities. Improvements that materially extend the life or utility of an asset are capitalized. Depreciation expense for each of the years ended June 30, 2022 and 2021 was \$400.

Donated Equipment, Materials and Other Services

Many individuals have contributed a significant amount of time to the activities of the Organization. The Organization does not recognize these contributed services as revenues unless 1) the services received create or enhance existing facilities; or 2) require specialized skills and are provided by individuals possessing those skills.

The Organization also recognizes revenue related to items donated that are later sold as part of a fundraising auction. The amount recognized as revenue related to items donated for the fundraising auction for the year ended June 30, 2022 was \$12,512. There were no amounts recognized as revenue related to items donated for the fundraising auction for the year ended June 30, 2021. These amounts are included in fundraising revenue on the Organization's statement of activities.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Conditional promises to give are gifts that include both a barrier that must be overcome, and a right of return of assets transferred or release of a promisor's obligation to transfer assets present. These gifts are recorded when the conditions are met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

All other contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Organization qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is required and contributions are generally deductible for income tax purposes by contributors.

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

The Organization's federal informational income tax returns are subject to examination by the IRS, generally for three years after they were filed.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising and promotional expense for the years ended June 30, 2022 and 2021 was \$4,990 and \$1,780, respectively.

Fair Value of Financial Instruments

The carrying amount of substantially all assets and liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the Organization's line of credit agreement and long-term debt approximates carrying value because the terms are equivalent to borrowing rates currently available to the Organization for debt with similar terms and maturities.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities are presented 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 benefited. All expenses are allocated on the basis of estimates of time and effort.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Prior Year Comparative Totals

The financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 14, 2022, the date the financial statements were available to be issued.

Accounting Pronouncements Issued But Not Yet Effective

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding twelve months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Organization for the fiscal year ending June 30, 2023. Early adoption is permitted. The impact of the adoption of this pronouncement has not yet been determined.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Liquidity and Availability

Financial assets as of June 30, 2022 and 2021, less amounts not available for general expenditure within one year of the statement of financial position date, consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|------------------|------------------|
| Cash and cash equivalents | \$ 76,919 | \$ 144,677 |
| Grants and pledges receivable | 23,001 | 1,682 |
| Less: Board designated reserve | <u>(38,000)</u> | <u>(68,000)</u> |
| Total | <u>\$ 61,920</u> | <u>\$ 78,359</u> |

As part of the Organization's liquidity management plan, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. None of the financial assets are subject to contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Organization has a goal to maintain financial assets on hand to meet at least two months of normal operating expenses, which are on average approximately \$68,000. The Organization's board-designated funds may be drawn upon in the event of financial distress or an immediate need. Additionally, as further described in Note 4, the Organization has a line of credit agreement, which the Organization could draw upon in the event of an unanticipated liquidity need.

3. Receivables

Pledges and grants receivable at June 30, 2022 and 2021 consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|------------------|-----------------|
| State government organizations | \$ 2,001 | \$ 1,682 |
| Foundation donors | 20,000 | - |
| Individual donors | <u>1,000</u> | <u>-</u> |
| Total Pledges and Grants Receivable | <u>\$ 23,001</u> | <u>\$ 1,682</u> |

No allowance has been provided for doubtful accounts, pledges or grants at June 30, 2022 and 2021, since management expects all receivables to be fully collectible within the next fiscal year.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Line of Credit Agreement

The Organization has entered into a \$25,000 line of credit agreement with Propel Nonprofits. The line bears interest at 6.5% until the December 31, 2022 due date, at which time all outstanding principal and interest is due and payable. The line is secured by substantially all assets of the Organization.

Interest paid on this line was \$857 and \$1,431 for the years ended June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, the outstanding obligation under the line of credit agreement was \$11,000 and \$15,000, respectively.

5. Long-Term Debt

During the year ended June 30, 2019, the Organization entered into a \$24,000 loan agreement with a former member of its Board of Directors. The loan was non-interest bearing, unsecured and was paid in full in August 2021.

6. Net Assets

Designated

Designated net assets represent the amount designated by the Organization's Board of Directors as an operating reserve for the Organization to provide an internal source of funds for unexpected financial conditions. The Organization intends for the designated amount to remain at a level that would be sufficient to cover two to three months of operating expenses. While the reserve could be drawn upon with Board approval, the expectation is that any funds used would be replenished within a reasonably short period of time.

As of June 30, 2022 and 2021, the Organization's Board of Directors had designated net assets without donor restrictions of \$38,000 and \$68,000, respectively, for this purpose.

Net Assets with Donor Restrictions

Net assets with donor restrictions of \$20,000 as of June 30, 2022 consisted of pledges that were time restricted to be used in future periods. There were no net assets with donor restrictions as of June 30, 2021.

There were no net assets released from donor restrictions for the year ended June 30, 2022. Net assets of \$20,000 were released from donor restrictions by the time restriction expiring for the year ended June 30, 2021.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Retirement Plan

The Organization has implemented a 401(k) retirement plan for its employees. The plan covers all employees who have met the eligibility requirements. The Organization made no contributions to this plan for the years ended June 30, 2022 and 2021.

8. Commitments

The Organization had a lease agreement for its office space which expired on December 31, 2020 and required monthly payments of \$1,000. However, as a result of the novel coronavirus (COVID-19) pandemic, this lease agreement and the required monthly payments were temporarily suspended beginning in March 2020 because the Organization was not able to access the office space. Management anticipates entering into a new lease agreement for the same office space to be effective January 1, 2023. Future potential payments are unknown at this time.

9. In-Kind Contributions

The Organization's financial statements include the following in-kind contributions and associated expenses:

Services – The Organization receives donated services from volunteer singers that would typically be purchased if not provided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contributions at fair value when the pledge is made and are expensed when the services are rendered. The estimated fair value of these services is calculated using rates that are proportional to those paid to contracted singers.

In-kind contributions included in the statements of activities and changes in net assets for the years ended June 30, 2022 and 2021 were \$156,446 and \$34,608, respectively. These amounts are also included as in-kind singer expense under program services in each year.

In addition, during the years ended June 30, 2022 and 2021, the Organization received donated items that were sold as part of its annual fundraising event. The amounts received for the sale of these items in each year are included in special events fundraising support on the statement of activities and changes in net assets. The contribution and subsequent sale of these items did not contain donor restrictions during the years ended June 30, 2022 and 2021.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Government Assistance

In April 2020, the Organization received a Paycheck Protection Program loan for \$43,800 under the Coronavirus Aid, Relief and Economic Security (CARES) Act. The loan was to be used to pay employee payroll and related costs, rent and utilities. The Organization used the proceeds for allowable expenses and the loan was therefore repaid by the Small Business Administration (SBA) on the Organization's behalf in January 2021. During the year ended June 30, 2021, the Organization recorded income of \$44,069, which is included in revenues on the statements of activities and changes in net assets and represents the full amount of the Organization's PPP loan plus interest.

In January 2021, the Organization received a second Paycheck Protection Program loan for \$41,100 under the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Economic Aid Act). The funds were to be used to pay employee payroll and related costs, rent and utilities. The organization used the proceeds for allowable expenses and the loan was therefore repaid by the SBA on the Organization's behalf in August 2021. During the year ended June 30, 2022, the Organization recorded income of \$41,341, which is included in revenues on the statements of activities and changes in net assets and represents the full amount of the Organization's PPP loan plus interest.

The Organization also received a Shuttered Venues Operating Grant (SVOG) under the Economic Aid Act in the amount of \$70,100. SVOG funds were to be used to pay for eligible costs incurred between March 1, 2020 and June 30, 2022, including payroll, rent, utilities, debt payments, refunds due to cancelled performances, and other ordinary and necessary business expenses. During the year ended June 30, 2022, the Organization recognized income of \$70,100, which is included in government grants on the statements of activities and changes in net assets.