

**THE MINNESOTA CHORALE
MINNEAPOLIS, MINNESOTA**

**FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2023, and the related statements of activities and changes in net assets, 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, 2023, 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, 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 14, 2022. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schaff and Associates, Ltd.

Minneapolis, Minnesota
November 13, 2023

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THE MINNESOTA CHORALE

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 106,081	\$ 76,919
Grants and pledges receivable	1,889	23,001
Other receivable	14,854	-
Inventory	9,341	9,788
Total Current Assets	<u>132,165</u>	<u>109,708</u>
Property and Equipment		
Office and computer equipment	5,637	5,637
Less: Accumulated depreciation	5,237	4,837
Property and Equipment, net	<u>400</u>	<u>800</u>
TOTAL ASSETS	<u><u>\$ 132,565</u></u>	<u><u>\$ 110,508</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Obligation under line of credit agreement	\$ -	\$ 11,000
Current portion of long-term debt	3,595	-
Accounts payable	6,302	1,793
Total Current Liabilities	<u>9,897</u>	<u>12,793</u>
Long-Term Debt, net	<u>14,968</u>	<u>-</u>
Total Liabilities	<u>24,865</u>	<u>12,793</u>
Net Assets		
Without donor restrictions		
Board designated	38,000	38,000
Undesignated	69,700	39,715
With donor restrictions	-	20,000
Total Net Assets	<u>107,700</u>	<u>97,715</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 132,565</u></u>	<u><u>\$ 110,508</u></u>

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, 2023

With Comparative Totals for the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
Public Support				
Corporate and foundation grants	\$ 15,022	\$ -	\$ 15,022	\$ 47,122
Individual contributions	132,277	-	132,277	113,944
Government grants	162,429	-	162,429	132,374
Special events fundraising	-	-	-	14,210
Value of contributed services by unpaid volunteer singers	192,506	-	192,506	156,446
Total Public Support	502,234	-	502,234	464,096
Revenues				
Performance fees and ticket revenue	137,066	-	137,066	101,913
Other revenue	5,573	-	5,573	5,109
Interest	950	-	950	52
Forgiveness of PPP loan and interest	-	-	-	41,341
Total Revenues	143,589	-	143,589	148,415
Net Assets Released From Restrictions				
	20,000	(20,000)	-	-
Total Public Support and Revenues	665,823	(20,000)	645,823	612,511
Functional Expenses				
Program services	536,111	-	536,111	514,124
Fundraising	39,416	-	39,416	44,745
General and administrative	60,311	-	60,311	53,581
Total Functional Expenses	635,838	-	635,838	612,450
Increase (Decrease) in Net Assets	29,985	(20,000)	9,985	61
NET ASSETS - BEGINNING OF YEAR				
	77,715	20,000	97,715	97,654
NET ASSETS - END OF YEAR	\$ 107,700	\$ -	\$ 107,700	\$ 97,715

See Notes to Financial Statements

THE MINNESOTA CHORALE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	<u>Program Services</u>		Total Program Services
	Performance Programs	Education Programs	
Salaries	\$ 127,379	\$ 63,592	\$ 190,971
In-kind singer expense	192,506	-	192,506
Contract singers	71,876	-	71,876
Other contract services	15,586	-	15,586
Recording and producing	26,687	4,871	31,558
Office and postage	7,297	3,285	10,582
Payroll taxes	5,813	3,133	8,946
Insurance	2,166	2,167	4,333
Rent	2,800	1,401	4,201
Employee benefits	2,574	1,184	3,758
Advertising and promotion	-	-	-
Telephone	934	466	1,400
Interest expense	-	-	-
Dues and membership	87	87	174
Depreciation	140	80	220
Fundraising campaign	-	-	-
Travel	-	-	-
TOTAL FUNCTIONAL EXPENSES	\$ 455,845	\$ 80,266	\$ 536,111

See Notes to Financial Statements

	General and Administrative	Fundraising	Totals
\$	22,806	\$ 24,776	\$ 238,553
	-	-	192,506
	-	-	71,876
	24,441	-	40,027
	-	-	31,558
	3,102	5,775	19,459
	958	1,187	11,091
	4,334	-	8,667
	1,401	1,401	7,003
	1,183	1,183	6,124
	-	4,231	4,231
	466	466	2,332
	1,130	-	1,130
	350	350	874
	140	40	400
	-	7	7
	-	-	-
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\$	60,311	\$ 39,416	\$ 635,838

THE MINNESOTA CHORALE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	<u>Program Services</u>		Total Program Services
	Performance Programs	Education Programs	
Salaries	\$ 153,170	\$ 70,405	\$ 223,575
In-kind singer expense	156,446	-	156,446
Contract singers	74,470	-	74,470
Other contract services	266	-	266
Recording and producing	26,086	5,298	31,384
Office and postage	6,370	2,945	9,315
Payroll taxes	7,350	3,621	10,971
Insurance	921	921	1,842
Employee benefits	2,733	1,240	3,973
Advertising and promotion	-	-	-
Telephone	952	476	1,428
Interest expense	-	-	-
Dues and membership	62	62	124
Depreciation	140	80	220
Fundraising campaign	-	-	-
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
	18,322	13	18,601
	-	-	31,384
	2,827	4,566	16,708
	1,297	1,577	13,845
	1,842	-	3,684
	1,239	1,239	6,451
	-	4,990	4,990
	476	476	2,380
	1,152	-	1,152
	248	248	620
	140	40	400
	-	3,518	3,518
	110	-	220
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\$	53,581	\$ 44,745	\$ 612,450

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THE MINNESOTA CHORALE

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Increase in net assets	\$ 9,985	\$ 61
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	400	400
Forgiveness of long-term debt principal	-	(41,100)
(Increase) Decrease in:		
Grants and pledges receivable	21,112	(21,319)
Other receivable	(14,854)	-
Inventory	447	(1,150)
(Decrease) in:		
Accounts payable	4,509	350
Net Cash Provided By (Used In) Operating Activities	<u>21,599</u>	<u>(62,758)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	9,000	-
Payments on obligation under line of credit agreement	-	(4,000)
Payments on long-term debt	<u>(1,437)</u>	<u>(1,000)</u>
Net Cash Provided By (Used In) Financing Activities	<u>7,563</u>	<u>(5,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	29,162	(67,758)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	76,919	144,677
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 106,081</u>	<u>\$ 76,919</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 1,130	\$ 1,152
Noncash Investing and Financing Activities:		
Line of credit converted to long-term debt	\$ 11,000	\$ -

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 ended June 30, 2023, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842 *Leases*, which requires the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position and replaces existing lease guidance within accounting principles generally accepted in the United States of America. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The Organization adopted ASU 2016-02 with a date of initial application of July 1, 2021, and recognized and measured leases existing at, or entered into after, using a modified retrospective method, with certain practical expedients available. The Organization elected the available practical expedient to apply the short-term lease exemption to its existing lease.

As a result of the adoption of the new lease accounting guidance, the Organization did not recognize any ROU asset or lease liability, as the Organization’s leases are all short-term in nature. The standard had no impact on the Organization’s statement of financial position, statement of activity and changes in net assets, functional expenses, or cash flows.

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 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)

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.

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 \$142,639 and \$107,022 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 was \$400.

Leases

When, at inception of an agreement, it is concluded an agreement includes a lease component, the Organization records an operating lease or finance lease based on the agreement. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The Organization elected to apply the short-term lease exemption to its existing lease. See Note 8 for information about the short-term lease cost recognized in the years ended June 30, 2023 and 2022.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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. See Note 9 for further information about the Organization's contributed services.

The Organization also recognizes revenue related to items donated that are later sold as part of a fundraising auction. There were no amounts recognized as revenue related to items donated for the fundraising auction for the year ended June 30, 2023. The amount recognized as revenue related to items donated for the fundraising auction for the year ended June 30, 2022 was \$12,512. These amounts are included in fundraising revenue on the Organization's statement of activities.

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.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Advertising

The Organization expenses advertising costs as they are incurred. Advertising and promotional expense for the years ended June 30, 2023 and 2022 was \$4,231 and \$4,990, 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.

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, 2022, 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 13, 2023, the date the financial statements were available to be issued.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Liquidity and Availability

Financial assets as of June 30, 2023 and 2022, less amounts not available for general expenditure within one year of the statement of financial position date, consisted of the following:

	2023	2022
Cash and cash equivalents	\$ 106,081	\$ 76,919
Grants and pledges receivable	1,889	23,001
Less: Board designated reserve	(38,000)	(38,000)
 Total	 \$ 69,970	 \$ 61,920

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.

3. Receivables

Pledges and grants receivable at June 30, 2023 and 2022 consisted of the following:

	2023	2022
State government organizations	\$ 1,889	\$ 2,001
Foundation donors	-	20,000
Individual donors	-	1,000
 Total Pledges and Grants Receivable	 \$ 1,889	 \$ 23,001

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Line of Credit Agreement

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

Interest paid on this line was \$396 and \$857 for the years ended June 30, 2023 and 2022, respectively. The line of credit was converted to long-term debt during the year ended June 30, 2023 (see Note 5). At June 30, 2022, the outstanding obligation under the line of credit agreement was \$11,000.

5. Long-Term Debt

During the year ended June 30, 2023, the Organization entered into a \$20,000 five-year term loan with Propel Nonprofits. The loan bears interest at 6.5% through January 18, 2028 and is secured by substantially all assets of the Organization. Maturities of long-term debt as of June 30, 2023 were as follows:

<u>Year Ended June 30,</u>	
2024	\$ 3,595
2025	3,836
2026	4,093
2027	4,367
2028	<u>2,672</u>
Total	<u>\$ 18,563</u>

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, 2023 and 2022, the Organization's Board of Directors had designated net assets without donor restrictions of \$38,000 for this purpose.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Net Assets (Continued)

Net Assets with Donor Restrictions

There were no net assets with donor restrictions as of June 30, 2023. 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.

Net assets of \$20,000 were released from donor restrictions by the time restriction expiring for the year ended June 30, 2023. There were no net assets released from donor restrictions for the year ended June 30, 2022.

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, 2023 and 2022.

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 entered into a verbal lease agreement for the same office space during the year ended June 30, 2023. Under the verbal lease, monthly payments are to increase from \$1,000 to \$1,200 effective January 1, 2024.

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 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.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. In-Kind Contributions (Continued)

In-kind contributions included in the statements of activities and changes in net assets for the years ended June 30, 2023 and 2022 were \$192,506 and \$156,446, respectively. These amounts are also included as in-kind singer expense under program services in each year.

In addition, during the year ended June 30, 2022, 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 year ended June 30, 2022. There were no donated items received for the annual fundraising event during the year ended June 30, 2023.

10. Government Assistance

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.

Under the provisions of the Coronavirus Aid, Relief and Economic Security (CARES) Act and subsequent additional federal legislation, the Organization was eligible for a refundable employee retention credit (ERC) subject to certain criteria. The Organization recorded the credit and related receivable as a conditional contribution in accordance with FASB ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*, or the Government Grant Model. As a result, the credit was recorded as a receivable and recognized as grant revenue once the measurable performance or other barriers and right of return of the ERC no longer existed. During the year ended June 30, 2023 the Organization recorded grant revenue, which is included in government grants on the statement of activities and changes in net assets, of \$94,150. The Company was due \$14,854 of ERC as of June 30, 2023, which is included in other receivable on the statement of financial position.
