

Chorus America
Washington, District of Columbia

Financial Statements
Auditor's Report
For the Years Ended
August 31, 2023 and 2022



CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1-2
EXHIBIT A: Statements of Activities – For the Years Ended August 31, 2023 and 2022	3
EXHIBIT B: Statement of Functional Expense – For the Year Ended August 31, 2023 with Comparative Totals for 2022	4
EXHIBIT C: Statement of Functional Expense – For the Year Ended August 31, 2022	5
EXHIBIT D: Statements of Financial Position – August 31, 2023 and 2022	6
EXHIBIT E: Statements of Cash Flows – For the Years Ended August 31, 2023 and 2022	7
NOTES TO FINANCIAL STATEMENTS	8-19



Carpenter, Evert & Associates

Certified Public Accountants
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435
952.831.0085 carpenterevert.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chorus America
Washington, District of Columbia

Opinion

We have audited the accompanying financial statements of Chorus America (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chorus America as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chorus America 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 Chorus America'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 Chorus America'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 Chorus America's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Carpenter EMT and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
March 28, 2024

CHORUS AMERICA
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

	2023				2022			
	Without Donor Restrictions		With Donor Restrictions		Without Donor Restrictions		With Donor Restrictions	
	Operating	Board Designated	Restrictions	Total	Operating	Board Designated	Restrictions	Total
Support and Revenue:								
Grants and Contributions	\$ 769,836	\$ -	\$ 2,498,512	\$ 3,268,348	\$ 600,557	\$ -	\$ 174,900	\$ 775,457
Membership Dues	230,266	-	-	230,266	200,891	-	-	200,891
Annual Conference	157,061	-	-	157,061	110,217	-	-	110,217
Program Service Revenue	47,244	-	-	47,244	9,075	-	-	9,075
Publication Income	68,920	-	-	68,920	86,189	-	-	86,189
Investment Income (Loss)	15,500	85,296	-	100,796	6,831	(209,636)	-	(202,805)
Other Income	29,770	-	-	29,770	21,061	-	-	21,061
Net Assets Released from Restrictions:								
Satisfaction of Program and Time Restrictions	1,081,615	-	(1,081,615)	-	1,116,182	-	(1,116,182)	-
Total Support and Revenue	2,400,212	85,296	1,416,897	3,902,405	2,151,003	(209,636)	(941,282)	1,000,085
Expense:								
Program Services:								
Membership Services and Publications Projects	436,484	-	-	436,484	414,898	-	-	414,898
Total Program Services	1,499,580	-	-	1,499,580	1,256,569	-	-	1,256,569
Support Services:								
Management and General Fundraising	302,192	-	-	302,192	280,658	-	-	280,658
Total Support Services	145,118	-	-	145,118	197,528	-	-	197,528
Total Expense	447,310	-	-	447,310	478,186	-	-	478,186
	2,383,374	-	-	2,383,374	2,149,653	-	-	2,149,653
Change in Net Assets from Operations	16,838	85,296	1,416,897	1,519,031	1,350	(209,636)	(941,282)	(1,149,568)
Other Changes in Net Assets:								
Designated Expense Fund Transfers	60,500	(60,500)	-	-	15,000	(15,000)	-	-
Change in Net Assets	77,338	24,796	1,416,897	1,519,031	16,350	(224,636)	(941,282)	(1,149,568)
Net Assets - Beginning of Year	359,819	376,949	1,659,518	2,396,286	343,469	601,585	2,600,800	3,545,854
Net Assets - End of Year	\$ 437,157	\$ 401,745	\$ 3,076,415	\$ 3,915,317	\$ 359,819	\$ 376,949	\$ 1,659,518	\$ 2,396,286

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

CHORUS AMERICA
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED AUGUST 31, 2023 WITH COMPARATIVE TOTALS FOR 2022

	2023				2022			
	Program Services		Support Services		Program Services		Support Services	
	Membership Services & Publications	Projects	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 245,249	\$ 381,841	\$ 627,090	\$ 154,377	\$ 97,590	\$ 251,967	\$ 879,057	\$ 786,050
Payroll Taxes	19,175	29,856	49,031	12,071	7,631	19,702	68,733	64,758
Employee Benefits	29,934	46,605	76,539	18,842	11,911	30,753	107,292	85,691
Total Personnel Costs	294,358	458,302	752,660	185,290	117,132	302,422	1,055,082	936,499
Regrant Expense	-	352,083	352,083	-	-	-	352,083	574,000
Professional Fees	29,216	234,801	264,017	32,785	5,705	38,490	302,507	239,084
Travel	18,095	228,025	246,120	20,164	1,140	21,304	267,424	74,675
Rent	18,921	70,320	89,241	9,320	10,876	20,196	109,437	109,202
Office Supplies	15,168	41,626	56,794	18,202	1,608	19,810	76,604	40,844
Audio Visual	958	33,598	34,556	3,131	-	3,131	37,687	13,789
Conference and Seminar Expense	2,791	32,047	34,838	312	25	337	35,175	21,292
Printing and Postage	24,885	5,804	30,689	529	2,488	3,017	33,706	31,115
Bank and Credit Card Fees	5,000	19,905	24,905	1,425	2,834	4,259	29,164	27,656
Marketing and Advertising	12,344	3,560	15,904	2,052	404	2,456	18,360	16,777
Miscellaneous	1,444	4,026	5,470	9,758	565	10,323	15,793	16,235
Dues and Subscriptions	10,234	1,177	11,411	1,852	551	2,403	13,814	12,817
Equipment Rental and Maintenance	125	3,181	3,306	8,416	97	8,513	11,819	10,584
Telephone	-	181	181	7,506	-	7,506	7,687	6,809
Insurance	635	2,359	2,994	312	365	677	3,671	3,787
Depreciation	2,310	8,585	10,895	1,138	1,328	2,466	13,361	14,488
Total Expense	\$ 436,484	\$ 1,499,580	\$ 1,936,064	\$ 302,192	\$ 145,118	\$ 447,310	\$ 2,383,374	\$ 2,149,653

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

CHORUS AMERICA
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED AUGUST 31, 2022

	Program Services			Support Services			Total All Services
	Membership Services & Publications	Projects	Total Program Services	Management & General	Fund-raising	Total Support Services	
Salaries	\$ 241,160	\$ 269,458	\$ 510,618	\$ 134,257	\$ 141,175	\$ 275,432	\$ 786,050
Payroll Taxes	19,867	22,199	42,066	11,061	11,631	22,692	64,758
Employee Benefits	26,290	29,375	55,665	14,636	15,390	30,026	85,691
Total Personnel Costs	287,317	321,032	608,349	159,954	168,196	328,150	936,499
Regrant Expense	-	574,000	574,000	-	-	-	574,000
Professional Fees	36,660	150,497	187,157	45,568	6,359	51,927	239,084
Travel	3,371	66,998	70,369	3,012	1,294	4,306	74,675
Rent	16,395	73,316	89,711	9,508	9,983	19,491	109,202
Office Supplies	6,133	13,573	19,706	19,624	1,514	21,138	40,844
Audio Visual	-	13,789	13,789	-	-	-	13,789
Conference and Seminar Expense	7,076	8,768	15,844	4,494	954	5,448	21,292
Printing and Postage	24,700	4,869	29,569	160	1,386	1,546	31,115
Bank and Credit Card Fees	9,107	8,151	17,258	6,435	3,963	10,398	27,656
Marketing and Advertising	5,215	8,851	14,066	2,416	295	2,711	16,777
Miscellaneous	3,666	3,887	7,553	8,176	506	8,682	16,235
Dues and Subscriptions	9,819	500	10,319	1,921	577	2,498	12,817
Equipment Rental and Maintenance	81	1,443	1,524	8,993	67	9,060	10,584
Telephone	-	-	-	6,809	-	6,809	6,809
Insurance	587	2,625	3,212	217	358	575	3,787
Depreciation	4,771	4,270	9,041	3,371	2,076	5,447	14,488
Total Expense	\$ 414,898	\$ 1,256,569	\$ 1,671,467	\$ 280,658	\$ 197,528	\$ 478,186	\$ 2,149,653

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

CHORUS AMERICA
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and Cash Equivalents	\$ 338,208	\$ 1,259,106
Accounts Receivable	9,974	20,498
Pledges Receivable	1,232,110	205,624
Prepaid Expenses	11,634	11,195
Total Current Assets	<u>1,591,926</u>	<u>1,496,423</u>
Investments	1,142,756	1,002,286
Pledges Receivable	1,203,747	15,000
Property and Equipment - Net	103,164	41,172
Right of Use Asset	477,544	-
Lease Security Deposit	8,484	8,484
 TOTAL ASSETS	 <u>\$ 4,527,621</u>	 <u>\$ 2,563,365</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 84,867	\$ 100,227
Deferred Revenue	-	2,404
Lease Liability - Current	108,371	-
Accrued Rent	-	64,448
Total Current Liabilities	<u>193,238</u>	<u>167,079</u>
Lease Liability - Long Term	<u>419,066</u>	-
Total Liabilities	<u>612,304</u>	<u>167,079</u>
Net Assets:		
Without Donor Restrictions:		
Operating	437,157	359,819
Board Designated	401,745	376,949
Total Without Donor Restrictions	<u>838,902</u>	<u>736,768</u>
With Donor Restrictions	<u>3,076,415</u>	<u>1,659,518</u>
Total Net Assets	<u>3,915,317</u>	<u>2,396,286</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,527,621</u>	 <u>\$ 2,563,365</u>

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

CHORUS AMERICA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,519,031	\$ (1,149,568)
Total Adjustments	(2,351,630)	950,060
Net Cash (Used) by Operating Activities	<u>(832,599)</u>	<u>(199,508)</u>
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(75,353)	(4,029)
Purchase of Investments	(506,645)	(150,297)
Proceeds from Sale of Investments	468,934	144,029
Net Cash (Used) by Investing Activities	<u>(113,064)</u>	<u>(10,297)</u>
Cash Flows from Financing Activities:		
Contributions Restricted for Endowment	<u>24,765</u>	<u>50,550</u>
Net (Decrease) in Cash and Cash Equivalents	(920,898)	(159,255)
Cash and Cash Equivalents - Beginning of Year	<u>1,259,106</u>	<u>1,418,361</u>
Cash and Cash Equivalents - End of Year	<u>\$ 338,208</u>	<u>\$ 1,259,106</u>

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

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

1. Summary of Significant Accounting Policies

Organizational Purpose

Chorus America is the only service organization in North America meeting the management and artistic needs of independent choruses. Since its founding in 1977, legions of choruses have benefited from Chorus America's services and networking clout to boost their own effectiveness.

Chorus America's mission is to empower singing ensembles to create vibrant communities and effect meaningful change by offering services that promote artistic achievement, organizational strength, and advocacy. Chorus America's programs serve the entire field of choral music: Members include professional, volunteer, symphony/opera, and children/youth choruses, as well as conductors, arts administrators, board members, singers, music business executives and choral music lovers who are at the core of a dramatically expanding choral movement in North America.

At the heart of its mission are Chorus America's professional development offerings. Its timely and relevant programs, conferences, publications, and research initiatives help chorus leaders acquire new information and skills that enhance the impact of their organizations in their communities. Through its research and national advocacy work, as well as a robust social media presence, it has extended its impact and reach far beyond its membership.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to Chorus America, 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 restrictions. 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. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

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. Chorus America 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.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Investments

Chorus America carries its investments at market value.

Marketable equity securities are valued at their net asset value at year end. Money market funds are valued at cost which approximates fair value.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities could occur in the near-term and that such change could materially affect the amounts reported in the statement of financial position.

Accounts Receivable and Doubtful Accounts

Chorus America extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and Chorus America does not charge interest on accounts receivable balances. Chorus America reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. Chorus America provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. No allowance for doubtful accounts has been provided as receivables are considered collectable.

Property and Equipment

All major expenditures for property, equipment and leasehold improvements over \$1,000 are capitalized at cost. Depreciation is provided through the use of the straight-line method. Contributed assets are recorded at fair market value at the time of donation. Leasehold improvements are amortized ratably over the life of the improvements, or the remaining lease term, if shorter.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. No allowance for doubtful accounts has been provided as pledges receivable are considered collectable.

Revenue and Revenue Recognition

Chorus America 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.

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Chorus America will record such disallowance at the time the final assessment is made.

Chorus America records contributions of nonfinancial assets at fair market value at date of donation. Chorus America's policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow Chorus America 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.

Membership dues are recognized as revenue over the term of the membership. Conference, program service fees and publication income are recognized as revenue when the event occurs and the performance obligations are met. Deferred Revenue consists primarily of prepaid publication advertising, prepaid project costs and conference fees received in advance of the event.

The following provides information about significant changes in Deferred Revenue ended August 31,:

	<u>2023</u>	<u>2022</u>
Deferred Revenue – Beginning of Year	\$ 2,404	\$ 12,224
Revenue recognized that was included in deferred revenue at the beginning of the year	(2,404)	(12,224)
Increases in deferred revenue due to cash received during the year	<u>-</u>	<u>2,404</u>
Deferred Revenue– End of Year	<u>\$ -</u>	<u>\$ 2,404</u>

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Advertising

Direct and indirect advertising costs are expensed as incurred. Advertising costs were \$6,360 and \$4,778 for the years ending August 31, 2023 and 2022, respectively.

New Accounting Pronouncement

In the year ending August 31, 2023, Chorus America adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. Chorus America elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, Chorus America recognized right-of-use assets of \$576,327 and lease liabilities totaling \$631,071 in its statement of financial position as of September 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended August 31, 2023.

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on overall staff time recorded in each functional category.

Income Tax

Chorus America 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. Chorus America'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. Chorus America 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, Chorus America annually files a Return of Organization Exempt From Income Tax (Form 990).

Leases

Chorus America 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, and ROU assets. Operating lease expense is recognized on a straight-line basis over the lease term. Chorus America 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.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Chorus America has evaluated the effect that subsequent events would have on the financial statements through March 28, 2024, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

Chorus America provides services within North America. Accounts receivable, grants and pledges receivable are amounts due from various individuals and institutions.

3. Investments

Chorus America held the following investments as of:

	August 31,			
	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Money Market Funds	\$ 59,594	\$ 59,594	\$ 266,113	\$ 266,113
Mutual Funds	941,724	1,083,162	686,391	736,173
	<u>\$ 1,001,318</u>	<u>\$ 1,142,756</u>	<u>\$ 952,504</u>	<u>\$ 1,002,286</u>

Investment income included the following as of:

	August 31,	
	2023	2022
Realized Gain (Loss)	\$ 11,133	\$ (11,851)
Unrealized Gain (Loss)	91,626	(197,625)
Interest and Dividends	5,123	14,401
Investment Fees	(7,086)	(7,730)
	<u>\$ 100,796</u>	<u>\$ (202,805)</u>

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

4. Fair Value

Chorus America adopted Financial Accounting Standards Board Codification Topic 820 Fair Value Measurements and Disclosures ("ASC 820") effective July 1, 2008. In accordance with ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. SFAS 157 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

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

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

August 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds and Money Market Funds	<u>\$ 1,142,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,142,756</u>

August 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds and Money Market Funds	<u>\$ 1,002,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,002,286</u>

5. Property and Equipment

Chorus America owned the following as of:

	<u>August 31,</u>		<u>Estimated</u>
	<u>2023</u>	<u>2022</u>	<u>Useful Lives</u>
Computer Equipment	\$ 127,840	\$ 127,840	5 years
Website Development	75,354	-	
Leasehold Improvements	55,643	55,643	10 years
Furniture and Fixtures	<u>18,059</u>	<u>18,059</u>	5-7 years
	276,896	201,542	
Less Accumulated Depreciation	<u>173,732</u>	<u>160,370</u>	
	<u>\$ 103,164</u>	<u>\$ 41,172</u>	

Depreciation expense of \$13,361 and \$14,488 was recorded for the years ended August 31, 2023 and 2022, respectively.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

6. Board Designated Net Assets Without Donor Restrictions

The Board designated net assets without donor restrictions are available for the following purposes:

	August 31,	
	2023	2022
Reserves and Opportunities Fund	\$ 265,755	\$ 232,389
Margaret Hillis Award Fund	89,673	75,754
Brazeal Wayne Dennard Fund	(136)	1,572
Alice Parker Fund	(7,116)	(6,751)
John Alexander Conducting Faculty Chair	53,569	73,985
Total Board Designated Net Assets	\$ 401,745	\$ 376,949

The Reserves and Opportunities Fund is a board-designated fund initiated by a matching grant from the Whitaker Fund. It is designed to provide financial stability to Chorus America and allow it to take advantage of unusual opportunities of strategic importance. The fund is designated to: a) provide for promising projects or research/development activities that fall outside the normal budget process and are time-sensitive; and/or b) offset unavoidable and significant variances in revenues or cash flows.

The Margaret Hillis Award Fund is a board-designated fund initiated by the American Choral Foundation, Inc. to administer the annual Margaret Hillis Award in the amount of at least \$5,000 annually for excellence in choral music. The board designated portion of the fund, which is the excess over the restricted amount of \$176,788, is available to fund normal operations.

The Brazeal Wayne Dennard Fund was established to further African American and other diverse choral music traditions through performance, research, or the creation of new compositions of significance. This fund has a permanently restricted core and is used to generate an annual \$2,500 award. Any funds generated through interest and appreciation in excess of \$2,500 may be used to offset the costs to administer the award and for Chorus America operations related to promoting the central purposes of the award.

The Alice Parker Fund Fund was established to support the composition and thoughtful presentation of choral music based in the traditions of Black and Latinx communities. This award will be presented annually, recognizing the exemplary work of a Black or Latinx composer or an ensemble that respectfully and authentically presents works incorporating these traditions and experiences. This fund has a permanently restricted core and is used to generate an annual \$2,000 award. Any funds generated through interest and appreciation in excess of \$2,000 may be used to offset the costs to administer the award and for Chorus America operations related to promoting the central purposes of the award.

The John Alexander Conducting Faculty Chair fund consists of the donor restricted in perpetuity amount of \$160,500 and the board designated portion of the fund, which is available to support the involvement of leading conductors in Chorus America's conducting programs.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

7. Pledges Receivable

The outstanding balance of pledges receivable at August 31, 2023, is expected to be collected over the following fiscal years:

Due in the Year Ending August 31,

2024	\$ 1,232,110
2025	800,000
2026	<u>500,000</u>
	2,532,110
Less: Pledge Discount at 4.5%	<u>(96,253)</u>
Total Pledge Receivables	<u>\$ 2,435,857</u>

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of:

	<u>August 31,</u>	
	<u>2023</u>	<u>2022</u>
Subject to Expenditures for Specified Purpose:		
Music Education Collaborations Grant	\$ 2,463,242	\$ 953,472
Popplestone Foundation Projects	55,000	115,000
Chorus Leadership Guide	30,000	30,000
Choral Executive Leadership Academy	-	27,000
Conducting Academy	-	20,000
Newhouse Commission	-	2,050
Subject to Time Restrictions:		
Future Operations	<u>25,000</u>	<u>33,588</u>
	2,573,242	1,181,110
Endowment – To be Held in Perpetuity	<u>503,173</u>	<u>478,408</u>
Total Net Assets with Donor Restriction	<u>\$ 3,076,415</u>	<u>\$ 1,659,518</u>

9. Unrelated Business Income Tax

Chorus America publishes a quarterly magazine that is subject to unrelated business income tax. The advertising revenues received for the publication of the magazine are subject to unrelated business income tax.

Income tax expense was \$-0- for both years ended August 31, 2023 and 2022.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

10. 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.

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.

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 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, Chorus America classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in donor restricted net assets in perpetuity is classified as donor restricted net assets until those amounts are appropriated for expenditure by Chorus America in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Chorus America 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 Chorus America 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 Chorus America
7. The investment policies of Chorus America.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

10. Endowment Fund (continued)

Endowment Net Asset Composition by Type of Fund:

August 31, 2022	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Investment Funds	\$ 376,949	\$ 478,408	\$ 855,357

August 31, 2023	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Investment Funds	\$ 401,745	\$ 503,173	\$ 904,918

Changes in Endowment Net Assets:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
August 31, 2021	\$ 601,585	\$ 427,858	\$ 1,029,443
Contributions	-	50,550	50,550
Investment Return	(209,636)	-	(209,636)
Transfers to Remove Board Designated Amounts	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
August 31, 2022	376,949	478,408	855,357
Contributions	-	24,765	24,765
Investment Return	85,296	-	85,296
Transfers to Remove Board Designated Amounts	<u>(60,500)</u>	<u>-</u>	<u>(60,500)</u>
August 31, 2023	<u>\$ 401,745</u>	<u>\$ 503,173</u>	<u>\$ 904,918</u>

11. Retirement Plan

Chorus America has a 403(b) voluntary defined contribution retirement plan under which all full-time employees are eligible to participate. Eligibility commences on the first day of employment. Participants are fully vested in all contributions. Chorus America did not make contributions for the years ended August 31, 2023 and 2022, respectively.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

12. Cash Flow Operating Adjustments

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

	<u>August 31,</u>	
	<u>2023</u>	<u>2022</u>
Depreciation	\$ 13,361	\$ 14,488
Net Change in Operating Lease Activities	49,893	-
Unrealized (Gain) Loss on Investments	(91,626)	197,625
Realized (Gain) Loss on Investment	(11,133)	11,851
Contributions Restricted for Endowment	(24,765)	(50,550)
Pledge Receivable	(1,188,747)	-
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(15,360)	62,500
Deferred Revenue	(2,404)	(9,820)
Accrued Rent	(64,448)	(1,752)
Decreases (Increases) in Current Assets:		
Accounts Receivable	10,524	(4,306)
Pledges Receivable	(1,026,486)	730,696
Prepaid Expense	(439)	(672)
Total Adjustments	<u>\$ (2,351,630)</u>	<u>\$ 950,060</u>

13. Liquidity and Availability

The following represents Chorus America's financial assets as of:

	<u>August 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash	\$ 338,208	\$ 1,259,106
Accounts Receivable	9,974	20,498
Pledges Receivable	2,435,857	220,624
Investments	<u>1,142,756</u>	<u>1,002,286</u>
Total Financial Assets	3,925,545	2,502,514
Less: Assets not available to be used within one year:		
Net Assets With Donor Restrictions	3,076,415	1,659,518
Board Designated Funds	401,745	376,949
Net Assets With Restrictions to be met within a year	<u>(1,273,242)</u>	<u>(1,181,110)</u>
Total Assets not available to be used within one year	<u>2,204,918</u>	<u>855,357</u>
Financial assets available for general expenditures within one year	<u>\$ 1,720,627</u>	<u>\$ 1,647,157</u>

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

13. Liquidity and Availability (continued)

Chorus America'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.

Chorus America has certain net assets with donor restrictions limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year.

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

14. Leases

Chorus America evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent Chorus America's right to use underlying assets for the lease term, and the lease liabilities represent Chorus America's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. Chorus America has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of August 31, 2023, was 1.90%.

Chorus America's operating leases consist of leases for office space.

For the year ended August 31, 2023, total operating lease cost was \$108,876. As of August 31, 2023, the weighted-average remaining lease term for Chorus America's operating leases was approximately 4.67 years.

Cash paid for operating leases for the year ended August 31, 2023 was \$113,728. There were no noncash investing and financing transactions related to leasing other than the transition entry described in note 1.

Maturities of operating lease liabilities as of August 31, 2023:

Year Ending August 31:

2024	\$ 116,571
2025	119,485
2026	122,472
2027	125,534
2028	<u>74,438</u>
Total Lease Payments	558,500
Less Present Value Discount	<u>31,063</u>
Present Value of Lease Liabilities	<u>\$ 527,437</u>