

Chorus America
Washington, District of Columbia

Financial Statements
Auditor's Report
For the Years Ended
August 31, 2020 and 2019



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

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Independent Auditor's Report

Board of Directors
Chorus America
Washington, District of Columbia

We have audited the accompanying financial statements of Chorus America, which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020 and 2019, 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.

Carpenter Evert and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
January 8, 2021

CHORUS AMERICA
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020				2019			
	Without Donor Restriction		With Donor Restrictions	Total	Without Donor Restriction		With Donor Restrictions	Total
	Operating	Board Designated			Operating	Board Designated		
Support and Revenue:								
Grants and Contributions	\$ 651,333	\$ -	\$ 189,500	\$ 840,833	\$ 636,375	\$ -	\$ 125,500	\$ 761,875
Membership Dues	222,068	-	-	222,068	272,950	-	-	272,950
Annual Conference	215,849	-	-	215,849	254,030	-	-	254,030
Publication Income	82,379	-	-	82,379	96,806	-	-	96,806
Investment Income	8,063	127,575	-	135,638	8,264	6,183	-	14,447
Other Income	4,116	-	-	4,116	208	-	-	208
Net Assets Released from Restrictions:								
Satisfaction of Program and Time Restrictions	67,000	-	(67,000)	-	135,245	-	(135,245)	-
Total Support and Revenue	1,250,808	127,575	122,500	1,500,883	1,403,878	6,183	(9,745)	1,400,316
Expense:								
Program Services:								
Membership Services and Publications Projects	427,583	-	-	427,583	427,364	-	-	427,364
Total Program Services	310,383	-	-	310,383	537,423	-	-	537,423
Support Services:								
Management and General Fundraising	737,966	-	-	737,966	964,787	-	-	964,787
Total Support Services	303,328	-	-	303,328	275,417	-	-	275,417
Total Expense	161,917	-	-	161,917	169,855	-	-	169,855
	465,245	-	-	465,245	445,272	-	-	445,272
	1,203,211	-	-	1,203,211	1,410,059	-	-	1,410,059
Change in Net Assets from Operations	47,597	127,575	122,500	297,672	(6,181)	6,183	(9,745)	(9,743)
Other Changes in Net Assets:								
Designated Expense Fund Transfers	5,000	(5,000)	-	-	10,000	(10,000)	-	-
Change in Net Assets	52,597	122,575	122,500	297,672	3,819	(3,817)	(9,745)	(9,743)
Net Assets - Beginning of Year	176,638	252,959	466,063	895,660	172,819	256,776	475,808	905,403
Net Assets - End of Year	\$ 229,235	\$ 375,534	\$ 588,563	\$ 1,193,332	\$ 176,638	\$ 252,959	\$ 466,063	\$ 895,660

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, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020						2019	
	Program Services			Support Services			Total	Total
	Membership Services & Publications	Projects	Program Services	Management & General	Fund-raising	Support Services	All Services	All Services
Salaries	\$ 220,298	\$ 171,798	\$ 392,096	\$ 125,530	\$ 102,583	\$ 228,113	\$ 620,209	\$ 599,433
Payroll Taxes	18,005	14,041	32,046	10,260	8,384	18,644	50,690	47,333
Employee Benefits	22,417	17,481	39,898	12,773	10,438	23,211	63,109	53,868
Total Personnel Costs	260,720	203,320	464,040	148,563	121,405	269,968	734,008	700,634
Professional Fees	37,047	30,388	67,435	53,881	1,950	55,831	123,266	212,227
Rent	35,975	31,826	67,801	25,420	15,655	41,075	108,876	108,664
Printing and Postage	29,292	2,786	32,078	329	3,009	3,338	35,416	43,261
Travel	8,170	7,762	15,932	15,675	1,227	16,902	32,834	125,419
Marketing and Advertising	25,868	2,328	28,196	50	1,369	1,419	29,615	34,325
Bank and Credit Card Fees	9,541	8,440	17,981	6,741	4,152	10,893	28,874	30,068
Dues and Subscriptions	5,061	3,497	8,558	8,918	4,525	13,443	22,001	25,348
Telephone	319	172	491	18,153	45	18,198	18,689	14,200
Equipment Rental and Maintenance	208	916	1,124	11,591	91	11,682	12,806	15,208
Audio Visual	-	5,888	5,888	1,502	-	1,502	7,390	31,350
Office Supplies	2,007	840	2,847	1,101	2,706	3,807	6,654	9,894
Miscellaneous	188	1,058	1,246	2,458	340	2,798	4,044	5,569
Insurance	1,100	974	2,074	778	479	1,257	3,331	3,101
Conference and Seminar Expense	1,205	448	1,653	220	229	449	2,102	17,509
Interest Expense	-	-	-	259	-	259	-	305
Depreciation	10,882	9,740	20,622	7,689	4,735	12,424	33,046	32,977
Total Expense	\$ 427,583	\$ 310,383	\$ 737,966	\$ 303,328	\$ 161,917	\$ 465,245	\$ 1,203,211	\$ 1,410,059

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, 2019

	Program Services			Support Services			Total All Services
	Membership Services & Publications	Projects	Total Program Services	Management & General	Fund-raising	Total Support Services	
Salaries	\$ 225,746	\$ 141,706	\$ 367,452	\$ 127,020	\$ 104,961	\$ 231,981	\$ 599,433
Payroll Taxes	17,825	11,190	29,015	10,030	8,288	18,318	47,333
Employee Benefits	20,287	12,735	33,022	11,414	9,432	20,846	53,868
Total Personnel Costs	263,858	165,631	429,489	148,464	122,681	271,145	700,634
Professional Fees	28,006	156,756	184,762	24,742	2,723	27,465	212,227
Rent	34,283	36,309	70,592	21,577	16,495	38,072	108,664
Printing and Postage	31,046	8,433	39,479	591	3,191	3,782	43,261
Travel	9,736	89,207	98,943	23,535	2,941	26,476	125,419
Marketing and Advertising	25,085	5,077	30,162	-	4,163	4,163	34,325
Bank and Credit Card Fees	9,486	10,047	19,533	5,971	4,564	10,535	30,068
Dues and Subscriptions	7,530	7,835	15,365	6,493	3,490	9,983	25,348
Telephone	304	350	654	13,539	7	13,546	14,200
Equipment Rental and Maintenance	445	204	649	14,466	93	14,559	15,208
Audio Visual	-	29,299	29,299	2,051	-	2,051	31,350
Office Supplies	2,084	3,726	5,810	835	3,249	4,084	9,894
Miscellaneous	1,679	1,171	2,850	2,117	602	2,719	5,569
Insurance	978	1,036	2,014	616	471	1,087	3,101
Conference and Seminar Expense	2,440	11,323	13,763	3,567	179	3,746	17,509
Interest Expense	-	-	-	305	-	305	305
Depreciation	10,404	11,019	21,423	6,548	5,006	11,554	32,977
Total Expense	\$ 427,364	\$ 537,423	\$ 964,787	\$ 275,417	\$ 169,855	\$ 445,272	\$ 1,410,059

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

CHORUS AMERICA
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and Cash Equivalents	\$ 241,664	\$ 121,678
Accounts Receivable	9,045	9,823
Pledges Receivable	87,740	22,700
Prepaid Expenses	19,982	20,334
Total Current Assets	<u>358,431</u>	<u>174,535</u>
Investments	894,004	697,613
Property and Equipment - Net	84,856	106,689
Lease Security Deposit	<u>8,484</u>	<u>8,484</u>
 TOTAL ASSETS	 <u>\$ 1,345,775</u>	 <u>\$ 987,321</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 36,498	\$ 24,595
Refundable Advances	34,170	-
Deferred Revenue	16,204	4,764
Accrued Rent	65,571	62,302
Total Current Liabilities	<u>152,443</u>	<u>91,661</u>
Net Assets:		
Without Donor Restriction		
Operating	229,235	176,638
Board Designated	375,534	252,959
Total Without Donor Restriction	<u>604,769</u>	<u>429,597</u>
With Donor Restriction	<u>588,563</u>	<u>466,063</u>
Total Net Assets	<u>1,193,332</u>	<u>895,660</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,345,775</u>	 <u>\$ 987,321</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, 2020 AND 2019

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 297,672	\$ (9,743)
Total Adjustments	<u>(102,719)</u>	<u>7,097</u>
Net Cash Provided (Used) by Operating Activities	194,953	(2,646)
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(11,213)	(10,801)
Purchase of Investments	(807,615)	(399,268)
Proceeds from Sale of Investments	<u>739,360</u>	<u>433,317</u>
Net Cash Provided (Used) by Investing Activities	(79,468)	23,248
Cash Flows from Financing Activities:		
Contributions Restricted for Endowment	<u>4,500</u>	<u>31,500</u>
Net Increase in Cash and Cash Equivalents	119,985	52,102
Cash and Cash Equivalents - Beginning of Year	<u>121,678</u>	<u>69,576</u>
Cash and Cash Equivalents - End of Year	<u>\$ 241,664</u>	<u>\$ 121,678</u>

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

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

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 which are not subject to donor-imposed stipulations. 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 – The part of net assets of Chorus America resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations or do not expire with time nor may be fulfilled by actions of Chorus America.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

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, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as net assets with donor restrictions until the donor-imposed restrictions expire or are fulfilled. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

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.

Government Grants and Contracts

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.

Revenue and Revenue Recognition

Membership dues are recognized as revenue over the term of the membership. Conference 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deferred Revenue – Beginning of Year	\$ 4,764	\$ -
Revenue recognized that was included in deferred revenue at the beginning of the year	(4,764)	-
Increases in deferred revenue due to cash received during the year	<u>16,204</u>	<u>4,764</u>
Deferred Revenue– End of Year	<u>\$ 16,204</u>	<u>\$ 4,764</u>

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued)

Advertising

Direct and indirect advertising costs are expensed as incurred. Advertising costs were \$4,837 and \$6,986 for the years ending August 31, 2020 and 2019, respectively.

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).

New Accounting Pronouncement

Chorus America has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* as management believes the standards improve the usefulness and understandability of Chorus America's financial reporting.

Chorus America has also adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Analysis of various provisions of this standard resulted in no significant changes in the way Chorus America recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard. Both ASUs have been applied retrospectively for the periods ended August 31, 2020 and 2019, as required.

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.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

Chorus America has evaluated the effect that subsequent events would have on the financial statements through January 8, 2021, which is the date financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary suspension of operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Therefore, Chorus America expects that this matter could negatively impact its future operating results, but reasonable estimates cannot be made at this time.

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:

	<u>August 31,</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds	\$ 82,065	\$ 82,065	\$ 53,788	\$ 53,788
Marketable Equity Securities	<u>694,218</u>	<u>811,939</u>	<u>585,091</u>	<u>643,825</u>
	<u>\$ 776,283</u>	<u>\$ 894,004</u>	<u>\$ 638,879</u>	<u>\$ 697,613</u>

Investment income included the following as of:

	<u>August 31,</u>	
	<u>2020</u>	<u>2019</u>
Realized Gain	\$ 69,151	\$ 2,560
Unrealized Gain	58,986	3,853
Interest and Dividends	12,657	12,824
Investment Fees	<u>(5,156)</u>	<u>(4,790)</u>
	<u>\$ 135,638</u>	<u>\$ 14,447</u>

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

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, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable Equity Securities and Money Market Funds	<u>\$ 894,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 894,004</u>

August 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable Equity Securities and Money Market Funds	<u>\$ 697,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 697,613</u>

5. Property and Equipment

Chorus America owned the following as of:

	<u>August 31,</u>		<u>Estimated</u>
	<u>2020</u>	<u>2019</u>	<u>Useful Lives</u>
Computer Equipment	\$ 121,089	\$ 109,877	5 years
Leasehold Improvements	55,643	55,643	10 years
Furniture and Fixtures	<u>18,059</u>	<u>18,059</u>	5-7 years
	194,791	183,579	
Less Accumulated Depreciation	<u>109,935</u>	<u>76,890</u>	
	<u>\$ 84,856</u>	<u>\$ 106,689</u>	

Depreciation expense of \$33,046 and \$32,977 was recorded for the years ended August 31, 2020 and 2019, respectively.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

6. Board Designated Net Assets Without Donor Restrictions

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

	<u>August 31,</u>	
	<u>2020</u>	<u>2019</u>
Reserves and Opportunities Fund	\$ 225,179	\$ 178,942
Margaret Hillis Award Fund	79,876	38,460
John Alexander Conducting Faculty Chair	70,479	35,557
Total Board Designated Net Assets	<u>\$ 375,534</u>	<u>\$ 252,959</u>

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 \$186,288, is available to fund normal operations.

The John Alexander Conducting Faculty Chair fund consists of the donor restricted in perpetuity amount of \$150,000 and the board designated portion of the fund, which is available to support the involvement of leading conductors in Chorus America’s conducting programs.

7. Pledges Receivable

The outstanding balance of pledges receivable at August 31, 2020, is expected to be collected over the following fiscal years:

Due in the Year Ending August 31,

2021	<u>\$ 87,740</u>
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All pledges receivable are considered collectable.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

8. **Net Assets With Donor Restrictions**

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

	August 31,	
	2020	2019
Subject to Expenditures for Specified Purpose:		
Poppystone Foundation Projects	\$ 55,000	\$ 55,000
Covid Response Relief	50,000	-
Chorus Leadership Guide	30,000	-
Choral Partnership	20,000	20,000
Digital Future	7,000	17,000
Conducting Academy	5,000	-
Future Operations	45,000	2,000
	212,000	94,000
 Endowment – To be Held in Perpetuity	 376,563	 372,063
Total Net Assets with Donor Restriction	\$ 588,563	\$ 466,063

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, 2020 and 2019.

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.

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10. Endowment Fund (continued)

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.

Endowment Net Asset Composition by Type of Fund:

August 31, 2020	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Investment Funds	\$ 375,534	\$ 376,563	\$ 752,097

August 31, 2019	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Investment Funds	\$ 252,959	\$ 372,063	\$ 625,022

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
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10. Endowment Fund (continued)

Changes in Endowment Net Assets:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
August 31, 2018	\$ 256,776	\$ 340,563	\$ 597,340
Contributions	-	31,500	31,500
Investment Return	6,183	-	6,183
Transfers to Remove Board Designated Amounts	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
August 31, 2019	252,959	372,063	625,022
Contributions	-	4,500	4,500
Investment Return	127,575	-	127,575
Transfers to Remove Board Designated Amounts	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
August 31, 2020	<u>\$ 375,534</u>	<u>\$ 376,563</u>	<u>\$ 752,097</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, 2020 and 2019, respectively.

12. Leased Facilities

Rental commitments under noncancelable leases for office space and equipment in effect at August 31, 2020, total \$891,429. The future annual rental commitments are as follows:

<u>Due in the Year Ending August 31,</u>	
2021	\$ 108,247
2022	110,954
2023	113,728
2024	116,571
2025	119,485
2026 through 2028	<u>322,444</u>
	<u>\$ 891,429</u>

Rental expense was \$108,876 and \$108,664 for the years ended August 31, 2020 and 2019, respectively.

CHORUS AMERICA
NOTES TO FINANCIAL STATEMENTS
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13. Cash Flow Operating Adjustments

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

	August 31,	
	2020	2019
Depreciation	\$ 33,046	\$ 32,977
Unrealized Loss on Investments	(58,986)	3,853
Realized (Gain) on Investment	(69,151)	(2,560)
Contributions Restricted for Endowment	(4,500)	(31,500)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	11,903	26,954
Refundable Advance	34,170	-
Deferred Revenue	11,440	-
Accrued Rent	3,269	5,632
Decreases (Increases) in Current Assets:		
Accounts Receivable	778	(1,881)
Pledges Receivable	(65,040)	(11,300)
Prepaid Expense	352	(15,078)
Total Adjustments	\$ (102,719)	\$ 7,097

14. PPP Loan

On April 21, 2020, Chorus America was granted a loan (the "Loan") from Congressional Bank in the aggregate amount of \$126,052, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated April 21 2020 issued by the Borrower, matures on April 21 2022 and bears interest at a rate of 1% per annum, originally payable monthly commencing on November 21, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties.

The payment terms on all PPP loans changed with the signing of the Flexibility Act on June 5, 2020, and payments are now deferred for 10 months after the borrower's covered period, i.e. either 12 or 16 months from origination. In addition, if a borrower applies for forgiveness before the end of the 10 month deferral period, then payments continue to defer until a decision on the forgiveness is returned from the Small Business Administration.

Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. In accordance with these Loan forgiveness terms, funds from the Loan were used by Chorus America for personnel costs.

CHORUS AMERICA
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AUGUST 31, 2020 AND 2019

14. PPP Loan (continued)

Chorus America has received loan forgiveness on November 5, 2020. There will be no payments due from Chorus America.

Chorus America has elected to carry the PPP loan as a conditional contribution on its financial statements as of August 31, 2020 per FASB ASC 958-605, as the organization believes it has spent the funds on appropriate expenses and that the loan will be fully forgiven. The portion that was not carried as income is carried as Refundable Advance on the statement of financial position.

15. Liquidity and Availability

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

	<u>August 31,</u>	
	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash	\$ 241,664	\$ 121,678
Accounts Receivable	9,045	9,073
Grants and Pledges Receivable	87,740	22,700
Investments	894,004	697,613
Total Financial Assets	1,232,453	851,064
Less: Assets not available to be used within one year:		
Net Assets With Donor Restrictions	588,563	466,063
Board Designated Funds	375,534	252,959
Net Assets With Restrictions to be met within a year	(212,000)	(94,000)
Total Assets not available to be used within one year	752,097	625,022
Financial assets available for general expenditures within one year	\$ 480,356	\$ 226,042

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.