

VocalEssence
Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2015 and 2014

Carpenter *Evert*
Certified Public Accountants



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Independent Auditor's Report

Board of Directors
VocalEssence
Minneapolis, Minnesota

Carpenter *Evert*

Certified Public Accountants
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We have audited the accompanying financial statements of VocalEssence, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, 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 VocalEssence as of June 30, 2015 and 2014, 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.



Certified Public Accountants

Minneapolis, Minnesota
September 29, 2015

EXHIBIT A

VOCALLESSENCE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Contributions	\$ 553,616	\$ 574,190	\$ -	\$ 1,127,806	\$ 602,323	\$ 527,433	\$ -	\$ 1,129,756
Special Events - Less Direct Expense of \$29,048 in 2015 and \$152,887 in 2014	16,055	-	-	16,055	145,083	-	-	145,083
Government Grants	88,858	235,832	-	324,690	91,049	140,166	-	231,215
Performance Revenue	293,318	-	-	293,318	294,214	-	-	294,214
Investment Income	54,208	68,176	-	122,384	270,833	371,422	-	642,255
Miscellaneous	3,595	-	-	3,595	2,421	-	-	2,421
Net Assets Released from Restrictions:								
Satisfaction of Time	86,000	(86,000)	-	-	7,850	(7,850)	-	-
Satisfaction of Program Restrictions	924,182	(924,182)	-	-	439,494	(439,494)	-	-
Total Support and Revenue	2,019,832	(131,984)	-	1,887,848	1,853,267	591,677	-	2,444,944
Expense:								
Program Services:								
Artistic Series	941,690	-	-	941,690	881,073	-	-	881,073
Education	350,125	-	-	350,125	221,014	-	-	221,014
Special Programs	326,867	-	-	326,867	93,911	-	-	93,911
Total Program Services	1,618,682	-	-	1,618,682	1,195,998	-	-	1,195,998
Support Services:								
Management and General Fundraising	189,147	-	-	189,147	213,738	-	-	213,738
Total Support Services	269,717	-	-	269,717	201,508	-	-	201,508
Total Expense	458,864	-	-	458,864	415,246	-	-	415,246
Change in Net Assets - From Operations	2,077,546	-	-	2,077,546	1,611,244	-	-	1,611,244
Change in Net Assets - From Operations	(57,714)	(131,984)	-	(189,698)	242,023	591,677	-	833,700
Other Changes in Net Assets:								
Fund Transfers	187,680	(187,680)	-	-	144,468	(144,468)	-	-
Change in Net Assets	129,966	(319,664)	-	(189,698)	386,491	447,209	-	833,700
Net Assets - Beginning of Year	2,401,959	1,342,318	973,459	4,717,736	2,015,468	895,109	973,459	3,884,036
Net Assets - End of Year	\$ 2,531,925	\$ 1,022,654	\$ 973,459	\$ 4,528,038	\$ 2,401,959	\$ 1,342,318	\$ 973,459	\$ 4,717,736

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

VOCALESSENCE

STATEMENT OF FUNCTIONAL EXPENSE

FOR THE YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014

	2015										2014		
	Program Services					Support Services					Total	Total	
	Artistic Series	Education	Special Programs	Program Services	Management & General	Fund-raising	Support Services	Total	All Services	Total			
Personnel Expense:													
Salaries	\$ 220,945	\$ 84,231	\$ -	\$ 305,176	\$ 117,747	\$ 166,106	\$ 283,853	\$ 589,029	\$ 567,476				
Payroll Taxes	24,119	9,195	-	33,314	12,853	18,132	30,985	64,299	54,538				
Employee Benefits	41,046	15,648	-	56,694	21,874	30,859	52,733	109,427	122,182				
Total Personnel Costs	286,110	109,074	-	395,184	152,474	215,097	367,571	762,755	744,196				
Performance Expense:													
Ensemble	89,878	3,102	150,921	243,901	-	5,464	5,464	249,365	136,422				
Printing and Advertising	128,009	11,490	5,546	145,045	507	6,433	6,940	151,985	126,910				
Production	119,470	13,877	6,338	139,685	509	231	740	140,425	97,918				
Travel	10,282	60,829	118,563	189,674	269	-	269	189,943	73,124				
Guest Artists	114,115	37,156	43,139	194,410	1,250	400	1,650	196,060	68,540				
School Artists	-	51,730	-	51,730	-	-	-	51,730	38,332				
Orchestra	28,161	250	-	28,411	-	-	-	28,411	36,539				
Other Expense	13,357	4,037	2,360	19,754	887	333	1,220	20,974	29,284				
Composers/Copyists	15,083	36,200	-	51,283	-	-	-	51,283	27,046				
Merchandise	-	-	-	-	3,669	-	3,669	3,669	-				
Recording	16,302	1,040	-	17,342	-	-	-	17,342	16,725				
Postage and Delivery	8,138	176	-	8,314	-	-	-	8,314	13,507				
Total Performance Expense	542,795	219,887	326,867	1,089,549	7,091	12,861	19,952	1,109,501	664,347				
General Expense:													
Rent	27,374	5,137	-	32,511	7,180	10,135	17,315	49,826	49,814				
Equipment Rental and Maintenance	20,424	3,833	-	24,257	5,357	7,562	12,919	37,176	35,364				
Other Expense	13,841	2,597	-	16,438	3,630	5,125	8,755	25,193	46,774				
Contract Services and Professional Fees	12,515	2,349	-	14,864	3,282	4,633	7,915	22,779	11,883				
Travel	9,104	1,708	-	10,812	2,388	3,371	5,759	16,571	13,809				
Subscriptions and Dues	8,900	1,670	-	10,570	2,334	3,295	5,629	16,199	12,242				
Printing	5,676	1,065	-	6,741	1,489	2,102	3,591	10,332	2,211				
Telephone	4,493	843	-	5,336	1,179	1,664	2,843	8,179	6,867				
Supplies	3,706	695	-	4,401	972	1,372	2,344	6,745	7,084				
Postage	3,539	664	-	4,203	928	1,310	2,238	6,441	7,824				
Insurance	1,836	345	-	2,181	482	680	1,162	3,343	3,807				
Depreciation	1,377	258	-	1,635	361	510	871	2,506	5,022				
Total General Expense	112,785	21,164	-	133,949	29,582	41,759	71,341	205,290	202,701				
Total Expense	\$ 941,690	\$ 350,125	\$ 326,867	\$ 1,618,682	\$ 189,147	\$ 269,717	\$ 458,864	\$ 2,077,546	\$ 1,611,244				

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

VOCALLESSENCE

STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services				Support Services				Total All Services
	Artistic Series	Education	Special Programs	Total Program Services	Management & General	Fund- raising	Support Services	Total	
Personnel Expense:									
Salaries	\$ 263,933	\$ 60,493	\$ -	\$ 324,426	\$ 117,070	\$ 125,980	\$ 243,050	\$ 567,476	
Payroll Taxes	25,366	5,814	-	31,180	11,251	12,107	23,358	54,538	
Employee Benefits	56,827	13,025	-	69,852	25,206	27,124	52,330	122,182	
Total Personnel Costs	346,126	79,332	-	425,458	153,527	165,211	318,738	744,196	
Performance Expense:									
Ensemble	78,546	300	57,576	136,422	-	-	-	136,422	
Printing and Advertising	121,374	3,013	1,968	126,355	555	-	555	126,910	
Production	91,901	5,051	914	97,866	47	5	52	97,918	
Travel	6,944	36,659	29,210	72,813	267	44	311	73,124	
Guest Artists	50,051	18,289	200	68,540	-	-	-	68,540	
School Artists	-	38,332	-	38,332	-	-	-	38,332	
Orchestra	36,034	-	-	36,034	505	-	505	36,539	
Composers/Copyists	3,003	20,000	4,043	27,046	-	-	-	27,046	
Recording	15,625	1,100	-	16,725	-	-	-	16,725	
Postage and Delivery	13,361	146	-	13,507	-	-	-	13,507	
Other Expense	2,485	1,441	-	3,926	25,251	107	25,358	29,284	
Total Performance Expense	419,324	124,331	93,911	637,566	26,625	156	26,781	664,347	
General Expense:									
Rent	28,414	4,264	-	32,678	8,254	8,882	17,136	49,814	
Equipment Rental and Maintenance	20,172	3,027	-	23,199	5,860	6,305	12,165	35,364	
Other Expense	26,680	4,004	-	30,684	7,750	8,340	16,090	46,774	
Contract Services and Professional Fees	6,778	1,017	-	7,795	1,969	2,119	4,088	11,883	
Travel	7,877	1,182	-	9,059	2,288	2,462	4,750	13,809	
Subscriptions and Dues	6,983	1,048	-	8,031	2,028	2,183	4,211	12,242	
Printing	1,262	189	-	1,451	366	394	760	2,211	
Telephone	3,917	588	-	4,505	1,138	1,224	2,362	6,867	
Supplies	4,041	606	-	4,647	1,174	1,263	2,437	7,084	
Postage	4,463	670	-	5,133	1,296	1,395	2,691	7,824	
Insurance	2,171	326	-	2,497	631	679	1,310	3,807	
Depreciation	2,865	430	-	3,295	832	895	1,727	5,022	
Total General Expense	115,623	17,351	-	132,974	33,586	36,141	69,727	202,701	
Total Expense	\$ 881,073	\$ 221,014	\$ 93,911	\$ 1,195,998	\$ 213,738	\$ 201,508	\$ 415,246	\$ 1,611,244	

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

VOCALLESSENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and Cash Equivalents	\$ 65,802	\$ 208,857
Accounts Receivable	18,402	493
Pledges Receivable	76,241	111,823
Prepaid Expenses	50,390	163,139
Total Current Assets	210,835	484,312
Investments	4,341,052	4,263,185
Property and Equipment - Net	14,999	17,505
TOTAL ASSETS	\$ 4,566,886	\$ 4,765,002
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities:		
Accounts Payable	\$ 17,221	\$ 31,723
Accrued Vacation	10,627	15,543
Deferred Income	11,000	-
Total Current Liabilities	38,848	47,266
Net Assets:		
Unrestricted:		
Undesignated	1,379,426	1,224,870
Endowment	1,152,499	1,177,089
Total Unrestricted	2,531,925	2,401,959
Temporarily Restricted	1,022,654	1,342,318
Permanently Restricted	973,459	973,459
Total Net Assets	4,528,038	4,717,736
TOTAL LIABILITIES AND NET ASSETS	\$ 4,566,886	\$ 4,765,002

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

VOCALLESSENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (189,698)	\$ 833,700
Total Adjustments	<u>(110,665)</u>	<u>(835,525)</u>
Net Cash Used by Operating Activities	(300,363)	(1,825)
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	-	(2,525)
Proceeds from the Sale of Investments	3,413,266	1,506,967
Purchase of Investments	<u>(3,255,958)</u>	<u>(1,398,541)</u>
Net Cash Provided by Investing Activities	157,308	105,901
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(143,055)	104,076
Cash and Cash Equivalents - Beginning of Year	<u>208,857</u>	<u>104,781</u>
Cash and Cash Equivalents - End of Year	<u>\$ 65,802</u>	<u>\$ 208,857</u>

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

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies

Organizational Purpose

VocalEssence's mission is to explore the interaction of voices and instruments through innovative programming of music, past and present. They seek to engage and enrich their audiences, who expect from them the unexpected. Their focus is on commissioned and first performances of music as well as important, but rarely heard, works of the past. VocalEssence strives to inspire learners of all ages through creative community engagement programs.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to VocalEssence, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restriction. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as part of unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of VocalEssence resulting from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be satisfied by actions of VocalEssence.

Permanently Restricted – Those resources subject to a donor-imposed stipulation that they should be maintained permanently by VocalEssence. The donors of these resources permit VocalEssence to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

Cash and Cash Equivalents

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

Accounts Receivable and Doubtful Accounts

VocalEssence 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 VocalEssence does not charge interest on accounts receivable balances. VocalEssence reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies (continued)

Investments

VocalEssence carries its investments at market value.

Inventory

VocalEssence produces compact disc recordings as part of its artistic mission. The supply of unsold recordings is not recorded as inventory as their future value is uncertain.

Property and Equipment

All major expenditures for property and equipment in excess of \$1,000 are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

Contributions

Contributions are recorded as support when received or pledged. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted 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.

Deferred Revenue

Amounts received for future year programs are recorded as deferred revenue until the period in which they are earned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations of expenses between categories must be made. When allocations are required, they are based on the best estimates of management

Income Tax

VocalEssence has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted Accounting for Uncertainty in Income Taxes, ASC 740-10. VocalEssence's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. VocalEssence continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, VocalEssence annually files a Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending June 30, 2012 and later remain subject to examination by the Internal Revenue Service.

Subsequent Events

VocalEssence has evaluated the effect that subsequent events would have on the financial statements through September 29, 2015, which is the date financial statements were available to be issued.

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform with the presentation in the current year financial statements.

2. Significant Concentrations of Credit Risk

VocalEssence provides services primarily within the Twin Cities area. The amounts due for services provided are from local institutions. Pledges receivable are from local individuals and institutions.

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

3. Investments

Investments were comprised of the following as of:

	June 30,			
	2015		2014	
	Cost	Market	Cost	Market
At quoted market value:				
Money Market Funds	\$ 304,119	\$ 304,119	\$ 213,453	\$ 213,453
Marketable Equity Securities	2,570,424	2,855,940	2,728,630	3,423,280
Mutual Funds	<u>1,077,838</u>	<u>1,180,993</u>	<u>594,896</u>	<u>626,452</u>
Total	<u>\$ 3,952,381</u>	<u>\$ 4,341,052</u>	<u>\$ 3,536,979</u>	<u>\$ 4,263,185</u>

Investment income was as follows as of:

	June 30,	
	2015	2014
Interest and Dividend Income	\$ 27,372	\$ 42,944
Realized Gain	432,547	251,082
Unrealized Gain (Loss)	<u>(337,535)</u>	<u>348,229</u>
Total	<u>\$ 122,384</u>	<u>\$ 642,255</u>

4. Fair Value

VocalEssence adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures ("ASC 820"). 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. ASC 820 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.

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

4. Fair Value (continued)

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

June 30, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 304,119	\$ -	\$ -	\$ 304,119
Marketable Equity Securities	2,855,940	-	-	2,855,940
Mutual Funds	<u>1,180,993</u>	<u>-</u>	<u>-</u>	<u>1,180,993</u>
Total	<u>\$ 4,341,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,341,052</u>

June 30, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 213,453	\$ -	\$ -	\$ 213,453
Marketable Equity Securities	3,423,280	-	-	3,423,280
Mutual Funds	<u>626,452</u>	<u>-</u>	<u>-</u>	<u>626,452</u>
Total	<u>\$ 4,263,185</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,263,185</u>

5. Net Asset Designations

The Board of Directors has established an Endowment Fund to invest resources for the long-term benefit of VocalEssence. Annually, the Board determines the portion of the Endowment Fund earnings to be retained in order to offset the effect of inflation and to determine the portion that should be assigned or transferred to the Operating Fund.

6. Pledges Receivable

The outstanding balance of pledges receivable at June 30, 2015, is expected to be collected over the following fiscal year:

Due in the Year Ending June 30,

2016

\$ 76,241

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

7. Property and Equipment

VocalEssence owned the following as of:

	<u>June 30,</u>		<u>Estimated Useful Lives</u>
	<u>2015</u>	<u>2014</u>	
Furniture and Equipment	\$ 68,158	\$ 68,158	5-15 years
Leasehold Improvements	<u>62,657</u>	<u>62,657</u>	10 years
	130,815	130,815	
Less Accumulated Depreciation	<u>115,816</u>	<u>113,310</u>	
	<u>\$ 14,999</u>	<u>\$ 17,505</u>	

Depreciation expense of \$2,506 and \$5,022 was recorded for the years ended June 30, 2015 and 2014, respectively.

8. Pension Plan

VocalEssence made contributions of \$47,189 and \$52,707 to employees' individual retirement accounts in the 403(b) plan for the years ended June 30, 2015 and 2014, respectively. Employees age 21 and over, with a least 1,000 hours of service per year, are covered by the plan.

9. Leased Facilities and Equipment

Rental commitments under a noncancelable lease for equipment in effect at June 30, 2015, total \$39,857. Rental commitments under a noncancelable lease for office space subsequent to June 30, 2015, total \$49,826. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	<u>Equipment</u>	<u>Space</u>
2016	<u>\$ 39,857</u>	<u>\$ 49,826</u>

Rental expense for office space and equipment was \$70,506 for both the years ended June 30, 2015 and 2014.

VOCAL ESSENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

10. Temporarily Restricted Net Assets

The purpose of temporarily restricted net assets is to account for revenue committed but not yet spent for the purpose intended by the donor. Temporarily restricted net assets included the following as of:

	June 30,	
	2015	2014
Unappropriated Investment Income	\$ 577,812	\$ 697,316
Artistic Advancement Fund	188,994	265,052
Minnesota State Arts Board – Touring & Arts Access	122,040	88,316
Future Years Operating and Program Support	115,404	115,750
Assistant Directorship Campaign	18,404	31,404
Korea Trip Sponsorship	-	144,480
	<u>\$ 1,022,654</u>	<u>\$ 1,342,318</u>

11. In-kind Contributions

VocalEssence records in-kind contributions at fair market value at date of donation. In-kind contributions included the following as of:

	June 30,	
	2015	2014
Advertising	\$ 53,000	\$ 42,075
Travel Vouchers	1,600	1,600
Graphic Design and Printing	7,350	5,350
Other	2,100	2,205
	<u>\$ 64,050</u>	<u>\$ 51,230</u>

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12. Endowment Fund

Description

Endowment funds consist of both permanently and board designated funds established for the purposes:

Permanently restricted funds 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 Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, VocalEssence classifies as permanently 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by VocalEssence in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, VocalEssence considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of VocalEssence and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of VocalEssence
7. The investment policies of VocalEssence.

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12. Endowment Fund (continued)

Endowment Net Asset Composition by Type of Fund:

June 30, 2015	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 766,806	\$ 973,459	\$ 1,740,265
Board-designated	<u>2,600,787</u>	<u>-</u>	<u>-</u>	<u>2,600,787</u>
Total	<u>\$ 2,600,787</u>	<u>\$ 766,806</u>	<u>\$ 973,459</u>	<u>\$ 4,341,052</u>
June 30, 2014	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 962,368	\$ 973,459	\$ 1,935,827
Board-designated	<u>2,327,358</u>	<u>-</u>	<u>-</u>	<u>2,327,358</u>
Total	<u>\$ 2,327,358</u>	<u>\$ 962,368</u>	<u>\$ 973,459</u>	<u>\$ 4,263,185</u>

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NOTES TO FINANCIAL STATEMENTS
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12. Endowment Fund (continued)

Changes in Endowment Net Assets:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2013	\$ 1,853,993	\$ 787,109	\$ 973,459	\$ 3,614,561
Investment Return:				
Investment Income	24,986	24,327	-	49,313
Net Appreciation	<u>252,216</u>	<u>347,095</u>	<u>-</u>	<u>599,311</u>
Total Investment Return	277,202	371,422	-	648,624
Other Changes:				
Appropriation	<u>196,163</u>	<u>(196,163)</u>	<u>-</u>	<u>-</u>
June 30, 2014	2,327,358	962,368	973,459	4,263,185
Investment Return:				
Investment Income	12,179	15,193	-	27,372
Net Appreciation	<u>42,000</u>	<u>52,983</u>	<u>-</u>	<u>94,983</u>
Total Investment Return	54,179	68,176	-	122,355
Other Changes:				
Appropriation	<u>219,250</u>	<u>(263,738)</u>	<u>-</u>	<u>(44,488)</u>
June 30, 2015	<u>\$ 2,600,787</u>	<u>\$ 766,806</u>	<u>\$ 973,459</u>	<u>\$ 4,341,052</u>

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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:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Depreciation	\$ 2,506	\$ 5,022
Contributed Securities	(140,163)	(160,158)
Unrealized (Gain)/ Loss on Investments	337,535	(348,230)
Realized (Gain)/Loss on Investments	(432,547)	(248,662)
Pledges Receivable Long-term	-	20,018
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(14,502)	15,273
Accrued Expense	(4,916)	(4,493)
Deferred Income	11,000	-
Decreases (Increases) in Current Assets:		
Accounts Receivable	(17,909)	11,940
Pledges Receivable	35,582	(38,556)
Prepaid Expenses	<u>112,749</u>	<u>(87,679)</u>
Total Adjustments	<u>\$ (110,665)</u>	<u>\$ (835,525)</u>