VocalEssence

Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2020 and 2019

CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

Carpenter, Evert & Associates

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Independent Auditor's Report

Board of Directors
VocalEssence
Minneapolis, Minnesota

We have audited the accompanying financial statements of VocalEssence, which comprise the statements of financial position as of June 30, 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 VocalEssence as of June 30, 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
September 24, 2020

EXHIBIT A

VOCALESSENCE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	$ 721,610	$ 592,146	$ 1,313,756	$ 846,881	$ 439,391	$ 1,286,272
Special Events Revenue	-	-	-	800	-	800
Less: Costs of Direct Benefits to Donors	-	-	-	(761)	-	(761)
Net Revenues from Special Events	-	-	-	39	-	39
Government Contributions	131,286	76,032	207,318	269,830	83,949	353,779
Performance Revenue	218,302	-	218,302	375,842	-	375,842
Investment Income	195,531	192,132	387,663	127,838	107,357	235,195
Miscellaneous	(19,244)	-	(19,244)	16,957	-	16,957
Net Assets Released from Restrictions:						
Satisfaction of Program and Time Restrictions	585,384	(585,384)	-	800,456	(800,456)	-
Total Support and Revenue	1,832,869	274,926	2,107,795	2,437,843	(169,759)	2,268,084
Expense:						
Program Services:						
Artistic Series	855,994	-	855,994	1,050,974	-	1,050,974
Learning and Engagement	407,873	-	407,873	475,964	-	475,964
Youth Choir	147,230	-	147,230	214,734	-	214,734
Total Program Services	1,411,097	-	1,411,097	1,741,672	-	1,741,672
Support Services:						
Management and General	212,995	-	212,995	235,853	-	235,853
Fundraising	325,469	-	325,469	321,634	-	321,634
Total Support Services	538,464	-	538,464	557,487	-	557,487
Total Expense	1,949,561	-	1,949,561	2,299,159	-	2,299,159
Change in Net Assets - From Operations	(116,692)	274,926	158,234	138,684	(169,759)	(31,075)
Other Changes in Net Assets:						
Fund Transfers	210,000	(210,000)	-	210,000	(210,000)	-
Change in Net Assets	93,308	64,926	158,234	348,684	(379,759)	(31,075)
Net Assets - Beginning of Year	3,419,685	2,113,843	5,533,528	3,071,001	2,493,602	5,564,603
Net Assets - End of Year	$ 3,512,993	$ 2,178,769	$ 5,691,762	$ 3,419,685	$ 2,113,843	$ 5,533,528

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

VOCALESSENCE
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020								2019
	Program Services				Support Services				
	Artistic Series	Learning and Engagement	Youth Choir	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Personnel Expense:									
Salaries	$ 246,280	$ 122,799	$ 21,930	$ 391,009	$ 136,871	$ 210,078	$ 346,949	$ 737,958	$ 710,159
Payroll Taxes	21,432	10,686	1,908	34,026	11,911	18,281	30,192	64,218	63,734
Employee Benefits	33,524	16,715	2,985	53,224	18,631	28,595	47,226	100,450	96,896
Total Personnel Costs	301,236	150,200	26,823	478,259	167,413	256,954	424,367	902,626	870,789
Performance Expense:									
Production	80,914	55,560	37,804	174,278	-	49	49	174,327	318,697
Ensemble	135,368	12,291	-	147,659	-	408	408	148,067	146,413
Travel	45,597	41,768	36,874	124,239	372	-	372	124,611	175,957
Guest Artists and Contract Services	47,606	24,543	31,333	103,482	-	-	-	103,482	141,913
Printing and Advertising	68,480	7,673	5,153	81,306	-	-	-	81,306	146,941
Composers/Copyists	17,340	28,160	-	45,500	-	-	-	45,500	28,166
School Artists	747	40,128	-	40,875	-	-	-	40,875	43,795
Orchestra	30,470	2,115	-	32,585	-	-	-	32,585	44,322
Postage and Delivery	13,131	288	-	13,419	-	-	-	13,419	16,711
Other Expense	3,091	3,992	2,149	9,232	3	98	101	9,333	10,371
Recording	6,860	1,431	-	8,291	-	-	-	8,291	18,588
Total Performance Expense	449,604	217,949	113,313	780,866	375	555	930	781,796	1,091,874
General Expense:									
Contract Services and Professional Fees	31,562	15,737	2,810	50,109	17,541	26,923	44,464	94,573	143,966
Rent	23,163	7,550	1,348	32,061	8,415	12,916	21,331	53,392	53,882
Equipment Rental and Maintenance	17,881	5,828	1,041	24,750	6,496	9,971	16,467	41,217	32,658
Travel	10,441	3,404	608	14,453	3,794	5,823	9,617	24,070	32,280
Other Expense	4,381	1,428	255	6,064	1,593	2,442	4,035	10,099	12,804
Printing and Advertising	3,452	1,125	201	4,778	1,254	1,925	3,179	7,957	26,016
Telephone	2,842	926	165	3,933	1,033	1,585	2,618	6,551	3,446
Subscriptions and Dues	2,781	906	162	3,849	1,010	1,551	2,561	6,410	5,882
Insurance	1,651	538	96	2,285	600	921	1,521	3,806	3,542
Supplies	1,425	464	83	1,972	518	794	1,312	3,284	4,519
Postage	1,333	435	78	1,846	484	743	1,227	3,073	5,629
Interest	-	-	-	-	928	-	928	928	1,577
Depreciation	4,242	1,383	247	5,872	1,541	2,366	3,907	9,779	10,295
Total General Expense	105,154	39,724	7,094	151,972	45,207	67,960	113,167	265,139	336,496
Total Expense	$ 855,994	$ 407,873	$ 147,230	$ 1,411,097	$ 212,995	$ 325,469	$ 538,464	$ 1,949,561	$ 2,299,159

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

EXHIBIT C

VOCALESSENCE
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Support Services			
	Artistic Series	Learning and Engagement	Youth Choir	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services
Personnel Expense:								
Salaries	$ 241,809	$ 116,963	$ 22,583	$ 381,355	$ 131,877	$ 196,927	$ 328,804	$ 710,159
Payroll Taxes	21,702	10,497	2,027	34,226	11,835	17,673	29,508	63,734
Employee Benefits	32,993	15,959	3,081	52,033	17,994	26,869	44,863	96,896
Total Personnel Costs	296,504	143,419	27,691	467,614	161,706	241,469	403,175	870,789
Performance Expense:								
Production	147,924	101,573	69,111	318,608	-	89	89	318,697
Ensemble	133,855	12,154	-	146,009	-	404	404	146,413
Travel	64,385	58,979	52,067	175,431	526	-	526	175,957
Guest Artists and Contract Services	65,286	33,657	42,970	141,913	-	-	-	141,913
Printing and Advertising	123,761	13,867	9,313	146,941	-	-	-	146,941
Composers/Copyists	10,734	17,432	-	28,166	-	-	-	28,166
School Artists	800	42,995	-	43,795	-	-	-	43,795
Orchestra	41,445	2,877	-	44,322	-	-	-	44,322
Postage and Delivery	16,352	359	-	16,711	-	-	-	16,711
Other Expense	3,435	4,436	2,388	10,259	3	109	112	10,371
Recording	15,379	3,209	-	18,588	-	-	-	18,588
Total Performance Expense	623,356	291,538	175,849	1,090,743	529	602	1,131	1,091,874
General Expense:								
Contract Services and Professional Fees	47,324	14,272	6,020	67,616	41,850	34,500	76,350	143,966
Rent	23,643	7,544	1,460	32,647	8,519	12,716	21,235	53,882
Equipment Rental and Maintenance	14,331	4,572	885	19,788	5,163	7,707	12,870	32,658
Travel	14,164	4,519	875	19,558	5,104	7,618	12,722	32,280
Other Expense	5,618	1,793	347	7,758	2,025	3,021	5,046	12,804
Printing and Advertising	11,416	3,642	705	15,763	4,113	6,140	10,253	26,016
Telephone	1,512	483	93	2,088	545	813	1,358	3,446
Subscriptions and Dues	2,581	824	159	3,564	930	1,388	2,318	5,882
Insurance	1,554	496	96	2,146	560	836	1,396	3,542
Supplies	1,983	633	122	2,738	714	1,067	1,781	4,519
Postage	2,470	788	153	3,411	890	1,328	2,218	5,629
Interest	-	-	-	-	1,577	-	1,577	1,577
Depreciation	4,518	1,441	279	6,238	1,628	2,429	4,057	10,295
Total General Expense	131,114	41,007	11,194	183,315	73,618	79,563	153,181	336,496
Total Expense	$ 1,050,974	$ 475,964	$ 214,734	$ 1,741,672	$ 235,853	$ 321,634	$ 557,487	$ 2,299,159

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

VOCALESSENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 335,838	$ 341,789
Accounts Receivable	12,867	1,930
Pledges Receivable	166,824	246,569
Prepaid Expenses	120,685	124,868
Total Current Assets	636,214	715,156
Pledges Receivable	464,647	221,483
Investments	4,952,850	4,707,979
Property and Equipment - Net	30,405	11,024
TOTAL ASSETS	$ 6,084,116	$ 5,655,642
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 18,453	$ 45,488
Accrued Payroll Liabilities	51,455	41,076
Deferred Revenue	120,828	35,550
Capital Lease Payable	9,683	-
Total Current Liabilities	200,419	122,114
Note Payable - PPP	181,000	-
Capital Lease Payable	10,935	-
Total Liabilities	392,354	122,114
Net Assets:		
Without Donor Restrictions:		
Undesignated	1,950,945	1,970,402
Endowment	1,562,048	1,449,283
Total Without Donor Restrictions	3,512,993	3,419,685
With Donor Restrictions	2,178,769	2,113,843
Total Net Assets	5,691,762	5,533,528
TOTAL LIABILITIES AND NET ASSETS	$ 6,084,116	$ 5,655,642

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

EXHIBIT E

VOCALESSENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities:		
Change in Net Assets	$ 158,234	$ (31,075)
Total Adjustments	(611,351)	(94,274)
Net Cash (Used) by Operating Activities	(453,117)	(125,349)
Cash Flows from Investing Activities:		
Proceeds from the Sale of Investments	4,092,537	3,813,522
Purchase of Investments	(3,817,829)	(3,615,854)
Net Cash Provided by Investing Activities	274,708	197,668
Cash Flows from Financing Activities:		
Proceeds from Notes Payable	181,000	-
Capital Lease Payments	(8,542)	(13,972)
Net Cash Provided (Used) by Financing Activities	172,458	(13,972)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,951)	58,347
Cash and Cash Equivalents - Beginning of Year	341,789	283,442
Cash and Cash Equivalents - End of Year	$ 335,838	$ 341,789
Supplemental Disclosures of Cash Flow Information		
Cash Paid for:		
Interest	$ 928	$ 1,577
Assets Acquired Under a Capital Lease	$ 29,160	$ -

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

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:

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 – Resources of VocalEssence resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations. Some donor restrictions may be temporary in nature, for example expiring after a specified time or being used for a particular purpose. Other donor restrictions may be perpetual in nature for the long-term maintenance of VocalEssence; and the use of all income earned, including capital appreciation, may be without donor-imposed restrictions, or may be restricted by the donor for purposes such as performances.

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.

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 and amount is immaterial.

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 when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as 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. Long-term pledges receivable are due from the Katherine B. Anderson Fund of the St. Paul Foundation.

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.

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).

New Accounting Pronouncement

VocalEssence 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 605)* as management believes the standards improve the usefulness and understandability of VocalEssence's financial reporting.

VocalEssence 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 VocalEssence 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 June 30, 2020 and 2019, as required.

Subsequent Events

VocalEssence has evaluated the effect that subsequent events would have on the financial statements through September 24, 2020, 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, the Organization expects this matter to negatively impact its future operating results, but reasonable estimates cannot be made at this time.

1. Summary of Significant Accounting Policies (continued)

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.

3. Investments

Investments were comprised of the following as of:

	June 30,			
	2020		2019	
	Cost	Market	Cost	Market
At quoted market value:				
Money Market Funds	$ 386,627	$ 386,627	$ 269,851	$ 269,851
Mutual Funds and ETFS	4,122,411	4,566,223	4,004,844	4,438,128
Total	$ 4,509,038	$ 4,952,850	$ 4,274,695	$ 4,707,979

Investment income was as follows as of:

	June 30,	
	2020	2019
Interest and Dividend Income	$ 94,217	$ 103,371
Realized Gain	113,212	62,626
Unrealized Gain (Loss)	208,480	96,707
Investment Fees	(28,246)	(27,509)
Total	$ 387,663	$ 235,195

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.

4. Fair Value (continued)

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

June 30, 2020

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 386,627	$ -	$ -	$ 386,627
Mutual Funds and ETFs	4,566,223	-	-	4,566,223
Pledges Receivable	-	464,647	-	464,647
Total	$ 4,952,850	$ 464,647	$ -	$ 5,417,497

June 30, 2019

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 269,851	$ -	$ -	$ 269,851
Mutual Funds and ETFs	4,438,128	-	-	4,438,128
Pledges Receivable	-	221,483	-	221,483
Total	$ 4,707,979	$ 221,483	$ -	$ 4,929,462

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.

Board designated net assets consisted of amounts for the following as of:

	June 30,	
	2020	2019
Board Designated Endowment	$ 1,562,048	$ 1,449,283

6. Property and Equipment

VocalEssence owned the following as of:

	June 30,		Estimated
	2020	2019	Useful Lives
Furniture and Equipment	$ 140,418	$ 111,258	5-15 years
Leasehold Improvements	62,657	62,657	10 years
	203,075	173,915	
Less Accumulated Depreciation	172,670	162,891	
	$ 30,405	$ 11,024	

Depreciation expense of $9,779 and $10,295 was recorded for the years ended June 30, 2020 and 2019, respectively.

7. Pledges Receivable

The outstanding balance of pledges receivable at June 30, 2020, is expected to be collected over the following fiscal years:

Due in the Year Ending June 30,	
2021	$ 179,377
2022	261,567
2023	123,066
2024	47,500
2025	15,000
2026 and Beyond	59,050
	685,560
Less discount to present value at 4%	54,089
	631,471
Due within one year	166,824
Long-term portion	$ 464,647

8. Pension Plan

VocalEssence made contributions of $42,630 and $42,405 to employees' individual retirement accounts in the 403(b) plan for the years ended June 30, 2020 and 2019, 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, 2020, total $24,869. Rental commitments under a noncancelable lease for office space subsequent to June 30, 2020, total $102,162. The future annual rental commitments are as follows:

Due in the Year Ending June 30,	Equipment	Space
2021	$ 5,739	$ 50,827
2022	5,739	51,335
2023	5,739	-
2024	5,739	-
2025	1,913	-
	$ 24,869	$ 102,162

Rental expense for office space and equipment was $63,216 and $63,687 for the years ended June 30, 2020 and 2019, respectively.

10. Net Assets

Net Assets With Donor Restrictions consisted of amounts for the following as of:

	June 30,	
	2020	2019
Subject to expenditure for specified purpose and the passage of time:		
Future Years Operating and Program Support	$ 326,650	$ 741,142
Unappropriated Investment Income – Endowment Fund	206,271	226,335
Artistic Advancement Fund	-	29,754
Minnesota State Arts Board – Arts Tour Grant	118,981	29,891
Cross Cultural Education	32,088	29,892
	1,057,014	1,057,014
Endowment – To be Held in Perpetuity	1,494,779	1,056,829
Total Net Assets With Donor Restrictions	$ 2,178,769	$ 2,113,843

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,	
	2020	2019
Travel, Lodging and Parking	$ 2,100	$ 2,100
Rehearsal Space	51,136	51,136
Advertising	1,778	21,500
	$ 55,014	$ 74,736

12. Capital Lease Payable

VocalEssence leases certain equipment under a non-cancelable lease. The lease has been capitalized and included in equipment for the amount of $29,160 less accumulated depreciation of $8,910.
The following is a schedule of future minimum lease payments at June 30, 2020:

Due in the Year Ending June 30,	
2021	$ 9,683
2022	10,077
2023	858
Total Payments	20,618
Less Portion Due Within One (1) Year	9,683
Long-term Portion	$ 10,935

Amortization expense related to the lease of $8,910 and $8,698 is included in depreciation expense for the years ended June 30, 2020 and 2019, respectively. Interest expense for the years ended June 30, 2020 and 2019, were $928 and $1,577, respectively.

13. 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.

Donor Restricted Net Assets are earnings on invested funds not yet appropriated for use by the Board of Directors and held for long-term 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.

Undesignated Net Assets are investments that are invested in the endowment but can be used by the organization for any purpose.

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 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 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.

13. Endowment Fund (continued)

Endowment Net Asset Composition by Type of Fund:

June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted			
Original donor-restricted gift and amounts to be maintained in perpetuity by donor	$ -	$ 1,526,867	$ 1,526,867
Accumulated Investment Gains	-	206,271	206,271
Board-Designated	1,562,048	-	1,562,048
Undesignated	1,657,664	-	1,657,664
Total	$ 3,219,712	$ 1,733,138	$ 4,952,850

June 30, 2019	Without Donor Restrictions	With Donor Restricted	Total
Donor-Restricted			
Original donor-restricted gift and amounts to be maintained in perpetuity by donor	$ -	$ 1,116,473	$ 1,116,473
Accumulated Investment Gains	-	226,335	226,335
Board-Designated	1,449,283	-	1,449,283
Undesignated	1,915,888	-	1,915,888
Total	$ 3,365,171	$ 1,342,808	$ 4,707,979

Changes in Endowment Net Assets:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2018	$ 3,132,696	$ 1,387,201	$ 4,519,897
Investment Return:			
Investment Income	54,091	49,281	103,372
Net Appreciation	80,293	58,076	138,369
Total Investment Return	134,384	107,357	241,741
Other Changes:			
Contributions	-	58,250	58,250
Appropriation	98,091	(210,000)	(111,909)
June 30, 2019	$ 3,365,171	$ 1,342,808	$ 4,707,979

13. Endowment Fund (continued)

June 30, 2019	$ 3,365,171	$ 1,342,808	$ 4,707,979
Investment Return:			
Investment Income	50,303	43,089	93,392
Net Appreciation	144,403	149,043	293,446
Total Investment Return	194,706	192,132	386,838
Other Changes:			
Contributions	-	437,950	437,950
Appropriations	(340,165)	(239,752)	(579,917)
June 30, 2020	$ 3,219,712	$ 1,733,138	$ 4,952,850

14. Liquidity and Availability

The following represents VocalEssence's financial assets at June 30, 2020:

	June 30, 2020	June 30, 2019
Financial Assets:		
Cash and Cash Equivalents	$ 335,838	$ 341,789
Accounts Receivable	12,867	1,930
Pledges Receivable	631,471	468,052
Investments	4,952,850	4,707,979
Total Financial Assets	5,933,026	5,519,750
Less assets not available to be used for general expenditures within one year:		
Net Assets With Donor Restrictions	2,178,769	2,133,843
Board Designated Endowment	1,562,048	1,449,284
Net Assets With Restrictions to be met within a year	(424,841)	(462,330)
Total assets not available for general expenditures within one year:	3,315,976	3,120,797
Financial assets available for general expenditures within one year	$ 2,617,050	$ 2,398,953

VocalEssence'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.

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

14. Notes Payable

On April 20, 2020, the VocalEssence was granted a loan (the "Loan") from Bremer Bank in the aggregate amount of $181,000, 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 20, 2020 issued by the Borrower, matures on March 20, 2022 and bears interest at a rate of 1% per annum, originally payable monthly commencing on October 20, 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 SBA.

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 the Organization for payroll costs, group health care and retirement benefits, and rent.

VocalEssence has elected to carry the Loan as debt on its balance sheet as of June 30, 2020 per FASB ASC 470.

15. Cash Flow Operating Adjustments

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

	June 30,	
	2020	2019
Depreciation	$ 9,779	$ 10,295
Contributed Securities	(197,887)	(234,524)
Unrealized (Gain) on Investments	(208,480)	(88,596)
Realized (Gain) on Investments	(113,212)	(62,630)
Pledges Receivable Long-Term	(243,164)	110,561
Increases in Current Liabilities:		
Accounts Payable	(27,035)	(6,069)
Accrued Payroll Liabilities	10,379	730
Deferred Income	85,278	35,550
Decreases (Increases) in Current Assets:		
Accounts Receivable	(10,937)	825
Pledges Receivable	79,745	172,444
Prepaid Expenses	4,183	(32,860)
Total Adjustments	$ (611,351)	$ (94,274)