

**CHICAGO CHILDREN'S CHOIR**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

# **CHICAGO CHILDREN'S CHOIR**

**YEARS ENDED JUNE 30, 2022 AND 2021**

## **CONTENTS**

	Page
<b>Independent auditors' report</b>	1-2
<b>Financial statements:</b>	
Statements of financial position	3-4
Statements of activities	5
Statements of functional expenses	6-7
Statements of cash flows	8-9
Notes to financial statements	10-29



## **Independent Auditors' Report**

Board of Directors  
Chicago Children's Choir

### **Opinion**

We have audited the accompanying financial statements of Chicago Children's Choir (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Children's Choir as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chicago Children's Choir and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chicago Children's Choir's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chicago Children's Choir's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chicago Children's Choir's ability to continue as a going concern for a reasonable period of time.

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

*Ostrow Reisin Berk & Abrams, Ltd.*

November 14, 2022

# CHICAGO CHILDREN'S CHOIR

## STATEMENTS OF FINANCIAL POSITION

June 30,	2022	2021
ASSETS		
Cash and cash equivalents	\$ 957,560	\$ 676,833
Investments	2,850,296	3,956,268
Receivables:		
Tuition, tours and other fees	50,203	30,023
Contributions, net	786,765	657,327
Employee retention credit	624,187	634,448
Prepaid expenses	70,472	104,030
Property and equipment, net	258,037	157,967
Deferred production costs, net of accumulated amortization of \$19,262 in 2022 and \$14,817 in 2021	47,188	51,633
Total assets	\$ 5,644,708	\$ 6,268,529

See notes to financial statements.

# CHICAGO CHILDREN'S CHOIR

## STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30,	2022	2021
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
PPP loan payable		\$ 501,850
Accounts payable	\$ 103,811	87,001
Accrued expenses	715	42,486
Other liabilities	13,655	38,022
Contract liabilities	197,310	193,264
Deferred contributions - special events	195,000	185,005
Total liabilities	510,491	1,047,628
Net assets:		
Without donor restrictions:		
Board-designated	1,758,647	1,689,917
Undesignated	1,064,000	1,020,417
Total net assets without donor restrictions	2,822,647	2,710,334
With donor restrictions	2,311,570	2,510,567
Total net assets	5,134,217	5,220,901
Total liabilities and net assets	\$ 5,644,708	\$ 6,268,529

See notes to financial statements.

## CHICAGO CHILDREN'S CHOIR

### STATEMENTS OF ACTIVITIES

Years ended June 30,	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Revenue:</b>						
<b>Contributions:</b>						
Foundation and corporate	\$ 491,942	\$ 251,801	\$ 743,743	\$ 467,939	\$ 225,336	\$ 693,275
Individual	392,443		392,443	400,310	5,000	405,310
Strategic initiatives	100,000	204,069	304,069		10,949	10,949
Endowment priority gifts					60,000	60,000
Government grants	182,450		182,450	80,500		80,500
Contributed goods and services	417,558		417,558	72,971		72,971
Tuition, fees and other	812,908		812,908	731,963		731,963
Tour fees	464,137		464,137			
Concerts and other performances	107,566		107,566	59,147		59,147
Special events, net of direct benefit to donors of \$425,634 and \$77,627 for the years ended June 30, 2022 and 2021, respectively.	1,519,255		1,519,255	979,794		979,794
Forgiveness of debt - PPP	501,850		501,850	481,800		481,800
Employee retention credit	224,696		224,696	634,448		634,448
Other	33,016		33,016	12,402		12,402
Net assets released from restrictions	529,522	(529,522)		359,070	(359,070)	
<b>Total revenue before investment return (loss)</b>	<b>5,777,343</b>	<b>(73,652)</b>	<b>5,703,691</b>	<b>4,280,344</b>	<b>(57,785)</b>	<b>4,222,559</b>
Net investment return (loss)	(290,066)	(125,345)	(415,411)	287,568	168,979	456,547
<b>Total revenue</b>	<b>5,487,277</b>	<b>(198,997)</b>	<b>5,288,280</b>	<b>4,567,912</b>	<b>111,194</b>	<b>4,679,106</b>
<b>Expenses:</b>						
Program services	3,720,592		3,720,592	2,400,951		2,400,951
Supporting services:						
Management and general	672,098		672,098	440,530		440,530
Fundraising	982,274		982,274	635,429		635,429
<b>Total expenses</b>	<b>5,374,964</b>		<b>5,374,964</b>	<b>3,476,910</b>		<b>3,476,910</b>
Change in net assets	112,313	(198,997)	(86,684)	1,091,002	111,194	1,202,196
Net assets:						
Beginning of year	2,710,334	2,510,567	5,220,901	1,619,332	2,399,373	4,018,705
End of year	\$ 2,822,647	\$ 2,311,570	\$ 5,134,217	\$ 2,710,334	\$ 2,510,567	\$ 5,220,901

*See notes to financial statements.*

## CHICAGO CHILDREN'S CHOIR

### STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2022	Program Services				Supporting Services			
	Voice of Chicago	Neighborhood Choirs	School Choirs	Total	Management and general	Fundraising	Direct benefit to donors	Total
Salaries, taxes and benefits	\$ 424,305	\$ 838,662	\$ 660,598	\$ 1,923,565	\$ 329,083	\$ 584,906		\$ 2,837,554
Productions and events	126,050	223,675	174,551	524,276			\$ 425,634	949,910
Contract services	45,272	48,649	40,370	134,291	203,420	225,941		563,652
Tour expense	343,948	194,999		538,947				538,947
Office expense	7,015	35,130	20,055	62,200	55,519	69,929		187,648
Facility and equipment	44,521	184,481	28,331	257,333	16,017	24,607		297,957
Depreciation and amortization	5,413	10,717	8,416	24,546	4,241	7,510		36,297
Travel and meeting	1,521	4,709	16,922	23,152	39,816	56,498		119,466
Uniforms, choral supplies, and other choir expenses	56,402	99,008	21,181	176,591				176,591
Insurance	4,247	9,582	5,701	19,530	5,977	5,087		30,594
Advertising					17,469			17,469
Credit card and banking fees	16,040	19,875	246	36,161	556	7,796		44,513
<b>Total expenses</b>	<b>1,074,734</b>	<b>1,669,487</b>	<b>976,371</b>	<b>3,720,592</b>	<b>672,098</b>	<b>982,274</b>	<b>425,634</b>	<b>5,800,598</b>
Less expenses included with revenue on the statements of activities							(425,634)	(425,634)
<b>Total expenses included in the expenses section on the statements of activities</b>	<b>\$ 1,074,734</b>	<b>\$ 1,669,487</b>	<b>\$ 976,371</b>	<b>\$ 3,720,592</b>	<b>\$ 672,098</b>	<b>\$ 982,274</b>	<b>\$ -</b>	<b>\$ 5,374,964</b>

*See notes to financial statements.*



**CHICAGO CHILDREN'S CHOIR**

**STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)**

Year ended June 30, 2021	Program Services				Supporting Services			Total
	Voice of Chicago	Neighborhood Choirs	School Choirs	Total	Management and general	Fundraising	Direct benefit to donors	
Salaries, taxes and benefits	\$ 407,640	\$ 815,267	\$ 449,677	\$ 1,672,584	\$ 323,821	\$ 489,316		\$ 2,485,721
Productions and events	130,045	117,241	35,236	282,522			\$ 77,627	360,149
Contract services	33,085	88,599	31,258	152,942	45,173	48,020		246,135
Tour expenses								-
Office expense	11,045	26,461	20,694	58,200	27,980	44,598		130,778
Facility and equipment	18,811	39,682	20,042	78,535	12,770	22,776		114,081
Depreciation and amortization	5,582	11,122	6,120	22,824	4,471	6,854		34,149
Travel and meeting	851	69	200	1,120	8,310	12,417		21,847
Uniforms, choral supplies, and other choir expenses	14,648	49,341	24,515	88,504				88,504
Insurance	3,856	7,683	4,227	15,766	6,115	4,738		26,619
Advertising					11,167	2,218		13,385
Credit card and banking fees	7,397	20,320	237	27,954	723	4,492		33,169
<b>Total expenses</b>	<b>632,960</b>	<b>1,175,785</b>	<b>592,206</b>	<b>2,400,951</b>	<b>440,530</b>	<b>635,429</b>	<b>77,627</b>	<b>3,554,537</b>
Less expenses included with revenue on the statements of activities							(77,627)	(77,627)
<b>Total expenses included in the expenses section on the statements of activities</b>	<b>\$ 632,960</b>	<b>\$ 1,175,785</b>	<b>\$ 592,206</b>	<b>\$ 2,400,951</b>	<b>\$ 440,530</b>	<b>\$ 635,429</b>	<b>\$ -</b>	<b>\$ 3,476,910</b>

*See notes to financial statements.*

# CHICAGO CHILDREN'S CHOIR

## STATEMENTS OF CASH FLOWS

Years ended June 30,	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (86,684)	\$ 1,202,196
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Contributions restricted for endowment fund		(185,000)
Contributions of property and equipment	(4,800)	
Depreciation and amortization	36,297	34,149
Discounts on long-term contributions receivable	3,125	3,784
Net realized and unrealized (gain) loss on investments	467,938	(421,401)
Forgiveness of debt - PPP	(501,850)	(481,800)
(Increase) decrease in operating assets:		
Receivables	(142,482)	(322,520)
Prepaid expenses	33,558	14,701
Increase (decrease) in operating liabilities:		
Accounts payable	16,810	77,147
Accrued expenses	(41,771)	(66,196)
Other liabilities	(24,367)	(17)
Contract liabilities	4,046	32,086
Deferred contributions - special events	9,995	104,005
Net cash and cash equivalents used in operating activities	(230,185)	(8,866)
Cash flows from investing activities:		
Purchases of investments	(556,572)	(919,521)
Proceeds from sale of investments	1,194,606	
Production expenditures		(11,000)
Purchases of property and equipment	(127,122)	(30,864)
Net cash and cash equivalents provided by (used in) investing activities	510,912	(961,385)

*See notes to financial statements.*

# CHICAGO CHILDREN'S CHOIR

## STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30,	2022	2021
Cash flows from financing activities:		
Proceeds from PPP loan payable		\$ 501,850
Proceeds from contributions restricted for endowment fund		185,000
Net cash and cash equivalents provided by financing activities		686,850
Net change in cash and cash equivalents	\$ 280,727	(283,401)
Cash and cash equivalents, beginning of year	676,833	960,234
Cash and cash equivalents, end of year	\$ 957,560	\$ 676,833
Supplemental disclosure of non-cash investing and financing activity:		
Contributed property and equipment	\$ 4,800	

*See notes to financial statements.*

# **CHICAGO CHILDREN'S CHOIR**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Organization and purpose**

Chicago Children's Choir (the Choir) is a non-profit organization that inspires and unites youth from diverse backgrounds to find their voice and celebrate their common humanity through the power of music. The Choir serves thousands of children, ages 8 to 18, by providing in-school and after-school arts learning opportunities. The Choir's curriculum includes diverse repertoire, musicianship, and the historical, social, and cultural contexts of music through which students develop a dedication to excellence, expression, education, empathy, and equity.

On October 1, 2022, Chicago Children's Choir announced that it is changing its name to Uniting Voices.

### **2. Summary of significant accounting policies**

The significant accounting policies of the Choir are summarized below:

#### **Basis of accounting:**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

#### **Recent accounting pronouncement:**

During the year ended June 30, 2022, the Choir adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. The adoption of this standard did not have a significant impact on the financial statements with the exception of the reclassification of approximately \$14,000 of revenue from special events to contributed goods and services for the year ended June 30, 2021.

#### **Cash and cash equivalents:**

The Choir considers financial instruments with an original maturity of three months or less when purchased to be cash equivalents. The Choir maintains its cash and cash equivalents in bank and brokerage accounts which, at times, may exceed federally-insured deposit limits. At June 30, 2022 and 2021, cash and cash equivalents in excess of these limits totaled approximately \$379,000 and \$368,000, respectively. The Choir believes that it is not exposed to any significant credit risk on cash and cash equivalents.

# **CHICAGO CHILDREN'S CHOIR**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Tuition and other receivables:**

Receivables are recorded at the amounts that the Choir expects to collect from outstanding balances based on the Choir's historical collection experience. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Management considers an allowance for doubtful accounts to be unnecessary and has not provided for one as of June 30, 2022 and 2021.

#### **Contributions receivable:**

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management provides for probable uncollectible amounts, as needed, through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the likelihood of collection, and a review of subsequent collections. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable.

#### **Investments:**

Investments are stated at fair value. The Choir's investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statements of financial position.

Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

# CHICAGO CHILDREN'S CHOIR

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Property and equipment:

Property and equipment are stated at cost or if donated, at the approximate fair value at the date of donation. Depreciation and amortization are provided over the estimated useful life of the assets using the straight-line method over the following useful lives:

Leasehold improvements	20 years
Equipment	3-5 years
Furniture and fixtures	10 years
Instruments	10 years
Artistic productions	10 years
Website and software	5 years

Additions to property and equipment over \$500 are capitalized while maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred.

#### Artistic productions:

Artistic production costs are capitalized at the total cost to bring the production to completion and amortized over a 10-year period starting at the date of the initial performance.

#### Impairment:

The Choir reviews the carrying values of property, equipment, and artistic productions for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. An impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2022 and 2021.

#### Contract liabilities:

Contract liabilities represent funds that have been received for services that will be provided subsequent to June 30, 2022 and 2021.

#### Deferred contributions – special events:

Deferred contributions represent contributions that have been received for special events that will occur subsequent to June 30, 2022 and 2021.

# **CHICAGO CHILDREN'S CHOIR**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Net assets:**

The Choir reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net assets without donor restrictions** – Net assets that are free of donor-imposed restrictions including all revenues, expenses, gains and losses over which the Choir has discretionary control.

The Choir's Board-designated net assets are funds whose use must be approved by the Board of Directors.

**Net assets with donor restrictions** – Net assets whose use by the Choir is limited by donor-imposed stipulations that they be used for a specific purpose and are designated for future periods. These stipulations either expire with the passage of time, can be fulfilled or removed by actions of the Choir pursuant to such donor-imposed restrictions, or must be maintained permanently. Assets which must be maintained permanently, generally referred to as endowment funds, permit the Choir to utilize or expend part or all of the income or other economic benefits derived from the donated assets. See Notes 12 and 13.

#### **Contributions revenue:**

Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions received are recorded as without or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue in the net assets without donor restrictions class.

# CHICAGO CHILDREN'S CHOIR

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Contributed goods and services:

Contributed goods are reflected as contributions at their fair value at date of donation and are reported as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. The Choir recognizes the fair value of contributed services if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Choir receives services from a large number of volunteers who give significant amounts of their time to the Choir but these services do not meet the criteria for financial statement recognition.

The Choir was the recipient of the following contributed goods and services:

June 30,	2022	2021
Food and beverages	\$ 20,504	\$ 11,021
Equipment and décor	38,120	3,750
Professional services	124,971	1,500
Rent	233,963	56,700
Total donated goods and services	\$ 417,558	\$ 72,971

The Choir estimated the fair value of the food and beverages, as well as equipment and décor on the basis of estimates of wholesale values that would be received for purchasing similar products in the United States. The fair value of the contributed rent was based on recent comparable rental prices in the city's real estate market. The estimated fair value of professional services is provided by the service provider, who estimates the fair value based on the date, time, and market in which the services were rendered.

#### Advertising:

Advertising costs are expensed as incurred and totaled \$17,469 and \$13,385 for the years ended June 30, 2022 and 2021, respectively.



# **CHICAGO CHILDREN'S CHOIR**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Functional allocation of expenses:**

The Choir allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure. Personnel related costs that are common to several functions are allocated among the program and supporting services on the basis of time analyses. Contract services, office expense, facility and equipment, depreciation and amortization, insurance and credit card and banking fees that are not directly allocated are allocated by the percentage of personnel related expenses in each functional category.

#### **Use of estimates:**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

#### **Subsequent events:**

Management of the Choir has evaluated subsequent events through November 14, 2022, the date the financial statements were available to be issued.

### **3. Impact of COVID-19 pandemic**

As a result of the COVID-19 pandemic, the Choir made adjustments to its programs and special events during the year ended June 30, 2021. All in-school and after-school programs were offered on a virtual platform. Additionally, tours were suspended, and the Choir's annual gala was converted to a virtual event.

During the year ended June 30, 2022, the Choir largely resumed in-person operations, including rehearsals, performances, workshops, tour opportunities and more, which resulted in both higher revenue and expense. The annual gala during the year ended June 30, 2022 returned to an in-person event, resulting in a 55% increase in net special events revenue compared to the year ended June 30, 2021.

During the years ended June 30, 2022 and 2021, the Choir recognized revenue from the employee retention credit provision of the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act. The employee retention credit provides employers a refundable federal tax credit based on qualified wages and benefits paid to employees. As of June 30, 2022 and 2021, amounts receivable from this program totaled \$624,187 and \$634,448, respectively.

# **CHICAGO CHILDREN'S CHOIR**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **4. Revenue from contracts with customers**

#### **Singer tuition, tour, and school program fees:**

Singer tuition fees are derived from after-school choral education programs provided to students throughout Chicago. Revenue is earned by providing choral education services during the period of September through May. Revenue is recognized ratably over this time period using the output method as services are provided. Students are charged tuition upon registration, with the option to pay in full upon registration or in installments over the period of service. Contract liabilities relating to registrations for future year tuition totaled approximately \$132,000, \$132,000 and \$144,000 at June 30, 2022, 2021 and 2020, respectively. Transaction prices are based on a sliding scale of household income.

Tour fees are derived from fees for students to participate in the various tour experiences offered by the Choir. Revenue is earned as services are provided during the period of April through June. Revenue is recognized at the point in time that the tours occur. Students are charged tour fees upon registration, with the option to pay in full upon registration or in installments leading up to the tour. Due to the travel restrictions related to COVID-19, the Choir did not tour during the years ended June 30, 2021 or 2020. There were no contract liabilities relating to registrations for future year tours at June 30, 2022, 2021 and 2020.

School program fees are derived from in-school choral education programs provided to schools within Chicago. Revenue is earned by providing the choral education services during the period of October through May. Revenue is recognized ratably over this time period using the output method as services are provided. The schools are charged a specific transaction price which is less than the total cost of the program. That transaction price is negotiated with each individual school prior to the school year and includes additional price concessions for specific schools. Additionally, a small discount is provided for early registration. Contract liabilities relating to registrations for future year programming totaled approximately \$19,000, \$14,000 and \$17,000 at June 30, 2022, 2021 and 2020, respectively.

#### **Special events, concerts and other performances, and uniforms:**

Revenue from contracts with customers includes a portion of special events revenue reflecting the exchange element based upon the fair value of direct benefits donors receive which is recognized at a point in time when the special event takes place. The Choir's special event occurs annually in the fall season. Contract liabilities relating to future year events totaled approximately \$46,000, \$48,000 and \$-0- at June 30, 2022, 2021 and 2020, respectively.

Concerts and other performances are recognized at a point in time, upon completion of the event. The fees are charged at the completion of the choral performance.

# CHICAGO CHILDREN'S CHOIR

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 4. Revenue from contracts with customers (continued)

#### Special events, concerts and other performances, and uniforms: (continued)

Fees for uniforms are recognized at a point in time when the good is transferred to the singer. The transaction price for uniforms is based on the stand-alone selling price of the uniform. There were no contract liabilities relating to concerts and other performances and uniforms at June 30, 2022, 2021 and 2020.

#### Disaggregation of revenue:

Revenue from contracts with customers disaggregated by category for the years ended June 30, 2022 and 2021 was as follows:

Years ended June 30,	2022	2021
Revenue recognized over time:		
Singer tuition	\$ 478,166	\$ 542,698
School program fees	325,700	189,265
<b>Total revenue recognized over time</b>	<b>803,866</b>	<b>731,963</b>
Revenue recognized at a point in time:		
Special events	192,000	44,610
Concerts and other performances	107,566	59,147
Tour fees	464,137	
Uniforms	9,042	
<b>Total revenue recognized at a point in time</b>	<b>772,745</b>	<b>103,757</b>
<b>Total contract revenue</b>	<b>\$ 1,576,611</b>	<b>\$ 835,720</b>

# **CHICAGO CHILDREN'S CHOIR**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **4. Revenue from contracts with customers (continued)**

#### **Receivables from contracts with customers:**

Accounts receivable related to revenue from contracts with customers were \$50,203, \$30,023 and \$35,913 at June 30, 2022, 2021 and 2020, respectively. There were no contract assets related to revenue from contracts with customers at June 30, 2022, 2021 and 2020.

#### **Significant judgments:**

Significant judgments are required to be made by management to determine the appropriate approach to applying the revenue recognition criteria. Management has determined the transaction prices for benefits included in special events where stand-alone purchase prices were not available. Management also determines price discounts and price concessions for tuition and in-school program revenue which are determined using a sliding fee scale. Significant judgment is also required to assess collectibility which is assessed at the onset of the individual contract and revenue is recognized at the amount management expects to collect from its customers when performance obligations have been satisfied.

# CHICAGO CHILDREN'S CHOIR

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

June 30,	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 957,560	\$ 676,833
Investments	2,850,296	3,956,268
Tuition, tours and other fees receivable	50,203	30,023
Contributions receivable, net	786,765	657,327
Employee retention credit receivable	624,187	634,448
<b>Total financial assets</b>	<b>5,269,011</b>	<b>5,954,899</b>
Less amounts not available to be used within one year:		
Contributions receivable, noncurrent	208,533	161,658
Board-designated net assets without donor restrictions	1,758,647	1,689,917
Net assets with donor purpose restrictions, net of contributions receivable	1,919,051	2,228,795
<b>Total amounts not available to be used within one year</b>	<b>3,886,231</b>	<b>4,080,370</b>
<b>Financial assets available to meet general expenditures within one year</b>	<b>\$ 1,382,780</b>	<b>\$ 1,874,529</b>

The Choir has budgeted to meet \$735,000 of purpose restrictions during the year ending June 30, 2023.

Although the Choir does not intend to spend from its Board-designated investments totaling \$1,458,647 at June 30, 2022, these amounts could be made available if necessary.

In addition to financial assets available to meet general expenditures over the next 12 months, the Choir operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

As part of its liquidity management plan, the Choir invests excess cash in short-term fixed income and money market funds.

# CHICAGO CHILDREN'S CHOIR

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 6. Fair value measurements

The Choir reports investments at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

---

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Choir has the ability to access.
---------	--

---

Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• quoted prices for similar assets or liabilities in active markets;</li><li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• inputs other than quoted prices that are observable for the asset or liability;</li><li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul>
---------	---

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

---

Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
---------	---

---

# CHICAGO CHILDREN'S CHOIR

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 6. Fair value measurements (continued)

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

Investments consist of the following at June 30, 2022 and 2021:

<b>June 30, 2022</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>
<b>Equities</b>	<b>\$ 1,148,477</b>	<b>\$ 1,148,477</b>	
<b>Fixed income funds</b>	<b>767,574</b>	<b>767,574</b>	
<b>Real asset funds</b>	<b>329,191</b>	<b>329,191</b>	
<b>Money market instruments</b>	<b>605,054</b>		<b>\$ 605,054</b>
<b>Total</b>	<b>\$ 2,850,296</b>	<b>\$ 2,245,242</b>	<b>\$ 605,054</b>

  

<b>June 30, 2021</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>
<b>Equities</b>	<b>\$ 1,349,987</b>	<b>\$ 1,349,987</b>	
<b>Fixed income funds</b>	<b>1,570,698</b>	<b>1,570,698</b>	
<b>Real asset funds</b>	<b>307,706</b>	<b>307,706</b>	
<b>Money market instruments</b>	<b>727,877</b>		<b>\$ 727,877</b>
<b>Total</b>	<b>\$ 3,956,268</b>	<b>\$ 3,228,391</b>	<b>\$ 727,877</b>

The valuation methodologies used for assets measured at fair value are as follows:

Equities, fixed income, and real asset funds are valued at the market value of shares held by the Choir at year-end.

The fair value of money market instruments is estimated to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable.

# CHICAGO CHILDREN'S CHOIR

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 7. Tax status

The Choir is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service (IRS) has determined that the Choir is not a private foundation within the meaning of Section 509(a) of the Code.

The Choir has determined that it was not required to record a liability related to uncertain tax positions as of June 30, 2022 and 2021.

### 8. Contributions receivable

Unconditional promises to give are as follows:

<u>June 30,</u>	<u>2022</u>	<u>2021</u>
Receivable due in less than one year	\$ 578,232	\$ 498,669
Receivable due in one to five years	215,000	165,000
Total unconditional promises to give	793,232	663,669
Less allowance for uncollectible accounts		(3,000)
Less discounts to net present value	(6,467)	(3,342)
Net unconditional promises to give	\$ 786,765	\$ 657,327

Unconditional promises to give and contributions receivable for more than one year were discounted at rates ranging from 0.52% to 2.62% for the year ended June 30, 2022 and 1.37% to 2.33% for the year ended June 30, 2021.



# CHICAGO CHILDREN'S CHOIR

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. Property and equipment

Property and equipment consists of the following at June 30, 2022 and 2021:

June 30,	2022	2021
Leasehold improvements	\$ 163,671	\$ 163,671
Equipment	85,430	71,357
Furniture and fixtures	40,733	43,670
Instruments	34,611	32,511
Website and software	144,008	77,650
	<b>468,453</b>	388,859
Less accumulated depreciation and amortization	<b>210,416</b>	230,892
Property and equipment, net	<b>\$ 258,037</b>	\$ 157,967

### 10. PPP loan payable

One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. During April 2020, the Choir applied for and received a PPP loan for \$481,800. The loan was a two-year loan maturing in April 2022. The loan bore an annual interest rate of 1%. The Choir received full forgiveness from the SBA during December 2020.

During January 2021, the Choir applied for and received a second round of PPP loan for \$501,850. The loan is a five-year loan maturing in January 2026. The loan bears an annual interest rate of 1%. The Choir received full forgiveness from the SBA during September 2021.

# CHICAGO CHILDREN'S CHOIR

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 11. Board-designated investment fund

The Board of Directors has established a reserve fund (the Fund), in which the Board occasionally directs a portion of any operating surplus to be placed into the Fund along with the reinvestment of earnings on these funds. Use of these funds must be pre-approved by the Board of Directors. During the years ended June 30, 2022 and 2021, the Board designated \$300,000 and \$350,000 to the Fund, respectively.

During the year ended June 30, 2022, the Board of Directors directed \$300,000 of the Choir's operating surplus to fund the implementation of the rebranding initiative and strategic plan associated with the change to Uniting Voices in fiscal year 2022-2023.

Total Board-designated funds totaled \$1,758,647 and \$1,689,917 at June 30, 2022 and 2021, respectively.

### 12. Net assets with donor restrictions

Net assets with donor restrictions were available for the following purpose or time restrictions:

June 30,	2022	2021
Purpose restrictions:		
Strategic priorities	\$ 902,122	\$ 1,130,033
Neighborhood Choir programs	49,794	85,000
Voice of Chicago	50,000	
School programs	124,793	95,000
Technology infrastructure project	194,959	
Production of Rainbow Beach		2,500
Endowment subject to spending policy and appropriation	740,916	740,916
Time restrictions:		
Endowment income not yet appropriated for expenditure	65,000	190,345
Contributions receivable	183,986	266,773
Total net assets with donor restrictions	\$ 2,311,570	\$ 2,510,567

# CHICAGO CHILDREN'S CHOIR

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 12. Net assets with donor restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the following purpose restrictions specified by donors and by expiration of time restrictions:

Years ended June 30,	2022	2021
Purpose restrictions:		
Strategic priorities	\$ 237,022	\$ 34,070
Neighborhood Choir programs	80,000	22,500
School programs	90,000	97,500
Production of Rainbow Beach	2,500	
Time restrictions:		
Contributions receivable	120,000	205,000
Total net assets released from restrictions	\$ 529,522	\$ 359,070

### 13. Endowment

The Choir's endowment was established in 2017 and consists of two funds. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. 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.

The Board of Directors of the Choir has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Choir retains in perpetuity the original value of the gifts donated to the permanent endowment. The investment income or increases in fair value (if not required to be restricted by the donor) and remaining portion of the donor-restricted endowment fund (such as Board appropriated additions to the Fund) are subject to appropriation for expenditure by the Choir in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Choir considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the Fund
- The purpose of the Choir and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation

# **CHICAGO CHILDREN'S CHOIR**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **13. Endowment (continued)**

- The expected total return from income and the appreciation of investments
- Other resources of the Choir
- The investment policies of the Choir

The Choir has investment and spending policies for the endowment fund that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Provide a growing stream of revenue over the endowment fund's investment horizon while adhering to the Choir's risk parameters
- Comply with applicable laws

#### **Return objectives and risk parameters:**

The Choir has adopted investment and spending policies for endowment assets that will allow the fund to grow its corpus, cover any future adopted annual payout to the Choir and its investment expenses while preserving purchasing power. Endowment assets include those assets of donor-restricted funds that the Choir must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide for growth of the assets while simultaneously protecting the principal of the assets through constraints on approved investments and diversification through asset allocation.

#### **Strategies employed for achieving objectives:**

To satisfy its long-term rate of return objectives, the Choir emphasizes total return from capital appreciation and dividend and interest income (balancing the need for total income with the need to preserve principal) and the preservation of purchasing power (to achieve returns in excess of the rate of inflation over a long-term investment horizon).

#### **Spending policy and how the investment objectives relate to spending policy:**

At the establishment of the endowment and as of June 30, 2022, the Board's objective is to generate returns from the corpus of the fund. The Board-approved budget will not include endowment income to fund the operations. The spending policies of the earnings for the donor-restricted endowment fund will be determined by the Board from time to time.

# CHICAGO CHILDREN'S CHOIR

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 13. Endowment (continued)

Spending policy and how the investment objectives relate to spending policy: (continued)

Endowment net assets composition by type as of June 30, 2022 is as follows:

June 30, 2022	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment		\$ 805,916	\$ 805,916
Board-designated endowment	\$ 34,188		34,188
<b>Total endowment net assets</b>	<b>\$ 34,188</b>	<b>\$ 805,916</b>	<b>\$ 840,104</b>

Change in endowment net assets for the year ended June 30, 2022 are as follows:

Year ended June 30, 2022	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 52,354	\$ 931,261	\$ 983,615
Net investment loss	(18,166)	(125,345)	(143,511)
<b>Endowment net assets, end of year</b>	<b>\$ 34,188</b>	<b>\$ 805,916</b>	<b>\$ 840,104</b>

Endowment net assets composition by type as of June 30, 2021 is as follows:

June 30, 2021	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment		\$ 931,261	\$ 931,261
Board-designated endowment	\$ 52,354		52,354
<b>Total endowment net assets</b>	<b>\$ 52,354</b>	<b>\$ 931,261</b>	<b>\$ 983,615</b>

# CHICAGO CHILDREN'S CHOIR

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 13. Endowment (continued)

#### Spending policy and how the investment objectives relate to spending policy: (continued)

Change in endowment net assets for the year ended June 30, 2021 are as follows:

Year ended June 30, 2021	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year		\$ 577,282	\$ 577,282
Contributions	\$ 50,000	185,000	235,000
Net investment return	2,354	168,979	171,333
Endowment net assets, end of year	\$ 52,354	\$ 931,261	\$ 983,615

### 14. Retirement plan

The Choir has a 403(b) defined-contribution plan (the Plan) for all qualified employees. The Choir matches participant contributions to the Plan at a discretionary amount up to 3% of each eligible employee's salary up to statutory limits. Participation in the Choir's retirement plan is voluntary. Participant and Choir contributions are immediately vested. Employer contributions to the Plan amounted to \$52,463 and \$32,873 for the years ended June 30, 2022 and 2021, respectively.

### 15. Lease commitments

The Choir leases its office and rehearsal space from the City of Chicago under a lease that expires on December 31, 2022. Rent is \$1 per year plus monthly operating expenses. At the conclusion of the current lease, the Choir intends to renew under the same terms.

The Choir also rents from eleven locations for its neighborhood choir rehearsal spaces. These facilities are leased on an annual basis from September through May.

The rent expense for these operating leases, including the recognition of the expense related to the in-kind contribution from the lessors, was \$237,636 and \$74,327 for the years ended June 30, 2022 and 2021, respectively.

# **CHICAGO CHILDREN'S CHOIR**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **16. Concentration of risk**

Approximately 36% and 31% of the Choir's support and program revenue was generated from a single special event, its annual gala, during the years ended June 30, 2022 and 2021, respectively.