



Independent Auditors' Report  
and  
Financial Statements  
June 30, 2023  
(With Comparative Totals for 2022)

# BOSTON CHILDREN'S CHORUS, INC.

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## *Independent Auditors' Report*

To the Board of Directors of  
**Boston Children's Chorus, Inc.**

### **Opinion**

We have audited the accompanying financial statements of Boston Children's Chorus (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Boston Children's Chorus as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boston Children's Chorus and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Boston Children's Chorus's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Boston Children's Chorus'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 Boston Children's Chorus'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.

### **Report on Summarized Comparative Information**

We have previously audited Boston Children's Chorus's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



*December 14, 2023*

**BOSTON CHILDREN'S CHORUS, INC.**

## Statement of Financial Position

June 30, 2023

(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<i>CURRENT ASSETS:</i>		
Cash	\$ 1,185,625	\$ 789,756
Accounts receivable	3,063	3,533
Promises to give, net	588,246	358,924
Due from employees	-	2,467
Prepaid expenses	51,234	500
	<u>1,828,168</u>	<u>1,155,181</u>
<i>NONCURRENT ASSETS:</i>		
Promises to give, net	999,000	25,000
Security deposit	18,770	18,770
<i>FIXED ASSETS:</i>		
Leasehold improvements	425,351	425,351
Office and program equipment	152,927	152,927
Less: accumulated depreciation	(537,594)	(522,858)
Net fixed assets	<u>40,684</u>	<u>55,420</u>
<i>INTANGIBLE ASSETS</i>		
Website	12,547	12,547
Computer software	8,245	8,245
Less: accumulated amortization	(20,792)	(20,415)
Net intangible assets	<u>-</u>	<u>377</u>
Total assets	<u>\$ 2,886,622</u>	<u>\$ 1,254,748</u>
<b>LIABILITIES AND NET ASSETS</b>		
<i>CURRENT LIABILITIES</i>		
Accounts payable	\$ 59,806	\$ 20,707
Accrued expenses	16,475	12,236
Accrued payroll	94,700	17,572
Deferred revenue	94,066	6,733
Lease liability -finance lease - current portion	4,538	4,274
Loans payable - current	4,028	-
Total current liabilities	<u>273,613</u>	<u>61,522</u>
<i>LONG-TERM LIABILITIES</i>		
Lease liability-finance lease, net of current portion	10,670	15,208
Loans payable, net of current portion	145,972	150,000
Total long-term liabilities	<u>156,642</u>	<u>165,208</u>
Total liabilities	<u>430,255</u>	<u>226,729</u>
<i>NET ASSETS</i>		
Without restrictions	527,372	665,823
With restrictions	1,928,995	362,195
Total net assets	<u>2,456,367</u>	<u>1,028,018</u>
Total liabilities and net assets	<u>\$ 2,886,622</u>	<u>\$ 1,254,748</u>

See accompanying notes to financial statements.

**BOSTON CHILDREN'S CHORUS, INC.**  
Statement of Activities  
For the Year Ended June 30, 2023  
(With Summarized Comparative Totals for 2022)

<b>SUPPORT AND REVENUE:</b>	<b>WITHOUT RESTRICTIONS</b>	<b>WITH RESTRICTIONS</b>	<b>2023 TOTAL</b>	<b>2022 TOTAL</b>
<i>SUPPORT:</i>				
Corporate grants	\$ 168,434	\$ -	\$ 168,434	\$ 126,689
Foundation grants	371,500	1,055,000	1,426,500	193,500
Government grants	143,300	-	143,300	651,128
Individual giving	852,095	728,250	1,580,345	671,175
In-kind donations	400	-	400	6,045
Total support	<u>1,535,729</u>	<u>1,783,250</u>	<u>3,318,979</u>	<u>1,648,537</u>
<i>REVENUE:</i>				
Tuition	425,300	-	425,300	367,500
Less financial aid	<u>(204,857)</u>	<u>-</u>	<u>(204,857)</u>	<u>(165,920)</u>
Net tuition	<u>220,443</u>	<u>-</u>	<u>220,443</u>	<u>201,580</u>
Tour fees	6,298	-	6,298	-
Less financial aid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net tour fees	<u>6,298</u>	<u>-</u>	<u>6,298</u>	<u>-</u>
Ticket sales	85,468	-	85,468	65,776
Performance fees	108,973	-	108,973	133,710
Rental income	44,138	-	44,138	-
Interest income	4,355	-	4,355	110
Other revenue	<u>2,793</u>	<u>-</u>	<u>2,793</u>	<u>7,260</u>
Total revenue	<u>472,468</u>	<u>-</u>	<u>472,468</u>	<u>408,436</u>
Net assets released from restrictions	<u>216,450</u>	<u>(216,450)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,224,647</u>	<u>1,566,800</u>	<u>3,791,447</u>	<u>2,056,973</u>
<b>EXPENSES:</b>				
Programs	1,371,615	-	1,371,615	1,199,644
Management and general	539,154	-	539,154	390,864
Fundraising	<u>452,330</u>	<u>-</u>	<u>452,330</u>	<u>397,757</u>
Total expenses	<u>2,363,099</u>	<u>-</u>	<u>2,363,099</u>	<u>1,988,265</u>
Change in net assets	(138,452)	1,566,800	1,428,348	68,708
Net assets, beginning of year	<u>665,824</u>	<u>362,195</u>	<u>1,028,019</u>	<u>959,311</u>
Net assets, end of year	<u>\$ 527,372</u>	<u>\$ 1,928,995</u>	<u>\$ 2,456,367</u>	<u>\$ 1,028,019</u>

*See accompanying notes to financial statements.*

**BOSTON CHILDREN'S CHORUS, INC.**  
Statement of Functional Expenses  
For the Year Ended June 30, 2023  
(With Summarized Comparative Totals for 2022)

<b>DESCRIPTION</b>	<b>PROGRAMS</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b>2023 TOTAL</b>	<b>2022 TOTAL</b>
Personnel	\$ 796,036	\$ 314,216	\$ 256,594	\$ 1,366,846	\$ 1,084,702
Staff development and recruitment	1,411	4,221	1,549	7,180	5,987
Consultants	127,291	20,886	109,330	257,507	193,818
Donated consultant services	-	-	-	-	2,620
Memberships&Subscriptions	966	19,379	26,251	46,596	31,394
Production expenses	-	-	-	-	114,615
Materials and supplies	16,294	4,000	45	20,339	13,125
Donated materials and supplies	-	-	400	400	825
Equipment	17,527	20,035	1,728	39,289	15,329
Communication expenses	11,724	1,466	1,466	14,655	14,079
Administrative expense	20,069	2,252	7,532	29,854	17,778
Scholarships	20,000	-	-	20,000	16,000
Professional fees	-	83,700	-	83,700	113,347
Insurance	6,724	841	841	8,405	9,584
Occupancy	278,235	31,234	32,169	341,637	275,141
Travel and transportation	20,078	7,376	996	28,449	5,454
Depreciation and amortization	-	15,113	-	15,113	23,468
Advertising	31,242	-	3,324	34,566	16,326
Donated advertising	-	-	-	-	2,600
Fees and royalties	120	1,538	-	1,658	-
Meals	10,062	5,882	9,473	25,417	3,626
Uniforms, swag, and gifts	13,837	2,004	633	16,474	16,400
Interest	-	5,013	-	5,013	5,278
Other expenses	-	-	-	-	6,770
Total expenses	<u>\$ 1,371,615</u>	<u>\$ 539,154</u>	<u>\$ 452,330</u>	<u>\$ 2,363,099</u>	<u>\$ 1,988,265</u>

*See accompanying notes to financial statements.*

**BOSTON CHILDREN'S CHORUS, INC.**  
Statement of Functional Expenses  
For the Year Ended June 30, 2022

DESCRIPTION	PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Personnel	\$ 715,336	\$ 161,554	\$ 207,812	\$ 1,084,702
Staff development and recruitment	133	5,014	840	5,987
Consultants	51,620	22,629	119,569	193,818
Donated consultant services	2,620	-	-	2,620
Memberships and subscriptions	9,410	1,257	20,727	31,394
Production expenses	114,615	-	-	114,615
Materials and supplies	6,700	5,517	908	13,125
Donated materials and supplies	825	-	-	825
Equipment	9,015	5,029	1,285	15,329
Communication expenses	11,306	1,386	1,387	14,079
Administrative expense	10,757	2,780	4,241	17,778
Scholarships	16,000	-	-	16,000
Professional fees	-	113,347	-	113,347
Insurance	7,667	958	958	9,584
Occupancy	220,738	26,967	27,436	275,141
Travel and transportation	2,388	2,375	690	5,454
Depreciation and amortization	-	23,468	-	23,468
Advertising	3,508	7,218	5,599	16,326
Donated advertising	2,600	-	-	2,600
Fees and royalties	-	-	-	-
Meals	373	2,955	298	3,626
Uniforms, swag, and gifts	12,914	3,130	355	16,400
Interest	-	5,278	-	5,278
Other expenses	1,120	-	5,650	6,770
	<u>1,199,644</u>	<u>390,864</u>	<u>397,757</u>	<u>1,988,265</u>
Total expenses	<u>\$ 1,199,644</u>	<u>\$ 390,864</u>	<u>\$ 397,757</u>	<u>\$ 1,988,265</u>

*See accompanying notes to financial statements.*



**BOSTON CHILDREN'S CHORUS, INC.**Statement of Cash Flows  
For the Year Ended June 30, 2023  
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATIONS</b>		
Change in net assets	\$ 1,428,348	\$ 68,707
Adjustments to reconciled change in net assets to net cash provided by (used in) operating activities:		
Loan forgiveness contribution	-	(215,270)
Depreciation and amortization	10,661	23,468
Amortization of right-of-use finance lease	4,452	-
Bad debt	-	5,650
(Increase) decrease operating assets:		
Accounts receivable	470	7,584
Promises to give	(1,203,322)	(21,524)
Due from employees	2,467	(1,868)
Prepaid expenses	(50,734)	7,376
Increase (decrease) in operating liabilities:		
Accounts payable	39,100	(257)
Accrued expenses (including accrued payroll)	81,367	(54,032)
Deferred revenue	87,333	(10,629)
Net cash provided by (used in) operating activities	<u>400,142</u>	<u>(190,795)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	-	(9,340)
Net cash used in investing activities	<u>-</u>	<u>(9,340)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on right-of-use finance lease	(4,274)	(5,476)
Net cash used in financing activities	<u>(4,274)</u>	<u>(5,476)</u>
Net increase (decrease) in cash	395,869	(205,611)
Cash at beginning of year	789,757	995,368
Cash at end of year	<u>\$ 1,185,625</u>	<u>\$ 789,757</u>
<b>Supplemental Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 5,013</u>	<u>\$ 421</u>
<b>Significant non-cash financing activity</b>		
Paycheck Protection Program loan forgiveness	<u>\$ -</u>	<u>\$ 215,270</u>

See accompanying notes to financial statements.

## **BOSTON CHILDREN'S CHORUS, INC.**

Notes to Financial Statements

June 30, 2023

(With Comparative Totals for 2022)

### **1. CHORUS**

Boston Children's Chorus, Inc. (the "Chorus") harnesses the power and joy of music to unite the City of Boston's (Boston) diverse communities and inspire social inquiry. Our singers transcend social barriers in a celebration of shared humanity and love of music. Through intensive choral training and high-profile public performance experience (locally, throughout the U.S. and around the world), they learn discipline, develop leadership skills, and proudly represent Boston as ambassadors of harmony.

The Chorus offers an after-school program focused on aural music education and social inquiry and justice curriculum. The program places participants in multiple choirs that are organized by age range, skill level, and vocal quality. Each of the choirs participates in culminating concerts and some of the advanced groups are able to take advantage of high-profile performance opportunities around the area, panel discussions with subject-matter experts, and touring opportunities locally, domestically and internationally.

The Chorus' operations are funded primarily by foundation grants and contributions from the general public

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### *BASIS OF ACCOUNTING*

The Chorus prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, revenue is recognized when earned and expenses when incurred.

#### *USE OF ESTIMATES*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### *NET ASSETS CLASSIFICATION*

Net assets of the Chorus are classified into two categories. The classifications are related to the existence or absence of donor-imposed restrictions as follows:

*Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization.

*Net Assets With Donor Restrictions* - Net assets whose use is limited by either donor-imposed time restrictions or purpose restrictions or net assets that must be maintained in perpetuity.

#### *FORGIVABLE LOANS*

Forgivable loans are recorded as liabilities until forgiveness is granted by the lender and the Chorus has been legally released of the debt.

**BOSTON CHILDREN'S CHORUS, INC.**

Notes to Financial Statements

June 30, 2023

(With Comparative Totals for 2022)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*ACCOUNTS RECEIVABLE*

Accounts receivable are presented net of the allowance for doubtful accounts. The Chorus' periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are charged off when deemed uncollectible. The allowance for doubtful accounts was \$0 at June 30, 2023 and \$650 at June 30, 2022, respectively.

*GRANTS AND CONTRIBUTIONS*

Grants and contributions are recognized when a donor makes a promise to give to the Chorus that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Conditional promises to give are those that include a barrier that must be overcome and either a right of return of assets received by the Chorus or a right of release of the donor's obligation to transfer assets to the Chorus. Conditional promises to give are not recognized as contributions until such time as the conditions upon which they depend are substantially met or explicitly waived by the donor. Proceeds received from conditional contributions are recorded as refundable advances until such time that the conditional barriers to revenue recognition have been overcome.

Unconditional promises to give that are collectible over time periods in excess of one year are recorded at their discounted net present value. The Chorus uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. It is the Chorus' policy to charge off uncollectible promises to give when management determines the promises will not be collected. At June 30, 2023 and 2022, uncollectible unconditional promises to give totaled \$51,200 and \$5,000, respectively.

*LEASES*

The Chorus determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use assets and lease liabilities in the statement of financial position. Right-of-use assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and right-of-use asset also include prepaid or accrued rent. The Chorus uses the implicit rate when it is readily determinable. If the Chorus's leases do not provide an implicit rate, to determine the present value of lease payments, management uses a risk-free rate based on the information available at lease commencement. Operating lease expense is recognized on a straight-line basis over the lease term. The Chorus does not report right-of-use assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**BOSTON CHILDREN'S CHORUS, INC.**

Notes to Financial Statements

June 30, 2023

(With Comparative Totals for 2022)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*RENTAL INCOME*

Rental income is recognized as the rents are earned, in accordance with the sub-lease agreement.

*REVENUE RECOGNITION AND DEFERRED REVENUE*

The Chorus recognizes revenue from student tuition and fees during the year in which the related services are provided to students. The performance obligation of delivering music education services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the program year. Tour fees, ticket sales and performance fees are recognized at the time of the performance or tour.

Tuition and fees received in advance of services being performed are reported as deferred revenue in the accompanying statements of financial position.

*IN-KIND DONATIONS*

The Chorus receives in-kind donations in support of its operations. Donated materials, facilities and services are recorded at fair value. Donated services that (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated are recorded as contributions in the financial statements. Donated services such as fundraising, clerical assistance or other volunteer efforts not requiring specialized skills are not recorded in the financial statements.

*FIXED ASSETS*

Donations of fixed assets are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Chorus reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Chorus reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Purchased fixed assets are recorded at cost. Repairs and maintenance are charged to operations. Betterments, renewals and purchases of more than \$2,500 are capitalized. Fixed assets are depreciated using the straight-line method over the useful life of the asset or the term of the lease, if shorter.

Depreciation expense was \$10,284 and \$73,287, respectively, for the years ended June 30, 2023 and 2022.

**BOSTON CHILDREN'S CHORUS, INC.**

Notes to Financial Statements

June 30, 2023

(With Comparative Totals for 2022)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*INTANGIBLE ASSETS*

Website development and computer software costs are being amortized on a straight-line basis over estimated useful lives of five years.

Amortization expense was \$377 and \$640 in 2023 and 2022, respectively. The website was fully amortized at June 30, 2023.

*FUNCTIONAL ALLOCATION OF EXPENSES*

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the programs and services benefited. Staff costs are allocated based on time and effort. Costs associated with occupancy are allocated based upon square footage.

*INCOME TAXES*

The Chorus is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which there was none for the years ended June 30, 2023 and 2022, would be subject to Federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

*SUMMARIZED COMPARATIVE INFORMATION*

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional areas. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Chorus' financial statements for the year ended June 30, 2022, from which the summarized information was derived.

*RECENT ACCOUNTING STANDARD*

The Chorus adopted FASB Accounting Standards Update (ASC) 842, Leases, effective July 1, 2022. This standard requires lessees to recognize leases on the statement of financial position as right-of-use (ROU) assets and lease liabilities based on the value of the discounted future lease payments. In adopting ASC 842, the Chorus elected to use practical expedients, including but not limited to, not reassessing past lease and easement accounting, and not recording assets or liabilities for leases with terms of one year or less. Application of the new standards for Finance leases for equipment, formerly known as capital leases, had a minor impact on assets, liabilities and lease costs, and the assets continue to be reported in fixed assets. The Chorus elected not to restate the comparative period (2019).

**BOSTON CHILDREN'S CHORUS, INC.**

Notes to Financial Statements

June 30, 2023

(With Comparative Totals for 2022)

**3. DEFERRED REVENUE**

The following table provides information about significant changes in the deferred revenue for the year ended June 30, 2023:

Deferred revenue, beginning of year	\$ 6,733
Tuition and fees recognized that was included in deferred revenue at the beginning of the year	(6,733)
Increase in deferred revenue due to cash received during the period	<u>94,066</u>
Deferred revenue, end of the year	<u>\$ 94,066</u>

**4. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure within one year consist of the following:

Financial assets at year end:	
Cash	\$ 1,185,625
Accounts receivable	3,063
Promises to give, net	<u>1,587,246</u>
Total financial assets	2,775,934
Less amounts not available for use within one year	
Net asset with donor restrictions	<u>1,340,749</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,435,185</u>

The Chorus regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to financial assets available to meet general expenditures over the next 12 months, the Chorus operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted sources.

The Chorus has various sources of liquidity at its disposal including cash, a line of credit and revenue from tuition revenue.

**5. PROMISES TO GIVE**

Unconditional promises to give at June 30, 2023 and 2022 were due as follows:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 588,246	\$ 363,924
Due in one to five years	1,050,200	25,000
Less: allowance for uncollectible promises	-	(5,000)
Less: discount to net present value	<u>(51,200)</u>	<u>-</u>
Net promises to give	<u>\$ 1,587,246</u>	<u>\$ 383,924</u>

**BOSTON CHILDREN'S CHORUS, INC.**

Notes to Financial Statements

June 30, 2023

(With Comparative Totals for 2022)

**6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2023 and 2022 were restricted as follows:

	<u>2023</u>	<u>2022</u>
Time restricted	\$ 1,468,000	\$ 200,000
Purpose restricted	<u>460,995</u>	<u>162,195</u>
Total	<u>\$ 1,928,995</u>	<u>\$ 362,195</u>

**7. LINE OF CREDIT**

At June 30, 2023 and 2022, the Chorus had an unused \$200,000 revolving line of credit. Amounts borrowed under this agreement bear interest at the bank's prime rate plus 3%. The line of credit is renewed annually and currently expires on May 31, 2024. The line is secured by all business assets of the Chorus.

**8. LEASE OBLIGATIONS**

*LESSEE*

*OPERATING LEASE*

The Chorus leases office and program space under a non-cancelable operating lease which expires July 31, 2023. At June 30, 2023, the right-of-use asset was fully amortized, and the right-of-use lease liability was fully paid.

In addition to the monthly rent payment, the Chorus pays a proportionate share of certain operating costs and real estate taxes. Rent expense under the lease totaled \$264,189 and \$224,850, respectively, for the years ending June 30, 2023 and 2022.

Estimated future minimum lease payments for July 2024 is \$15,218. Rent expense on short-term lease totaled \$29,300 and \$33,131, respectively for the years ended June 30, 2023 and 2022.

Anticipating the end of the lease, in June 2023, the Chorus announced the addition of four new rehearsal locations. For the 2023-2024 season, the Chorus rehearsals will now run out of six sites, across the City of Boston, under month-to-month annually renewable leases. The Chorus' leadership is working to finalize plans for a new administrative space. In the meantime, staff will be working from co-working spaces and continuing function in the hybrid environment that was adopted during the pandemic.

*FINANCE LEASE*

The Chorus is leasing office equipment under a finance lease agreement, which expires in October 2026. The lease requires fixed payments of \$400 over the term of the lease. The right-of-use finance lease asset, previously a capital lease, of \$21,917, recorded in fixed assets, and lease liability was calculated based on the present value of future lease payments over the lease term utilizing the Chorus's incremental borrowing rate of three

**BOSTON CHILDREN'S CHORUS, INC.**

Notes to Financial Statements

June 30, 2023

(With Comparative Totals for 2022)

**8. LEASE OBLIGATIONS (CONTINUED)**

*FINANCE LEASE (CONTINUED)*

percent at the date of the lease. The weighted average remaining lease term as of June 30, 2023 is four years and five months.

The following summarizes the line items in the statement of financial position which include amounts for finance leases as of June 30, 2023:

Right-of-use asset, net - finance lease, net, in fixed assets	\$	15,212
Current lease liability - finance lease	\$	4,538
Long-term lease liability - finance lease	\$	10,670

The following summarizes the line items in the statement of functional expenses which include the components of lease expense for the year ended June 30, 2023:

Finance lease costs		
Amortization of lease assets included in depreciation and amortization	\$	4,452
Interest expense		<u>5,013</u>
Total finance lease costs	\$	<u>9,465</u>

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$	526
Financing cash flows from finance leases	\$	4,274

Future minimum lease payments over the remaining term of the capital lease as follows:

2024	\$	4,800
2025		4,800
2026		4,800
2027		<u>1,600</u>
Total minimum lease payments		16,000
Less amount representing interest		<u>(792)</u>
Present value of minimum lease payments	\$	<u>15,208</u>



**BOSTON CHILDREN'S CHORUS, INC.**

Notes to Financial Statements

June 30, 2023

(With Comparative Totals for 2022)

**8. LEASE OBLIGATIONS (CONTINUED)**

*LESSOR*

During 2023, the Chorus started leasing its program space under short-term rental arrangements. Rental income for the year ended June 30, 2023 was \$44,138.

**9. LOANS PAYABLE**

*ECONOMIC INJURY DISASTER LOAN*

The Chorus also applied for assistance under the provisions of the CARES Act, Economic Injury Disaster Loan ("EIDL") program. In June 2021, the Chorus received a loan in the amount of \$150,000. The terms of the EIDL Loan provide for simple interest at a rate of 2.75% per annum. Payments on the loan are deferred and are expected to commence in August 2023. Monthly payments are estimated to be \$641 through maturity in 2050. The loan may be prepaid at any time without penalty. As of June 30, 2023 and 2022, the outstanding loan and accrued interest payable, respectively, were \$150,000 and \$150,000, respectively, and \$7,891 and \$8,861, respectively.

EIDL loan maturities for each of the next five years and, thereafter, are as follows:

2024	\$ 3,307
2025	3,704
2026	3,808
2027	3,914
2028	4,023
Thereafter	<u>131,244</u>
Total	<u>\$ 150,000</u>

*PAYCHECK PROTECTION PROGRAM LOANS*

In March 2021, the Chorus was awarded a Paycheck Protection Program ("PPP") loan of \$215,270. The loan and related accrued interest was forgivable so long as the loan proceeds were used for eligible purposes, as outlined in the program. In November 2022, the PPP loan and related interest totaling \$216,687 was forgiven. The debt forgiveness is recorded in government grants in the 2022 statement of activities.

**10. RETIREMENT PLAN**

The Chorus sponsors a retirement plan that was established under section 403(b) of the Internal Revenue Code. The Chorus, at its discretion, contributes 3% of an employee's salary up to the maximum amount allowed by the Internal Revenue Code. For the years ended June 30, 2023 and 2022, contributions to the plan totaled \$19,007 and \$12,275, respectively.

**BOSTON CHILDREN'S CHORUS, INC.**

Notes to Financial Statements

June 30, 2023

(With Comparative Totals for 2022)

**11. IN-KIND DONATIONS**

The Chorus receives in-kind donations in support of its programmatic and administrative functions. In-kind donations valued at market rates and recorded for 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Services	\$ -	\$ 2,620
MBTA Passes	400	-
Advertising	-	2,600
Supplies	-	825
Total	<u>\$ 400</u>	<u>\$ 6,045</u>

**12. CONCENTRATIONS**

*CREDIT RISK*

The Chorus maintains cash balances at financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. As of June 30, 2023, and 2022, the uninsured balance totaled \$784,980 and \$347,767, respectively. The Chorus has not experienced any loss in such accounts. The Chorus believes it is not exposed to any significant credit risk on its cash balances.

*GRANTS AND CONTRIBUTIONS*

Grants and contributions from four and five donors, respectively, represented 48% and 39%, respectively, of total revenue and support for the years ended June 30, 2023 and 2022. Outstanding promises to give from three and two donors, respectively, represented 90% and 76%, respectively, of the total outstanding promises to give at June 30, 2023 and 2022.

**13. SUBSEQUENT EVENTS**

The Chorus has evaluated subsequent events through December 14, 2023, which is the date the financial statements were available to be issued.