

THE PHOENIX CHORALE
REVIEWED FINANCIAL STATEMENTS
JUNE 30, 2023

The Phoenix Chorale

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Mara G. Mann
Certified Public Accountant

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
The Phoenix Chorale
Phoenix, Arizona

I have reviewed the accompanying financial statements of The Phoenix Chorale (a non-profit organization), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements. A review is substantially less in scope than an audit, the objective of which is the expression of an ongoing opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

I am required to be independent of The Phoenix Chorale and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Mara G. Mann, CPA
Phoenix, AZ
March 4, 2024

PHOENIX CHORALE

STATEMENT OF FINANCIAL POSITION

As of June 30, 2023

ASSETS

Current Assets:

Cash and cash equivalents	\$	74,366
Contributions receivable		14,438
Prepaid expenses		10,882
Inventory		<u>16,218</u>

Total Current Assets 115,904

Investments -- Note 5 551,198

Property and equipment, net -- Note 4 11,250

Total Assets \$ 678,352

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	15,149
Accrued wages		<u>8,190</u>

Total Current Liabilities 23,339

NET ASSETS

Net Assets Without Donor Restrictions 620,585

Net Assets With Donor Restrictions -- Note 6 34,428

Total Net Assets 655,013

Total Liabilities and Net Assets \$ 678,352

The accompanying notes are an integral part of these financial statements.

PHOENIX CHORALE

STATEMENT OF ACTIVITIES

For the Year Ending June 30, 2023

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
CHANGES IN NET ASSETS			
Support and Revenue:			
Contributions	\$ 388,391	\$ 34,428	\$ 422,819
Governmental grants	34,000		34,000
Ticket sales	79,577		79,577
Season subscription sales	32,187		32,187
Streaming sales	3,409		3,409
Donated materials and supplies	5,926		5,926
Donated services	4,440		4,440
Interest and dividend income	15,085		15,085
Realized and unrealized gain (loss)	852		852
Other	4,206		4,206
Net assets released from restrictions -			
restrictions satisfied by time	1,695	(1,695)	
restrictions satisfied by payments	<u>20,000</u>	<u>(20,000)</u>	
Total Support and Revenue, net	589,768	12,733	602,501
Expenses:			
Program Services:	392,929		392,929
Supporting Services:			
Fundraising	9,164		9,164
Administration	<u>218,765</u>		<u>218,765</u>
	<u>227,929</u>		<u>227,929</u>
Total Expenses	<u>620,858</u>		<u>620,858</u>
(Decrease) Increase in Net Assets	(31,090)	12,733	(18,357)
NET ASSETS AT BEGINNING OF YEAR	<u>651,675</u>	<u>21,695</u>	<u>673,370</u>
NET ASSETS AT END OF YEAR	<u>\$ 620,585</u>	<u>\$ 34,428</u>	<u>\$ 655,013</u>

The accompanying notes are an integral part of these financial statements.

PHOENIX CHORALE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ending June 30, 2023

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Fundraising</u>	<u>Administration</u>	
Salaries and wages			\$ 133,365	\$ 133,365
Payroll taxes and benefits			16,506	16,506
Contract Labor	\$ 234,426	\$ 2,400	16,700	253,526
Artistic expenses	86,644	1,600	1,163	89,407
Bank and merchant fees	7,997	1,359	5,676	15,032
Travel	20,746		2,521	23,267
Advertising and marketing	33,993	398	779	35,170
Lease expense			11,400	11,400
Professional fees	2,300		8,540	10,840
Dues and subscriptions	1,419		7,097	8,516
Donor development expenses	1,778	3,407		5,185
Insurance			5,635	5,635
Depreciation			3,750	3,750
Communications			2,886	2,886
Board development	973		1,525	2,498
Postage			85	85
Office supplies			1,137	1,137
Other	2,653			2,653
	<u>\$ 392,929</u>	<u>\$ 9,164</u>	<u>\$ 218,765</u>	<u>\$ 620,858</u>

The accompanying notes are an integral part of these financial statements.

PHOENIX CHORALE

STATEMENT OF CASH FLOWS

For the Year Ending June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in Net Assets	\$ (18,357)
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:	
Depreciation	3,750
Changes in operating assets and liabilities:	
Contributions receivable	(12,743)
Prepaid expenses	8,617
Accounts payable	(20,464)
Wages and taxes payable	<u>8,190</u>
Net Cash Used By Operating Activities	<u>(31,007)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(241,382)
Sales of investments	205,057
Purchase of fixed assets	<u>(7,500)</u>
Net Cash Used By Investing Activities	<u>(43,825)</u>

DECREASE IN CASH (74,832)

CASH AT BEGINNING OF YEAR 149,198

CASH AT END OF YEAR \$ 74,366

The accompanying notes are an integral part of these financial statements.

The Phoenix Chorale

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 – PURPOSE, ORGANIZATION AND NATURE OF ACTIVITIES

The Phoenix Chorale (the “Organization”) is an Arizona nonprofit corporation, incorporated in 1968. The Organization is a chamber chorale ensemble, which serves the metropolitan Phoenix area by performing at the highest artistic level and by creating an environment that fosters musical development. The Organization is supported primarily by contributions and performance ticket revenue.

The accompanying financial statements are summaries of the financial position, results of operations, net asset classifications, and sources and applications of cash of The Phoenix Chorale.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions. These net assets classifications are described as follows:

Net Assets Without Donor Restriction – Amounts are not subject to usage limitations based on donor-imposed restrictions. This class includes assets previously restricted where restrictions have expired or been met. Unrestricted net assets may be designated for specific purposes or locations by the action of the Board of Directors.

Net Assets With Donor Restriction – Assets are subject to usage limitations based on donor or grantor imposed restrictions. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity. At June 30, 2023, the Organization had no restrictions required to be maintained in perpetuity.

Income Tax Status

The Organization is exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. It is not classified as a private foundation. The Organization’s informational returns are subject to examination generally for three years after they are filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized and presented on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services. Management and general include those expenses that are not identifiable with any specific program, but provide for the overall support and direction of the Organization. Certain costs have been allocated among the programs and supporting services benefitted based on square footage, actual personnel time, or management estimate, as appropriate.

The Phoenix Chorale

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Contributions Receivable

Unconditional promises to give (contributions receivable) are recognized as revenues in the period the promise is received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded 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. The discounts on those amounts are computed using rates applicable to the years in which the promises are received. Receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on their assessment of the status of individual accounts. 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. Receivables are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary. At June 30, 2023, all contributions receivable were due within one year.

Inventory

Inventory consists of items held for sale, such as music recordings on CD and merchandise items. Items are recorded at cost on a first-in first-out basis.

Property and Equipment

Purchased property and equipment are capitalized at cost. Donations of property and equipment are at their estimated fair value. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to seven years for furniture to 20-27 years for buildings improvements.

Donations of property and equipment are reported as contributions without donor restrictions 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 property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying value exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no long-lived assets have any impairment of value.

The Phoenix Chorale

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue

Contributions – Contributions received are recorded as support with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor stipulated limitations. When a restriction expires, due to a stipulated time restriction ending or a purpose restriction being accomplished, 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 restrictions. Restrictions that are met in the same period as the contribution is received are reported in the statement of activities as support within net assets without donor restrictions.

Conditional contributions – Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right to return of the asset it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as support, either with or without donor restrictions when donor-imposed conditions are substantially met, or barriers are overcome. Restrictions on conditional contributions that are met in the same reporting period as the revenue is recognized are reported in the statement of activities as support within net assets without donor restrictions.

Governmental grants – Governmental grant revenue consists of donor restricted contributions received from governmental agencies. The grant agreements typically contain substantial conditions that must be met prior to recognition of the support. Conditional grant revenues are recognized as support, either with or without grantor restrictions when grantor-imposed conditions are substantially met, as barriers are overcome. Grantor restrictions are satisfied when qualifying expenditures are incurred for the grantor-specified program. Restrictions on conditional grant revenues that are met in the same reporting period as the revenue is recognized are reported in the statement of activities as support within net assets without donor restrictions.

Exchange transaction revenue – Exchange transaction revenue is measured based on a consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

The amortization period for incremental costs of obtaining contracts is typically one year or less. Therefore, the Organization has elected the practical expedient under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-65-1. The Organization has elected to apply the practical expedient allowed under FASB ASC 606-10-10-4 for applying the revenue standard to a portfolio of contracts with similar characteristics. The Organization accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics within each portfolio. The portfolios consist of ticket sales, season subscription sales, streaming sales, bingo operations, and merchandise sales. Based on historical collection trends and other analysis, management has concluded that revenue for each portfolio type would not be materially different than if accounting for revenue on a contract-by-contract basis.

The Phoenix Chorale

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue (continued)

Exchange transaction revenue consists of the following:

Ticket sales revenue – The Organization sells tickets for performances. Ticket prices are at fixed amounts predetermined by the Organization based on seating type and performance. Performance obligations for ticket sales are satisfied and recognized as revenue at the point in time that each related performance occurs. Because the performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the exemption provided by FASB ASC 606-10-50-14(a), and is not required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. At times, the ticket revenue is collected prior to the date of the performance and is recognized as deferred revenue (contract liabilities) until the performance obligations are satisfied on the date of the performance. The Organization did not have any contract assets or liabilities related to ticket sales at June 30, 2023. Since the period of time between the payment of the ticket price and the date of the related performance, and thus the date the obligations are satisfied, are less than one year, the Organization has elected to apply the practical expedient as described in FASB ASC 606-10-32-18. Accordingly, no financing component is recognized related to this revenue.

Merchandise sales – The Organization sells certain merchandise to the public that is related to its mission. Performance obligations for merchandise are satisfied at the point in time each sale is completed. The transaction price for the merchandise sales is based on a predetermined retail price for each item. Merchandise sales are recognized net of the related cost of goods sold on the statement of activities. There is no financing component related to these sales. Because the performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the exemption provided by FASB ASC 606-10-50-14(a) and is not required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of the recording period.

Season subscription sales – The Organization sells access to the public to preferential seating, ticket access and pricing for a time period. The obligation for subscription sales is satisfied at the point of time each sale is completed and is treated the same as a merchandise sale.

Streaming sales – The Organization sells rights to the public to stream content from its website for a time period. The obligation for streaming services is satisfied at the point of time each sale is completed and is treated the same as a merchandise sale.

The Organization did not have any unsatisfied or partially satisfied performance obligations, or any contract asset or liabilities, related to merchandise, season subscription or streaming sales at June 30, 2023.

The Phoenix Chorale

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising – Advertising and marketing is expensed as incurred.

Compensated absences – The Organization established employee sick leave granting employees sick leave with pay. Employees are not eligible for sick leave until they have completed 90 days of continuous service. Eligible employees accrue 1 hour of sick leave for every 30 hours worked to a maximum of 40 hours during each fiscal year. Unused sick leave, up to a maximum of 40 hours, is eligible to be carried forward to the next fiscal year. Any accrued sick leave at the time an employee leaves the Organization is forfeited. Accrued sick leave was \$3,200 at June 30, 2023.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and unrestricted contributions receivable. The Organization structures its financial assets to be available to meet general expenditures, liabilities, and other obligations as they come due. The Organization manages its liquid resources by investing excess cash in interest bearing cash accounts. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization prepares and operates within an annual budget.

The following reflects the Organization’s financial assets available within one year of the statement of financial position dates for general expenditures as follows:

Cash	\$ 74,366
Equalization and grants receivable	14,438
Less amounts restricted for time by the donor	(14,438)
Less amounts restricted for use by the donor	<u>(20,000)</u>
	<u>\$ 54,366</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following on June 30:

		Useful Lives
Equipment	\$ 19,739	
Furniture and fixtures	2,400	3-5
Music library	33,672	5
Website	<u>15,000</u>	30-40
	70,811	
Less accumulated depreciation	<u>(59,561)</u>	
	<u>\$ 11,250</u>	

Depreciation expense for the year ending June 30, 2023 was \$3,750.

The Phoenix Chorale

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 5 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Organization applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statement on a recurring basis. GAAP defines fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows.

- Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments

Investments at June 30, 2023 were comprised of:

	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Certificates of deposit	\$225,517	\$225,517			\$225,517
Cash and cash equivalents	316,231	316,231			316,231
Marketable mutual funds	<u>9,450</u>	<u>9,450</u>			<u>9,450</u>
	<u>\$551,198</u>	<u>\$551,198</u>			<u>\$551,198</u>

The Phoenix Chorale

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions on June 30 are subject to expenditure for the following specified purposes:

Purpose restrictions:	
Recording project	\$ 20,000
Time restrictions:	
Contributions receivable	<u>14,428</u>
	<u>\$ 34,428</u>

NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets in the form of donated rental space, material, supplies, and services are recorded at their estimated values if they enhance the Organization’s nonfinancial assets or require specialized skills that the Organization would normally purchase, if not provided by donation. None of the contributions were donor restricted for 2023. Support from contributed nonfinancial assets for the year ended June 30, 2023 are as follows:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Valuation Techniques and Inputs</u>
Advertising	\$ 3,300	Program services	Advertising is valued at the estimated fair value based on current rates for similar ads.
Event rental	1,950	Program services	Event rental is valued at the estimated fair value based on rental rates stated by vendor.
Business consulting services	1,920	Management and general activities	Contributed business consulting services are valued at the estimated fair value based on current rates for similar services.
Leadership consulting services	1,500	Management and general activities	Contributed leadership consulting services are valued at the estimated fair value based on current rates for similar services.
Accounting services	900	Management and general activities	Contributed accounting services are valued at the estimated fair value based on current rates for similar services.
Printing services	676	Merchandise sales	Contributed printing services are valued at the estimated fair value based on current rates for similar services.
Instrument tuning	<u>120</u>	Program services	Contributed instrument tuning services are valued at the estimated fair value based on current rates for similar services.
	<u>\$10,366</u>		

The Phoenix Chorale

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS (Continued)

The Organization utilizes and depends on the services of volunteers to perform a variety of tasks that assist the Organization with specific programs and fundraising. No amounts have been reflected in the financial statements for these services since they did not meet the recognition requirements under generally accepted accounting standards.

NOTE 8 – OPERATING LEASES

The Organization leases its administrative offices and storage space on a month-to-month basis. Lease expense for the year ended June 30, 2023 is \$11,400.

NOTE 9 -- RELATED PARTY TRANSACTIONS

From time to time, members of the board of directors provide contributions and volunteer services to the organization in the normal course of business. During the year ended June 30, 2023, the Organization received \$18,855 in contributions from board members.

Two board members provide artistic services to the Organization as singers. These board members were compensated a total of \$9,025 for these services.

NOTE 10 -- SUBSEQUENT EVENTS

The Organization did not have any subsequent events through March 4, 2024, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2023.