

CHICAGO CHILDREN'S CHOIR

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

CHICAGO CHILDREN'S CHOIR

YEARS ENDED JUNE 30, 2019 AND 2018

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Independent Auditors' Report

Board of Directors
Chicago Children's Choir

We have audited the accompanying financial statements of the Chicago Children's Choir (the Choir), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chicago Children's Choir as of June 30, 2019 and 2018, 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.

Ostrow Reisin Berk & Abrams, Ltd.

December 17, 2019

CHICAGO CHILDREN'S CHOIR

STATEMENTS OF FINANCIAL POSITION

June 30,	2019	2018
ASSETS		
Current assets:		
Cash	\$ 629,375	\$ 2,507,504
Investments	1,992,210	
Receivables:		
Tuition, net of allowance of \$50,000 and \$45,000 as of June 30, 2019 and 2018, respectively	198,828	178,313
Contributions	804,675	984,774
Other	47,117	67,045
Inventory	5,022	3,560
Prepaid expenses	45,343	39,922
Total current assets	3,722,570	3,781,118
Property and equipment, net	183,184	203,242
Other assets:		
Deferred production costs, net of accumulated amortization of \$5,927 and \$1,482 as of June 30, 2019 and 2018, respectively	38,523	42,968
Contributions receivable, net of current portion	227,727	611,517
Total other assets	266,250	654,485
Total assets	\$ 4,172,004	\$ 4,638,845

See notes to financial statements.

CHICAGO CHILDREN'S CHOIR

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30,	2019	2018
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 65,991	\$ 118,221
Accrued expenses	103,311	118,189
Other liabilities	4,753	16,211
Deferred revenue	199,075	481,571
Total liabilities	373,130	734,192
Net assets:		
Without donor restrictions:		
Board-designated	1,028,349	514,475
Undesignated	433,458	912,617
Total without donor restrictions	1,461,807	1,427,092
With donor restrictions	2,337,067	2,477,561
Total net assets	3,798,874	3,904,653
Total liabilities and net assets	\$ 4,172,004	\$ 4,638,845

See notes to financial statements.

CHICAGO CHILDREN'S CHOIR

STATEMENTS OF ACTIVITIES

Years ended June 30,	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Contributions:						
Foundation and corporate	\$ 658,806	\$ 255,000	\$ 913,806	\$ 787,560	\$ 100,000	\$ 887,560
Individual	229,536	10,000	239,536	273,091		273,091
Strategic initiatives - campaign gifts		395,224	395,224		1,315,843	1,315,843
Government grants	42,100		42,100	57,600		57,600
In-kind	226,390		226,390	160,130		160,130
Tuition, fees and other	1,016,515		1,016,515	968,544		968,544
Concerts and events	243,503		243,503	248,416		248,416
Tour fees	507,383		507,383	159,084		159,084
Special events, including in-kind contributions of \$39,318 and \$49,707 and net of direct benefit to donors of \$311,740 and \$310,163 for the years ended June 30, 2019 and 2018, respectively	1,161,065		1,161,065	981,274		981,274
Investment income, net	123,453	25,749	149,202		3,191	3,191
Other	8,077		8,077	9,260		9,260
Net assets released from restrictions:						
Satisfaction of purpose or time restrictions	826,467	(826,467)		949,116	(949,116)	
Total revenue	5,043,295	(140,494)	4,902,801	4,594,075	469,918	5,063,993
Expenses:						
Program services	3,585,185		3,585,185	3,228,009		3,228,009
Supporting services:						
Management and general	626,485		626,485	434,695		434,695
Fundraising	796,910		796,910	742,380		742,380
Total expenses	5,008,580		5,008,580	4,405,084		4,405,084
Change in net assets	34,715	(140,494)	(105,779)	188,991	469,918	658,909
Net assets:						
Beginning of year	1,427,092	2,477,561	3,904,653	1,238,101	2,007,643	3,245,744
End of year	\$ 1,461,807	\$ 2,337,067	\$ 3,798,874	\$ 1,427,092	\$ 2,477,561	\$ 3,904,653

See notes to financial statements.

CHICAGO CHILDREN'S CHOIR

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2019	Program Services				Supporting Services			
	Voice of Chicago	Neighborhood Choirs	In-School Choirs	Total	Management and general	Fundraising	Direct benefit to donors	Total
Salaries, taxes and benefits	\$ 382,078	\$ 651,655	\$ 657,548	\$ 1,691,281	\$ 406,733	\$ 517,681		\$ 2,615,695
Productions and events	235,037	174,586	189,245	598,868			\$ 311,740	910,608
Contract services	50,379	50,543	42,243	143,165	78,337	102,768		324,270
Tour expense	319,047	238,517		557,564				557,564
Office expense	13,205	7,022	5,383	25,610	20,198	68,785		114,593
Facility and equipment	35,284	169,287	32,577	237,148	31,773	23,362		292,283
Depreciation and amortization	6,442	11,068	11,125	28,635	7,004	8,817		44,456
Travel and meeting	2,886	695	17,455	21,036	23,993	34,116		79,145
Uniforms, choral supplies, and other choir expenses	40,294	85,837	46,142	172,273				172,273
Insurance	7,056	11,057	9,621	27,734	9,725	7,625		45,084
Advertising					24,262	5,463		29,725
Miscellaneous	837	1,394	205	2,436	22,612	3,935		28,983
Credit card and banking fees	10,539	24,598	2,053	37,190	1,848	13,207		52,245
Bad debt	2,196	2,549	37,500	42,245		11,151		53,396
 Total expenses	 1,105,280	 1,428,808	 1,051,097	 3,585,185	 626,485	 796,910	 311,740	 5,320,320
 Less expenses included with revenue on the statements of activities							 (311,740)	 (311,740)
 Total expenses included in the expense section on the statements of activities	 \$ 1,105,280	 \$ 1,428,808	 \$ 1,051,097	 \$ 3,585,185	 \$ 626,485	 \$ 796,910	 \$ -	 \$ 5,008,580

See notes to financial statements.

CHICAGO CHILDREN'S CHOIR

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2018	Program Services				Supporting Services			Total
	Voice of Chicago	Neighborhood Choirs	In-School Choirs	Total	Management and general	Fundraising	Direct benefit to donors	
Salaries, taxes and benefits	\$ 417,421	\$ 684,448	\$ 695,261	\$ 1,797,130	\$ 220,743	\$ 474,594		\$ 2,492,467
Productions and events	274,466	186,311	145,298	606,075		923	\$ 310,163	917,161
Contract services	27,938	29,617	29,858	87,413	109,259	76,664		273,336
Tour expense	35,949	163,140		199,089				199,089
Office expense	16,286	12,088	9,981	38,355	10,512	49,582		98,449
Facility and equipment	31,131	127,257	33,373	191,761	21,320	20,848		233,929
Depreciation and amortization	6,248	10,274	10,323	26,845	3,390	7,131		37,366
Travel and meeting	2,175	4,151	6,147	12,473	33,922	34,277		80,672
Uniforms, choral supplies, and other choir expenses	54,750	74,365	44,217	173,332				173,332
Insurance	8,899	12,625	11,193	32,717	7,344	7,882		47,943
Advertising					14,035	45,863		59,898
Miscellaneous	1,194	1,659	1,801	4,654	11,130	4,047		19,831
Credit card and banking fees	11,049	18,118	406	29,573	3,040	13,993		46,606
Bad debt	11,704	6,110	10,778	28,592		6,576		35,168
Total expenses	899,210	1,330,163	998,636	3,228,009	434,695	742,380	310,163	4,715,247
Less expenses included with revenue on the statements of activities							(310,163)	(310,163)
Total expenses included in the expense section on the statements of activities	\$ 899,210	\$ 1,330,163	\$ 998,636	\$ 3,228,009	\$ 434,695	\$ 742,380	\$ -	\$ 4,405,084

See notes to financial statements.

CHICAGO CHILDREN'S CHOIR

STATEMENTS OF CASH FLOWS

Years ended June 30,	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (105,779)	\$ 658,909
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions restricted for long-term purposes		(237,825)
Depreciation and amortization	44,456	37,366
Bad debt expense	53,396	35,168
Discounts on long-term contributions receivable	(14,960)	11,038
Net realized and unrealized gain on investments	(119,127)	
(Increase) decrease in operating assets:		
Receivables	456,401	(911,314)
Inventory	(1,462)	(380)
Prepaid expenses	(5,421)	38,899
Increase (decrease) in operating liabilities:		
Accounts payable	(52,230)	36,561
Accrued expenses	(14,878)	26,662
Other liabilities	(11,458)	16,211
Deferred revenue	(282,496)	307,893
Net cash provided by (used in) operating activities	(53,558)	19,188

See notes to financial statements.

CHICAGO CHILDREN'S CHOIR

STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30,	2019	2018
Cash flows from investing activities:		
Purchases of investments	\$ (2,617,795)	
Proceeds from sale of investments	744,712	
Purchases of property and equipment	(1,488)	\$ (33,920)
Net cash used in investing activities	(1,874,571)	(33,920)
Cash flows from financing activity:		
Proceeds from contributions restricted for endowment fund	50,000	237,825
Net cash provided by financing activity	50,000	237,825
Net change in cash	(1,878,129)	223,093
Cash, beginning of year	2,507,504	2,284,411
Cash, end of year	\$ 629,375	\$ 2,507,504
Supplemental disclosure of non-cash investing and financing activity:		
Contributed equipment received in fulfillment of contribution receivable	\$ 18,465	

See notes to financial statements.

CHICAGO CHILDREN'S CHOIR

NOTES TO FINANCIAL STATEMENTS

1. Organization and purpose

The mission of Chicago Children's Choir (the Choir) is to inspire and change lives by uniting youth from diverse backgrounds to become global citizens through music. The Choir serves thousands of children, ages 8 to 18, by providing in-school and after-school choral education programs throughout Chicago. The programs include a choral curriculum comprised of vocal production, music theory and history taught through diverse repertoire, recording projects and professional-level performance opportunities locally and abroad.

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 pronouncements:

Effective July 1, 2018, the Choir adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. This guidance provides for additional disclosure requirements and modifies net asset reporting. The standard requires the Choir to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions. It also adds information about liquidity and availability of resources and requires the reporting of expense by nature and function. The Choir has included the changes within the financial statements and related disclosures and the changes have been applied retrospectively to all periods presented.

Cash and cash equivalents:

The Choir considers financial instruments with an original maturity of less than three months 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, 2019 and 2018, cash and cash equivalents in excess of these limits totaled approximately \$149,000 and \$1,614,000, respectively. The Choir believes 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:

All receivables are due within one year, and are stated at the amount owed, net of any necessary allowance for uncollectible accounts. 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 receivables.

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.

Inventory:

Inventory is valued at the lower of cost or net realizable value, with cost determined by the weighted average cost method. Inventory includes items purchased for resale and the costs of musical recordings made by the Choir for promotion and resale.

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)

Long-lived assets and related depreciation and amortization:

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

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, 2019 and 2018.

Deferred revenue and prepaid expenses:

Deferred revenue represents funds that have been received for services that will be provided and special events that will occur (occurred) subsequent to June 30, 2019 and 2018. Prepaid expenses represent payments made for goods and services which have not been utilized.

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/or 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. Those 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 10 and 11.

Revenue recognition:

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.

Tuition, fees and other revenue is recognized as earned during the school year.

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 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:

Year ended June 30, 2019	Program services	Management and general	Fundraising	Total
Productions and events	\$ 37,500			\$ 37,500
Productions and events, direct benefit to donors			\$ 39,318	39,318
Office expense			23,000	23,000
Facility and equipment	145,712	\$ 8,933	11,245	165,890
Total	\$ 183,212	\$ 8,933	\$ 73,563	\$ 265,708
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Year ended June 30, 2018	Program services	Management and general	Fundraising	Total
Productions and events, direct benefit to donors			\$ 49,707	\$ 49,707
Contract services			1,000	1,000
Office expense			6,750	6,750
Facility and equipment	\$ 117,949	\$ 5,145	10,821	133,915
Total	\$ 117,949	\$ 5,145	\$ 68,278	\$ 191,372

In addition, the Choir was the recipient of a commitment of \$18,465 of contributed equipment, which was recognized as revenue, during the year ended June 30, 2018.

CHICAGO CHILDREN'S CHOIR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Advertising:

Advertising costs are expensed as incurred and totaled \$29,725 and \$59,898 for the years ended June 30, 2019 and 2018, respectively.

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 expense, depreciation and amortization, insurance, miscellaneous 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 conformity 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.

Reclassification:

Certain amounts in the statements of activities and functional expenses have been reclassified in order to conform to the current year's presentation. In addition, the Choir updated its functional expense allocations, which resulted in a reclassification of \$12,488 from program services to supporting services in the statements of activities and functional expenses for the year ended June 30, 2018. The reclassifications had no effect on net assets or change in net assets as previously reported.

Subsequent events:

Management of the Choir has reviewed and evaluated subsequent events from June 30, 2019, the financial statement date, through December 17, 2019, the date the financial statements were available to be issued.

CHICAGO CHILDREN'S CHOIR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

<u>June 30, 2019</u>	
Financial assets at year-end:	
Cash	\$ 629,375
Investments	1,992,210
Tuition and other receivables, net of allowance	245,945
Contributions receivable	1,032,402
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Total financial assets	3,899,932
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Less amounts not available to be used within one year:	
Contributions receivable, noncurrent	227,727
Board-designated net assets without donor restrictions	1,028,349
Net assets with donor purpose restrictions, net of contributions receivable	1,904,340
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Total amounts not available to be used within one year	3,160,416
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Financial assets available to meet general expenditures within one year	\$ 739,516
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The Choir has budgeted to meet \$926,419 of purpose restrictions over the next twelve months.

Although the Choir does not intend to spend from its Board-designated investments totaling \$1,028,349 at June 30, 2019, 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)

4. Fair value measurements

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. 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 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.

The Choir's investment assets are classified within Level 1 because they consist of money market instruments, fixed income funds, equities, and real assets with readily determinable fair values based on daily redemption values.

Investments consist of the following at June 30, 2019:

June 30, 2019	Level 1
Money market instruments	\$ 207,545
Fixed income funds	686,414
Equities	865,880
Real assets	232,371
Total	\$ 1,992,210

5. 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 adopted the requirements for accounting for uncertain tax positions and management has determined that the Choir was not required to record a liability related to uncertain tax positions as of June 30, 2019 and 2018.

CHICAGO CHILDREN'S CHOIR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Contributions receivable

Unconditional promises to give are as follows:

June 30,	2019	2018
Receivable due in less than one year	\$ 804,675	\$ 984,774
Receivable due in one to five years	234,250	633,000
Total unconditional promises to give	1,038,925	1,617,774
Less discounts to net present value	(6,523)	(21,483)
Net unconditional promises to give	\$ 1,032,402	\$ 1,596,291

Unconditional promises to give and contributions receivable for more than one year were discounted at rates ranging from 2.33% to 2.63% and 2.33% to 2.73% for the years ended June 30, 2019 and 2018, respectively.

7. Conditional promises to give

The Choir records revenue associated with conditional promises to give when the conditions have been substantially met. As of June 30, 2019, the Choir had \$60,000 of conditional promises associated with the achievement of specific performance and service metrics across all choral programs that have not been recognized as revenue. This amount will be recognized as revenue when donor conditions are met.

CHICAGO CHILDREN'S CHOIR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Property and equipment

Property and equipment consists of the following at June 30, 2019 and 2018:

June 30,	2019	2018
Leasehold improvements	\$ 163,671	\$ 163,671
Equipment	57,469	66,042
Furniture and fixtures	43,670	36,950
Instruments	32,511	32,511
Website	49,390	49,390
	346,711	348,564
Accumulated depreciation and amortization	(163,527)	(145,322)
Property and equipment, net	\$ 183,184	\$ 203,242

9. 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 year ended June 30, 2019, the Board approved an investment policy and established a Board-designated Investment Fund. The Board-designated Investment Fund consists of the previous reserve fund in addition to a transfer of unrestricted cash. The Fund totaled \$1,028,349 and \$514,475 at June 30, 2019 and 2018, respectively.

CHICAGO CHILDREN'S CHOIR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Net assets with donor restrictions

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

June 30,	2019	2018
Purpose restrictions:		
Strategic priorities	\$ 1,347,211	\$ 1,663,454
Neighborhood Choirs programs	10,000	25,000
In-school programs	75,000	75,000
Other programs	5,000	
Endowment subject to spending policy and appropriation	689,856	664,107
Time restrictions:		
Contributions receivable	210,000	50,000
Total net assets with donor restrictions	\$ 2,337,067	\$ 2,477,561

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,	2019	2018
Purpose restrictions:		
Strategic priorities	\$ 711,467	\$ 671,616
Black History Month concert series		25,000
Community Concert series		25,000
Neighborhood Choirs programs	15,000	70,000
In-school programs	75,000	80,000
Time restrictions:		
Contributions receivable	25,000	77,500
Total net assets released from restrictions	\$ 826,467	\$ 949,116

CHICAGO CHILDREN'S CHOIR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Endowment

The Choir's endowment was established in 2017 and consists of one fund. Net assets associated with endowment funds are classified and reported based on the existence 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
- 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 relatively predictable and growing stream of revenue while adhering to the Choir's risk parameters
- Comply with applicable laws

CHICAGO CHILDREN'S CHOIR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Endowment (continued)

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, 2019, 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.

Endowment net assets consist of the following:

Years ended June 30,	2019	2018
Donor-restricted endowment net assets,		
beginning of year	\$ 489,107	\$ 248,091
Contributions received	50,000	237,825
Investment income	25,749	3,191
Donor-restricted endowment net assets,		
end of year	\$ 564,856	\$ 489,107

CHICAGO CHILDREN'S CHOIR

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. 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 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 \$45,503 and \$38,429 for the years ended June 30, 2019 and 2018, respectively.

13. 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.

The Choir also rents from ten 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 \$207,285 and \$168,810 for the years ended June 30, 2019 and 2018, respectively.

14. Concentration risk

Approximately 28% and 23% of the Choir's revenue was generated from a single special event during the years ended June 30, 2019 and 2018, respectively. The Choir has evaluated the impact of this event and has reviewed steps that would be taken if the event were to not take place in a given year. Management believes that they would be able to replace a material portion of this revenue if the event was to not occur.