PACIFIC CHORALE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pacific Chorale
Costa Mesa, California

Opinion

We have audited the accompanying financial statements of Pacific Chorale, 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 Pacific Chorale as of June 30, 2023, and the changes in its 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 (GAAS). 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 Pacific Chorale 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 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.

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 Pacific Chorale's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Pacific Chorale'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 Pacific Chorale'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

Another auditor previously audited Pacific Chorale's June 30, 2022 financial statements and they expressed an unmodified audit opinion on those audited financial statements in their report dated May 15, 2023. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ozurovich and Associates

Ozurovich & Associates

Rancho Santa Margarita, California
March 14, 2024

PACIFIC CHORALE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2022)

	2023			2022
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,030,460	$ 241,116	$ 1,271,576	$ 1,232,565
Investments (Notes 3 and 10)	315,909	7,430,093	7,746,002	7,123,938
Accounts receivable - net	97,450	-	97,450	36,250
Grants receivable - net	147,801	-	147,801	-
Pledges receivable - net	-	125,000	125,000	-
Beneficial interest in irrevocable deferred gifts	-	-	-	634,687
Prepaid expenses	5,000	-	5,000	-
Inventory	1,491	-	1,491	1,495
Total current assets	1,598,111	7,796,209	9,394,320	9,028,935
Operating lease right of use assets - net (Note 8)	89,846	-	89,846	-
Property and equipment - net (Note 4)	5,908	-	5,908	767
Deposits	724	-	724	724
TOTAL ASSETS	$ 1,694,589	$ 7,796,209	$ 9,490,798	$ 9,030,426
LIABILITIES				
Current liabilities				
Accounts payable	$ 6,684	$ -	$ 6,684	$ 137,254
Accrued expenses (Note 5)	167,905	-	167,905	102,303
Operating lease obligations (Note 8)	42,998	-	42,998	-
Deferred revenue	22,492	-	22,492	58,469
Total current liabilities	240,079	-	240,079	298,026
Long-term liabilities				
Operating lease obligations (Note 8)	51,727	-	51,727	-
Total liabilities	291,806	-	291,806	298,026
NET ASSETS				
Net assets without donor restrictions	1,402,783	-	1,402,783	2,124,301
Net assets with donor restrictions (Note 6)	-	7,796,209	7,796,209	6,608,099
TOTAL NET ASSETS	1,402,783	7,796,209	9,198,992	8,732,400
TOTAL LIABILITIES AND NET ASSETS	$ 1,694,589	$ 7,796,209	$ 9,490,798	$ 9,030,426

PACIFIC CHORALE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023			2022
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
Support				
Contributions	$ 1,094,356	$ 528,482	$ 1,622,838	$ 4,140,152
Special events	97,716	-	97,716	405,150
Donated services	444,020	-	444,020	296,075
Total Support	1,636,092	528,482	2,164,574	4,841,377
Revenues				
Concert ticket sales	294,615	-	294,615	196,952
Contracted concerts	252,399	-	252,399	223,762
Tour revenues	359,813	-	359,813	300
Investment return (Note 3)	52,794	862,688	915,482	(1,054,400)
Other income	32,084	-	32,084	146,987
Total Revenue	991,705	862,688	1,854,393	(486,399)
Net Assets Released from Restrictions (Note 7)				
Satisfaction of time restrictions - endowment	203,060	(203,060)	-	-
Total support, revenue and reclassifications	2,830,857	1,188,110	4,018,967	4,354,978
Operating Expenses				
Program Services				
Chorale presentations	2,425,098	-	2,425,098	2,041,980
Education and community outreach	622,055	-	622,055	162,339
Total Program Services	3,047,153	-	3,047,153	2,204,319
Supporting Services				
Management and general	244,528	-	244,528	149,158
Development	257,101	-	257,101	302,611
Total Operating Expenses	3,548,782	-	3,548,782	2,656,088
Operating Income	(717,925)	1,188,110	470,185	1,698,890
Other (Expenses)	(3,593)	-	(3,593)	-
Change in Net Assets	(721,518)	1,188,110	466,592	1,698,890
NET ASSETS, BEGINNING OF YEAR	2,124,301	6,608,099	$ 8,732,400	7,033,510
NET ASSETS, END OF YEAR	$ 1,402,783	$ 7,796,209	$ 9,198,992	$ 8,732,400

See independent auditor's report and accompanying notes.

PACIFIC CHORALE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023						2022
	Program Services			*Supporting Services*			
	Education and Community Outreach	Chorale Presentations	Subtotal	General and Administrative	Development and Fundraising	TOTAL	TOTAL
Salaries	$ 295,229	$ 796,640	$ 1,091,869	$ 171,805	$ 121,917	$ 1,385,591	$ 1,125,053
Payroll taxes and benefits	60,400	95,788	156,188	12,888	14,002	183,078	177,550
Total salaries, payroll taxes and benefits	355,629	892,428	1,248,057	184,693	135,919	1,568,669	1,302,603
Advertising	65,271	245	65,516	27	4,513	70,056	84,322
Bad debt expense	-	-	-	-	-	-	(27)
Depreciation	247	545	792	1,212	-	2,004	10,552
Donor cultivation and events	1,964	299	2,263	-	3,680	5,943	17,804
Fees and taxes	43,535	17,373	60,908	4,320	9,463	74,691	62,316
Insurance	2,814	2,121	4,935	1,566	1,641	8,142	6,456
Miscellaneous	495	1,757	2,252	698	110	3,060	872
Office rent	13,586	23,686	37,272	7,971	6,294	51,537	42,915
Postage and printing	16,540	5,013	21,553	93	42,323	63,969	51,682
Professional services	51,051	12,746	63,797	17,334	8,734	89,865	86,909
Programming events and productions	39,650	552,123	591,773	56	34,174	626,003	632,694
Repairs and Maintenance	2,184	3,149	5,333	2,239	517	8,089	4,302
Staff Development	635	704	1,339	11,035	3,265	15,639	10,638
Supplies	3,631	3,108	6,739	8,157	1,025	15,921	14,614
Telephone	1,665	1,923	3,588	2,245	662	6,495	6,049
Travel	4,259	479,836	484,095	2,090	4,199	490,384	21,650
Utilities	1,230	1,691	2,921	792	582	4,295	3,662
Total expenses before donated services	604,386	1,998,747	2,603,133	244,528	257,101	3,104,762	2,360,013
Donated services	17,669	426,351	444,020	-	-	444,020	296,075
TOTAL EXPENSES	$ 622,055	$ 2,425,098	$ 3,047,153	$ 244,528	$ 257,101	$ 3,548,782	$ 2,656,088

See independent auditors' report and accompanying notes.

PACIFIC CHORALE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 466,592	$ 1,698,890
Adjustments to reconcile change in net assets to net cash (used)/provided by operating activities		
Depreciation and amortization	6,883	10,553
Donated stock	(403,482)	(1,005,436)
Net unrealized and realized (gain)/loss on investments	(737,452)	1,102,665
(Increase) decrease in assets:		
Accounts receivable	(61,200)	(26,900)
Grants receivable	(147,801)	-
Pledges receivable	(125,000)	-
Beneficial interest in irrevocable deferred gifts	634,687	(634,687)
Prepaid expenses	(5,000)	3,363
Inventory	4	-
Increase (decrease) in liabilities:		
Accounts payable	(130,570)	91,862
Accrued expenses	65,602	44,013
Deferred revenue	(35,977)	26,547
Net cash (used)/provided by operating activities	(472,714)	1,310,870
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(144,702)	(4,427,492)
Proceeds from sale of investments	663,572	3,685,110
Purchases of property and equipment	(7,145)	-
Net cash provided/(used) by investing activities	511,725	(742,382)
NET INCREASE IN CASH	39,011	568,488
CASH AND CASH EQUIVALENTS, beginning of year	1,232,565	664,077
CASH AND CASH EQUIVALENTS, end of year	$ 1,271,576	$ 1,232,565

See independent auditor's report and accompanying notes.

PACIFIC CHORALE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – ORGANIZATION

Pacific Chorale (the "Organization") was founded in 1969 as a non-for-profit Organization incorporated in the State of California. The mission of the Organization is to inspire the community through artistry and innovation in choral performances and education programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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 restrictions and net assets with donor restrictions.

> *Net Assets Without Donor Restrictions* – Include contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.
>
> *Net Assets With Donor Restrictions* – Include gifts and grants received that are restricted with respect to time or use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to net assets without donor restrictions. Restricted gifts and grants received are reported as unrestricted revenue if the restriction is met in the same reporting period.

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 could differ from those estimates.

(Note 2 continued on the following page)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue and Support

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reported period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Endowment monies are identified in the accompanying financial statements as both net assets with donor restrictions, which include donor-restricted contributions, and net assets without donor restrictions, which include unspent investment income and realized and unrealized losses on endowments.

Tax Status

The Organization is a nonprofit benefit organization organized under the laws of California and, as such, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and corresponding state provisions. However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

The Organization's federal income tax and informational returns for tax years ending June 30, 2020 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Organization's most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ending June 30, 2019 and subsequent.

The Organization has adopted the provisions of Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. For the Organization, these provisions could be applicable to the incurrence of any unrelated business income attributable to the Organization. Because of the Organization's general tax-exempt status, the provisions of ASC 740-10-05 are not anticipated to have a material impact on the Organization's financial statements.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. The Organization monitors the cash and cash equivalents balances in its operating accounts and adjusts these balances as appropriate; however, these balances at times may exceed federally insurable limits and could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, the Organization has experienced no loss or lack of access to cash and cash equivalents in its operating accounts.

(Note 2 continued on the following page)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services and Gifts In-Kind

Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Only those amounts that meet the criteria above are recorded in the accompanying financial statements. During the years ended June 30, 2023 and 2022 the Organization received pro-bono professional services (singers) for some of their concert events in the amounts of $444,020 and $296,075, respectively. The contributions were recorded at their fair market value at the date of donation. Equal amounts were also recorded as an expense.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Based on management's assessment of the past and current relationships with donors and grantors, it has concluded that losses on balances outstanding at year-end will be immaterial. Therefore, the allowance for doubtful accounts at June 30, 2023 and 2022 was none.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using interest rates commensurate with the risks involved applicable to the years in which the promises are received. At June 30, 2023 and 2022 the allowance for uncollectible pledges was none. Promises to give consist of balances due in less than one year at total $125,000 and none at June 30, 2023 and 2022, respectively.

Beneficial Interest in Irrevocable Deferred Gifts

The Organization was a beneficiary in a certain trust. The Organization recognizes as revenue the present value of the estimated future benefits to be received upon distribution of irrevocable trusts for which the Organization is a beneficiary but not the trustee. When these gifts are revocable in nature, they are not reflected in the financial statements.

Inventory

The Organization's inventory consists of finished goods, primarily of audiotapes and compact disks with recorded performances, and is valued at net realizable value based on the first-in, first-out method.

(Note 2 continued on the following page)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are recorded at cost if purchased and at fair value at the date of donation, if donated. Repairs and maintenance are expensed as incurred and improvements of property and equipment items in excess of $1,000 are capitalized. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets.

Concert Revenues

The Organization recognizes revenue in accordance with Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," and all the related amendments, which are also codified into ASC 606, using a full retrospective approach. Pursuant to ASC 606, revenues are recognized upon applying the following steps:

- Identification of the contract(s) with a customer;
- Identification of the performance obligations with the contract;
- Determination of the transaction price;
- Allocation of the transaction price amongst the performance obligations of the contract;
- Recognition of revenues when, or as, the contractual obligations are satisfied

Ticket sales for upcoming performances that are received prior to the end of the fiscal year are recorded as deferred income until the performance has been completed. Upon completion of the performance, revenue from ticket sales is recognized, and the corresponding deferred revenue is relieved.

Grant Revenue

The Organization receives funding through public and private grants. Grant revenue includes conditional contributions under which revenue is recognized when earned and expenses are recognized when incurred. Grant receipts from conditional contributions not earned are reported as deferred income, if any.

Deferred Revenue

Deferred revenue consists of ticket sales and deferred programming support pertaining to future concerts. Ticket sales are recorded as revenue when a concert is performed and any related prepaid costs are charged to expense.

Advertising

Advertising costs are expensed as incurred. During the years ended June 30, 2023 and 2022 advertising costs totaled $70,056 and $84,322 respectively.

(Note 2 continued on the following page)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment amount that will be recognized is measured as the amount by which the carrying amount of the assets 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.

Vacation Benefits

Employees are credited during the current year for future vacation benefits. The expense and corresponding liability are accrued when vacations are earned rather than when vacations are paid.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities which are allocated on a square-footage basis, as well as salaries, payroll taxes and employee benefits which are allocated on the basis of estimates of time and effort for the Organization's personnel.

Risks and Uncertainties

Overall economic conditions such as high rates of inflation could contribute to potential reductions in private donations as the disposable incomes of potential donors are affected by these economic factors. The Organization's Board of Directors has discussed these risks and uncertainties and has formulated alternative strategic plans to mitigate the effects of these concerns.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statement for the year ended June 30, 2022, from which the summarized information was derived.

(Note 2 continued on the following page)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications were made to prior year amounts in order to conform to current year presentation. None of these reclassifications had an effect on the total change in net assets or total net asset balances.

New Accounting Pronouncements

Leases – In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization adopted the new standard on July 1, 2022. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. The Organization adopted the new standard on July 1, 2022, and will use that date as the date of initial application. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before July 1, 2022.

The new standard provides a number of optional practical expedients in transition. The Organization elected the 'package of practical expedients', which permits the Organization not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Organization does not expect to elect the use-of hindsight or the practical expedient pertaining to land easements; the latter not being applicable to the Organization.

On adoption, the Organization recognized additional operating liabilities of $129,904, with corresponding right-of-use assets of the same amount based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Organization has adopted the provisions of ASC 820-10, for fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820-10 defines fair value 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.

The assets that are recorded at fair value on a recurring basis are investments in mutual funds, equity securities and money market accounts. The Organization has no financial liabilities or non-financial items that are recorded at fair value on a recurring basis.

ASC 820-10 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

- Level 1: fair values are based on quoted prices in active markets for identical assets and liabilities. The Organization's Level 1 assets consist common stock and institutional mutual funds

- Level 2: fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset. The Organization does not hold any Level 2 assets.

- Level 3: fair values are calculated by the use of pricing models and/or discounted cash flow methodologies and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The Organization's Level 3 assets consist of alternative funds.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering from sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value.

(Note 3 continued on the following page)

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Exchange traded funds: Valued at the daily closing price as reported by the stock exchange on which they are actively traded.

Mutual funds: Valued at the daily closing price as reported by the stock exchange on which they are actively traded.

Private equity fund: Valued at the Organization's basis in the net equity of the investment fund as reported by the custodian of the fund. These investments held by the Organization are actively traded on secondary markets.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

Assets at Fair Value as of June 30, 2023

	Level 1	Level 2	Level 3	Total
Assets in the fair value hierarchy:				
Exchange traded funds	$ 7,487,606	$ -	$ -	$ 7,487,606
Private equity fund	-	258,396	-	258,396
Investments at fair value	7,487,606	258,396	-	7,746,002

Assets at Fair Value as of June 30, 2022

	Level 1	Level 2	Level 3	Total
Assets in the fair value hierarchy:				
Exchange traded funds	$ 6,051,562	$ -	$ -	$ 6,051,562
Mutual funds	835,162	-	-	835,162
Private equity fund	-	237,214	-	237,214
Investments at fair value	6,886,724	237,214	-	7,123,938

Investment return on investments measured at fair value is summarized as follows for the years ended June 30, 2023 and 2022.

	2023	2022
Net unrealized and realized gain/(loss)	$ 737,452	$ (1,102,665)
Interest and dividend income	202,024	71,696
Investment fees	(23,994)	(23,431)
Total	$ 915,482	$ (1,054,400)

PACIFIC CHORALE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4 – PROPERTY AND EQUIPMENT

	Method	Estimated Useful Lives (Years)	2023	2022
Furniture and equipment	Straight-line	3 – 7	$ 92,273	$ 90,793
Musical instruments	Straight-line	3 – 7	24,655	24,655
Music Library	Straight-line	7	274,805	274,805
Leasehold Improvements	Straight-line	7	28,933	23,270
			420,666	413,523
Less: accumulated depreciation			(414,758)	(412,755)
Total			$ 5,908	$ 768

Depreciation for the years ended June 30, 2023 and 2022, was $2,004 and $10,552, respectively.

NOTE 5 – ACCRUED EXPENSES

The Organization's accrued expense balance consists of the following categories at June 30:

	2023	2022
Accrued Payroll	$ 101,604	$ 46,112
Accrued Benefits	66,301	56,191
Total	$ 167,905	$ 102,303

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2023	2022
Time restrictions	$ 125,000	$ -
Investment in perpetuity	7,671,209	6,608,099
Total	$ 7,796,209	$ 6,608,099

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NOTE 7 –NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions during the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	$ 203,060	$ 329,975

NOTE 8 – OPERATING LEASES

The Organization has an operating lease for its corporate office space with a maturity date of July 2025. Currently, there is no option to extend this lease. Rent expense under this operating lease for the year ended June 30, 2023 was $51,537. Supplemental cash flow information for the year ended June 30, 2023 was as follows:

	2023
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 40,656
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 129,904

	2023
Weighted Average Remaining Lease Term	
Operating leases	2.08 years
Weighted Average Discount Rate	
Operating leases	4.75%

The discount rate for calculating operating leases was the US Prime Rate rate upon the adoption of ASC 842 on July 1, 2022, because the lease was executed before July 1, 2022, and still had more than one year left in the agreement from the adoption date of ASC 842 on July 1, 2022.

Maturities of lease liabilities are as follows as of June 30:

Years ending June 30:	
2024	$ 42,998
2025	47,466
2026	4,261
	94,725

NOTE 9 – AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the donor-restricted endowment fund that can only be drawn upon per the terms of the endowment agreement (see Note 10 below). However, amounts already appropriated from an endowment fund for general expenditure within one year of June 30, 2023 and 2022 are not subtracted as unavailable.

The Organization's financial assets available within one year of June 30, 2023 and June 30, 2022 for general expenditure are as follows:

Financial assets, at year end	**2023**	**2022**
Cash and cash equivalents	$ 1,271,576	$ 1,232,565
Investments	7,746,002	7,123,938
Accounts receivable - net	97,450	36,250
Grants receivable - net	147,801	-
Pledges receivable - net	125,000	-
Beneficial interest in irrevocable deferred gifts	-	634,687
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time restrictions	(125,000)	-
Donor restricted endowment fund	(7,671,209)	(6,608,099)
Total	$ 1,591,620	$ 2,419,341

As part of The Organization's liquidity management practices, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 – BOARD RESTRICTED ENDOWMENT FUND

The Organization has an endowment investments program that will serve the current and long-term needs of the Organization such as providing financial aid for certain students and support of ongoing concert seasons. Endowment fund investments are acquired in the name of the Organization and are held by a custodian bank.

(Note 10 continued on the following page)

NOTE 10 – BOARD RESTRICTED ENDOWMENT FUND (Continued)

Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (d) net gains or losses on endowment investments. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization.

Deficient Funds

From time to time, the fair value of assets associated with individual donor restricted endowment fund may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as net assets without donor restrictions. The amount of deficient funds at June 30, 2023 and 2022 was none.

Strategies Employed for Achieving Investment Return Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based and fixed income investments to achieve its long-term return objectives within reasonable risk constraints. The Organization expects its endowment funds over time to provide an average rate of return of approximately 5-7% annually.

(Note 10 continued on the following page)

NOTE 10 – BOARD RESTRICTED ENDOWMENT FUND (Continued)

Spending Policy

The Organization has a policy of appropriating for distribution each year total accumulated net earnings of the endowment fund (defined as the gross earnings of the endowment fund as determined in accordance with the Organization's valuation policies and procedures in effect from time to time less any direct expenses incurred to pay third-party investment advisors and managers, custodians of the investments, and any other professionals engaged for work in relation to the endowment fund) through the calendar year-end preceding the fiscal year in which the distribution is planned. The Organization's spending rate is not to exceed 5% of the endowment fund's market value at the start of the fiscal year.

In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at a rate that exceeds inflation. This is consistent with the Organization's objective to maintain the original fair market value of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Balances in the funds as of June 30, 2023 and 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment's Beginning balance - 2022	$ -	$ 6,608,099	$ 6,608,099
Contributions and purchases	-	416,009	416,009
Dividends and interest	-	127,077	127,077
Net appreciation	-	769,754	769,754
Realized (loss)	-	(22,666)	(22,666)
Investment fees		(23,994)	(23,994)
Appropriated for expenditure	203,060	(203,060)	-
Expenditure of appropriated funds	(203,060)	-	(203,060)
Endowment's Ending balance - 2023	$ -	$ 7,671,209	$ 7,671,209

(Note 10 continued on the following page)

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NOTE 10 – BOARD RESTRICTED ENDOWMENT FUND (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment's Beginning balance - 2021	$ -	$ 6,097,112	$ 6,097,112
Contributions	-	1,435,436	1,435,436
Dividends and interest – net of fees	-	123,406	123,406
Net appreciation	-	(944,449)	(944,449)
Investment fees		(23,431)	(23,431)
Appropriated for expenditure	79,975	(79,975)	-
Expenditure of appropriated funds	(79,975)	-	(79,975)
Ending balance - 2022	$ -	$ 6,608,099	$ 6,608,099

NOTE 11 – LITIGATION

The Organization may be subject to certain outside claims and litigation arising in the ordinary course of business. In the opinion of the Organization's management and its counsel, there are no matters which could have a material effect on the accompanying financial statements.

NOTE 12 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2023 have been evaluated through March 14, 2024, the date at which the Organization's audited financial statements were available to be issued. No events requiring disclosures have occurred through this date.