

**Los Angeles Children's Chorus  
Audited Financial Statements  
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July 31, 2023 and 2022**

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## Independent Auditor's Report

Board of Directors  
**Los Angeles Children's Chorus**  
Pasadena, California

### Opinion

We have audited the accompanying financial statements of Los Angeles Children's Chorus (LACC), a nonprofit organization, which comprise the statement of financial position as of July 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LACC as of July 31, 2023 and 2022, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis of 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 LACC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LACC'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 LACC'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 LACC'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.

Los Angeles, California  
May 10, 2024

**Los Angeles Children's Chorus**  
**Statements of Financial Position**  
**July 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 806,027	\$ 677,733
Grants and pledges receivable	91,284	61,595
Accounts receivable, net—Note 2	2,581	29,383
Due from tour company	-	477
Prepaid expenses	26,756	15,784
	<u>926,648</u>	<u>784,972</u>
<b>Total Current Assets</b>	<b>926,648</b>	<b>784,972</b>
<b>Non-Current Assets</b>		
Cash and cash equivalents	50,000	55,000
Restricted cash, held in perpetuity—Notes 8 and 9	-	26,527
Beneficial interest in asset held at the Pasadena Community Foundation—Note 4	81,418	-
Property and equipment, net—Note 6	58,913	45,461
	<u>190,331</u>	<u>126,988</u>
<b>Total Non-Current Assets</b>	<b>190,331</b>	<b>126,988</b>
	<u><b>\$ 1,116,979</b></u>	<u><b>\$ 911,960</b></u>
<b>Total Assets</b>	<b>\$ 1,116,979</b>	<b>\$ 911,960</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 43,524	\$ 4,928
Accrued payroll	43,544	44,243
Accrued vacation	68,693	77,988
Accrued expenses	100	-
Unearned tuition	82,223	49,251
Current portion of finance lease liability—Note 5	5,997	10,243
	<u>244,081</u>	<u>186,653</u>
<b>Total Current Liabilities</b>	<b>244,081</b>	<b>186,653</b>
<b>Non-Current Liabilities</b>		
Finance lease liability—Note 5	-	6,690
	<u>244,081</u>	<u>193,343</u>
<b>Total Liabilities</b>	<b>244,081</b>	<b>193,343</b>
<b>Net Assets</b>		
Without donor restrictions	650,196	575,495
With donor restrictions—Note 10	222,702	143,122
	<u>872,898</u>	<u>718,617</u>
<b>Total Net Assets</b>	<b>872,898</b>	<b>718,617</b>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 1,116,979</b></u>	<u><b>\$ 911,960</b></u>

See notes to financial statements.

Los Angeles Children's Chorus  
Statement of Activities  
Year Ended July 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities</b>			
<b>Public Support and Revenue</b>			
Tuition and fees			
Gross revenue	\$ 1,035,154	\$ -	\$ 1,035,154
Less scholarships	(127,531)	-	(127,531)
<b>Tuition and Fees, Net</b>	<b>907,623</b>	<b>-</b>	<b>907,623</b>
Tour fees			
Gross revenue	662,285	-	662,285
Less scholarships	(109,000)	-	(109,000)
<b>Tour Fees, Net</b>	<b>553,285</b>	<b>-</b>	<b>553,285</b>
Performance income	151,593	-	151,593
Product sales	2,345	-	2,345
Grants and contributions	527,995	66,284	594,279
Government grants	145,310	-	145,310
Special events			
Gross revenue	180,695	-	180,695
Less cost of direct benefits to donors	(101,544)	-	(101,544)
<b>Special Events, Net</b>	<b>79,151</b>	<b>-</b>	<b>79,151</b>
Other income	17,774	-	17,774
Interest and dividend income	13,290	429	13,719
<b>Total Public Support and Revenue</b>	<b>2,398,366</b>	<b>66,713</b>	<b>2,465,079</b>
<b>Reclassifications</b>			
Net assets released from restrictions	42,024	(42,024)	-
Reclassification of net assets transferred to the Pasadena Community Foundation—Note 4	(50,000)	50,000	-
<b>Total Public Support, Revenue, and Reclassifications of Net Assets</b>	<b>2,390,390</b>	<b>74,689</b>	<b>2,465,079</b>
<b>Expenses</b>			
Chorus programs	1,832,621	-	1,832,621
Management and general	285,727	-	285,727
Fundraising	197,341	-	197,341
<b>Total Expenses</b>	<b>2,315,689</b>	<b>-</b>	<b>2,315,689</b>
<b>Change in Net Assets from Operations</b>	<b>74,701</b>	<b>74,689</b>	<b>149,390</b>
<b>Nonoperating Activities</b>			
Change in value of beneficial interest in assets held at the Pasadena Community Foundation—Note 4	-	4,891	4,891
<b>Total Nonoperating Activities</b>	<b>-</b>	<b>4,891</b>	<b>4,891</b>
<b>Change in Net Assets</b>	<b>74,701</b>	<b>79,580</b>	<b>154,281</b>
<b>Net Assets at Beginning of Year</b>	<b>575,495</b>	<b>143,122</b>	<b>718,617</b>
<b>Net Assets at End of Year</b>	<b>\$ 650,196</b>	<b>\$ 222,702</b>	<b>\$ 872,898</b>

See notes to financial statements.

Los Angeles Children's Chorus  
Statement of Activities  
Year Ended July 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities</b>			
<b>Public Support and Revenue</b>			
Tuition and fees			
Gross revenue	\$ 797,098	\$ -	\$ 797,098
Less scholarships	(106,776)	-	(106,776)
<b>Tuition and Fees, Net</b>	<b>690,322</b>	<b>-</b>	<b>690,322</b>
Tour fees			
Gross revenue	270,009	-	270,009
Less scholarships	(59,890)	-	(59,890)
<b>Tour Fees, Net</b>	<b>210,119</b>	<b>-</b>	<b>210,119</b>
Performance income	122,641	-	122,641
Product sales	1,997	-	1,997
Grants and contributions	431,443	83,600	515,043
Government grants	46,374	-	46,374
Special events			
Gross revenue	135,992	-	135,992
Less cost of direct benefits to donors	(76,997)	-	(76,997)
<b>Special Events, Net</b>	<b>58,995</b>	<b>-</b>	<b>58,995</b>
Other income	5,397	-	5,397
Interest income	1,069	81	1,150
<b>Total Public Support and Revenue</b>	<b>1,568,357</b>	<b>83,681</b>	<b>1,652,038</b>
Net assets released from restrictions	67,596	(67,596)	-
<b>Total Public Support, Revenue, and Releases from Restrictions</b>	<b>1,635,953</b>	<b>16,085</b>	<b>1,652,038</b>
<b>Expenses</b>			
Chorus programs	1,205,456	-	1,205,456
Management and general	204,693	-	204,693
Fundraising	183,143	-	183,143
<b>Total Expenses</b>	<b>1,593,292</b>	<b>-</b>	<b>1,593,292</b>
<b>Change in Net Assets from Operations</b>	<b>42,661</b>	<b>16,085</b>	<b>58,746</b>
<b>Nonoperating Activities</b>			
Investment return, net	(145)	(11)	(156)
<b>Total Nonoperating Activities</b>	<b>(145)</b>	<b>(11)</b>	<b>(156)</b>
<b>Change in Net Assets</b>	<b>42,516</b>	<b>16,074</b>	<b>58,590</b>
<b>Net Assets at Beginning of Year</b>	<b>532,979</b>	<b>127,048</b>	<b>660,027</b>
<b>Net Assets at End of Year</b>	<b>\$ 575,495</b>	<b>\$ 143,122</b>	<b>\$ 718,617</b>

See notes to financial statements.

Los Angeles Children's Chorus  
Statement of Functional Expenses  
Year Ended July 31, 2023

	Chorus Programs	Management and General	Fundraising	Special Events	Total
Salaries and wages	\$ 821,454	\$ 95,976	\$ 95,976	\$ -	\$ 1,013,406
Payroll taxes	68,189	7,335	7,335	-	82,859
Employee benefits	80,765	8,699	8,699	-	98,163
<b>Total Personnel</b>	<b>970,408</b>	<b>112,010</b>	<b>112,010</b>	<b>-</b>	<b>1,194,428</b>
Bank and merchant fees	-	53,984	-	-	53,984
Board and staff development	635	53	-	-	688
Chorus education and workshops	2,878	-	-	-	2,878
Concert production costs	68,149	-	-	-	68,149
Cost of direct benefits to donors	-	-	-	101,544	101,544
Depreciation and amortization	10,489	14,853	-	-	25,342
Development	-	-	14,272	-	14,272
Facility costs	66,427	7,667	7,667	-	81,761
Insurance	13,410	1,567	1,567	-	16,544
Interest	-	3,672	-	-	3,672
Marketing and publicity	5,830	1,180	4,047	-	11,057
Miscellaneous	2,324	6,166	66	-	8,556
Music training retreat	22,833	-	-	-	22,833
Office expense	22,077	26,972	15,270	-	64,319
Postage	507	53	377	-	937
Professional fees	55,499	57,101	41,616	-	154,216
Program supplies	3,602	-	-	-	3,602
Telephone and internet	3,840	449	449	-	4,738
Tour costs	583,713	-	-	-	583,713
Tuition scholarships	127,531	-	-	-	127,531
<b>Total Expenses by Function</b>	<b>1,960,152</b>	<b>285,727</b>	<b>197,341</b>	<b>101,544</b>	<b>2,544,764</b>
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	-	-	-	(101,544)	(101,544)
Tuition scholarships	(127,531)	-	-	-	(127,531)
<b>Total Expenses</b>	<b>\$ 1,832,621</b>	<b>\$ 285,727</b>	<b>\$ 197,341</b>	<b>\$ -</b>	<b>\$ 2,315,689</b>

See notes to financial statements.

Los Angeles Children's Chorus  
Statement of Functional Expenses  
Year Ended July 31, 2022

	Chorus Programs	Management and General	Fundraising	Special Events	Total
Salaries and wages	\$ 689,464	\$ 80,316	\$ 79,975	\$ -	\$ 849,755
Payroll taxes	51,571	8,557	15,533	-	75,661
Employee benefits	64,100	7,744	7,438	-	79,282
<b>Total Personnel</b>	<b>805,135</b>	<b>96,617</b>	<b>102,946</b>	<b>-</b>	<b>1,004,698</b>
Bank and merchant fees	12,102	12,102	12,102	-	36,306
Chorus education and workshops	4,659	-	-	-	4,659
Concert production costs	5,624	-	-	-	5,624
Cost of direct benefits to donors	-	-	-	76,997	76,997
Depreciation and amortization	13,264	1,545	1,538	-	16,347
Development	-	-	3,090	-	3,090
Facility costs	42,580	4,936	4,913	-	52,429
Insurance	12,222	1,424	1,417	-	15,063
Interest	2,681	260	259	-	3,200
Marketing and publicity	9,355	7,462	6,367	-	23,184
Miscellaneous	109	1,862	912	-	2,883
Music training retreat	16,549	-	-	-	16,549
Office expense	19,908	20,670	6,715	-	47,293
Postage	885	161	718	-	1,764
Printing and copying	684	80	79	-	843
Professional fees	11,837	57,101	41,616	-	110,554
Program supplies	24,182	-	-	-	24,182
Telephone and internet	4,061	473	471	-	5,005
Tour costs	219,619	-	-	-	219,619
Tuition scholarships	166,666	-	-	-	166,666
<b>Total Expenses by Function</b>	<b>1,372,122.0</b>	<b>204,693</b>	<b>183,143</b>	<b>76,997</b>	<b>1,836,955</b>
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	-	-	-	(76,997)	(76,997)
Tuition scholarships	(166,666)	-	-	-	(166,666)
<b>Totals</b>	<b>\$ 1,205,456</b>	<b>\$ 204,693</b>	<b>\$ 183,143</b>	<b>\$ -</b>	<b>\$ 1,593,292</b>

See notes to financial statements.



**Los Angeles Children's Chorus**  
**Statements of Cash Flows**  
**Years Ended July 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 154,281	\$ 58,590
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions held in perpetuity	(76,527)	-
Depreciation and amortization	25,342	16,347
Change in value of beneficial interest in assets held at the Pasadena Community Foundation	(4,891)	-
Changes in operating assets and liabilities:		
Grants and pledges receivable	(29,689)	(26,074)
Accounts receivable, net	26,802	(26,772)
Due from tour company	477	5,839
Prepaid expenses	(10,972)	(6,503)
Accounts payable	38,596	(20,386)
Accrued payroll	(699)	17,884
Accrued vacation	(9,295)	9,701
Accrued expenses	100	(6,000)
Unearned tuition	32,972	49,251
Tour costs due to families	-	(19,675)
<b>Net Cash Provided by Operating Activities</b>	<b>146,497</b>	<b>52,202</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(38,794)	(20,495)
Contribution of beneficial interest in assets held at the Pasadena Community Foundation	(76,527)	-
<b>Net Cash Used in Investing Activities</b>	<b>(115,321)</b>	<b>(20,495)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on capital lease payable	(10,936)	(10,040)
Contributions held in perpetuity	76,527	-
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>65,591</b>	<b>(10,040)</b>
<b>Net Increase in Cash, Cash Equivalents, and Restricted Cash</b>	<b>96,767</b>	<b>21,667</b>
<b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Year</b>	<b>759,260</b>	<b>737,593</b>
<b>Cash, Cash Equivalents, and Restricted Cash at End of Year</b>	<b>\$ 856,027</b>	<b>\$ 759,260</b>
<b>Supplementary Disclosures</b>		
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest	\$ 3,672	\$ 3,200

See notes to financial statements.

**Los Angeles Children's Chorus**  
**Notes to Financial Statements**  
**July 31, 2023 and 2022**

**Note 1—Nature of Activities**

Los Angeles Children's Chorus (LACC) (a non-profit corporation) has established itself as one of the preeminent youth choruses in the country. LACC was founded in 1986 and incorporated in California in 1993. The mission of LACC is to provide choral music education of the highest quality to young people who represent richly diverse racial, economic, and cultural backgrounds.

LACC's programs include seven chorus ensembles and two First Experiences in Singing classes. LACC annually enrolls and trains nearly 400 choristers, ages 6 – 18, from 40+ communities across the greater Los Angeles metropolitan area. LACC also appears in over 50 public performances each season. These performances include frequent collaborations with some of Los Angeles' most prominent arts organizations, including the LA Philharmonic, LA Opera, and Los Angeles Master Chorale, among others.

In addition to its music education and performance activities in and around Los Angeles, LACC regularly represents the city and state as a cultural ambassador on domestic and international tours that have taken the chorus to 20+ countries on six continents. LACC is tax-exempt under Internal Revenue Code Section 501(c)(3).

**Note 2—Significant Accounting Policies**

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. LACC's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of LACC and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of LACC. These net assets may be used at the discretion of LACC's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of LACC and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit LACC to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of LACC's music education and performance activities, and interest and dividends earned on investments. to be of a more unusual or nonrecurring nature. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—LACC is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, LACC has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination.

**Los Angeles Children's Chorus**  
**Notes to Financial Statements—Continued**

**Note 2—Significant Accounting Policies—Continued**

Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at July 31, 2023 and 2022. Generally, LACC's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Liquidity—Assets are presented according to their proximity to cash and liabilities are presented according to their nearness of payment or use of cash.

Recently Adopted Accounting Principle—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This amendment is applicable to leases with terms exceeding 12 months and requires lessees to recognize the assets and related liabilities that arise from leases in the statement of financial position. Additionally, in July 2018, FASB issued ASU 2018-11 *Leases (Topic 842)—Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjustment to the opening balance of net assets without donor restrictions in the period of adoption. Since LACC has no leases with terms exceeding one year as of the year ended July 31, 2023, LACC has adopted ASU No. 2016-02 and its related amendments on a prospective basis, with no resulting impact on the financial statement presentation.

Cash, Cash Equivalents, and Restricted Cash—LACC considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Certificates of deposit are valued at original purchase cost, which, when combined with accrued interest receivable, approximates fair market value at July 31, 2023. Included in cash and cash equivalents is the long-term portion of cash for the YME director's salary totaling \$50,000, which is being expensed at \$5,000 per year. Restricted cash held in perpetuity consists of \$22,850 for general purposes and \$3,677 for scholarships at July 31, 2022. There were no restricted cash held in perpetuity at July 31, 2023.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	<u>2023</u>	<u>2022</u>
<b>Cash Accounts Reported in the Statement of Financial Position</b>		
Cash and cash equivalents	\$ 856,027	\$ 732,733
Restricted cash, held in perpetuity	-	26,527
	<u>          </u>	<u>          </u>
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>		
<b>Reported in the Statement of Cash Flows</b>	<b><u>\$ 856,027</u></b>	<b><u>\$ 759,260</u></b>

Grants and Pledges Receivable—Grants and pledges receivable at July 31, 2023 and 2022 are due from a variety of individuals, foundations, corporations and governmental bodies well-known to LACC with favorable past payment histories. Management of LACC has assessed the credit risk associated with these receivables and has determined that an allowance for potential uncollectible amounts is not necessary at July 31, 2023 and 2022.

Accounts Receivable—Accounts receivable consists of tuition and fees earned but not collected. An allowance for uncollectible accounts is not maintained as uncollectible accounts receivable are normally insignificant. If any amounts become uncollectible, they will be charged to operations when that determination is made. Generally accepted accounting principles require that an allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Management of LACC has assessed the credit risk associated with these receivables and has determined that an allowance for potential uncollectible amounts is not necessary at July 31, 2023 and 2022.

**Los Angeles Children's Chorus**  
**Notes to Financial Statements—Continued**

**Note 2—Significant Accounting Policies—Continued**

Property and Equipment—Property and equipment is stated at cost when purchased or at estimated fair market value at the date of bequest or gift. Depreciation is provided using the straight-line method over the estimated useful life of the related asset, principally 5 years for computer equipment and software, 7 years for furniture and fixtures, and 15 years for leasehold improvements. It is LACC's policy to expense items purchased or donated with values less than \$1,000.

Concentrations of Credit Risk—Financial instruments which potentially subject the LACC to concentrations of credit risk consist of cash and cash equivalents, investments in securities, and receivables.

The LACC places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash balances may exceed FDIC insurance limits during the normal course of business.

Cash held in investment accounts at investment custodians is insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000, per institution. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. Such balances are normally not in excess of the SIPC coverage limits.

While LACC is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, LACC's management has assessed the credit risk associated with its cash deposits and investments at July 31, 2023 and 2022 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments. However, due to the current risk and uncertainties affecting financial institutions (see Note 12), the potential related impact cannot be reasonably estimated at this time.

Accounts receivable at July 31, 2023 and 2022 are due from nonprofit organizations well-known to LACC, with favorable past payment histories. Management of the LACC has assessed the credit risk associated with these accounts receivable and has determined that an allowance for potential uncollectible amounts is not necessary.

Grants and pledges receivable consist of balances from individuals, local foundations and corporations. The Los Angeles Children's Chorus has determined that no allowance for potential losses due to uncollectible receivables was necessary at July 31, 2023 and 2022.

Grants and Contributions—Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Grants and contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution and grant is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is 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.

Government grants—Income from government grants are reported as increases in net assets without donor restrictions, when allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.

**Los Angeles Children's Chorus**  
**Notes to Financial Statements—Continued**

**Note 2—Significant Accounting Policies—Continued**

Revenue Recognition—LACC’s revenue recognition policies are as follows:

Tuition and fees—Revenue from tuition and fees is classified as exchange transactions and recognized as earned. Funds received for services not yet earned are reported as unearned tuition in the financial statements.

Tour fees— Revenue from tours is recognized at the time of sale or rendering of services.

Performance income—Revenue from performances is classified as exchange transactions and recognized when the event has been performed. Funds received for performances not yet performed are reported as deferred revenue in the financial statements.

Product sales—Revenue from sales is recognized at the time of sale or rendering of services.

Special events revenue—LACC periodically holds special events as fundraisers. Special events revenue is recognized when such income is earned.

Interest and dividend income—Interest and dividend income earned on investments is recognized when earned and is reported as interest and dividends under revenue and support in the statement of activities.

In-kind Contributions—Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated materials are valued at amounts normally charged or paid for similar materials. These materials are included in the statements as both support and expenses. There were no in-kind contributions during the years ended July 31, 2023 and 2022.

Functional Expenses—The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited, as follows:

<u>Allocated Expense</u>	<u>Method of Allocation</u>
Bank and merchant fees	Time and effort
Depreciation	Square footage
Development	Time and effort
Employee benefits	Time and effort
Facility costs	Square footage
Insurance	Square footage
Interest	Square footage
Marketing and publicity	Time and effort
Miscellaneous	Square footage
Music training retreat	Time and effort
Office expense	Square footage
Payroll taxes	Time and effort
Postage	Square footage
Printing and copying	Square footage
Professional fees	Time and effort
Program supplies	Square footage
Salaries and wages	Time and effort
Telephone and internet	Square footage

Advertising Expenses—Marketing and publicity costs are expensed as incurred and amounted to \$11,057 and \$23,184 for the years ended July 31, 2023 and 2022, respectively.

**Los Angeles Children's Chorus**  
**Notes to Financial Statements—Continued**

**Note 2—Significant Accounting Policies—Continued**

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. Significant estimates include valuation of pledges receivable and the useful lives of property and equipment. Accordingly, actual results could differ from those estimates.

**Note 3—Availability and Liquidity**

LACC's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$200,000).

The following represents the availability and liquidity of LACC's financial assets at July 31, 2023 and 2022 to cover operating expenses for the next fiscal year:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 756,027	\$ 534,611
Accounts receivable, net	2,581	29,383
Due from tour company	-	477
<b>Current Availability of Financial Assets</b>	<b><u>\$ 758,608</u></b>	<b><u>\$ 564,471</u></b>

LACC has access to a \$50,000 revolving line of credit with Bank of the West. LACC has no outstanding balances on the line of credit arrangement at July 31, 2023 or 2022.

**Note 4—Beneficial Interests in Community Foundation Assets**

In January 2023, LACC irrevocably transferred \$26,527 of net assets with donor restrictions held in perpetuity to the Pasadena Community Foundation ("PCF Fund"). LACC has granted PCF sole variance power to modify any restrictions or conditions imposed by donors on the PCF Fund or assets if, in the judgment of PCF's board, such restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes or needs served by PCF. The PCF Fund is subject to the PCF investment and spending policies. PCF and LACC jointly intend that the PCF Fund will continue to provide for the charitable purposes of LACC and that the \$26,527 in donor restrictions held in perpetuity transferred to the PCF Fund will continue to be held in perpetuity as intended by the original donors.

Also in January 2023, LACC transferred \$50,000 of net assets without donor restrictions to the PCF Fund. The intent of this transfer was to establish a board designated endowment fund. LACC has granted PCF sole variance power to modify any restrictions or conditions imposed by donors on the PCF Fund or assets if, in the judgment of PCF's board, such restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes or needs served by PCF. The PCF Fund is subject to the PCF investment and spending policies. PCF and LACC jointly intend that the PCF Fund will continue to provide for the charitable purposes of LACC. The \$50,000 in net assets without donor restrictions are now being reclassified as net assets with donor restrictions held in perpetuity as LACC has irrevocably transferred the funds to PCF. Distributions of principal and interest out of the PCF Fund may be made annually, as deemed prudent by the PCF board and consistent with applicable law.

**Los Angeles Children's Chorus**  
**Notes to Financial Statements—Continued**

**Note 5—Fair Value Measurements**

In determining the fair value of assets and liabilities, LACC utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. LACC determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market.

When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Association at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

LACC utilizes a practical expedient, Net Asset Value (NAV) per share (or its equivalent) for measuring the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. LACC has investments with the Pasadena Community Foundation, as described previously, which is classified at NAV as a practical expedient during the year ended July 31, 2023.

Fair values of assets measured on a recurring basis at July 31, 2023 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in board-designated endowment fund at the Pasadena Community Foundation	\$ 53,196	\$ -	\$ -	\$ 53,196
Beneficial interest in donor endowment fund at the Pasadena Community Foundation	28,222	-	-	28,222
<b>Totals</b>	<b><u>\$ 81,418</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 81,418</u></b>

A reconciliation of the LACC's investment activity with regard to its Level 3 assets for the years ended July 31, 2023 and 2022 is as follows:

	<u>Board- Designated Endowment Fund</u>	<u>Donor Endowment Fund</u>	<u>Total</u>
<b>Balance at July 31, 2022</b>	\$ -	\$ -	\$ -
Transfer in	50,000	26,527	76,527
Share of appreciation in the beneficial interest in Pasadena Community Foundation	3,196	1,695	4,891
<b>Balance at July 31, 2023</b>	<b><u>\$ 53,196</u></b>	<b><u>\$ 28,222</u></b>	<b><u>\$ 81,418</u></b>

**Los Angeles Children's Chorus**  
**Notes to Financial Statements—Continued**

**Note 6—Property and Equipment, Net**

Net property and equipment at July 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Music library and furniture	\$ 160,931	\$ 134,353
Computer equipment	98,641	88,514
Office furniture and equipment	35,271	33,182
Instruments and storage	25,149	25,149
	<u>319,992</u>	<u>281,198</u>
<b>Total Property and Equipment</b>		
Less accumulated depreciation	(261,079)	(235,737)
	<u>58,913</u>	<u>45,461</u>
<b>Property and Equipment, Net</b>	<u><u>\$ 58,913</u></u>	<u><u>\$ 45,461</u></u>

Depreciation and amortization expense for the years ended July 31, 2023 and 2022 was \$25,342 and \$16,347, respectively.

**Note 7—Finance Lease Payable**

LACC leases equipment under a lease agreement classified as a finance lease. The maturity date of the lease is March 11, 2024. The monthly payment is \$1,059. The remaining payments under the lease for the year ending July 31, 2023 amounts to \$5,997.

**Note 8—Commitments**

LACC leases office space in Pasadena, California on an annual basis. Rent expense related to this lease for the years ended July 31, 2023 and 2022, was \$73,600 and \$41,150, respectively.

**Note 9—Contingencies**

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, management deems the contingency remote since, by accepting the gift and its terms, it is acknowledging the requirements of the grantor at the time of receipt.



Los Angeles Children's Chorus  
Notes to Financial Statements—Continued

**Note 10—Net Assets with Donor Restriction**

Net assets with donor restrictions at July 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
YME director wages	\$ 50,000	\$ 55,000
<b>Total Subject to Expenditure for Specified Purpose</b>	<b>50,000</b>	<b>55,000</b>
Subject to time restrictions:		
Grants and pledges restricted to future periods	91,284	61,595
<b>Total Subject to Time Restrictions</b>	<b>91,284</b>	<b>61,595</b>
Held in perpetuity:		
Beneficial interest in board-designated endowment fund at the Pasadena Community Foundation	53,196	-
Beneficial interest in donor endowment fund at the Pasadena Community Foundation	28,222	-
Available for general use	-	22,850
Restricted by donors for scholarships	-	3,677
<b>Total Held in Perpetuity</b>	<b>81,418</b>	<b>26,527</b>
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 222,702</b>	<b>\$ 143,122</b>

The donor restriction for the YME director wages arose from a \$100,000 donation received during the year ended July 31, 2014, requiring expenditure over a period of 20 years, at \$5,000 per year, on the Young Men's Ensemble director wages.

Net assets released from restrictions for the years ended July 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
YME director wages	\$ 5,000	\$ 5,000
<b>Total Satisfaction of Purpose Restrictions</b>	<b>5,000</b>	<b>5,000</b>
Satisfaction of time restrictions	36,595	62,526
Satisfaction of appropriation and expenditure:		
General operations	370	60
Scholarships	59	10
<b>Total Satisfaction of Appropriation and Expenditure</b>	<b>429</b>	<b>70</b>
<b>Total Net Assets Released from Donor Restrictions</b>	<b>\$ 42,024</b>	<b>\$ 67,596</b>

#### Note 11—Endowment Net Assets

The Board of Directors of LACC has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of California 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. The Board is aware that there is an implicit understanding that the market value of the donor-restricted endowment may, from time to time, fall below the fair value of the original gift as of the gift date due to market conditions or continued prudent expenditures by the Board of certain amounts of the endowment. If such a temporary deficit condition occurred, the Board would take all prudent steps, given ongoing market conditions, to restore the fair value of the fund to an amount at or above the amount of the original gift.

As a result of this interpretation, LACC classifies as net assets with donor restrictions that are perpetual in nature the following: the corpus of the endowment; the original gift donated to the permanent endowment; the original value of subsequent gifts to the permanent endowment; and the 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.

Any remaining portion of the donor-restricted endowment fund not classified as net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are purpose-restricted, until those amounts are appropriated for expenditure by LACC in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, LACC 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

Return Objectives and Risk Parameters—The endowment fund is intended to support the current and future operations of LACC, which in turn supports its charitable mission.

A primary objective of the Endowment is to preserve the Endowment Principal for the current and future benefit of LACC. The Endowment Fund's investment objective is to manage growth, earnings, and volatility in order to achieve long-term returns, net of costs for professional investment management, exceeding the draw rate plus the rate of inflation, with sufficient liquidity to meet spending needs. The inflation rate shall be calculated based on the Consumer Price Index. LACC considers itself a risk-averse investor. That is, among various investment alternatives with comparable expected returns, the preference is for those having the lowest risk.

Strategies Employed for Achieving Objectives—LACC manages its endowment on a total rate of return basis consisting of dividends, interest, and any net increase / decrease in market value of securities for the fiscal year, not favoring returns from one source over another.

The Foundation has determined that marketable debt and equity securities traded in the United States are appropriate investments consistent with its return objectives and risk parameters. Cash invested in money market accounts is also an acceptable investment within these guidelines. The investment portfolio is to be sufficiently balanced so that no single security or class of securities will have a disproportionate impact on the risk of the total portfolio.

**Los Angeles Children's Chorus**  
**Notes to Financial Statements—Continued**

**Note 11—Endowment Net Assets—Continued**

Spending Policy and How the Investment Objectives Relate to Spending Policy—LACC's current policy is to utilize earnings from its endowment assets to support operations which in turn supports its charitable mission. This is consistent with LACC's objective to preserve the endowment principal as well as to provide additional real growth through new gifts and investment returns.

Endowment assets consist of the following at July 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Beneficial assets held at Pasadena Community Foundation	\$ 81,419	\$ -
Restricted cash, held in perpetuity	-	26,527
<b>Total</b>	<b><u>\$ 81,419</u></b>	<b><u>\$ 26,527</u></b>

Changes in endowment assets for the year ended July 31, 2023 are as follows:

	<u>Subject to Appropriation</u>	<u>Perpetual In Nature</u>	<u>Total</u>
<b>Endowment Net Assets at July 31, 2022</b>	<b>\$ -</b>	<b>\$ 26,527</b>	<b>\$ 26,527</b>
Interest and dividends	429	-	429
Beneficial interest in assets at PCF	-	4,891	4,891
<b>Total Return on Investment</b>	<b>429</b>	<b>4,891</b>	<b>5,320</b>
Transfer	-	50,000	50,000
Appropriated for expenditure	(429)	-	(429)
<b>Endowment Net Assets at July 31, 2023</b>	<b><u>\$ -</u></b>	<b><u>\$ 81,418</u></b>	<b><u>\$ 81,418</u></b>

Changes in endowment net assets for the year ended July 31, 2022 are as follows:

	<u>Subject to Appropriation</u>	<u>Perpetual In Nature</u>	<u>Total</u>
<b>Endowment Net Assets at July 31, 2021</b>	<b>\$ -</b>	<b>\$ 26,527</b>	<b>\$ 26,527</b>
Interest and dividends	81	-	81
Investment losses	(11)	-	(11)
<b>Total Return on Investment</b>	<b>70</b>	<b>-</b>	<b>70</b>
Appropriated for expenditure	(70)	-	(70)
<b>Endowment Net Assets at July 31, 2022</b>	<b><u>\$ -</u></b>	<b><u>\$ 26,527</u></b>	<b><u>\$ 26,527</u></b>

**Note 12—Risks and Uncertainties**

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As disclosed in Note 2, at times, the Organization maintains cash and cash equivalents and investment balances in excess of federally-insured limits. Given the uncertainty of the situation, the potential related financial impact cannot be reasonably estimated at this time.

**Los Angeles Children's Chorus**

**Notes to Financial Statements—Continued**

**Note 13—Subsequent Events**

Management evaluated all activities of LACC through May 10, 2024, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.