

*Financial Statements and
Independent Auditors' Report*



Pacific
Chorale

PACIFIC CHORALE

*As of and for the Year Ended June 30, 2025
(With 2024 Summarized Comparative Information)*

PACIFIC CHORALE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pacific Chorale

Opinion

We have audited the accompanying financial statements of Pacific Chorale (the "Organization"), which comprise the statement of financial position as of June 30, 2025, 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 the Organization as of June 30, 2025, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization 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 conformity 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization'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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Report on Summarized Comparative Information

The financial statements of the Organization as of and for the year ended June 30, 2024 were audited by other auditors whose report dated May 9, 2025, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink, appearing to read "Haskell & White LLP", is positioned above the firm's name.

HASKELL & WHITE LLP

Irvine, California
January 15, 2026

PACIFIC CHORALE

Statement of Financial Position As of June 30, 2025

(With summarized comparative information as of June 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 606,899	\$ 266,013	\$ 872,912	\$ 975,614
Investments (Notes 3 and 10)	210,165	10,088,972	10,299,137	9,070,603
Accounts receivable - net	131,550	-	131,550	70,936
Prepaid expenses	91,107	-	91,107	30,661
Inventory	16,235	-	16,235	15,570
Total current assets	1,055,956	10,354,985	11,410,941	10,163,384
Operating lease right of use assets - net	3,778	-	3,778	48,086
Property and equipment - net	7,329	-	7,329	10,290
Other assets	5,130	-	5,130	5,052
Total assets	\$ 1,072,193	\$ 10,354,985	\$ 11,427,178	\$ 10,226,812
Liabilities				
Current liabilities				
Accounts payable	\$ 118,946	\$ -	\$ 118,946	\$ 105,402
Accrued expenses	86,776	-	86,776	42,763
Operating lease obligations	4,262	-	4,262	47,653
Deferred revenue	94,791	-	94,791	66,873
Total current liabilities	304,775	-	304,775	262,691
Operating lease obligations	-	-	-	4,279
Total liabilities	304,775	-	304,775	266,970
Commitments and contingencies (Note 8)				
Net Assets				
Net assets without donor restrictions	289,935	-	289,935	225,008
Board designated funds (Note 11)	477,483	-	477,483	773,877
Net assets with donor restrictions (Note 6)	-	10,354,985	10,354,985	8,960,957
Total net assets	767,418	10,354,985	11,122,403	9,959,842
Total liabilities and net assets	\$ 1,072,193	\$ 10,354,985	\$ 11,427,178	\$ 10,226,812

See accompanying notes to financial statements and independent auditors' report.

PACIFIC CHORALE

Statement of Activities For the Year Ended June 30, 2025

(With summarized comparative information for the year ended June 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support				
Contributions	\$ 965,781	\$ 1,189,618	\$ 2,155,399	\$ 1,445,254
Donated services	493,253	-	493,253	463,922
Concert ticket sales	429,052	-	429,052	327,800
Contracted concerts	235,588	-	235,588	189,440
Special events	-	-	-	254,986
Investment return, net of fees (Note 3)	49,561	1,091,325	1,140,886	1,123,271
Other income	50,847	-	50,847	17,030
Total revenue and support	2,224,082	2,280,943	4,505,025	3,821,703
Net assets released from restrictions (Note 7)				
Satisfaction of donor restrictions	121,871	(121,871)	-	-
Appropriation from endowment fund, current year	365,044	(365,044)	-	-
Appropriation from endowment fund, future year	400,000	(400,000)	-	-
Total net assets released from restrictions	886,915	(886,915)	-	-
Total revenue and support	3,110,997	1,394,028	4,505,025	3,821,703
Operating expenses				
Program services:				
Chorale presentations	2,101,888	-	2,101,888	1,796,718
Education and community outreach	262,211	-	262,211	659,344
Total program services	2,364,099	-	2,364,099	2,456,062
Supporting activities:				
General and administrative	372,869	-	372,869	324,959
Fundraising	605,496	-	605,496	279,832
Total supporting activities	978,365	-	978,365	604,791
Total operating expenses	3,342,464	-	3,342,464	3,060,853
Change in net assets	(231,467)	1,394,028	1,162,561	760,850
Net assets, beginning of year	998,885	8,960,957	9,959,842	9,198,992
Net assets, end of year	\$ 767,418	\$ 10,354,985	\$ 11,122,403	\$ 9,959,842

See accompanying notes to financial statements and independent auditors' report.

PACIFIC CHORALE

Statement of Functional Expenses For the Year Ended June 30, 2025

(With summarized comparative information for the year ended June 30, 2024)

	2025						2024
	Chorale Presentations	Education and Community Outreach	Subtotal	General and Administrative	Fundraising	Total	Total
Salaries	\$ 751,030	\$ 140,184	\$ 891,214	\$ 230,452	\$ 213,811	\$ 1,335,477	\$ 1,308,912
Payroll taxes and benefits	101,268	15,701	116,969	15,125	21,376	153,470	182,644
Total salaries, payroll taxes and benefits	852,298	155,885	1,008,183	245,577	235,187	1,488,947	1,491,556
Advertising	108,725	8,872	117,597	-	5,464	123,061	68,638
Depreciation	1,536	512	2,048	421	491	2,960	2,192
Donor cultivation and events	8,730	456	9,186	398	76,673	86,257	21,210
Fees and taxes	29,794	5,417	35,211	4,679	14,785	54,675	80,506
Insurance	8,619	1,643	10,262	5,836	2,610	18,708	10,859
Miscellaneous	60	-	60	890	349	1,299	503
Office rent	28,914	9,638	38,552	7,918	9,249	55,719	49,530
Postage and printing	6,256	2,054	8,310	2,408	1,971	12,689	44,632
Professional services	8,068	2,523	10,591	91,278	251,680	353,549	156,141
Programming events and productions	535,579	70,139	605,718	-	-	605,718	617,496
Repairs and maintenance	1,930	643	2,573	752	617	3,942	5,468
Staff development expenses	2,905	-	2,905	1,106	958	4,969	4,880
Supplies	7,228	2,409	9,637	1,980	2,312	13,929	4,010
Telephone	2,591	864	3,455	2,435	1,211	7,101	6,347
Travel	2,506	191	2,697	6,398	1,013	10,108	27,698
Utilities	2,896	965	3,861	793	926	5,580	5,263
Total expenses before donated services	1,608,635	262,211	1,870,846	372,869	605,496	2,849,211	2,596,929
Donated services	493,253	-	493,253	-	-	493,253	463,924
	<u>\$ 2,101,888</u>	<u>\$ 262,211</u>	<u>\$ 2,364,099</u>	<u>\$ 372,869</u>	<u>\$ 605,496</u>	<u>\$ 3,342,464</u>	<u>\$ 3,060,853</u>

See accompanying notes to financial statements and independent auditors' report.

PACIFIC CHORALE

Statement of Cash Flows For the Year Ended June 30, 2025

(With summarized comparative information for the year ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 1,162,561	\$ 760,850
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	47,269	39,829
Donated investments	-	(501,808)
Net unrealized and realized gain on investments	(865,592)	(823,738)
Changes in operating assets and liabilities:		
Accounts receivable	(60,614)	26,514
Grants receivable	-	147,801
Pledges receivable	-	125,000
Prepaid expenses	(60,446)	(25,661)
Inventory	(665)	(14,079)
Other assets	(78)	-
Accounts payable	13,544	98,718
Accrued expenses	44,013	(125,142)
Operating lease obligations	(47,670)	(42,998)
Deferred revenue	27,918	44,381
	<u>260,240</u>	<u>(290,333)</u>
Cash flows from investing activities		
Purchases of investments	(933,365)	(359,689)
Proceeds from sale of investments	570,423	360,634
Purchases of property and equipment	-	(6,574)
	<u>(362,942)</u>	<u>(5,629)</u>
Net decrease in cash and cash equivalents	(102,702)	(295,962)
Cash and cash equivalents – beginning of year	<u>975,614</u>	<u>1,271,576</u>
Cash and cash equivalents – end of year	<u><u>\$ 872,912</u></u>	<u><u>\$ 975,614</u></u>

See accompanying notes to financial statements and independent auditors' report.

PACIFIC CHORALE

Notes to Financial Statements

June 30, 2025

1. Organization and Mission

Pacific Chorale (the “Organization”) was founded in 1968 and is a California nonprofit public benefit corporation headquartered in Orange County, California. The mission of the Organization is to inspire the community through artistry and innovation in choral performances and education programs.

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 and Use of Estimates

The Organization’s financial statements have been prepared on the accrual basis of accounting. Accordingly, the Organization recognizes revenues when earned, and contributions, including unconditional promises to give, when received. Expenses are recognized when the obligation is incurred.

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Organization reflects net assets and revenues, gains, expenses, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization, and changes thereto, are classified and reported as without donor restrictions and with donor restrictions, as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and are available to support general operations. Board-designated amounts, if any, are included in net assets without donor restrictions.

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Notes to Financial Statements (continued) June 30, 2025

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed restrictions that require either the passage of time, the occurrence of a specific event, or that the principal be maintained in perpetuity and invested for the purpose of producing present and future income. Any cumulative net investment income from net assets with donor restrictions are included in net assets with donor restrictions until appropriated by the Board of Directors for expenditure.

Comparative Financial Information

The accompanying statements of financial position, activities, and functional expenses include prior year (2024) summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's June 30, 2024 financial statements, from which the summarized information was derived.

Income Taxes

The Organization qualifies as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and, therefore, is not subject to income tax. Accordingly, no provision for income taxes is included in the accompanying financial statements. Management regularly evaluates potential tax exposures that may result from unrelated business income tax and activities that may jeopardize the Organization's tax-exempt status. As a result of management's evaluation, no tax provision was recorded.

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.

Investments and Valuation

Investments are stated at fair value where readily determinable fair value exists. Fair value is determined using the closing prices for investments traded on any global stock exchange. The Organization utilizes a practical expedient for the estimation of the fair value of investments in limited partnerships and similar interests, with no readily determinable fair value. The practical expedient used by the Organization to value such private investments is the net asset value ("NAV") per share, or its equivalent, as determined by the related investment fund manager.

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Notes to Financial Statements (continued) June 30, 2025

2. Summary of Significant Accounting Policies (continued)

Investments and Valuation (continued)

The ultimate liquidation of certain of the Organization's investments is restricted to certain time periods and is generally limited to selling to the fund manager or distributions from the fund. Due to the inherent uncertainty of valuation of nonmarketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material.

Investments are exposed to various risks such as significant global events, interest rates, credit, and market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value or NAV of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

Fair value is defined as the price that the Organization would receive to sell an asset, or pay to transfer a liability, in an orderly transaction between market participants at the measurement date. The Financial Accounting Standards Board ("FASB")'s Accounting Standards Codification ("ASC") establishes a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs 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 reflect the Organization's own assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available under the circumstances. The three-tier hierarchy of inputs is summarized below.

Level 1 - inputs are quoted prices in active markets.

Level 2 - inputs are observable, directly or indirectly.

Level 3 - inputs are unobservable and reflect assumptions on the part of management.

ASC 820, *Fair Value Measurement*, permits the estimation of the fair value of an investment at its NAV per share (or its equivalent) for certain investments that do not have readily determinable fair values. Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information from third-party sources, including independent appraisals. In some instances, current valuation information for securities in markets that are not active may not be available from any third-party source or fund management may conclude that the valuations that are available from third-party sources are not reliable. In these instances, fund management may perform model-based analytical valuations that may be used as an input to value these investments. These investments are measured at NAV (or its equivalent) as a practical expedient and are not included in the fair value hierarchy (Note 3).

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Notes to Financial Statements (continued) June 30, 2025

2. Summary of Significant Accounting Policies (continued)

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, it has concluded that losses on balances outstanding at year-end will be immaterial. Therefore, the allowance for doubtful account at June 30, 2025 was none. All balances outstanding are due less than one year.

Inventory

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

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 \$5,000 are capitalized. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets.

Revenue from Contracts with Customers

The FASB created Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), to establish a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The following summarizes the Organization's performance obligations:

Concert Ticket Sales

Ticket sales represent the sums paid for subscriptions and individual tickets for admission to performances of the Organization including handling and other fees. Tickets and the related fees are non-refundable at the time of receipt, unless a performance is cancelled. Tickets purchased in advance are recorded as contract liabilities (deferred revenues) and recorded as revenues when the performances related to the ticket sales are complete. Admission is recognized at a specific point in time, which is when the related performance is complete.

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Notes to Financial Statements (continued) June 30, 2025

2. Summary of Significant Accounting Policies (continued)

Revenue from Contracts with Customers (continued)

Contracted Concerts

The Organization organized performances for certain third parties. The arrangements are recorded as revenues when the related performances are complete.

Contributions

Contributions received are recorded at fair value as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. 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 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 statements of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is reported as contributions.

Conditional contributions contain both (i) a barrier and (ii) a refund or release right to the resource provider and are not recognized until related conditions are substantially met. Certain third-party cost reimbursement grants may be deemed to be conditional contributions.

Donated Services

Donated services are recognized in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Such items are capitalized or charged to operations at fair value as appropriate.

PACIFIC CHORALE

Notes to Financial Statements (continued) June 30, 2025

2. Summary of Significant Accounting Policies (continued)

Donated Services (continued)

During the year ended June 30, 2025, the Organization received donated services from chorale performers with an estimated fair value of \$493,253.

A number of unpaid volunteers have made significant contributions of their time to the Organization; however, the value of these services is not reflected in these financial statements because the recognition criteria under FASB ASC 958-605 were not met.

Impairment

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. No impairment losses were recognized on long-lived assets during the year ended June 30, 2025.

Functional Expense Allocations

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 allocations are based on the functional categories' estimated usage of the natural expenses as determined by management. During the year ended June 30, 2025, there were no significant changes made to the allocation methodologies.

Concentration of Credit Risk

Credit risk is the failure of another party to perform in accordance with contract terms. Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and investments.

The Organization maintains its cash and cash equivalent balances with several financial institutions that from time to time exceed amounts insured by the Federal Deposit Insurance Corporation. To date, the Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk for its cash and cash equivalents.

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Notes to Financial Statements (continued) June 30, 2025

2. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk (continued)

With respect to accounts receivable, the Organization routinely assesses the financial strength of its donors and believes that the related credit risk exposure is limited.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

Leases

The Organization categorizes leases with contractual terms longer than twelve months as either an operating or finance lease. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset of its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statement of financial position.

The Organization determines if an arrangement is a lease at inception. As a lessee, right-of-use assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization estimates the incremental borrowing rate based on the risk-free interest rate for similar terms. Operating lease right-of-use assets also include any lease payments made at or before lease commencement and exclude any lease incentives received. The lease terms used to calculate the right-of-use asset and related lease liability include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense.

Reclassifications

Certain prior fiscal year amounts have been reclassified to conform to the current fiscal year presentation.

Recent Accounting Pronouncements

Management has evaluated all recently issued accounting pronouncements and does not expect any to have a material impact on Organization's financial position, results of operations, or cash flows.

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Notes to Financial Statements (continued) June 30, 2025

3. Investments

As of June 30, 2025, investments are comprised of the following:

Exchange traded funds - equities	\$ 7,493,191
Exchange traded funds - fixed income	1,542,649
Exchange traded funds - alternatives	983,241
Private equity fund	<u>280,056</u>
Total investments	<u><u>\$ 10,299,137</u></u>

As of June 30, 2025, investments are assigned within the three-level fair value hierarchy, or the NAV practical expedient, as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Investments:					
Exchange traded funds	\$ 10,019,081	\$ -	\$ -	\$ -	\$ 10,019,081
Private equity fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,056</u>	<u>280,056</u>
Total investments	<u><u>\$ 10,019,081</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 280,056</u></u>	<u><u>\$ 10,299,137</u></u>

The fair value of exchange traded funds is determined based on the daily closing price as reported by the related funds. These funds are required to publish their daily NAV and to transact at that price. The exchange traded funds held by the Organization are deemed to be actively traded and are classified as Level 1.

The NAV of the private equity fund has been estimated by the related investment fund manager using the fair values of underlying investments, related liabilities, and the number of membership interests outstanding.

The following summarizes investment results for the year ended June 30, 2025:

Net unrealized and realized gain	\$ 865,592
Interest and dividend income	306,314
Investment fees	<u>(31,020)</u>
Total investment return, net of fees	<u><u>\$ 1,140,886</u></u>

PACIFIC CHORALE

Notes to Financial Statements (continued) June 30, 2025

4. Property and Equipment – net

Property and equipment as of June 30, 2025 are as follows:

	Method	Estimated Useful Lives (Years)	Balance
Furniture and equipment	Straight-line	3 - 7	\$ 27,776
Musical instruments	Straight-line	3 - 7	24,950
Leasehold improvements	Straight-line	7	28,933
Music library	Straight-line	7	274,144
			<u>355,803</u>
Less: accumulated depreciation			<u>(348,474)</u>
Total property and equipment - net			<u><u>\$ 7,329</u></u>

Depreciation expense for the year ended June 30, 2025 was \$2,960.

5. Accrued Expenses

The Organization's accrued expenses consist of the following as of June 30, 2025:

Accrued payroll	\$ 8,335
Accrued pension	25,000
Accrued benefits	40,231
Other accruals	<u>13,210</u>
Total accrued expenses	<u><u>\$ 86,776</u></u>

6. Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows as of June 30, 2025:

Purpose restrictions:	
Education and community outreach	\$ 6,000
Chorale presentations	<u>250,000</u>
	<u>256,000</u>
Time restrictions	-
Investments	<u>10,098,985</u>
Total net assets with donor restrictions	<u><u>\$ 10,354,985</u></u>

PACIFIC CHORALE

Notes to Financial Statements (continued) June 30, 2025

7. Net Assets Released from Donor Restrictions

Net assets released from donor restrictions during the year ended June 30, 2025 are as follows:

Satisfaction of program restrictions:	
Education and community outreach	\$ 20,871
Chorale presentations	101,000
	<u>121,871</u>
 Expiration of time restrictions	 -
Appropriations from endowment fund	<u>765,044</u>
 Total net assets released from restrictions	 <u>\$ 886,915</u>

8. Commitment and Contingencies

Operating Leases

The Organization has an operating lease for its corporate office space with a maturity date of July 2025. There was no option to extend the lease under the initial lease agreement.

On August 27, 2025, the Organization entered into an extension of the lease agreement, which extends the lease through October 31, 2029 with monthly minimum rent payments ranging between \$4,435 and \$5,289. There are no renewal options under the extended lease agreement.

Rent expense under the operating lease for the year ended June 30, 2025 was \$45,536.

Noncancellable minimum future lease payments under the new office lease agreement are as follows for each of the years ending June 30:

2026	\$ 48,787
2027	55,418
2028	57,912
2029	60,518
2030	<u>20,928</u>
 Total operating lease payments	 <u>\$ 243,563</u>

PACIFIC CHORALE

Notes to Financial Statements (continued) June 30, 2025

8. Commitment and Contingencies (continued)

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, there are no matters which could have a material effect on the accompanying financial statements.

9. Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2025, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position 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). However, amounts already appropriated from an endowment fund for general expenditure within one year of June 30, 2025 are not subtracted as unavailable.

The Organization's financial assets available within one year of June 30, 2025 for general expenditure are as follows:

Financial assets, at year end:

Cash and cash equivalents	\$ 872,912
Investments	10,299,137
Accounts receivable - net	131,550

Less those unavailable for general expenditures
within one year due to:

Contractual or donor-imposed restrictions:

Restricted by donor with time or purpose restrictions	(256,000)
Endowment fund	(10,098,985)

Board designations:

Artistic innovation fund	(223,050)
Reserve fund	(254,433)

Total	<u>\$ 471,131</u>
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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. Occasionally, the board designates a portion of any operating surplus to its board designated funds (see Note 11). These funds were established by the governing board and can be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

PACIFIC CHORALE

Notes to Financial Statements (continued)

June 30, 2025

10. 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.

Accounting Policy

The Organization's endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds are classified and reported on the existence or absence of donor-imposed restrictions.

ASC 958-205 requires the net asset classification of unrestricted income earned on donor restricted endowment funds for a not-for-profit organization that are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") to be classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. All of the Organization's endowment net assets meet the definition of endowment funds under UPMIFA.

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.

PACIFIC CHORALE

Notes to Financial Statements (continued) June 30, 2025

10. Endowment Fund (continued)

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.

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 up to 5% of the three-year moving average market value of the endowment.

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 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.

Activities in the endowment fund during the year ended June 30, 2025 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment fund, beginning balance	\$ -	\$ 8,954,837	\$ 8,954,837
Contributions	-	817,867	817,867
Interest and dividend income	-	263,840	263,840
Net unrealized and realized gain	-	860,664	860,664
Investment fees	-	(33,179)	(33,179)
Appropriations for expenditure	765,044	(765,044)	-
Expenditure of appropriated funds, current	(365,044)	-	(365,044)
Expenditure of appropriated funds, future	(400,000)	-	(400,000)
Endowment fund, ending balance	\$ -	\$ 10,098,985	\$ 10,098,985

PACIFIC CHORALE

Notes to Financial Statements (continued) June 30, 2025

10. Endowment Fund (continued)

Spending Policy (continued)

In June 2025, the Board of Directors approved an early appropriation from the fiscal year 2026 endowment distribution to support year-end cash flow needs and minimize the use of short-term borrowing at the close of the fiscal year 2025. The timing also allowed the Organization to benefit from a period of market strength following an earlier downturn, with recognition that such conditions might not be sustained. This appropriation is ordinarily made at the beginning of each fiscal year, in early July, under the Organization's endowment spending policy.

11. Board Designated Funds

The Organization has established funds designated by its Board of Directors to support future operations in the event of unforeseen economic hardships and to encourage the development of artistic innovations by establishing interest-bearing money market accounts with local banks. Distributions from the accounts shall be made in accordance with the board's instructions as needed.

Activities in the board designated reserve fund for the year ended June 30, 2025 are as follows:

Beginning balance	\$ 500,608
Interest and dividend income	19,251
Transfers to operating fund	<u>(265,426)</u>
Ending balance	<u><u>\$ 254,433</u></u>

Activities in the board designated artistic innovation fund for the year ended June 30, 2025 are as follows:

Beginning balance	\$ 273,269
Contributions	855,700
Interest and dividend income	20,278
Net unrealized and realized gain	3,903
Transfers to operating fund	<u>(930,100)</u>
Ending balance	<u><u>\$ 223,050</u></u>

12. Subsequent Events

In preparing the accompanying financial statements, management evaluated subsequent events that occurred through January 15, 2026, the date the financial statements were available to be issued.