

The Washington Chorus, Inc.

Financial Statements
and Independent Auditor's Report

June 30, 2022 and 2021

The Washington Chorus, Inc.

Financial Statements
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Washington Chorus, Inc.

Opinion

We have audited the accompanying financial statements of The Washington Chorus, Inc. (“the Chorus”), which comprise the statements of financial position as of June 30, 2022 and 2021; 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 the Chorus as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the Chorus and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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.

Responsibilities of Management for the Financial Statements (continued)

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 Chorus' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

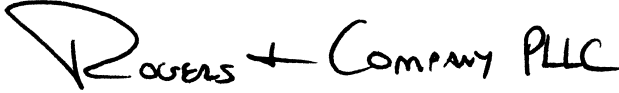
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Chorus' 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 Chorus' ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia
November 17, 2022

The Washington Chorus, Inc.

Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 375,604	\$ 434,465
Accounts receivable	120,297	3,244
Contributions receivable	54,879	57,253
Inventory	4,397	6,773
Prepaid expenses and deposits	13,005	-
Investments	591,933	531,462
Total current assets	1,160,115	1,033,197
Property and equipment, net	39,330	10,664
Total assets	\$ 1,199,445	\$ 1,043,861
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable	\$ 46,585	\$ 32,206
Deferred revenue	3,500	8,500
Loans payable – Paycheck Protection Program	-	136,363
Total current liabilities	50,085	177,069
Total liabilities	50,085	177,069
Net Assets		
Without donor restrictions:		
Undesignated	366,936	464,757
Board-designated	722,545	344,782
Total without donor restrictions	1,089,481	809,539
With donor restrictions	59,879	57,253
Total net assets	1,149,360	866,792
Total liabilities and net assets	\$ 1,199,445	\$ 1,043,861

See accompanying notes.

The Washington Chorus, Inc.

Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Grants and contributions	\$ 1,081,833	\$ 59,879	\$ 1,141,712
In-kind contributions	490,711	-	490,711
Ticket sales	414,272	-	414,272
Concert honoraria	13,500	-	13,500
Inventory sales, net of costs	7,144	-	7,144
Miscellaneous income	285,176	-	285,176
Released from restrictions	57,253	(57,253)	-
Total operating revenue and support	<u>2,349,889</u>	<u>2,626</u>	<u>2,352,515</u>
Expenses			
Program services	1,522,208	-	1,522,208
Supporting services:			
General and administrative	251,851	-	251,851
Fundraising	205,859	-	205,859
Total supporting services	<u>457,710</u>	<u>-</u>	<u>457,710</u>
Total expenses	<u>1,979,918</u>	<u>-</u>	<u>1,979,918</u>
Change in Net Assets from Operations	369,971	2,626	372,597
Non-Operating Activities			
Interest and dividends	13,827	-	13,827
Unrealized and realized loss on investments	(103,856)	-	(103,856)
Total non-operating activities	<u>(90,029)</u>	<u>-</u>	<u>(90,029)</u>
Change in Net Assets	279,942	2,626	282,568
Net Assets, beginning of year	<u>809,539</u>	<u>57,253</u>	<u>866,792</u>
Net Assets, end of year	<u>\$ 1,089,481</u>	<u>\$ 59,879</u>	<u>\$ 1,149,360</u>

See accompanying notes.

The Washington Chorus, Inc.

Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Grants and contributions	\$ 964,432	\$ 57,253	\$ 1,021,685
In-kind contributions	411,126	-	411,126
Ticket sales	91,240	-	91,240
Inventory sales, net of costs	36,767	-	36,767
Miscellaneous income	28,810	-	28,810
Total operating revenue and support	<u>1,532,375</u>	<u>57,253</u>	<u>1,589,628</u>
Expenses			
Program services	1,078,972	-	1,078,972
Supporting services:			
General and administrative	215,598	-	215,598
Fundraising	137,840	-	137,840
Total supporting services	<u>353,438</u>	<u>-</u>	<u>353,438</u>
Total expenses	<u>1,432,410</u>	<u>-</u>	<u>1,432,410</u>
Change in Net Assets from Operations	99,965	57,253	157,218
Non-Operating Activities			
Interest and dividends	2,424	-	2,424
Unrealized and realized gain on investments	43,101	-	43,101
Total non-operating activities	<u>45,525</u>	<u>-</u>	<u>45,525</u>
Change in Net Assets	145,490	57,253	202,743
Net Assets, beginning of year	<u>664,049</u>	<u>-</u>	<u>664,049</u>
Net Assets, end of year	<u>\$ 809,539</u>	<u>\$ 57,253</u>	<u>\$ 866,792</u>

See accompanying notes.

The Washington Chorus, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services	Supporting Services		Total Supporting Services	Total
		General and Administrative	Fundraising		
Concert production costs	\$ 235,779	\$ -	\$ -	\$ -	\$ 235,779
Marketing:					
Season	71,863	3,054	5,284	8,338	80,201
Christmas concert	34,007	-	-	-	34,007
Summer concert	16,543	-	-	-	16,543
Digital merchandise	2,345	-	-	-	2,345
In-kind choral musicians	490,711	-	-	-	490,711
Salaries and benefits	372,568	141,530	158,742	300,272	672,840
Office rent	10,810	4,839	7,050	11,889	22,699
Finance and bank charges	11,549	11,778	3,138	14,916	26,465
Audit and accounting	-	14,829	-	14,829	14,829
Temporary help and contract	4,743	34,085	10,078	44,163	48,906
Printing and copying	5,338	198	1,030	1,228	6,566
Telecommunications	1,714	5,185	1,128	6,313	8,027
Fundraising fees	-	-	13,233	13,233	13,233
Miscellaneous	22,266	21,104	2,903	24,007	46,273
Postage and shipping	748	30	809	839	1,587
Office supplies	24,522	3,621	231	3,852	28,374
Parking and transportation	17,542	2,832	514	3,346	20,888
General liability insurance	2,560	1,286	1,719	3,005	5,565
Venue rental	190,960	830	-	830	191,790
Travel	5,640	10	-	10	5,650
Depreciation	-	6,640	-	6,640	6,640
Total Expenses	\$ 1,522,208	\$ 251,851	\$ 205,859	\$ 457,710	\$ 1,979,918

See accompanying notes.

The Washington Chorus, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services	Supporting Services		Total Supporting Services	Total
		General and Administrative	Fundraising		
Concert production costs	\$ 359,109	\$ -	\$ -	\$ -	\$ 359,109
Marketing:					
Season	5,899	-	-	-	5,899
Fall concert	850	-	-	-	850
Christmas concert	6,168	-	-	-	6,168
Summer concert	3,495	-	-	-	3,495
Digital merchandise	2,084	-	-	-	2,084
In-kind choral musicians	409,780	121	1,225	1,346	411,126
Salaries and benefits	200,015	99,170	107,611	206,781	406,796
Concert and conventions	3,404	1,082	2,420	3,502	6,906
Office rent	25,874	3,737	7,309	11,046	36,920
Finance and bank charges	13,522	4,212	2,427	6,639	20,161
Audit and accounting	-	43,157	-	43,157	43,157
Temporary help and contract	7,708	43,654	7,455	51,109	58,817
Printing and copying	1,032	82	165	247	1,279
Telecommunications	615	3,442	441	3,883	4,498
Miscellaneous	25,323	3,503	1,991	5,494	30,817
Postage and shipping	2,230	551	886	1,437	3,667
Office supplies	3,873	2,272	2,729	5,001	8,874
General liability insurance	2,236	1,138	1,487	2,625	4,861
Travel	5,755	208	1,694	1,902	7,657
Depreciation	-	9,269	-	9,269	9,269
Total Expenses	\$ 1,078,972	\$ 215,598	\$ 137,840	\$ 353,438	\$ 1,432,410

See accompanying notes.

The Washington Chorus, Inc.

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 282,568	\$ 202,743
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized and realized loss (gain) on investments	103,856	(43,101)
Depreciation	6,640	9,269
Gain from early termination of capital lease	-	(4,360)
Capital lease early termination fee	-	(3,750)
Gain from forgiveness of Paycheck Protection Program loan	(136,363)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(117,053)	7,684
Contributions receivable	2,374	(57,253)
Inventory	2,376	2,779
Prepaid expenses and deposits	(13,005)	143,329
Increase (decrease) in:		
Accounts payable	14,379	(69,345)
Deferred revenue	(5,000)	5,000
	<u>140,772</u>	<u>192,995</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(35,306)	(11,087)
Purchases of investments	(733,699)	(329,923)
Proceeds from sales of investments	569,372	-
	<u>(199,633)</u>	<u>(341,010)</u>
Net cash used in investing activities		
Cash Flows from Financing Activities		
Proceeds from loans payable	-	70,063
Principal payments – capital lease obligation	-	(2,017)
	<u>-</u>	<u>68,046</u>
Net cash provided by financing activities		
Net Decrease in Cash	(58,861)	(79,969)
Cash, beginning of year	<u>434,465</u>	<u>514,434</u>
Cash, end of year	<u>\$ 375,604</u>	<u>\$ 434,465</u>
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ -</u>	<u>\$ 436</u>

See accompanying notes.

The Washington Chorus, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

1. Nature of Operations

The Washington Chorus, Inc. (“the Chorus”) was founded in 1961 under the laws of the State of Maryland. The Chorus’ mission is to preserve and advance the art of choral singing, and to share the experience of the transforming power of choral music. The Chorus does this by performing at the highest artistic level in the nation’s capital and before diverse national and international audiences, and by nurturing the next generation of choral singers.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Chorus’ financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include both undesignated and Board-designated amounts.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable are recorded at net realizable value and represent amounts due from events. Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effects of using the direct write-off method are not materially different from the results that would have been obtained under the allowance method.

The Washington Chorus, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions receivable represent unconditional amounts committed to the Chorus. Management determines the allowance for doubtful accounts based upon review of outstanding receivables, historical collection information, and existing economic conditions. Management believes that all contributions receivable are fully collectible at June 30, 2022 and 2021, and accordingly, no allowance for uncollectible accounts has been established. All amounts are expected to be collected within one year.

Inventory

Inventory consists of concert merchandise and music for resale that are carried at the lower of cost or market value. Cost is determined by specific identification, and market value is based on the lower of cost or estimated realizable value. There is no allowance for obsolete inventory as of June 30, 2022 and 2021, as management believes all remaining items are fully salable.

Investments

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses are included in the accompanying statements of activities.

Property and Equipment

Property and equipment acquisitions with a cost greater than \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to 10 years. Expenditures for repairs and maintenance are expensed as incurred.

Donated Services

Donated services meeting the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Revenue Recognition – Contributions Received*, are recognized at fair value at the time of receipt. These services benefit the general programs and consist primarily of advertising, legal, choral musicians, goods, and other professional services.

The Washington Chorus, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Donated Services (continued)

The value of these donated services and goods is included in the financial statements as both revenue and expense in the amounts of \$490,711 and \$411,126 for the years ended June 30, 2022 and 2021, respectively.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Chorus' federal and state grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Chorus satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Chorus expects to receive in exchange for satisfying distinct performance obligations.

Specifically, for the various types of contracts, the Chorus recognizes revenue as follows:

Ticket sales are recognized at the time the services are performed or the activities are conducted. Amounts received in advance are reflected as deferred revenue in the accompanying statements of financial position, and totaled \$3,500 and \$8,500 at June 30, 2022 and 2021, respectively.

Concert honoraria revenue is recognized at the time the event is held.

Inventory sales are recognized as revenue when products are sold, and are presented net of cost of goods sold in the accompanying statements of activities.

The Washington Chorus, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Expenses

The Chorus expenses advertising costs as incurred. Advertising expenses were \$133,096 and \$18,496 for the years ended June 30, 2022 and 2021, respectively. These advertising costs are reflected as marketing expenses in the accompanying statements of functional expenses.

Measure of Operations

The Chorus includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes gains and losses on investments, and interests and dividends.

Use of Estimates

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

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in the Chorus' fiscal year 2023.

The Washington Chorus, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities will be required to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial contributions. Nonprofit entities will also be required to disclose various information related to contributed nonfinancial assets. This ASU will be effective for the Chorus beginning in fiscal year 2023.

Subsequent Events

In preparing these financial statements, the Chorus has evaluated events and transactions for potential recognition or disclosure through November 17, 2022, the date the financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 375,604	\$ 434,465
Accounts receivable	120,297	3,244
Contributions receivable	54,879	57,253
Investments	591,933	531,462
Less: net assets with donor restrictions	<u>(59,879)</u>	<u>(57,253)</u>
Total available for general expenditures	<u>\$ 1,082,834</u>	<u>\$ 969,171</u>

The Washington Chorus, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

4. Concentration of Credit Risk

Financial instruments that potentially subject the Chorus to significant concentrations of credit risk consist of cash and investments. The Chorus maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Chorus has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Investments and Fair Value Measurements

The Chorus follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Chorus recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Chorus uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The Washington Chorus, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

5. Investments and Fair Value Measurements (continued)

The following table presents the Chorus' fair value hierarchy for those investments measured on a recurring basis at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 7,484	\$ -	\$ -	\$ 7,484
Exchange traded funds	530,288	-	-	530,288
Mutual funds	54,161	-	-	54,161
Total investments	\$ 591,933	\$ -	\$ -	\$ 591,933

The following table presents the Chorus' fair value hierarchy for those investments measured on a recurring basis at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 99,427	\$ -	\$ -	\$ 99,427
Mutual funds	432,035	-	-	432,035
Total investments	\$ 531,462	\$ -	\$ -	\$ 531,462

Investment return consists of the following for the years ended June 30:

	2022	2021
Interest and dividends	\$ 13,827	\$ 2,424
Unrealized and realized (loss) gain	(103,856)	43,101
Total investment return	\$ (90,029)	\$ 45,525

There were no investment management fees for the years ended June 30, 2022 and 2021.

The Washington Chorus, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

6. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Office equipment	\$ 48,493	\$ 16,983
Less: accumulated depreciation	<u>(9,163)</u>	<u>(6,319)</u>
Property and equipment, net	<u><u>\$ 39,330</u></u>	<u><u>\$ 10,664</u></u>

7. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021 totaled \$59,879 and \$57,253, respectively, and were all time restricted.

8. Loan Payable – Paycheck Protection Program

The Chorus applied for two loans under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 coronavirus, for which the Chorus qualified. After the loans are granted, the Small Business Administration will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities). The Paycheck Protection Program Flexibility Act of 2020 was enacted on June 5, 2020, and amends the PPP to give borrowers more freedom in how and when the loan funds are spent, while retaining the possibility of full forgiveness. The Chorus has chosen to account for the loan in accordance with ASC 470.

The first PPP loan was granted to the Chorus on April 28, 2020 in the amount of \$66,300 at a fixed rate of 1%, and was set to mature on April 28, 2022. On July 7, 2021, the PPP loan forgiveness was approved for the full amount of the loan and was recognized as gain from forgiveness of loan for the year ended June 30, 2022. The second PPP loan was granted to the Chorus on February 17, 2021 in the amount of \$70,063 at a fixed rate of 1%, and was set to mature on February 17, 2026. On December 28, 2021, the PPP loan forgiveness was approved for the full amount of the loan and was recognized as gain from forgiveness of loan for the year ended June 30, 2022.

The Washington Chorus, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

9. Line of Credit

On October 14, 2021, the Chorus opened a line of credit with a limit of \$150,000, payable on demand, with a maturity date of October 14, 2023. This line of credit bears interest at a variable rate based on the bank's prime rate. There was no outstanding balance on this line of credit at June 30, 2022.

10. Commitments and Contingencies

Operating Lease

The Chorus leases office space in Washington, DC under the terms of an operating lease, which commenced on September 1, 2015 and expired on August 31, 2020. The terms of the lease called for base rental payments of \$3,341, payable monthly with annual increases of 3% from the previous base year.

On July 9, 2020, the Chorus entered into a 12-month lease for a single office for its Executive Director in a shared space arrangement. The lease commenced on August 1, 2020, called for monthly payments of \$899, and expired on July 31, 2021.

On August 31, 2021, the Chorus entered into a new office lease in Washington, DC, which commenced on October 1, 2021 and is set to expire on September 30, 2026. The terms of the lease require a security deposit of \$2,500 and call for base rental payments of \$2,500, payable monthly, with annual increases of 5% from the previous base year. The difference between the rent paid and straight-line rent expense is not reflected as deferred rent in the accompanying statements of financial position due to immateriality. Office rent expense totaled \$22,699 and \$36,920 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments under the office lease are as follows for the years ending June 30:

2023	\$	31,125
2024		32,670
2025		34,320
2026		36,045
2027		9,120
		<hr/>
Total minimum payments required	\$	<u>143,280</u>

The Washington Chorus, Inc.

Notes to Financial Statements
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10. Commitments and Contingencies (continued)

Capital Lease

In March 2018, the Chorus began leasing office equipment under a capital lease expiring in February 2023. The monthly payment, including an interest factor, was \$443. The interest rate implicit in the lease was 2%. The capital lease was terminated in August 2020, when the office lease expired, with a \$3,750 termination fee that was recognized during the year ended June 30, 2021.

Government Grants

Funds received from federal and other government agencies are subject to an audit under the provisions of the grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grants are completed, a potential contingency exists to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability exists.

Employment Agreement

The Chorus has an employment agreement with the Executive Director, which contains terms that require payments upon the occurrence of certain contractual events.

11. Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, telecommunications, interest, and other, which are allocated on the basis of estimates of time and effort.

12. Retirement Plan

Effective January 1, 2021, the Chorus adopted a Section 401(k) retirement plan, which covers all employees who meet the eligibility requirements. With this plan, the Chorus adopted a Safe Harbor Contribution Election, and the Chorus makes a matching contribution equal to 100% of the first 3% of a participant's compensation, and 50% of the next 2% of a participant's compensation. Safe Harbor contributions are always 100% vested. Contributions to this plan during the year ended June 30, 2022 totaled \$10,050.

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13. Income Taxes

The Chorus is recognized as a tax-exempt organization under Internal Revenue Code (IRC) Section 501(c)(3) and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements as there was no unrelated business taxable income. Management has evaluated the Chorus' tax positions and has concluded that the Chorus has taken no uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.