

CANTUS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2021

CANTUS

FINANCIAL STATEMENTS

For the Year Ended July 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cantus
Minneapolis, Minnesota

We have audited the accompanying financial statements of Cantus (a nonprofit organization), which comprise the statement of financial position as of July 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cantus as of July 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Cantus' 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mahoney Ulbrich
Christiansen Russ P.A.*

October 25, 2021

CANTUS

STATEMENT OF FINANCIAL POSITION

July 31, 2021
(With Comparative Totals for 2020)

	2021	2020
	ASSETS	
Current assets:		
Cash	\$ 766,242	\$ 450,505
Accounts receivable	750	149
Grants receivable	32,708	109,690
Prepaid expenses	18,338	22,236
	<hr/>	<hr/>
Total current assets	818,038	582,580
	<hr/>	<hr/>
Leasehold improvements and equipment, net	3,289	655
Security deposits	1,753	1,753
	<hr/>	<hr/>
Total assets	<u>\$ 823,080</u>	<u>\$ 584,988</u>
	<hr/>	<hr/>
	LIABILITIES AND NET ASSETS	
Current liabilities:		
Accounts payable	\$ 12,187	\$ 7,182
Accrued payroll and related	12,537	15,813
Deferred revenue	10,850	17,360
Refundable advances	58,715	58,715
Current portion of notes payable	6,312	12,828
	<hr/>	<hr/>
Total current liabilities	100,601	111,898
	<hr/>	<hr/>
Long-term liabilities:		
Notes payable, net of current portion	257,861	269,604
	<hr/>	<hr/>
Total liabilities	358,462	381,502
	<hr/>	<hr/>
Net assets:		
Net assets without donor restrictions:		
Board designated	54,000	24,000
Undesignated	217,888	76,720
Total net assets without donor restrictions	<hr/> 271,888	<hr/> 100,720
Net assets with donor restrictions	192,730	102,766
	<hr/>	<hr/>
Total net assets	464,618	203,486
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 823,080</u>	<u>\$ 584,988</u>
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See accompanying notes to financial statements.

CANTUS

STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2021
(With Comparative Totals for 2020)

	2021				
	Without donor restrictions		With	Total	2020
	Undesignated	Board Designated	restrictions		
Support and revenues:					
Support:					
Individual contributions	\$ 270,935	\$ -	\$ 20,000	\$ 290,935	\$ 264,594
Foundation/corporate contributions	56,200	30,000	5,000	91,200	145,948
In-kind contributions	11,500	-	-	11,500	38,080
Forgiveness of PPP loan	120,200	-	-	120,200	-
Government grants	106,237	-	182,730	288,967	95,000
Special events	33,817	-	-	33,817	118,209
Net assets released from restrictions	117,766	-	(117,766)	-	-
Total support	716,655	30,000	89,964	836,619	661,831
Revenues:					
Ticket sales and touring fees	179,615	-	-	179,615	276,432
Merchandise sales	13,520	-	-	13,520	21,203
Royalty	2,831	-	-	2,831	1,213
Miscellaneous	2,980	-	-	2,980	1,297
Interest income	151	-	-	151	111
Total revenues	199,097	-	-	199,097	300,256
Total support and revenues	915,752	30,000	89,964	1,035,716	962,087
Expenses:					
Program services	595,817	-	-	595,817	724,294
Management and general	112,403	-	-	112,403	130,719
Fundraising	66,364	-	-	66,364	78,962
Total expenses	774,584	-	-	774,584	933,975
Change in net assets	141,168	30,000	89,964	261,132	28,112
Net assets, beginning of year	76,720	24,000	102,766	203,486	175,374
Net assets, end of year	\$ 217,888	\$ 54,000	\$ 192,730	\$ 464,618	\$ 203,486

See accompanying notes to financial statements.

CANTUS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2021
(With Comparative Totals for 2020)

	2021				2020
	Program	Management and General	Fund- raising	Total	
Salaries	\$ 351,584	\$ 72,287	\$ 46,432	\$ 470,303	\$ 528,233
Employee benefits	14,693	3,021	1,941	19,655	27,676
Payroll taxes	28,063	5,770	3,706	37,539	41,712
	<u>394,340</u>	<u>81,078</u>	<u>52,079</u>	<u>527,497</u>	<u>597,621</u>
Rental - rehearsal and event	27,119	-	-	27,119	36,782
Independent contractors	33,510	-	-	33,510	10,864
Touring management services	2,850	-	-	2,850	5,435
Cost of merchandise sales	928	-	-	928	3,646
Professional services	-	8,597	-	8,597	46,999
Travel and meals	20,436	500	-	20,936	45,543
Marketing	24,635	5,065	3,253	32,953	74,280
General artistic	8,713	-	-	8,713	8,484
Printing, postage, and delivery	5,307	1,091	701	7,099	12,708
Rent and storage - office	18,815	3,868	2,485	25,168	28,365
Supplies and equipment	3,625	746	479	4,850	10,585
Finance and service charges	27,312	5,616	3,607	36,535	23,561
Insurance	15,405	3,167	2,034	20,606	17,021
Information technology	6,331	1,302	836	8,469	10,100
Depreciation	368	51	41	460	1,052
Miscellaneous	6,123	1,322	849	8,294	929
	<u>6,123</u>	<u>1,322</u>	<u>849</u>	<u>8,294</u>	<u>929</u>
Total expenses	<u>\$ 595,817</u>	<u>\$ 112,403</u>	<u>\$ 66,364</u>	<u>\$ 774,584</u>	<u>\$ 933,975</u>

See accompanying notes to financial statements.

CANTUS

STATEMENT OF CASH FLOWS

For the Year Ended July 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 261,132	\$ 28,112
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	460	1,052
Forgiveness of PPP	(120,200)	-
Changes in operating assets and liabilities:		
Accounts receivable	(601)	13,255
Grants receivable	76,982	(15,808)
Prepaid expenses	3,898	(9,277)
Security deposits	-	985
Accounts payable	5,005	(17,792)
Accrued payroll and related	(3,276)	351
Deferred revenue	(6,510)	(8,139)
Refundable advances	-	58,715
Net cash flows from operating activities	<u>216,890</u>	<u>51,454</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(3,094)</u>	<u>-</u>
Net cash flows from investing activities	<u>(3,094)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from issuance of notes payable	114,173	270,100
Payments on notes payable	<u>(12,232)</u>	<u>(16,111)</u>
Net cash flows from financing activities	<u>101,941</u>	<u>253,989</u>
Net increase in cash	315,737	305,443
Cash, beginning of year	<u>450,505</u>	<u>145,062</u>
Cash, end of year	<u><u>\$ 766,242</u></u>	<u><u>\$ 450,505</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 4,125</u></u>	<u><u>\$ 1,292</u></u>

See accompanying notes to financial statements.

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2021
(With Comparative Totals for 2020)

1. ORGANIZATION

Cantus, a full-time professional vocal ensemble, is a not-for-profit corporation organized under the laws of the state of Minnesota. The COVID-19 pandemic curtailed Cantus' national and international touring in the 2020-21 season, but the ensemble released six all-new online concerts that reached audiences across 50 states and seven countries. Cantus also released two albums on the Signum Classics label, building upon the catalog of 18 albums released on Cantus' own self-titled label. Working without a conductor, the members of Cantus rehearse and perform as chamber musicians, each contributing to the entirety of the artistic process. Committed to the expansion of vocal music repertoire, Cantus is an active commissioner of new music and has launched popular competition for young composers to nurture emerging talent. Integral to the Cantus mission is its commitment to preserve and deepen music education in schools. While the ensemble suspended the award-winning High School Residency program during the pandemic, Cantus worked with high school and college students across the country in Zoom master classes and workshops.

Cantus' primary sources of support and revenue are contributions, grants, ticket sales and touring fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation – The financial statements of Cantus have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Cantus is required to report information regarding its financial position and activities according to the following net asset categories:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions that will be met by the passage of time or other actions 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.

(Continued)

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Adopted – On May 28, 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Cantus adopted these related standards on August 1, 2020, using the modified retrospective method. The adoption had no significant effect on the financial statements.

The following table provides information about significant changes in the contract liabilities for the year ended July 31:

	<u>2021</u>
Deferred revenue, beginning of year	\$ 17,360
Revenue recognized that was included in deferred concert revenue at the beginning of the year	<u>(6,510)</u>
Deferred revenue, end of year	<u><u>\$ 10,850</u></u>

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, Cantus considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

(Continued)

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts and Grants Receivable – Accounts and grants receivable are stated at net realizable value. The accounts and grants receivable balance represents amounts considered collectible at year end; therefore, no allowance for bad debts has been recorded. It is management's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Management has determined that no allowance is necessary at July 31, 2021 and 2020.

Leasehold Improvements and Equipment – Leasehold improvements and equipment are carried at cost, with the exception of donated equipment which is recorded at fair market value at date of gift. Depreciation is computed using the straight-line method over the shorter of the estimated useful life of each asset or the lease term. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of leasehold improvements and equipment are capitalized.

Contributions – Contributions are recognized when the donor makes a commitment to give to Cantus that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions and transferred to net assets without donor restrictions when a specific time restriction ends or a purpose is accomplished. Contributions restricted for leasehold improvements and equipment are released when the leasehold improvement and equipment are placed into service.

Contributed Materials and Services – Contributed materials are recorded as contributions when received at their fair value. Cantus did not receive any contributed materials in 2021 or 2020.

Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a non-financial asset or the service requires specialized skills that would need to be purchased if not provided by donation. In 2021 and 2020, Cantus received \$1,000 and \$8,880 in donated professional services.

Cantus uses rehearsal and parking space at Westminster Presbyterian Church at a discounted rate. See Note 8.

Special Events – Revenue from special events consists of donations and are accounted for as contributions.

(Continued)

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Grants – Government grants are accounted for as contributions. Government grants are considered conditional based on certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when the performance requirements are met or when the eligible expenditures, as defined in each grant, are incurred. Funds received before conditions are met are recorded as refundable advances.

Ticket Sales and Touring Fees – Ticket sales and touring fees revenue is recognized at a point in time upon completion of the event. Advance ticket sales and touring fees for future performances are recorded as deferred revenue.

Sales Tax – Cantus collects sales tax from customers and remits it to the respective taxing authority. Cantus' policy is to exclude the tax collected and remitted from sales and cost of sales.

Marketing Expenses – Marketing costs are expensed as incurred. Marketing expenses were \$32,953 in 2021 and \$74,280 in 2020.

Functional Expenses – Cantus allocates its expenses among its program and support services. Expenses that can be identified with a program or support service are recorded directly according to their natural expenditure classification. Indirect expenses that are common to several functions are allocated based on employee time efforts. Indirect expenses include payroll and related, rent and storage – office, insurance, information technology, supplies and equipment, depreciation, and miscellaneous.

The decrease in the percent of Cantus spending on its program functions in FY21 and FY20 compared to past years reflected the impact of the Coronavirus (Covid-19) Pandemic on the organization. The ensemble's planned live performances were cancelled for nearly a full year. As a result, it spent significantly less than prior years on direct program expenses, most notably on: rehearsal and event space, independent contractors (musicians), touring management services, travel and meals.

Income Taxes – Cantus is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income from activities that are not related to its exempt purpose. Management believes Cantus did not have any unrelated business income in 2021 or 2020. Cantus believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

(Continued)

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Totals – The financial statements include certain prior-year 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with Cantus' financial statements for the year ended July 31, 2020, from which the summarized information was derived.

3. GRANTS RECEIVABLE

Grants receivable are expected to be collected in the year ending July 31, 2022.

4. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of July 31, comprise of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 766,242	\$ 450,505
Accounts receivable	750	149
Grants receivable	<u>32,708</u>	<u>109,690</u>
Total financial assets available within one year	799,700	560,344
Less cash unavailable for the following year	<u>(5,000)</u>	<u>-</u>
	<u>\$ 794,700</u>	<u>\$ 560,344</u>

As part of liquidity management, Cantus operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Cantus considers all expenditures related to its ongoing activities, as well as activities undertaken to support those activities, to be general expenditures. Monthly financial statements containing budget versus actual results are produced which are monitored by the finance committee.

(Continued)

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2021
(With Comparative Totals for 2020)

5. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consist of the following:

	2021	2020	Estimated useful life - years
Equipment	\$ 23,736	\$ 20,642	5
Leasehold improvements	2,050	2,050	4.5
Accumulated depreciation	(22,497)	(22,037)	
	<u>\$ 3,289</u>	<u>\$ 655</u>	

6. NOTES PAYABLE

Notes payable consist of the following:

	2021	2020
Propel Nonprofits	\$ -	\$ 12,232
Paycheck Protection Program	114,173	120,200
Economic Injury Disaster	150,000	150,000
	<u>264,173</u>	<u>282,432</u>
Less current portion	<u>(6,312)</u>	<u>(12,828)</u>
	<u>\$ 257,861</u>	<u>\$ 269,604</u>

Propel Nonprofits Loan - Cantus had a note payable to Propel Nonprofits in the original amount of \$100,000 with an interest rate of 6.5%. The note required monthly payments of \$2,600. All unpaid principal and interest was due July 2, 2020, but was extended and repaid in August, 2020. The note was secured by assets of Cantus.

Paycheck Protection Program Loan - In April 2020, Cantus received an unsecured loan in the amount of \$120,200 through the Paycheck Protection Program (PPP) a program developed by the Federal government in response to the COVID-19 pandemic. The loan allowed for forgiveness if the proceeds were used according to the PPP requirements or payment terms including interest at 1% if they were not so used. \$110,200 of the loan was forgiven in December 2020, and the remaining \$10,000 of the loan was forgiven in February 2021.

(Continued)

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2021
(With Comparative Totals for 2020)

6. NOTES PAYABLE (Continued)

In January 2021, Cantus received an unsecured loan in the amount of \$114,173 through the Paycheck Protection Program. The loan is forgivable in certain circumstances if utilized for qualified business expenses. The loan bears interests at 1% and must be repaid by January 2026 if not forgiven.

Economic Injury Disaster Loan - \$150,000 loan from the U.S. Small Business Administration bearing interest at 2.75%. The note requires monthly payments of \$641 commencing June 2022 and all unpaid principal and interest is due June 2050.

Maturities of the notes payable principal payments for the years ending July 31 are as follows:

2022	\$ 3,612
2023	3,713
2024	3,816
2025	3,923
2026	118,205
Thereafter	130,904
	<hr/>
Total maturities	\$ 264,173

7. NET ASSETS

Net assets with donor restrictions at July 31 are for the following:

	2021	2020
	<hr/>	<hr/>
Subject to the passage of time:		
General operations – time restriction	\$ 10,000	\$ 30,000
Subject to expenditure for specified purpose:		
National tour	30,000	26,762
Artists' personnel cost	152,730	46,004
	<hr/>	<hr/>
	\$ 192,730	\$ 102,766
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The board has designated \$54,000 of a foundation's grant for general operation funds for use in the year ending July 31, 2022.

(Continued)

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2021
(With Comparative Totals for 2020)

8. LEASE AGREEMENT

Cantus leases office space under an operating lease. The lease requires monthly payments of rent (\$1,021 in 2021 increasing approximately 5% every other year). The lease also requires payment of common area maintenance, and reimbursement of construction costs (\$1,094 in 2021 representing Cantus' 2.9% pro rata share). The original lease expired June 30, 2021, and an amendment was signed to extend the lease through June 30, 2026.

Rent expense for the office space was \$25,168 and \$25,963 for the years ended July 31, 2021 and 2020.

Future minimum lease and estimated operating payments for the years ending July 31 will be as follows:

2022	\$	25,426
2023		26,002
2024		26,054
2025		26,630
2026		26,630
		<hr/>
	\$	<u>130,742</u>

Cantus also receives donated rehearsal space. Contributions and expenses related to the donated space in 2021 and 2020 were valued at \$11,500 and \$29,200, respectively.

9. CONCENTRATIONS

Cantus used a single booking agent for concerts outside of Minnesota. Revenues received through the booking agent were \$23,250 in 2021 (2% of total support and revenue) and \$100,641 in 2020 (10% of total support and revenue).

Cantus maintains its cash in one bank. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At July 31, 2021 and 2020, Cantus' uninsured cash balances were \$527,482 and \$202,521, respectively. Management believes Cantus is not exposed to any significant credit risk on its accounts.

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CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2021
(With Comparative Totals for 2020)

10. EMPLOYEE BENEFIT PLAN

Cantus sponsors an employee benefit plan established under section 403(b) of the Internal Revenue Code. All full-time employees of Cantus are eligible to participate in the plan. There were no contributions made by Cantus to the plan in 2021 and 2020.

11. CORONAVIRUS (COVID-19) PANDEMIC

The COVID-19 pandemic, which emerged in the United States as a public health emergency in 2020, continued to impact Cantus' activities through 2021. These impacts included disruptions or restrictions on employees' abilities to work, cancelled in-person concerts in the Twin Cities, and the cessation of national touring. Adhering to a strict policy of quarantine and testing, Cantus produced a series of six all-new online concerts that reached audiences nationwide during a season of relatively little new choral content. These were released on a pay-what-you-can model that emphasized access while providing an earned-revenue stream. Cantus obtained a forgivable loan of \$114,000 through the Paycheck Protection Program created by the CARES Act. The conditions for forgiveness included incurring eligible expenses and payroll costs within a 24-week covered period while maintaining a certain number of full-time employees. Cantus also received a Shuttered Venue Operators Grant of \$174,000 through the Small Business Administration.

12. SUBSEQUENT EVENTS

Cantus' \$114,000 Paycheck Protection Program (PPP) loan was forgiven in September 2021.

Management has evaluated subsequent events through October 25, 2021, the date on which the financial statements were available for issue.