



CANTUS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2023



CANTUS

FINANCIAL STATEMENTS

For the Year Ended July 31, 2023
(With Comparative Totals for 2022)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cantus
Minneapolis, Minnesota

Opinion

We have audited the accompanying financial statements of Cantus (a nonprofit organization), which comprise the statement of financial position as of July 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cantus, as of July 31, 2023, and the changes in their net assets and their 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cantus and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cantus' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

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 Cantus' 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 Cantus' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Cantus' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

November 28, 2023

Mahoney Ulbrich
Christiansen & Russ, PA

CANTUS**STATEMENT OF FINANCIAL POSITION**

July 31, 2023

(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Current assets:		
Cash	\$ 849,238	\$ 992,571
Accounts receivable	948	8,089
Grants receivable	20,342	33,949
Prepaid expenses	1,941	8,837
Total current assets	872,469	1,043,446
Certificate of deposit	235,000	-
Grants receivable, net of current portion	16,666	-
Right of use asset, net	37,167	-
Leasehold improvements and equipment, net	2,446	3,517
Security deposits	-	1,753
Total assets	\$ 1,163,748	\$ 1,048,716
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 9,659	\$ 19,306
Current portion of lease liability	12,926	-
Accrued payroll and related	28,852	24,395
Deferred revenue	49,289	5,000
Current portion of notes payable	3,671	3,713
Total current liabilities	104,397	52,414
Long-term liabilities:		
Lease liability, less current portion	24,562	-
Notes payable, net of current portion	146,329	146,287
Total liabilities	275,288	198,701
Net assets:		
Net assets without donor restrictions:		
Board designated	114,000	114,000
Undesignated	771,460	731,015
Total net assets without donor restrictions	885,460	845,015
Net assets with donor restrictions	3,000	5,000
Total net assets	888,460	850,015
Total liabilities and net assets	\$ 1,163,748	\$ 1,048,716

See accompanying notes to financial statements.

CANTUS

STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2023
(With Comparative Totals for 2022)

	2023				
	Without donor restrictions				
	Undesignated	Board Designated	With restrictions	Total	2022
Support and revenues:					
Support:					
Individual contributions	\$ 279,651	\$ -	\$ -	\$ 279,651	\$ 295,720
Foundation/corporate contributions	39,500	-	11,820	51,320	142,500
In-kind contributions	45,000	-	-	45,000	42,000
Forgiveness of PPP loans	-	-	-	-	114,173
Government grants	211,438	-	55,000	266,438	312,184
Special events:					
Ticket sales	16,478	-	-	16,478	53,077
Contributions	118,574	-	-	118,574	145,328
Net assets released from restrictions	68,820	-	(68,820)	-	-
Total support	779,461	-	(2,000)	777,461	1,104,982
Revenues:					
Ticket sales	272,361	-	-	272,361	372,737
Touring fees	289,417	-	-	289,417	150,660
Merchandise sales	23,626	-	-	23,626	20,558
Miscellaneous	4,124	-	-	4,124	174
Interest income	2,958	-	-	2,958	188
Total revenues	592,486	-	-	592,486	544,317
Total support and revenues	1,371,947	-	(2,000)	1,369,947	1,649,299
Expenses:					
Program services	1,019,856	-	-	1,019,856	1,043,158
Management and general	203,629	-	-	203,629	134,880
Fundraising	108,017	-	-	108,017	85,864
Total expenses	1,331,502	-	-	1,331,502	1,263,902
Change in net assets	40,445	-	(2,000)	38,445	385,397
Net assets, beginning of year	731,015	114,000	5,000	850,015	464,618
Net assets, end of year	\$ 771,460	\$ 114,000	\$ 3,000	\$ 888,460	\$ 850,015

See accompanying notes to financial statements.

CANTUS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2023
(With Comparative Totals for 2022)

	2023				2022
	Program	Management and General	Fund- raising	Total	
Salaries	\$ 466,824	\$ 118,350	\$ 72,325	\$ 657,499	\$ 576,671
Employee benefits	45,791	11,609	7,094	64,494	41,564
Payroll taxes	35,207	8,925	5,455	49,587	44,591
	<u>547,822</u>	<u>138,884</u>	<u>84,874</u>	<u>771,580</u>	<u>662,826</u>
Rental - rehearsal and event	30,439	-	-	30,439	61,363
Rental - in-kind rehearsal	45,000	-	-	45,000	42,000
Independent contractors	91,849	-	-	91,849	96,188
Touring management services	22,500	-	-	22,500	20,100
Professional services	-	26,871	-	26,871	29,366
Travel and meals	132,859	-	-	132,859	125,889
Marketing	38,314	9,713	5,936	53,963	54,647
General artistic	5,811	1,473	900	8,184	15,991
Printing, postage, and delivery	24,048	6,097	3,725	33,870	40,077
Rent and storage - office	19,984	5,066	3,096	28,146	24,828
Supplies and equipment	8,663	2,197	1,342	12,202	13,429
Finance and service charges, fees	34,929	8,855	5,412	49,196	52,322
Insurance	11,942	3,028	1,850	16,820	16,270
Information technology	3,497	887	541	4,925	5,967
Depreciation	760	193	118	1,071	1,071
Miscellaneous	1,439	365	223	2,027	1,568
	<u>1,439</u>	<u>365</u>	<u>223</u>	<u>2,027</u>	<u>1,568</u>
Total expenses	<u>\$ 1,019,856</u>	<u>\$ 203,629</u>	<u>\$ 108,017</u>	<u>\$ 1,331,502</u>	<u>\$ 1,263,902</u>

See accompanying notes to financial statements.

CANTUS

STATEMENT OF CASH FLOWS

For the Year Ended July 31, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 38,445	\$ 385,397
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	1,071	1,071
Amortization of right of use asset	12,153	-
Forgiveness of PPP loans	-	(114,173)
Changes in operating assets and liabilities:		
Accounts receivable	7,141	(7,339)
Grants receivable	(3,059)	(1,241)
Prepaid expenses	6,896	9,501
Security deposits	1,753	-
Accounts payable	(9,647)	7,119
Accrued payroll and related	4,457	11,858
Lease liability	(11,832)	-
Deferred revenue	44,289	(5,850)
Refundable advances	-	(58,715)
Net cash flows from operating activities	<u>91,667</u>	<u>227,628</u>
Cash flows from investing activities:		
Purchase of certificate of deposit	(235,000)	-
Purchase of equipment	-	(1,299)
Net cash flows from investing activities	<u>(235,000)</u>	<u>(1,299)</u>
Cash flows from financing activities:		
Payments on notes payable	-	-
Net cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(143,333)	226,329
Cash, beginning of year	<u>992,571</u>	<u>766,242</u>
Cash, end of year	<u><u>\$ 849,238</u></u>	<u><u>\$ 992,571</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 5,077</u></u>	<u><u>\$ 4,235</u></u>

See accompanying notes to financial statements.

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2023
(With Comparative Totals for 2022)

1. ORGANIZATION

Cantus, a full-time professional vocal ensemble, is a not-for-profit corporation organized under the laws of the state of Minnesota. Working without a conductor, the members of Cantus rehearse and perform as chamber musicians, each contributing to the entirety of the artistic process. In the wake of the pandemic, Cantus continues to embrace the hybrid model that offered both in-person and online concerts both in the 2022-23 concert season and beyond. The ensemble performed five new subscription programs in the Greater Twin Cities, as well as a collaborative concert with Cantus, a women's chorus with the same name based in Trondheim, Norway. Online concerts were available to stream on a pay-what-you-can basis, expanding access to listeners in 48 Minnesota counties, 45 states, and sixteen foreign countries. Post-concert survey responses note that this model helped eliminate both real and perceived financial and geographic barriers to attendance. Cantus also resumed national touring, including performances at the Chautauqua Institution (Chautauqua, NY); San Jose State University (San Jose, CA); and Shalin Liu Performance Center (Rockport, MA). The ensemble released an album on the Signum Classics label, and was heard regularly on YourClassical Minnesota Public Radio and radio stations across the country as well as a robust following on social media. Committed to championing programmatic diversity, Cantus was awarded the Alice Parker Fund Award from Chorus America honoring the thoughtful presentation of choral music based in the traditions of Black and Latinx communities. Integral to the Cantus mission is the commitment to preserve and deepen music education in schools. The ensemble completed its award-winning High School Residency program in the Greater Twin Cities and worked with high school and college students nationwide in conjunction with touring engagements, including a residency at the University of Iowa.

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 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, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Comparative Totals – The financial statements include certain prior-year summarized comparative information in total but not by net asset class and functional expenses. 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, 2022, from which the summarized information was derived.

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.

Certificate of Deposit – Cantus holds a certificate deposit with an original maturity date of six months with 4.35% interest.

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, 2023 and 2022.

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.

(Continued)

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standard Adopted – Effective August 1, 2022, Cantus adopted Accounting Standard Update (ASU) 2016-02: *Leases (Topic 842)* using the modified retrospective approach. Cantus elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed Cantus to carry forward the historical lease classification. Cantus also elected not to record leases with an initial term of 12 months or less on the statement of financial position. This ASU was issued to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. As a result of implementing ASU No. 2016-02, Cantus recognized right-of-use assets (leased assets) of \$49,320 and lease liabilities totaling \$49,320 in its consolidated statement of financial position as of August 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended July 31, 2023.

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 2023 or 2022.

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.

Cantus receives donated rehearsal and parking space at Westminster Presbyterian Church. See Note 8.

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.

(Continued)

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Operating Leases – Operating leases are recorded in accordance with FASB ASC Topic 842, *Leases*. Cantus recognizes a right-of-use asset and a lease liability related to any long-term operating lease. The right-of use asset represents Cantus' right to use the leased asset over the term of the lease, initially measured as the sum of 1) the lease liability, 2) lease payments made at or prior to commencement of the lease, less incentives received, and 3) initial direct costs of the lease. The lease liability relates to Cantus' obligation to make lease payments as defined in the lease, measured at its present value. Lease expense is recognized on the straight-line basis over the term of the lease. Cantus has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

Marketing Expenses – Marketing costs are expensed as incurred. Marketing expenses were \$53,963 in 2023 and \$54,647 in 2022.

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.

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 2023 or 2022. 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, 2023
(With Comparative Totals for 2022)

3. LIQUIDITY AND AVAILABILITY

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 849,238	\$ 992,571
Accounts receivable	948	8,089
Grants receivable	<u>20,342</u>	<u>33,949</u>
	<u>\$ 870,528</u>	<u>\$ 1,034,609</u>

As part of liquidity management, Cantus budgets carefully and anticipates having sufficient funds 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.

4. GRANTS RECEIVABLE

Grants receivable of \$20,342 are expected to be collected in the year ending July 31, 2024, and \$16,666 in the year ending July 31, 2025.

5. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consist of the following:

	<u>2023</u>	<u>2022</u>	<u>Estimated useful life - years</u>
Equipment	\$ 25,035	\$ 25,035	5
Leasehold improvements	2,050	2,050	4.5
Accumulated depreciation	<u>(24,639)</u>	<u>(23,568)</u>	
	<u>\$ 2,446</u>	<u>\$ 3,517</u>	

(Continued)

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2023
(With Comparative Totals for 2022)

6. NOTES PAYABLE

Notes payable consist of the following:

	2023	2022
Economic Injury Disaster	\$ 150,000	\$ 150,000
Less current portion	(3,671)	(3,713)
	<u>\$ 146,329</u>	<u>\$ 146,287</u>

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 January 2023 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:

2024	\$ 3,671
2025	3,773
2026	3,878
2027	3,986
2028	4,144
Thereafter	<u>130,548</u>
Total maturities	<u>\$ 150,000</u>

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CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2023
(With Comparative Totals for 2022)

7. NET ASSETS

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

	2023	2022
Subject to the passage of time:		
General operations – time restriction	\$ -	\$ 5,000
Subject to expenditure for specified purpose:		
Music education	3,000	-
	<u>\$ 3,000</u>	<u>\$ 5,000</u>

In 2022, the board designated \$114,000 of a foundation's grant for general operation funds to use for any future budgeted or emergency purpose as approved by the board.

8. LEASES

Cantus leases office space under an operating lease agreement which expires June 2026. The lease requires monthly payments of \$1,073 plus share of operating costs and increases approximately 5% for 2025 and 2026.

Rent expense including reimbursement of operating costs was \$28,146 in 2023 and \$24,828 in 2022.

The remaining lease term is 2.84 years at July 31, 2023, and the discount rate used in the calculation was 2.43%.

Future minimum lease payments are as follows:

2023	\$ 12,926
2024	13,502
2025	<u>12,377</u>
	38,805
Less: present value discount of 2.43%	<u>(1,317)</u>
	<u>\$ 37,488</u>

(Continued)

CANTUS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended July 31, 2023
(With Comparative Totals for 2022)

8. LEASES (Continued)

Cantus also receives donated rehearsal space and parking. The value is provided by the donor based on their rental rates. Contributions and expenses related to the donated space in 2023 and 2022 were valued at \$45,000 and \$42,000, respectively.

9. CONCENTRATIONS

Cantus uses a single booking agent for concerts outside of Minnesota. Revenues received through the booking agent were \$289,417 in 2023 and \$150,660 in 2022.

Cantus maintains its cash with two banks. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At July 31, 2023 and 2022, Cantus' uninsured cash balances were \$600,750 and \$750,852, respectively. Management believes Cantus is not exposed to any significant credit risk on its accounts.

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 and contributions are up to 4% of an employee's gross salary. Cantus made contributions to the plan of \$17,955 and 10,692 in 2023 and 2022.

11. CONDITIONAL CONTRIBUTIONS

Cantus has received governmental grants that contain conditions (primarily funds be expended before they are earned). Since these grants represent conditional promises to give, they are not recorded as contributions revenue until donor conditions are met. Cantus has conditional contributions totaling \$121,741 as of July 31, 2023.

12. SUBSEQUENT EVENTS

The Executive Director resigned to take another position in October 2023. Cantus has hired an interim Executive Director and has started the process to hire a new Executive Director.

Management has evaluated subsequent events through November 28, 2023, the date on which the financial statements were available for issue and identified no further significant events or transactions to disclose.