

**THE ACADEMY OF VOCAL ARTS**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2025**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Academy of Vocal Arts  
Philadelphia, Pennsylvania

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of The Academy of Vocal Arts (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities 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 Academy of Vocal Arts as of June 30, 2025, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Academy of Vocal Arts 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.

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 Academy of Vocal Arts' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of beneficial interest in perpetual trust assets and net assets and the schedule of beneficial interest in perpetual trust activities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Disclaimer of Opinion on Supplementary Schedules of Activities – Operating Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented in schedule of activities – operating, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

King of Prussia, Pennsylvania  
September 10, 2025

**THE ACADEMY OF VOCAL ARTS  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2025**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 99,136
Grant Receivable	74,500
Pledges Receivable	232,602
Other Receivables	1,486
Prepaid Expenses and Deposits	20,265
Total Current Assets	<u>427,989</u>

<b>GRANT RECEIVABLE</b>	40,000
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**INVESTMENTS**

Board Designated Investments	9,850,309
Other Investments	30,225,038
Total Investments	<u>40,075,347</u>

<b>BENEFICIAL INTERESTS IN TRUSTS</b>	10,021,680
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<b>RIGHT-OF-USE ASSETS</b>	5,051
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**PROPERTY AND EQUIPMENT**

Land	448,000
Buildings	2,533,690
Buildings Improvements	4,822,653
Leasehold Improvements	14,679
Equipment	701,886
Furniture and Fixtures	118,305
Total Property and Equipment	<u>8,639,213</u>
Less: Accumulated Depreciation	<u>(4,989,457)</u>
Net Property and Equipment	<u>3,649,756</u>

Total Assets	<u><u>\$ 54,219,823</u></u>
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See accompanying Notes to Financial Statements.

**THE ACADEMY OF VOCAL ARTS**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2025**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Payroll Withholdings and Benefits Payable	\$ 164
Accounts Payable & Accrued Expenses	42,391
Deferred Income	7,240
Current Portion of Operating Lease Liability	5,051
Current Portion of Finance Lease Liability	13,328
Current Portion of Gift Annuities Payable	390
Current Portion of Mortgage Payable	181,753
Total Current Liabilities	<u>250,317</u>

**LONG-TERM LIABILITIES**

Finance Lease Liability, Net of Current Portion	18,459
Gift Annuities Payable, Net of Current Portion	170
Mortgage Payable, Net of Current Portion	2,052,320
Total Long-Term Liabilities	<u>2,070,949</u>

Total Liabilities	2,321,266
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**NET ASSETS**

Without Donor Restrictions	20,160,629
With Donor Restrictions	31,737,928
Total Net Assets	<u>51,898,557</u>

Total Liabilities and Net Assets	<u><u>\$ 54,219,823</u></u>
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*See accompanying Notes to Financial Statements.*

**THE ACADEMY OF VOCAL ARTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Operating Activities:			
Contributions and Grants	\$ 2,756,077	\$ 70,250	\$ 2,826,327
Investment Income	1,480,000	-	1,480,000
Theatre/School Related Revenue	297,370	-	297,370
Total Operating Activities	<u>4,533,447</u>	<u>70,250</u>	<u>4,603,697</u>
Other Activities:			
Contributions	-	341,671	341,671
Change in Value of Beneficial Interests in Trusts	-	793,391	793,391
Unrealized and Realized Gains on			
Investments, Net	1,633,940	1,649,240	3,283,180
Other Investment Income	3,000	-	3,000
Total Other Activities	<u>1,636,940</u>	<u>2,784,302</u>	<u>4,421,242</u>
Subtotal	<u>6,170,387</u>	<u>2,854,552</u>	<u>9,024,939</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>190,988</u>	<u>(190,988)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	6,361,375	2,663,564	9,024,939
<b>EXPENSES</b>			
Operating Activities	4,577,838	-	4,577,838
Depreciation	238,570	-	238,570
Total Expenses	<u>4,816,408</u>	<u>-</u>	<u>4,816,408</u>
<b>CHANGE IN NET ASSETS</b>	1,544,967	2,663,564	4,208,531
Net Assets - Beginning of Year	<u>18,615,662</u>	<u>29,074,364</u>	<u>47,690,026</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 20,160,629</u></u>	<u><u>\$ 31,737,928</u></u>	<u><u>\$ 51,898,557</u></u>

See accompanying Notes to Financial Statements.

**THE ACADEMY OF VOCAL ARTS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2025**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 4,208,531
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used by Operating Activities:	
Depreciation	238,570
Loss on Disposal of Equipment	3,756
Unrealized and Realized Gains on Investments, Net	(3,283,180)
Change in Value of Beneficial Interests in Trusts	(1,217,391)
Contributions for Endowment with Donor Restrictions	(70,250)
(Increase) Decrease in Assets:	
Grant Receivable	(114,500)
Pledges Receivable	(49,024)
Other Receivables	2,793
Prepaid Expenses and Deposits	(1,253)
Increase (Decrease) in Liabilities:	
Payroll Withholdings and Benefits Payable	(167)
Accrued Expenses	20,619
Deferred Income	(389)
Net Cash Used by Operating Activities	<u>(261,885)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Investments	(7,143,438)
Proceeds from Sale of Investments	7,049,914
Distributions from Trusts	424,000
Purchase of Property and Equipment	(27,091)
Proceeds from Sale of Equipment	<u>-</u>
Net Cash Provided by Investing Activities	303,385

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments for Equipment through Finance Leases	(13,342)
Payments of Gift Annuities	(720)
Repayments of Mortgage	(174,983)
Contributions for Endowment with Donor Restrictions	70,250
Net Cash Used by Financing Activities	<u>(118,795)</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(77,295)

Cash and Cash Equivalents - Beginning of Year

176,431

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 99,136

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Interest Paid During the Year	<u><u>\$ 91,984</u></u>
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See accompanying Notes to Financial Statements.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Academy of Vocal Arts (AVA), located in Philadelphia, Pennsylvania, is a nonprofit organization devoting its resources to the training of exceptionally talented opera singers. AVA's revenue comes primarily from contributions and grants, investment income, and receipts from performances.

**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 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.

**Financial Statement Presentation**

AVA is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. AVA also reports its financial position on a classified basis to enhance the reader's understanding of current and noncurrent assets and obligations.

Net assets without donor restrictions are net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors. Net assets with donor restrictions are those contributions which have been limited by donors to a specific time period or purpose or have been restricted by donors to be maintained in perpetuity.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulation or by law. Expirations of donor-imposed restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed), are reported as net assets released from restrictions and reclassified to net assets without donor restrictions. Revenue with donor-imposed restrictions received and released in the same year is reported as an increase in net assets without donor restrictions.

**Contributions**

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions with donor-imposed restrictions received and released in the same year are reported as increases in net assets without donor restrictions. All other contributions with donor-imposed restrictions are reported as increases in net assets with donor restrictions. If a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Theatre/School Related Revenue**

Theatre/School related revenue consists of ticket sales for opera performances, concerts, and recitals along with other school related fees and events. Ticket sales may be reflected as deferred revenue if a performance is cancelled or not attended and a patron prefers to keep the credit available for a future performance. Subscription ticket sales at the end of a fiscal year for the subsequent fiscal year are recorded as deferred revenue when sold and recognized as revenue in the subsequent year when the performances occur.

**Cash and Cash Equivalents**

Cash and cash equivalents includes all monies in banks and highly liquid investments with maturity dates of less than three months.

**Receivables**

Other receivables represent amounts to be reimbursed to AVA. Grants and pledges receivable represent unconditional promises to contribute funds to AVA. If determined necessary, an allowance for credit losses is provided based on management's judgment using historical information, current conditions, and reasonable and supportable forecasts. When all collection efforts have been exhausted, the accounts are written off. At June 30, 2025 and 2024, no allowance against receivables was deemed necessary.

**Investments**

Investments are stated at fair value. Investments in stocks and mutual funds are valued using dealer or exchange quoted market prices. Shares of mutual funds are valued at the net asset value of shares held by AVA at year-end. Short-term investments in money market funds and temporarily invested cash equivalents categorized within investments are valued at cost, which approximates fair value.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities could occur in the near-term and such changes could materially affect the amounts reported in the statements of financial position. Realized and unrealized investment gains and losses are determined by comparison of the average cost to proceeds at the time of disposal or fair value at the financial statement date. Realized and unrealized gains and losses and other investment income are reflected in the statements of activities.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements**

AVA measures fair value using 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 reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that AVA has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**Uniform Prudent Management of Institutional Funds Act**

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides guidance on the classification of endowment fund net assets for states that have enacted versions of the UPMIFA and enhances disclosures for endowment funds. Because UPMIFA has not become law in the Commonwealth of Pennsylvania, possible reclassifications of net assets are not required to be made. Disclosure of prevailing law in the Commonwealth of Pennsylvania has been included in Note 8.

**Beneficial Interests in Trusts**

AVA has been named as the beneficiary in two types of trusts. One of the trusts is entitled the "Trust Created Under Agreement by The Academy of Vocal Arts" (Warden Trust). Supplementary information on this Trust accompanies these financial statements beginning on page 25. The second type of trust is a charitable remainder trust. The beneficial interest in these three charitable remainder trusts is reported at fair value, with the change in fair value reported as an increase or decrease in net assets with donor restrictions.

**Property and Equipment and Depreciation**

Property and equipment are carried at cost. The policy of AVA is to capitalize any asset in excess of \$1,000 with a useful life that extends beyond one year. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Maintenance and repairs are charged to expense as incurred and major renewals and betterments are capitalized.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

AVA leases certain buildings and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. In addition, AVA elected not to apply ASC Topic 842 to arrangements with lease terms of 12 months or less.

Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and other long-term liabilities in our statements of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our statements of financial position.

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. AVA uses the implicit rate when it is readily determinable. Since most of AVA's leases do not provide an implicit rate, to determine the present value of lease payments, management uses AVA's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized when paid. AVA's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

**Income Taxes**

AVA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). AVA follows the income tax standard for uncertain tax positions. This application of the standard has no effect on AVA's financial statements. AVA's Form 990 return for the year ended June 30, 2014 was audited by the IRS. The result of the audit was the IRS accepted the return as filed and AVA continues to qualify for exemption from federal income tax under Section 501(c)(3) of the IRC.

**Subsequent Events**

In preparing these financial statements, AVA has evaluated events and transactions for potential recognition or disclosure through September 10, 2025, the date the financial statements were available to be issued.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 2 AVAILABLE RESOURCES AND LIQUIDITY**

AVA regularly monitors liquidity required to meet its operating needs and commitments, while also striving to maximize the investment of available funds. For purposes of analyzing resources available to meet general expenditures over the next year, AVA considers all expenditures related to its ongoing activities of teaching, coaching, and performing operas. In addition to financial assets available to meet general expenditures over the next year, AVA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2025, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and Cash Equivalents	\$ -
Grants and Pledges Receivable	307,102
Distributions from Beneficial Interest in Trust for Use Over Next Year	453,000
Distributions from Endowment for Use Over Next Year	1,384,000
Total	<u>\$ 2,144,102</u>

AVA's board of directors has designated a portion of its resources to function as endowment and for other purposes (Note 16). These funds are invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the board.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

Cash and cash equivalents potentially subject AVA to a concentration of credit risk. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank deposit accounts may exceed FDIC insurable limits.

**NOTE 4 GRANTS AND PLEDGES RECEIVABLE**

Grants and pledges that are expected to be collected within one year are recorded at their net realizable value.

As of June 30, 2025, grants and pledges receivable consisted of:

Total Grants and Pledges Receivable	<u>\$ 347,102</u>
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Grants and pledges receivable at June 30, 2025 are expected to be collected in future years as follows:

Less than One Year	\$ 307,102
One to Five Years	40,000
Total Grants and Pledges Receivable	<u>\$ 347,102</u>

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 5 INVESTMENTS**

Investments are composed of the following at June 30, 2025:

	<u>Cost</u>	<u>Fair Value</u>
Investments:		
Equity Mutual Funds	\$ 12,698,710	\$ 28,825,869
Fixed Income Mutual Funds	11,819,507	11,249,478
Total	<u>\$ 24,518,217</u>	<u>\$ 40,075,347</u>

The investments of AVA are subject to a formal investment policy which is monitored for compliance by the investment committee and managed by external investment managers and compared to certain relevant indices. The primary investment objective for the endowment is to preserve the long-term, real (inflation-adjusted) purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the current operations of AVA.

All net capital gains and losses, both unrealized and realized, from investments with and without donor restrictions, are allocated pro rata among the individual funds within the net asset balances.

**NOTE 6 BENEFICIAL INTERESTS IN TRUSTS**

AVA has been named as the beneficiary in two types of trusts. As long as it is in existence, AVA is the sole income beneficiary under a Trust Fund created for its benefit in 1949. Given the nature of the promises, as well as the inability to compute the present value of the perpetual income stream from the Trust Fund, the beneficial interest has been recorded on the statements of financial position at the fair value of the Trust Fund's assets and classified as net assets with donor restrictions. The fluctuation in the fair value of the Trust Fund from year-to-year is included in the statements of activities for the net assets with donor restrictions. The Trust Fund consists entirely of marketable equity mutual funds, fixed income mutual funds, and temporary cash investments. At June 30, 2025, the fair value of this trust is \$9,969,770.

Distributions were made in accordance with the spending policy. The board of directors approved a spending rate of 5.00%, for the year ended June 30, 2025 and AVA received approximately 5.00% based on the past three-year average of the investments, during the year ended June 30, 2025.

**THE ACADEMY OF VOCAL ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 6 BENEFICIAL INTERESTS IN TRUSTS (CONTINUED)**

The second type of beneficial interest is in three charitable remainder trusts whereby upon the expiration of the Trust, AVA will receive a principal distribution without donor restrictions. The value amount of this beneficial interest is calculated based on the present value of projected principal at the anticipated date of distribution and amounts to \$51,910 at June 30, 2025.

Due to the level of risk associated with the underlying investments included in the trusts, it is at least reasonably possible that changes in the value of the Beneficial Interests in Trusts could occur in the near term and could affect the amounts reported in the statements of financial position. The underlying investments in these trusts are comprised of marketable equity securities, mutual funds, and temporary cash investments.

**NOTE 7 FAIR VALUE MEASUREMENTS**

AVA uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how AVA values all other assets refer to Note 1 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis as of June 30, 2025 are:

	Level 1	Level 2	Level 3	Total
Investments:				
Equity Mutual Funds	\$ 28,825,869	\$ -	\$ -	\$ 28,825,869
Fixed Income Mutual Funds	11,249,478	-	-	11,249,478
Beneficial Interests in Trusts *	-	51,910	9,969,770	10,021,680
Total	<u>\$ 40,075,347</u>	<u>\$ 51,910</u>	<u>\$ 9,969,770</u>	<u>\$ 50,097,027</u>

\* See description of composition of assets in Note 6.

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 8    ENDOWMENT NET ASSETS**

AVA's board has responsibility for all endowment funds, and administers them through the president, chief financial officer, and treasurer, with advice and oversight by the investment committee. The investment objectives, policies, and guidelines are intended to govern the overall management of AVA's endowment and related assets. The investment committee will review them at least annually for continued appropriateness and will report any changes to the board.

The primary investment objective for the endowment is to preserve the long-term, real (inflation-adjusted) purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the current operations of AVA. AVA uses "the total return" concept (i.e., current income plus appreciation, whether realized or unrealized) and current market value, in tracking its investment performance, evaluating its managers, and calculating its spending formula. Distributions from the endowment funds shall be limited to the amount permitted under the spending rule policy for the endowment funds established by the board of directors. In addition, AVA is guided in its total return policy by Commonwealth of Pennsylvania Act 141, which dictates the amount of allowable distributions to be made from a donor-restricted endowment. Under Pennsylvania statute, the board of directors of AVA has the opportunity in each fiscal year to elect to include as income without donor restrictions between 2% and 7% return of the three-year average of the fair market value of AVA's investments with donor restrictions.

Distributions were made in accordance with the spending policy. For the year ended June 30, 2025, the board of directors approved a spending rate of 5.00% and AVA received approximately 4.53%, based on the past three-year average of the investments, during the year ended June 30, 2025.

In June 2012, AVA entered into an investment advisory agreement. Advisory fees amounted to \$75,149 for the year ended June 30, 2025.

**THE ACADEMY OF VOCAL ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 8    ENDOWMENT NET ASSETS (CONTINUED)**

A summary of the endowment activity by net asset class for the year ended June 30, 2025 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - June 30, 2024	\$ 17,089,997	\$ 19,608,646	\$ 36,698,643
Investment Return:			
Investment Income	503,261	517,483	1,020,744
Realized and Unrealized Gains, Net of Expenses	1,852,356	1,893,605	3,745,961
Total Investment Return	2,355,617	2,411,088	4,766,705
Fellowship and Giargiari Prize Contributions	41,500	70,250	111,750
Fellowship Disbursements	(45,500)	(297,525)	(343,025)
Music Director Chair and Giargiari Prize Disbursements	-	(126,000)	(126,000)
Net Other Contributions	23,274	-	23,274
Distributions of Endowment Income	(717,677)	(338,323)	(1,056,000)
Endowment Net Assets - June 30, 2025	<u>\$ 18,747,211</u>	<u>\$ 21,328,136</u>	<u>\$ 40,075,347</u>

**THE ACADEMY OF VOCAL ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 9 GIFT ANNUITIES PAYABLE**

AVA has received several gifts from individuals under charitable gift annuity programs, resulting in obligations to various beneficiaries under the contracts. The gift annuity contracts use IRS life expectancy tables and discount rates ranging from 3.4% to 5.2% and are payable per agreements.

**NOTE 10 MORTGAGE PAYABLE**

On December 4, 2013, AVA secured a commercial mortgage in the amount of \$4,080,000 with a fixed interest rate of 3.5% for a term of 7½ years over a 20-year amortization period. On October 6, 2020, AVA signed a change in terms agreement for the remaining balance of the commercial mortgage in the amount of \$3,011,576 with a fixed interest rate of 3.75% for a term of 7½ years over a 15-year amortization period. At the expiration of the initial fixed interest rate period, April 4, 2028, AVA may renegotiate a new fixed rate of interest for the next ninety-month period. In the event AVA is not able to agree on a new fixed rate with the lender or does not pay the remaining mortgage balance in full, the interest rate shall be changed to prime plus 1.0% (with a minimum of 4.0%) throughout the remaining term of the mortgage. Interest expense on this mortgage was \$88,082 for the year ended June 30, 2025.

A summary of the mortgage payable consists of the following as of June 30, 2025:

Mortgage Payable	\$ 2,234,073
Less: Current Portion	<u>181,753</u>
Total Mortgage Payable, Net of Current Portion	<u><u>\$ 2,052,320</u></u>

Scheduled principal payments on long-term mortgage payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 181,753
2027	188,785
2028	195,271
2029	200,381
2030	209,188
Thereafter	<u>1,258,695</u>
Mortgage Payable	<u><u>\$ 2,234,073</u></u>

**THE ACADEMY OF VOCAL ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 EMPLOYEE BENEFIT PLAN**

AVA maintains a qualified contribution plan under Section 403(b) of the IRC. The plan provides for a salary reduction election, discretionary employer matching, and a discretionary contribution for eligible participants. Effective July 1, 2014, the vesting provisions and provisions for classes of employees were amended. Eligible employees are now defined as employees who normally work 20 hours or more per week. Participants in the plan prior to the July 1, 2014 amendment remain 100% vested in the matching contributions. New participants after June 30, 2014 become vested in the matching contributions based on years of service starting with 20% for one year of service and increasing in 20% increments until a participant is fully vested after five years of service. Eligible employees who participated in the plan for the year ended June 30, 2025 received an employer match up to the first 5% of employee contributions for that year. AVA's contributions to the plan amounted to \$68,532 for the year ended June 30, 2025.

**NOTE 12 RELATED PARTIES**

Contributions from board members totaling \$464,464 were received for the year ended June 30, 2025.

**NOTE 13 OPERATING LEASES**

On August 1, 2020, AVA entered into a lease agreement for a storage facility. The term of the lease is for a five-year period from August 2021 to August 2025 starting with a monthly base rent of \$2,374. The rent for the storage space is subject to 2.5% annual increases through the lease term. AVA has an option to renew the lease for an additional five years beyond the primary term. AVA typically excludes options to extend the lease in a lease term unless it is reasonably certain that AVA will exercise the option.

The following table provides quantitative information concerning AVA's operating leases as of June 30, 2025:

Operating Lease Right-of-Use Cost	<u>\$ -</u>
Operating Lease Liabilities are Summarized Below:	
Operating Lease, Current Portion	\$ 5,051
Operating Lease, Long Term Portion	-
Total Lease Liability	<u>\$ 5,051</u>
Other Information:	
Operating Cash Flows from Operating Leases	<u>\$ 30,079</u>
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ -
Weighted-Average Remaining Lease Term	0.2 Years
Weighted-Average Discount Rate	3.88%

**THE ACADEMY OF VOCAL ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 13 OPERATING LEASES (CONTINUED)**

The maturities of operating lease liabilities as of June 30, 2025 were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 5,051
Less: Imputed Interest	-
Total Present Value of Lease Liability	<u>\$ 5,051</u>

During the year ended June 30, 2025, lease expense of approximately \$30,100 was included in program expenses.

**NOTE 14 FINANCE LEASES**

During March 2023, AVA ended the previous finance equipment lease at a monthly rate of \$1,186 and entered into a new finance lease agreement for copiers at a monthly rate of \$1,000. The term for the lease agreement is 60 months and the assets are being depreciated over the lives of the leases.

The following table provides quantitative information concerning AVA's financing leases as of June 30, 2025:

Equipment	\$ 73,302
Less: Accumulated Depreciation	44,919
Total Equipment Under Finance Leases	<u>\$ 28,383</u>

Financing lease liabilities are summarized below as of June 30, 2025:

Finance Lease, Current Portion	\$ 13,328
Finance Lease, Long-Term Portion	18,459
Total Lease Liability - Finance Lease	<u>\$ 31,787</u>

Other Information:

Amortization of Lease Assets Included in Depreciation Expense	\$ 13,402
Interest on Lease Liabilities Included in Interest Expense	3,410
Total Finance Lease Costs	<u>\$ 16,812</u>

Financing Cash Flows from Finance Leases	<u>\$ 13,342</u>
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Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	\$ -
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Weighted-Average Remaining Lease Term	2.4 Years
Weighted-Average Discount Rate	8.88%

**THE ACADEMY OF VOCAL ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 14 FINANCE LEASES (CONTINUED)**

The following is a schedule by years of future minimum lease payments under finance leases together with the present value of the net minimum lease payments as of June 30, 2025:

<u>Year Ending June 30.</u>	<u>Amount</u>
2026	\$ 21,057
2027	16,776
2028	11,184
Total Minimum Lease Payments	49,017
Less: Executory Costs	13,387
Net Minimum Lease Payments	35,630
Less: Imputed Interest	3,843
Present Value of Net Minimum Lease Payments	\$ 31,787

**NOTE 15 FUNCTIONAL EXPENSES**

Certain costs have been allocated using management's estimates among the program and supporting activities benefited. Payroll and benefits are allocated based on estimates of time and effort. Office expense includes allocated costs based on users of computer services. Other expense includes specific fundraising events and development expenses which are directly allocated to fundraising.

The schedules below present expenses by both their nature and function as follows for the year ended June 30, 2025:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Subtotal</u>	<u>2025 Total</u>
Payroll and Benefits	\$ 1,699,605	\$ 527,191	\$ 339,584	\$ 866,775	\$ 2,566,380
Institutional Support	42,131	162,545	25,189	187,734	229,865
Academic Support	58,982	-	-	-	58,982
Facility Costs	264,790	-	-	-	264,790
Marketing/Recruitment	118,588	-	-	-	118,588
Production Expenses	586,680	-	-	-	586,680
Student Fellowship Awards	345,733	-	-	-	345,733
Gala Expenses	-	-	271,938	271,938	271,938
Other Fundraising Activities	16,280	-	118,602	118,602	134,882
Depreciation	163,262	35,945	39,363	75,308	238,570
Total Expenses by Function	<u>\$ 3,296,051</u>	<u>\$ 725,681</u>	<u>\$ 794,676</u>	<u>\$ 1,520,357</u>	<u>\$ 4,816,408</u>

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 16 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets without donor restrictions as of June 30, 2025 consisted of the following:

Board-Designated - School Endowment	\$ 9,142,226
Board-Designated - Ruth Rudolph Scholarship	311,355
Board-Designated - Adele Hebb Guest Conductor/Director Fund	165,205
Board-Designated - Building Reserve	71,908
Board-Designated - South Jersey Opera Fellowship	66,402
Board-Designated - Gigi Capobianco Fund	93,213
Other Funds Functioning as Endowment	8,896,902
Undesignated	1,413,418
Total Net Assets Without Donor Restrictions	<u><u>\$ 20,160,629</u></u>

Net assets with donor restrictions as of June 30, 2025 are restricted for the following purposes:

Subject to Expenditure for Specified Purpose:	
Student Aid Fund	\$ 7,649
Elizabeth M. Strine Fund for Piano Excellence	7,309
Bryan Hymel Special Project Fund	<u>34,000</u>
Total Net Assets with Donor Restrictions - Expenditure for Specified Purpose	48,958
Subject to the Passage of Time:	
Individuals	206,990
Foundation Pledges	130,000
Charitable Remainder Trusts	51,910
Annual Fellowships	<u>2,163</u>
Total Net Assets with Donor Restrictions - Passage of Time	391,063

**THE ACADEMY OF VOCAL ARTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 16 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Subject to the Spending Policy and Appropriation:	
School Endowment Fund	\$ 8,629,109
Adele Warden Paxson Fellowship	143,067
Alumni Challenge	17,135
Ann B. Ritt Fellowship	143,282
Anne P. Addicks Comprehensive Scholarship/Fellowship	575,486
Anne P. Addicks German Study	137,100
Ariel G. Loewy Fellowship	143,555
Bill Schuman Voice Chair	176,354
Bryan Hymel Comprehensive Scholarship/Fellowship	461,779
Bryan Hymel Travel Fund	167,686
Bucks County Opera Association Fellowship	154,117
Cecile K. Dalton Memorial Fund	83,785
Celia Mones Rudolph Fellowship	143,599
Charlotte Watts Fellowship	143,792
Christel Nyheim Fellowship	171,082
Claire Boasi Fellowship	123,631
Cornell MacNeil Fellowship	361,458
David A. and Helen P. Horn Fellowship	154,098
David Poleri Fellowship	361,459
Edward Costa Dolbey Fellowship	161,636
Isenberg Family Foundation Fellowship	149,722
Eve Nyheim Fellowship	170,876
Franca Warden Fellowship	124,335
Francis J. Palamara Fellowship	145,904
Gordon K. Greenfield Fellowship	174,163
James Morris Fellowship	150,238
James Pease Fellowship	361,459
Jeannine B. Cowles Fellowship	428,417
Jeannine B. Cowles Music Director Chair	3,240,520
Jeffrey Kneebone Fellowship	361,460
John Nyheim Fellowship	170,978
Kenneth and Diane Ahl Italian Study	273,915
Leonard Warren Fellowship	361,463
Lucinda S. Landreth Comprehensive Scholarship/Fellowship	516,021
Lyon Family Fellowship	39,181
Main Line Opera Association Fellowship	260,834
Parkinson Memorial Fund	89,264
Peggy MacLaren Ulrich Comprehensive Scholarship/Fellowship	498,139
Placido Domingo Fellowship	151,502
Robert Merrill Fellowship	152,616
Robert Weede Fellowship	361,468
Ruth Ann Swenson Fellowship	146,988
Sally Paxson Davis Fellowship	149,403
Susan Schwartz Myers Fellowship	267,620
William A. Loeb Fellowship	128,441
Warden Trust	9,969,770
Total Net Assets with Donor Restrictions - Spending Policy and Appropriation	<u>31,297,907</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 31,737,928</u></u>

**THE ACADEMY OF VOCAL ARTS**  
**SCHEDULE OF ACTIVITIES—OPERATING (UNAUDITED)**  
**YEAR ENDED JUNE 30, 2025**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

**SCHEDULE OF OPERATING SUPPORT AND REVENUE**

Contributions, General	\$ 1,220,250
Corporate and Foundation Grants	213,076
Net Assets (Gifts Received in Prior Years)	
Released from Restrictions for Operations	190,988
Government Grants	5,000
Bequests	313,901
Fellowships	343,025
Jeannine B Cowles Music Director Chair	120,000
Investment Income:	
Warden Trust	424,000
Endowment	956,000
Mortgage Proceeds	100,000
Other Investment Income (Loss)	3,000
Box Office Receipts	184,063
Gala Receipts	429,997
Bucks County Opera Association	35,340
Main Line Opera Association	37,170
Worldwide Ambassadors Council	10,550
Opening Night Celebration	56,000
Concert Bureau	48,415
Special Events	25,900
Miscellaneous	10,760
Total Operating Support and Revenue	<u>4,727,435</u>

**SCHEDULE OF OPERATING EXPENSES**

Payroll and Benefits:	
Administrative	439,601
Educational	337,255
Production	699,833
Fundraising	274,843
Marketing and PR	94,500
Orchestra	299,895
Payroll Taxes	168,030
Health Insurance	149,993
Retirement Plans	102,430
Total Payroll and Benefits	<u>2,566,380</u>
Office:	
Supplies and Expenses	18,717
Entertainment and Board Meetings	43,422
Staff Development	3,327
Directors and Officers Insurance	10,599
Audit/Professional Fees	59,255
Interest on Capital Leases	3,410
Computer Services	43,532
Tessitura Services	38,299
Telephone	9,304
Total Office Expenses	<u>229,865</u>
Academy:	
Faculty and Coaches Fees	30,258
Supplies and Expenses	9,095
Library	1,292
Piano Tuning and Repairs	8,431
Recruitment and Auditions	6,027
Accreditation and Memberships	3,879
Work Study Disbursements	-
Total Academy Expenses	<u>58,982</u>

**THE ACADEMY OF VOCAL ARTS**  
**SCHEDULE OF ACTIVITIES—OPERATING (UNAUDITED) (CONTINUED)**  
**YEAR ENDED JUNE 30, 2025**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

**SCHEDULE OF OPERATING EXPENSES (CONTINUED)**

Building:	
Insurance	\$ 50,913
Mortgage Interest - 1916 Spruce Street	88,082
Local Taxes and Assessments	1,029
Custodial Fees	43,015
Repairs and Maintenance	36,931
Utilities	40,980
Household Supplies and Expenses	3,840
Total Building Expenses	<u>264,790</u>
Marketing/Recruitment:	
Website	1,525
Publicity	6,286
Printing, Postage, and Promotion	97,177
Broadcasts	13,600
Total Marketing/Recruitment	<u>118,588</u>
Production Expenses:	
Contracted Fees	191,060
Stage Director Expenses	22,386
Costumes	19,934
Set Design, Construction, Transportation, and Storage	152,875
Lighting Design and Expenses	45,221
Props, Make-Up, and Wigs	9,446
Stage Hands	2,380
Theater Rentals and Opera Expenses	62,180
Music and Instrument Rentals	8,858
Box Office Fees and Expenses	21,974
Concert Bureau	50,366
Total Production Expenses	<u>586,680</u>
Other:	
Student Fellowships	345,733
Gala Expenses	271,938
Bucks County Opera Association	9,708
Main Line Opera Association	30,470
Worldwide Ambassadors Council	5,833
Opening Night Celebration	34,581
Special Events	16,280
Fundraising Expenses	38,010
Total Other Expenses	<u>752,553</u>
Total Operating Expenses	<u>4,577,838</u>
Excess of Operating Support and Revenue Over Operating Expenses	<u><u>\$ 149,597</u></u>

**THE ACADEMY OF VOCAL ARTS**  
**SCHEDULE OF BENEFICIAL INTEREST IN PERPETUAL TRUST ASSETS AND NET ASSETS**  
**JUNE 30, 2025**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

**ASSETS**

Cash	\$ 33,444
Investments:	
Equity Mutual Funds	7,718,738
Fixed Income Mutual Funds	<u>2,217,588</u>
 Total Assets	 <u><u>\$ 9,969,770</u></u>

<b>NET ASSETS WITH DONOR RESTRICTIONS - WARDEN TRUST</b>	<u><u>\$ 9,969,770</u></u>
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**THE ACADEMY OF VOCAL ARTS**  
**SCHEDULE OF BENEFICIAL INTEREST IN PERPETUAL TRUST ACTIVITIES**  
**YEAR ENDED JUNE 30, 2025**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

Investment Income	\$ 236,485
Unrealized and Realized Gains on Investments	<u>990,292</u>
Total Revenue	1,226,777
Trust Expenses	13,396
Distributions to The Academy of Vocal Arts	<u>424,000</u>
Total Expenses	<u>437,396</u>
Change in Net Assets	789,381
Net Assets With Donor Restrictions - Warden Trust - Beginning of Year	<u>9,180,389</u>
Net Assets With Donor Restrictions - Warden Trust - End of Year	<u><u>\$ 9,969,770</u></u>

