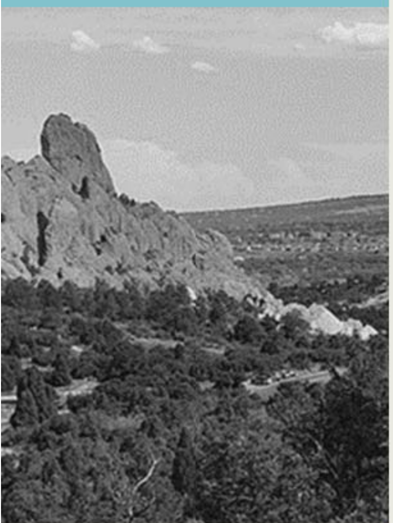

Financial Statements

Colorado Springs Conservatory Foundation

For the Year Ended June 30, 2025

sorren CPAs, PC

COLORADO SPRINGS CONSERVATORY FOUNDATION

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Colorado Springs Conservatory Foundation

Opinion

We have audited the accompanying financial statements of Colorado Springs Conservatory Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation 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. 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 Foundation 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 these 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 Foundation's ability to continue as a going concern within one year after the date that 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 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.

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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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Foundation's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sorren CPAs P.C.

January 28, 2026

COLORADO SPRINGS CONSERVATORY FOUNDATION

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025 (with comparative totals for 2024)

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,564,241	$ 3,406
Accounts receivable	1,523	10,864
Prepaid expenses	10,669	4,039
Earnest deposit		20,000
Total current assets	1,576,433	38,309
Property and equipment, net	5,530	7,850
Property held for sale		1,367,741
Right-of-use asset	57,758	16,021
TOTAL ASSETS	$ 1,639,721	$ 1,429,921
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 36,774	$ 97,459
Deferred revenue	23,508	49,535
Current portion of lease liability	9,682	9,452
Note payable		695,994
Draw down line of credit		315,610
Cash overdraft liability		21,496
Total current liabilities	69,964	1,189,546
Lease liability	48,076	6,569
Total liabilities	118,040	1,196,115
NET ASSETS		
Without donor restrictions	1,521,681	233,806
TOTAL LIABILITIES AND NET ASSETS	$ 1,639,721	$ 1,429,921

See notes to financial statements.

COLORADO SPRINGS CONSERVATORY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025 (with comparative totals for 2024)

	2025			
	Without Donor Restrictions	With Donor Restrictions	Total	2024 Total
SUPPORT AND REVENUE				
Gain on sale of property and equipment	$ 1,462,971		$ 1,462,971	
Tuition and fees	457,471		457,471	$ 391,494
Contributions	180,216	$ 78,563	258,779	255,180
Event income, net of direct event expenses of $108,004	147,168		147,168	106,332
Contributions – non-financial assets	100,266		100,266	11,113
Interest income	40,247		40,247	34
Miscellaneous income	8,329		8,329	8,069
Net assets released from restrictions – Satisfaction of purpose restrictions	78,563	(78,563)		
Total	2,475,231	—	2,475,231	772,222
EXPENSES				
Program services	905,089		905,089	838,624
General and administrative	180,263		180,263	217,375
Fundraising	102,004		102,004	69,280
Total	1,187,356	—	1,187,356	1,125,279
CHANGE IN NET ASSETS	1,287,875	—	1,287,875	(353,057)
NET ASSETS, Beginning of year	233,806		233,806	586,863
NET ASSETS, End of year	$ 1,521,681	$ —	$ 1,521,681	$ 233,806

See notes to financial statements.

COLORADO SPRINGS CONSERVATORY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025 (with comparative totals for 2024)

	2025				
		Supporting Services			
	Program Services	General and Administrative	Fundraising	Total	2024 Total
Salaries, wages and benefits	$ 535,576	$ 85,822	$ 56,619	$ 678,017	$ 664,945
Facility	107,627	41,640	1,241	150,508	47,566
Professional and legal fees	74,777	13,905	28,493	117,175	77,180
Fundraising event expenses	2,160	5,401	100,443	108,004	88,678
Insurance	55,475	6,020	8,130	69,625	82,305
Productions and events	51,594	126	1,761	53,481	49,356
Equipment leasing and maintenance	21,478	2,501	855	24,834	25,520
Interest and financing costs		19,781		19,781	56,457
Supplies	13,217	4,343	1,295	18,855	16,708
Depreciation	16,553	518	173	17,244	46,233
Bank and credit card charges	8,298	1,822	1,615	11,735	15,219
Telephone	8,382	1,571	523	10,476	11,858
Meals, travel and entertainment	6,865	1,049	737	8,651	8,734
Other	5,247	1,165	562	6,974	23,198
Total	907,249	185,664	202,447	1,295,360	1,213,957
Less expenses included with support and revenue on the statement of activities: Fundraising event expenses	(2,160)	(5,401)	(100,443)	(108,004)	(88,678)
Total expenses included with support and revenue on the statement of activities	$ 905,089	$ 180,263	$ 102,004	$ 1,187,356	
Percentage	76%	15%	9%	100%	
Comparative totals - 2024	$ 838,624	$ 217,375	$ 69,280		$ 1,125,279
Comparative percentage - 2024	75%	19%	6%		100%

See notes to financial statements.

COLORADO SPRINGS CONSERVATORY FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025 (with comparative totals for 2024)

	2025	2024
OPERATING ACTIVITIES		
Change in net assets	$ 1,287,875	$ (353,057)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	17,244	46,233
Amortization on right-of-use assets	10,039	
Gain on sale of property and equipment	(1,462,971)	
Changes in operating assets and liabilities:		
Accounts receivable	9,341	80,926
Earnest deposit	20,000	(20,000)
Prepaid expenses	(6,630)	7,120
Accounts payable and accrued expenses	(60,685)	36,660
Deferred revenue	(26,027)	17,333
Payments on operating lease liabilities	(10,039)	
Net cash used in operating activities	(221,853)	(184,785)
INVESTING ACTIVITIES		
Net cash provided by investing activities— Proceeds from sales of property and equipment	2,815,788	—
FINANCING ACTIVITIES		
Principal payments on note payable	(695,994)	(23,821)
Repayments on draw down line of credit	(499,751)	(9,682)
Borrowings on draw down line of credit	184,141	211,961
Cash overdraft	(21,496)	8,283
Net cash provided by (used in) financing activities	(1,033,100)	186,741
NET CHANGE IN CASH AND EQUIVALENTS	1,560,835	1,956
CASH AND EQUIVALENTS, Beginning of year	3,406	1,450
CASH AND EQUIVALENTS, End of year	$ 1,564,241	$ 3,406
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 25,646	$ 54,297
Right-of-use asset acquired through issuance of lease liability	$ 57,758	$ —

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Colorado Springs Conservatory Foundation (the Foundation) was organized to inspire, motivate and challenge students to aspire to their highest potential as artists and human beings through arts immersion studies and community arts advocacy.

Basis of Presentation — The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represents resources restricted by donors as to purpose or by the passage of time and resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Contributions — Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Foundation reports gifts of property and equipment as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Tuition and Fees — Tuition and fees are recognized as revenue when students have participated in classes. Amounts received in advance are recorded as deferred revenue and amounts earned but not received are included in accounts receivable.

Cash and Cash Equivalents — For purposes of the statement of cash flows, the Foundation considers all highly liquid investments maturing within three months of their acquisition to be cash equivalents, if not restricted by contributors or designated by the board for long-term investment. Highly liquid investments restricted by contributors or designated by the board for long-term investment are classified as investments.

Accounts Receivable — Accounts receivable are stated at the invoice amount or the amount unconditionally pledged. Management provides for probable uncollectible amounts through a provision for bad debts and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

At June 30, 2025 and 2024, management considers all accounts receivable to be fully collectible and, accordingly, no allowance for credit losses is deemed necessary.

Property Held for Sale — Property that is expected to be sold within the next twelve months is classified as property held for sale. Property held for sale is reported at the lower of cost less accumulated depreciation or fair value.

Property and Equipment — All acquisitions of property and equipment in excess of $2,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are recorded at cost or at fair market value if donated. Depreciation is provided on a straight-line and double declining basis over the estimated useful lives of the assets which range from 15 to 40 years for buildings and improvements and from five to seven years for furnishings and equipment.

Tax Status — The Foundation is a not-for-profit corporation which is classified as a public charity by the Internal Revenue Service and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Management believes the Foundation does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates — Preparation of the Foundation's 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events — The Foundation has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

The following table reflects the Foundation’s financial assets available to meet cash needs for general expenditures within one year as of June 30:

	2025	2024
Cash and cash equivalents	$ 1,564,241	$ 3,406
Accounts receivable	1,523	10,864
Total financial assets available to management to meet cash needs for general expenditures within one year	$ 1,565,764	$ 14,270

As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Foundation’s policy to manage an emergency cash flow need is to evaluate monthly expenditures and compare with amounts forecasted to determine if reduction of expenditures or other measures should be taken. The Foundation manages its cash flow through a one-year cycle from the balance sheet date.

3. FUNCTIONAL EXPENSE ALLOCATION METHODS

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Foundation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries, wages and taxes, professional and legal fees, facility, insurance, and travel are allocated on the basis of estimates of time and effort. All other expenses are a combination of direct expenses for the program and allocation on a basis of estimated usage.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2025	2024
Musical equipment	$ 100,331	$ 100,331
Leasehold improvements	5,275	
Less accumulated depreciation	(100,076)	(92,481)
Total	$ 5,530	$ 7,850

Property held for sale consists of the following at June 30, 2024:

Buildings and improvements	$ 1,452,971
Land	300,000
Land improvements	100,000
Total	1,852,971
Less accumulated depreciation	(485,230)
Total	$ 1,367,741

During the year ended June 30, 2025, the property held for sale was sold.

Depreciation expense was $17,244 and $46,233 during the years ended June 30, 2025 and 2024, respectively.

5. NOTES PAYABLE

At June 30, 2024, the Foundation had a note payable to a bank bearing interest at 5%, payable on demand, or if demand was not made, payable in monthly payments of $4,984 with the remainder due at maturity on January 1, 2025, and secured by a building. The balance of the note at June 30, 2024 was $695,994. The note was fully repaid on November 1, 2024.

6. LINE OF CREDIT

As of June 30, 2024, the Foundation had a $525,000 revolving line of credit arrangement with a bank. The line of credit bore interest at the Wall Street Journal prime rate plus 0.5% (9.0% as of June 30, 2024), and was payable on demand or upon maturity on November 17, 2024 with interest only payments due monthly. The line of credit was secured by a building.

As of June 30, 2024, the Foundation had a balance of $315,610 on this line of credit. The line of credit was fully repaid on November 1, 2024 and subsequently closed.

7. OPERATING LEASE

The Foundation has an operating lease for a copier, which replaced the prior copier operating lease, and was entered into during year ended June 30, 2025.

The Foundation incurred short-term lease costs under a lease agreement for the use of a building and related property for their operations, however the lease term was less than one year and the Foundation chose not to record the right-of-use asset and lease liability under the practical expedient.

The Foundation determines if an arrangement is a lease at the inception of a contract.

The right-of-use asset of $57,758 and $16,021 as of June 30, 2025 and 2024, respectively, represents the Foundation's right to use an underlying asset during the lease term, and the lease liability represents the Foundation's obligation to make lease payments arising from the lease. As the Foundation's operating lease does not provide an implicit rate, the Foundation uses its estimated incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Foundation considers recent debt issuances, as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rate.

Operating fixed lease expense is recognized on a straight-line basis over the lease term.

Operating lease costs incurred under the lease agreement was $10,039 for each of the years ended June 30, 2025 and 2024.

Short-term lease cost incurred under the building lease was $13,272 for the year ended June 30, 2025. There were no short-term lease costs incurred for the year ended June 30, 2024.

	2025	2024
Other information:		
Cash paid for amounts included in		
the measurement of lease liability:		
Operating cash flows from operating lease	$ 10,039	$ 10,039
Weighted average remaining lease term	5.00 years	1.67 years
Weighted average discount rate	8.50%	5.00%

Undiscounted cash flows for the operating lease as of June 30, 2025 are as follows:

2026	$ 14,220
2027	14,220
2028	14,220
2029	14,220
2030	14,220
Future minimum lease payments	71,100
Less amount representing interest	(13,342)
Operating lease liability recognized on the statement of financial position	$ 57,758

8. EMPLOYEE BENEFIT PLANS

The Foundation maintains a qualified defined contribution profit sharing plan under section 401(k) of the Internal Revenue Code. The plan covers substantially all employees who are at least 18 years of age. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Foundation made contributions to the profit-sharing plan of $14,968 and $17,030 for the years ended June 30, 2025 and 2024.

9. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2025 and 2024, the Foundation received contributions from board members totaling $33,050 and $43,820, respectively.

10. CONTRIBUTIONS – NON-FINANCIAL ASSETS

Donated services and materials are recorded as both a revenue and expenditure in the accompanying statement of activities at their estimated values. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

Contributions of non-financial assets consist of the following for the years ended June 30:

	Revenue Recognized	Utilization in Programs / Activities	Donor Restriction	Valuation Techniques / Inputs
2025:				
Donated rent	$ 75,209	Space used for operations	None	Market prices for comparable rentals
Advertising	14,873	Fundraising	None	Market prices for comparable services
Special event food and beverages	5,884	Fundraising	None	Market prices for comparable products
Services	2,427	Fundraising	None	Market prices for comparable services
Equipment	1,873	Fundraising	None	Market prices for comparable products
Total	$ 100,266			
2024:				
Special event food and beverages	$ 4,000	Fundraising	None	Market prices for comparable products
Advertising	5,137	Fundraising	None	Market prices for comparable services
Services	1,976	Fundraising	None	Market prices for comparable services
Total	$ 11,113			

11. CONCENTRATIONS

The Foundation maintains its cash in bank accounts, which at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

During the years ended June 30, 2025 and 2024, the Foundation received approximately 32% and 30%, respectively, of its revenues from grants and contributions after excluding the gain on sale of assets from total revenues.

12. SUBSEQUENT EVENTS

In August 2025, the Foundation entered into an operating lease agreement for the use of a building and related property with a term of 5 years. Lease payments are due in monthly installments ranging from $12,500 to $13,475 through July 2030. The Foundation recorded a right-of-use asset and lease liability of $631,697 at lease inception. The lease does not contain an implicit interest rate so interest is imputed at 8%.

Aggregate future annual payments under the operating lease agreement are as follows for the years ending June 30:

2026	$ 137,500
2027	150,000
2028	154,125
2029	154,500
2030	161,100
Thereafter	13,475
Future minimum lease payments	770,700
Less amount representing interest	(139,003)
Total	$ 631,697