

**THE MINNESOTA CHORALE**

**MINNEAPOLIS, MINNESOTA**

**FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**Draft**

**THE MINNESOTA CHORALE**

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Draft

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**The Minnesota Chorale**  
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of The Minnesota Chorale (a nonprofit corporation) as of June 30, 2009, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements, and in our report dated August 25, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Minnesota Chorale as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Maplewood, Minnesota  
September 9, 2009

**THE MINNESOTA CHORALE**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2009 and 2008**

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 33,905	\$ 78,541
Grants and pledges receivable (Note 2)	63,265	39,085
Inventory	1,949	2,404
Prepaid expenses	2,923	439
Total Current Assets	<u>102,042</u>	<u>120,469</u>
<b>Property and Equipment</b>		
Office and computer equipment	24,402	24,402
Less: Accumulated depreciation	<u>23,550</u>	<u>22,784</u>
Property and Equipment, Net	<u>852</u>	<u>1,618</u>
<b>TOTAL ASSETS</b>	<u>\$ 102,894</u>	<u>\$ 122,087</u>

**See Notes to Financial Statements**

<b>LIABILITIES AND NET ASSETS</b>	<b>2009</b>	<b>2008</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 2,585	\$ 8,494
Fiscal agency agreements payable (Note 3)	14,889	50,436
<b>Total Current Liabilities</b>	<b>17,474</b>	<b>58,930</b>
<b>Net Assets</b>		
<i>Unrestricted</i>		
Undesignated	(7,080)	(8,243)
<i>Temporarily Restricted (Note 4)</i>	92,500	71,400
<b>Total Net Assets</b>	<b>85,420</b>	<b>63,157</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 102,894</b>	<b>\$ 122,087</b>

**THE MINNESOTA CHORALE**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**For the Year Ended June 30, 2009**

**With Comparative Totals for the Year Ended June 30, 2008**

	Unrestricted	Temporarily Restricted	Totals	
			2009	2008
<b>Public Support</b>				
Corporate and foundation grants	\$ 93,360	\$ 65,000	\$ 158,360	\$ 110,997
Individual contributions	64,700	-	64,700	65,446
Government grants	4,221	27,500	31,721	43,974
<b>Total Public Support</b>	<b>162,281</b>	<b>92,500</b>	<b>254,781</b>	<b>220,417</b>
<b>Revenues</b>				
Performance fees	144,385	-	144,385	142,606
Fundraising	50,190	-	50,190	21,038
Other revenue	19,282	-	19,282	5,055
Interest	486	-	486	684
Sales of promotional items	-	-	-	27
Value of contributed services by unpaid volunteer singers	348,522	-	348,522	210,110
In-Kind contributions	6,873	-	6,873	1,200
<b>Total Revenues</b>	<b>569,738</b>	<b>-</b>	<b>569,738</b>	<b>380,720</b>
<b>Net Assets Released From Restrictions (Note 5)</b>	<b>71,400</b>	<b>(71,400)</b>	<b>-</b>	<b>-</b>
<b>Total Support and Revenues</b>	<b>803,419</b>	<b>21,100</b>	<b>824,519</b>	<b>601,137</b>
<b>Expenses</b>				
Performances and education	691,460	-	691,460	522,156
General and administrative	41,838	-	41,838	30,937
Fundraising	68,958	-	68,958	67,339
<b>Total Expenses</b>	<b>802,256</b>	<b>-</b>	<b>802,256</b>	<b>620,432</b>
<b>Increase (Decrease) in Net Assets</b>	<b>1,163</b>	<b>21,100</b>	<b>22,263</b>	<b>(19,295)</b>
<b>Net Assets – Beginning of Year</b>	<b>(8,243)</b>	<b>71,400</b>	<b>63,157</b>	<b>82,452</b>
<b>Net Assets – End of Year</b>	<b>\$ (7,080)</b>	<b>\$ 92,500</b>	<b>\$ 85,420</b>	<b>\$ 63,157</b>

**See Notes to Financial Statements**

**THE MINNESOTA CHORALE**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2009 and 2008**

	2009	2008
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 22,263	\$ (19,295)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	766	1,433
(Increase) Decrease in:		
Accounts and grants receivable	(24,180)	2,470
Inventory	455	1,052
Prepaid expenses	(2,484)	(8)
Increase (Decrease):		
Accounts payable	(5,909)	4,545
Fiscal agency agreements payable	(35,547)	50,436
Accrued expenses	-	(1,058)
Net Cash Provided By (Used In) Operating Activities	<u>(44,636)</u>	<u>39,575</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of office equipment	-	(914)
<b>Cash Flows From Financing Activities</b>		
Borrowings on line of credit	15,000	-
Payments on line of credit	(15,000)	-
Net Cash Provided By Financing Activities	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(44,636)</b>	<b>38,661</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>78,541</b>	<b>39,880</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 33,905</b>	<b>\$ 78,541</b>
<b>Supplemental Data:</b>		
Cash Paid During the Year for Interest	\$ 360	\$ -
Noncash Investing and Financing Activities:		
Donated services by singers	\$ 348,522	\$ 210,110
Other in kind donations	6,873	1,200

**See Notes to Financial Statements**

# THE MINNESOTA CHORALE

## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization and Summary of Significant Accounting Policies

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#### Nature of Organization

The Minnesota Chorale (the Organization) is a Minnesota Non-Profit Corporation, which serves its community of audiences through all forms of choral music, performed at the highest level of artistic quality. The Organization celebrates the human voice in its ability to educate, enrich, and inspire.

#### Description of Programs

The Organization is an acclaimed symphonic chorus. It performs with the Minnesota Orchestra, The Saint Paul Chamber Orchestra and other musical organizations. Its annual "Bridges" program engages underserved populations and raises awareness of pressing social needs. An educational program is provided in support of the musical programs of certain inner-city schools. The organization also operates the Minneapolis Youth Chorus, an auditioned chorus offered at no charge to students in grades 4-8 enrolled in Minneapolis Public Schools. Fund raising and administrative activities are carried out to support the performances and the educational programs.

#### Basis of Financial Statements

The financial statements of the Organization have been prepared on the accrual basis of accounting. Earned revenues are recorded at the time of performance of the service or at the point of sale for promotional items. Expenses are recorded as the liability for the service or goods is incurred.

#### 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 period. Accordingly, actual results could differ from those estimates.

#### Income Taxes

The Organization qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is required and contributions are generally deductible for income tax purposes by contributors.

#### Contributions and Financial Statement Presentation

The Organization follows Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and SFAS No.117, *Financial Statements of Not-For-Profit Organizations*.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Organization and Summary of Significant Accounting Policies (Continued)

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Contributions and Financial Statement Presentation (continued)

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor's restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Many individuals have contributed a significant amount of time to the activities of the Organization. The Organization does not recognize these contributed services as revenues unless 1) the services received create or enhance existing facilities; or 2) require specialized skills and are provided by individuals possessing those skills. The Organization recognized \$348,522 and \$210,110 of contributed services by volunteer singers for the years ended June 30, 2009 and 2008, respectively (see also Note 9).

Contributions, including unconditional promises to give are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received. Unconditional promises to give as of June 30, 2009 are expected to be received within two years.

Donated Equipment and Materials

Donated equipment, materials, and other services are recorded as contributions at the estimated fair value on the date received. The Organization recognized \$6,873 and \$1,200 of donated supplies and services for the years ended June 30, 2009 and 2008.

Cash and Cash Equivalents

Cash and cash equivalents includes all demand deposits and investments with an original maturity of three months or less. At various times throughout the years ended June 30, 2009 and 2008 the Organization maintained cash balances with financial institutions that may have exceeded the \$100,000 federally insured limit.

Pledges and Grants Receivable

The Organization records pledges and grants as revenue when a commitment to contribute has been made by a donor or grantor. Such pledges and grants increase unrestricted or temporarily restricted contributions. Conditional pledges and grants are recognized when the conditions on which they depend are substantially met. Pledges and grants deemed not to be collectible are not recorded.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Organization and Summary of Significant Accounting Policies (Continued)

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Inventory

Inventory consists of promotional items such as clothing and compact discs. Inventory is carried at the specific cost of each item.

Property and Equipment

Equipment is stated at the lower of its cost, fair value or fair value at the time of donation (for in-kind contributions of equipment). Depreciation is computed using the straight-line method over estimated useful lives of three to five years. When the property and equipment are sold, retired or disposed of, the cost and the related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in the Statement of Activities. Expenditures for maintenance and repairs are recorded as expenses in the Statement of Activities. Improvements that materially extend the life or utility of an asset are capitalized. Depreciation expense for the years ended June 30, 2009 and 2008 was \$766 and \$1,433, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are presented on a functional basis in the Statement of Activities. Certain costs have been allocated among the programs and supporting services benefited based on time studies and estimates. All other costs are directly charged to the programs and supporting services.

Prior Year Comparative Totals

The financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising and promotional expense for the years ended June 30, 2009 and 2008 was \$1,766 and \$1,539, respectively.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Receivables

Pledges and grants receivable at June 30, 2009 and 2008 consisted of the following:

	2009	2008
McKnight Foundation	\$ 25,000	\$ -
National Endowment for the Arts	25,000	25,000
The Sheltering Arms Foundation	10,000	10,000
Individuals	3,265	735
Ameriprise Foundation	-	2,350
Best Buy Children's Foundation	-	1,000
Total Pledges and Grants Receivable	\$ 63,265	\$ 39,085

Receivable In:

Less than One Year	\$ 50,765	\$ 39,085
One to five years	12,500	-

No allowance has been provided for doubtful accounts, pledges or grants at June 30, 2009 and 2008, since management expects all receivables to be collectible.

3. Fiscal Agency Agreements Payable

The Organization's fiscal agency agreements allow other organizations that do not have 501(c)(3) status under the Internal Revenue Code to raise tax-deductible funds for a specific project or event. The Organization receives the donated funds which are then disbursed to the entity who pays the expenses according to the agreed upon program. The Organization holds the funds until a payment request is received and verified. The balance in the fiscal agency agreements payable account represents funds received which have not been requested for disbursement. The balance was \$14,889 and \$50,436 as of June 30, 2009 and 2008, respectively.

**THE MINNESOTA CHORALE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Restricted Net Assets**

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Temporarily restricted net assets as of June 30, 2009 and 2008 are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Purpose Restriction:		
Bridges	\$ 27,500	\$ 16,000
Minneapolis Youth Chorus	10,000	25,400
Future Period Restrictions	<u>55,000</u>	<u>30,000</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 92,500</u>	 <u>\$ 71,400</u>

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**5. Net Assets Released From Restrictions**

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Net Assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the time restriction expiring for the years ended June 30, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Purpose Restrictions:		
Minneapolis Youth Chorus	\$ 25,400	\$ 8,000
Bridges Program	16,000	-
Full Voice	-	1,600
Future Period Restrictions	<u>30,000</u>	<u>55,300</u>
 Total Net Assets Released from Restrictions	 <u>\$ 71,400</u>	 <u>\$ 64,900</u>

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**6. Pension Plan**

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The Organization has a defined contribution pension plan covering all eligible employees. For each of the years ended June 30, 2009 and 2008, a contribution of 5% of all participants' eligible compensation was made. Total expense for the years ended June 30, 2009 and 2008 was \$2,192 and \$1,977, respectively.

**THE MINNESOTA CHORALE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**7. Joint Costs**

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During the year ended June 30, 2009, the Organization incurred joint costs of \$5,102 for informational materials that included program services and fundraising materials. Of these costs, \$2,551 was allocated to program services and \$2,551 was allocated to fundraising.

During the year ended June 30, 2008, the Organization incurred joint costs of \$5,976 for informational materials that included program services and fundraising materials. Of these costs, \$5,080 was allocated to program services and \$896 was allocated to fundraising.

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**8. Operating Leases**

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The Organization leases office space under a non-cancelable lease with a term ending on December 31, 2009. Rental payments consist of monthly base rent of \$710. The Organization has an option to renew the lease.

Lease expenses recorded in 2009 and 2008 were \$10,423 and \$10,019, respectively. Future minimum lease payments of \$4,258 are required under this lease.

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**9. Noncash Contributions of Services**

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The value of the contribution of talent by volunteer singers is recognized as both revenue and an expense to the Organization at the rates paid to equivalent professional singers hired by the Organization.

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**10. Debt**

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Short-Term

In February 2009 the Organization negotiated a line of credit for borrowings up to \$30,000 to meet the Organization's ongoing needs. Interest on the line of credit was payable at 8.50%. The line of credit matured in June 2009 and was not renewed. The line of credit was secured by substantially all of the Organization's assets. The Organization had borrowed and repaid \$15,000 on this line of credit during the year ended June 30, 2009. Total interest paid on the line of credit for the year ended June 30, 2009 was \$360. There were no borrowings or interest paid on the line of credit during the year ended June 30, 2008.

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