

**THE MINNESOTA CHORALE
MINNEAPOLIS, MINNESOTA
FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

THE MINNESOTA CHORALE

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2-3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11



Certified Public Accountants and Consultants

Members of American Institute of CPA's,
Private Companies Practice Section, Minnesota Society of CPA's

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, 2008, 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 2007 financial statements, and in our report dated September 24, 2007, 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, 2008, 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.

Smith, Schafner & Associates, Ltd.

Maplewood, Minnesota
August 25, 2008

THE MINNESOTA CHORALE

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

ASSETS	2008	2007
Current Assets		
Cash and cash equivalents	\$ 78,541	\$ 39,880
Grants and pledges receivable (Note 2)	39,085	41,555
Inventory	2,404	3,456
Prepaid expenses	439	431
Total Current Assets	<u>120,469</u>	<u>85,322</u>
Property and Equipment		
Office and computer equipment	24,402	23,488
Less: Accumulated depreciation	<u>22,784</u>	<u>21,351</u>
Property and Equipment, Net	<u>1,618</u>	<u>2,137</u>
TOTAL ASSETS	<u>\$ 122,087</u>	<u>\$ 87,459</u>

See Notes to Financial Statements

LIABILITIES AND NET ASSETS	2008	2007
Current Liabilities		
Accounts payable	\$ 8,494	\$ 3,949
Fiscal agency agreements payable (Note 3)	50,436	-
Accrued liabilities	-	1,058
	<hr/>	<hr/>
Total Current Liabilities	58,930	5,007
	<hr/>	<hr/>
Net Assets		
<i>Unrestricted</i>		
Undesignated	(8,243)	17,552
<i>Temporarily Restricted (Note 4)</i>	71,400	64,900
	<hr/>	<hr/>
Total Net Assets	63,157	82,452
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 122,087	\$ 87,459
	<hr/> <hr/>	<hr/> <hr/>

THE MINNESOTA CHORALE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2008

With Comparative Totals for the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Totals	
			2008	2007
Public Support				
Individual contributions	\$ 65,446	\$ -	\$ 65,446	\$ 70,905
Corporate and foundation grants	64,597	46,400	110,997	166,900
Government grants	18,974	25,000	43,974	-
Total Public Support	149,017	71,400	220,417	237,805
Revenues				
Performance fees	142,606	-	142,606	122,569
Fundraising	21,038	-	21,038	31,594
Sales of promotional items	27	-	27	-
Interest	684	-	684	304
Other revenue	5,055	-	5,055	5,211
Value of contributed services by unpaid volunteer singers	210,110	-	210,110	216,167
In-Kind contributions	1,200	-	1,200	8,747
Total Revenues	380,720	-	380,720	384,592
Net Assets Released				
From Restrictions (Note 5)	64,900	(64,900)	-	-
Total Support and Revenues	594,637	6,500	601,137	622,397
Expenses				
Performances and education	522,156	-	522,156	524,984
Fundraising	67,339	-	67,339	74,706
General and administrative	30,937	-	30,937	39,174
Total Expenses	620,432	-	620,432	638,864
Increase (Decrease) in Net Assets	(25,795)	6,500	(19,295)	(16,467)
Net Assets – Beginning of Year	17,552	64,900	82,452	98,919
Net Assets – End of Year	\$ (8,243)	\$ 71,400	\$ 63,157	\$ 82,452

See Notes to Financial Statements

THE MINNESOTA CHORALE

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ (19,295)	\$ (16,467)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,433	1,644
(Increase) Decrease in:		
Accounts and grants receivable	2,470	2,970
Inventory	1,052	(741)
Prepaid expenses	(8)	49
Increase (Decrease):		
Accounts payable	4,545	2,060
Fiscal agency agreements payable	50,436	-
Accrued expenses	(1,058)	1,058
Net Cash Provided By (Used In) Operating Activities	<u>39,575</u>	<u>(9,427)</u>
Cash Flows From Investing Activities		
Purchase of office equipment	<u>(914)</u>	<u>-</u>
Cash Flows From Financing Activities		
Borrowings on line of credit	-	39,000
Payments on line of credit	<u>-</u>	<u>(39,000)</u>
Net Cash Provided By Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,661	(9,427)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	39,880	49,307
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 78,541</u>	<u>\$ 39,880</u>
Supplemental Data:		
Cash Paid During the Year for Interest	\$ -	\$ 1,151
Noncash Investing and Financing Activities:		
Donated services by singers	\$ 210,110	\$ 216,167
Other in kind donations	1,200	8,747

See Notes to Financial Statements

This Page Left Blank Intentionally

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

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. It also has a "Bridges" program that provides an outreach to various minority cultural groups and geographic areas outside of the Twin Cities. An educational program also is provided in support of the musical programs of certain inner-city 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)

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

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 \$210,110 and \$216,167 of contributed services by volunteer singers for the years ended June 30, 2008 and 2007, respectively (see also Note 8).

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, 2008 are expected to be received within one year.

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 \$1,200 and \$8,747 of donated supplies and services for the years ended June 30, 2008 and 2007.

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, 2008 and 2007 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)

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

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, 2008 and 2007 was \$1,433 and \$1,644, 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, 2007, 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, 2008 and 2007 was \$1,539 and \$5,776, respectively.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Receivables

Pledges and grants receivable at June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
McKnight Foundation	\$ -	\$ 25,000
Wells Fund of the Minneapolis Foundation	-	8,000
Individuals	735	6,175
DeCosse Fund of the Minneapolis Foundation	-	1,000
Ameriprise Foundation	2,350	750
Young Singers Foundation	-	400
Guidant Foundation	-	230
National Endowment for the Arts	25,000	-
Best Buy Children's Foundation	1,000	-
The Sheltering Arms Foundation	10,000	-
	<hr/>	<hr/>
Total Pledges and Grants Receivable	\$ 39,085	\$ 41,555
	<hr/>	<hr/>
<u>Receivable In:</u>		
Less than One Year	\$ 39,085	\$ 41,555

No allowance has been provided for doubtful accounts, pledges or grants at June 30, 2008 and 2007, 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 of \$50,436 as of June 30, 2008, represent funds received which have not been requested for disbursement. There were no fiscal agency agreement payables as of June 30, 2007.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Restricted Net Assets

Temporarily restricted net assets as of June 30, 2008 and 2007 are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Purpose Restriction:		
Minneapolis Youth Chorus	\$ 25,400	\$ 8,000
Full Voice	-	1,600
Bridges	16,000	-
Future Period Restrictions	<u>30,000</u>	<u>55,300</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 71,400</u>	 <u>\$ 64,900</u>

5. Net Assets Released From Restrictions

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, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Purpose Restrictions:		
Bridges Program	\$ -	\$ 10,000
Minneapolis Youth Chorus	8,000	-
Full Voice	1,600	-
Future Period Restrictions	<u>55,300</u>	<u>50,910</u>
 Total Net Assets Released from Restrictions	 <u>\$ 64,900</u>	 <u>\$ 60,910</u>

6. Pension Plan

The Organization has a defined contribution pension plan covering all eligible employees. For each of the years ended June 30, 2008 and 2007, a contribution of 5% of all participants' eligible compensation was made. Total expense for the years ended June 30, 2008 and 2007 was \$1,977 and \$3,613, respectively.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Joint Costs

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.

During the year ended June 30, 2007, the Organization incurred joint costs of \$4,336 for informational materials that included program services and fundraising materials. Of these costs, \$3,686 was allocated to program services and \$650 was allocated to fundraising.

8. Operating Leases

The Organization leases office space under a non-cancelable lease with a term ending on December 31, 2008. Rental payments consist of monthly base rent of \$676. The Organization has an option to renew the lease.

Lease expenses recorded in 2008 and 2007 were \$10,019 and \$8,034, respectively. Future minimum lease payments of \$4,056 are required under this lease.

9. Noncash Contributions of Services

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.

10. Debt

Short-Term

In November 2006 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 10.00%. The line of credit matured in November 2007 and was not renewed. The line of credit was secured by substantially all of the Organization's assets. The Organization had no borrowings on this line of credit as of June 30, 2007. Total interest paid on the line of credit for the year ended June 30, 2007 was \$1,151. There were no borrowings or interest paid on the line of credit during the year ended June 30, 2008.
