

**THE MINNESOTA CHORALE**  
**MINNEAPOLIS, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**THE MINNESOTA CHORALE**

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## 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, 2010, 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 2009 financial statements, and in our report dated September 9, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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, 2010, 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  
November 2, 2010

**THE MINNESOTA CHORALE**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2010 and 2009**

<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 17,687	\$ 33,905
Grants and pledges receivable (Note 2)	87,725	63,265
Inventory	3,671	3,690
Prepaid expenses	1,461	2,931
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Total Current Assets	110,544	103,791
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<b>Property and Equipment</b>		
Office and computer equipment	5,738	24,402
Less: Accumulated depreciation	5,738	23,550
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Property and Equipment, Net	-	852
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<b>TOTAL ASSETS</b>	<b>\$ 110,544</b>	<b>\$ 104,643</b>

**See Notes to Financial Statements**

<b>LIABILITIES AND NET ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>Current Liabilities</b>		
Line of credit (Note 10)	\$ 16,000	\$ -
Accounts payable	11,208	2,585
Holding accounts	2,040	1,749
Fiscal agency agreements payable (Note 3)	-	14,889
<b>Total Current Liabilities</b>	<b>29,248</b>	<b>19,223</b>
<b>Net Assets</b>		
<i>Unrestricted</i>		
Undesignated	(14,404)	(7,080)
<i>Temporarily Restricted (Note 4)</i>	95,700	92,500
<b>Total Net Assets</b>	<b>81,296</b>	<b>85,420</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 110,544</b>	<b>\$ 104,643</b>

**THE MINNESOTA CHORALE**

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

**For the Year Ended June 30, 2010**

**With Comparative Totals for the Year Ended June 30, 2009**

	Unrestricted	Temporarily Restricted	Totals	
			2010	2009
<b>Public Support</b>				
Corporate and foundation grants	\$ 76,888	\$ 43,200	\$ 120,088	\$ 158,360
Individual contributions	72,446	-	72,446	64,740
Government grants	59,146	40,000	99,146	31,721
<b>Total Public Support</b>	<b>208,480</b>	<b>83,200</b>	<b>291,680</b>	<b>254,821</b>
<b>Revenues</b>				
Performance fees	57,810	-	57,810	144,385
Fundraising	53,305	-	53,305	50,190
Other revenue	2,688	-	2,688	19,242
Interest	3	-	3	486
Value of contributed services by unpaid volunteer singers	207,083	-	207,083	348,522
In-Kind contributions	-	-	-	6,873
<b>Total Revenues</b>	<b>320,889</b>	<b>-</b>	<b>320,889</b>	<b>569,698</b>
<b>Net Assets Released</b>				
<b>From Restrictions (Note 5)</b>	<b>80,000</b>	<b>(80,000)</b>	<b>-</b>	<b>-</b>
<b>Total Support and Revenues</b>	<b>609,369</b>	<b>3,200</b>	<b>612,569</b>	<b>824,519</b>
<b>Expenses</b>				
Performances and education	506,079	-	506,079	691,460
Fundraising	71,816	-	71,816	68,958
General and administrative	38,798	-	38,798	41,838
<b>Total Expenses</b>	<b>616,693</b>	<b>-</b>	<b>616,693</b>	<b>802,256</b>
Increase (Decrease) in Net Assets	(7,324)	3,200	(4,124)	22,263
<b>Net Assets (Deficit) – Beginning of Year</b>	<b>(7,080)</b>	<b>92,500</b>	<b>85,420</b>	<b>63,157</b>
<b>Net Assets (Deficit) – End of Year</b>	<b>\$ (14,404)</b>	<b>\$ 95,700</b>	<b>\$ 81,296</b>	<b>\$ 85,420</b>

**See Notes to Financial Statements**

**THE MINNESOTA CHORALE**

**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2010 and 2009

	2010	2009
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (4,124)	\$ 22,263
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	456	766
Loss on abandonment of equipment	396	-
(Increase) Decrease in:		
Accounts and grants receivable	(24,460)	(24,180)
Inventory	19	455
Prepaid expenses	1,470	(2,484)
Increase (Decrease):		
Accounts payable	8,623	(5,909)
Fiscal agency agreements payable	(14,889)	(35,547)
Other current liabilities	291	-
Net Cash (Used In) Operating Activities	<u>(32,218)</u>	<u>(44,636)</u>
<b>Cash Flows From Financing Activities</b>		
Borrowings on line of credit	16,000	15,000
Payments on line of credit	-	(15,000)
Net Cash Provided By Financing Activities	<u>16,000</u>	<u>-</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(16,218)</b>	<b>(44,636)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>33,905</b>	<b>78,541</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 17,687</b>	<b>\$ 33,905</b>
<b>Supplemental Data:</b>		
Cash Paid During the Year for Interest	\$ 786	\$ 360
Noncash Investing and Financing Activities:		
Donated services by singers	\$ 207,083	\$ 348,522
Other in kind donations	-	6,873

See Notes to Financial Statements

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# 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 and its ability to educate, unite, 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 are 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.

The Organization adopted the new accounting for uncertainty in income taxes guidance on July 1, 2009. The adoption of that guidance resulted in no impact to the Organization's financial statements.

The Organization's federal informational income tax returns for 2007, 2008, and 2009 are subject to examination by the IRS, generally for three years after they were filed.

# 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

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, formerly known as 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*.

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 \$207,083 and \$348,522 of contributed services by volunteer singers for the years ended June 30, 2010 and 2009, 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, 2010 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 received no material donated supplies or services for the year ended June 30, 2010. The Organization received \$6,873 in donated supplies and service for the year ended June 30, 2009.

#### 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, 2010 and 2009 the Organization maintained cash balances with financial institutions that may have exceeded the federally insured limit.

# 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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#### 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.

#### 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, 2010 and 2009 was \$456 and \$766, 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, 2009, 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, 2010 and 2009 was \$1,290 and \$1,766, respectively.

**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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Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to those used in the 2010 financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 2, 2010, the date the financial statements were available to be issued.

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**2. Receivables**

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Pledges and grants receivable at June 30, 2010 and 2009 consisted of the following:

	2010	2009
National Endowment for the Arts	\$ 32,500	\$ 25,000
McKnight Foundation	25,000	25,000
Minnesota States Art Board	20,000	-
The Sheltering Arms Foundation	10,000	10,000
Individuals	225	3,265
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Total Pledges and Grants Receivable	\$ 87,725	\$ 63,265

Receivable In:

Less than One Year	\$ 87,725	\$ 50,765
One to five years	-	12,500

No allowance has been provided for doubtful accounts, pledges or grants at June 30, 2010 and 2009, since management expects all receivables to be collectible.

**THE MINNESOTA CHORALE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**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. As of June 30, 2009, the Organization was holding \$14,889 of fiscal agency funds. During the year ended June 30, 2010, these funds were disbursed and no additional fiscal agency relationships have been entered into.

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**4. Restricted Net Assets**

Temporarily restricted net assets as of June 30, 2010 and 2009 are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Purpose Restriction:		
Bridges	\$ 59,500	\$ 27,500
Minneapolis Youth Chorus	11,200	10,000
Future Period Restrictions	<u>25,000</u>	<u>55,000</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 95,700</u>	 <u>\$ 92,500</u>

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**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, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Purpose Restrictions:		
Minneapolis Youth Chorus	\$ 10,000	\$ 25,400
Bridges Program	15,000	16,000
Future Period Restrictions	<u>55,000</u>	<u>30,000</u>
 Total Net Assets Released from Restrictions	 <u>\$ 80,000</u>	 <u>\$ 71,400</u>

## THE MINNESOTA CHORALE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 6. Retirement Plan

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The Organization had a defined contribution pension plan covering all eligible employees through February, 2010. For the years ended June 30, 2010 and 2009, a contribution of 5% of all participants' eligible compensation was made. Total defined contribution pension plan expense for the years ended June 30, 2010 and 2009 was \$1,467 and \$2,192, respectively.

In February, 2010, the Plan discussed above was replaced with a 401(k) retirement plan. The plan covers all employees who have met the eligibility requirements. Contributions of \$3,515 were made to match employee contributions to the 401(k) plan for the year ended June 30, 2010.

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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.

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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, 2010. Rental payments consist of monthly base rent of \$710. The Organization has an option to renew the lease.

Lease expenses recorded in 2010 and 2009 were \$10,391 and \$10,423, 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.

**THE MINNESOTA CHORALE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**10. Debt**

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Short-Term

In December 2009 the Organization negotiated a line of credit for borrowings up to \$16,000 to meet the Organization's ongoing needs. Interest on the line of credit was payable at 8.50%. The line of credit matured on May 31, 2010 but was verbally extended through December 2010. The line of credit is secured by substantially all of the Organization's assets. The Organization had borrowed and repaid \$15,000 on a similar line of credit during the year ended June 30, 2009. The balance owed on this line of credit was \$16,000 as of June 30, 2010. Total interest paid on the line of credit for the years ended June 30, 2010 and 2009 was \$786 and \$360, respectively.