

**THE MINNESOTA CHORALE  
MINNEAPOLIS, MINNESOTA**

**FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**



**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 financial statements of The Minnesota Chorale (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility 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; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, 2014, 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.

### **Report on Summarized Comparative Information**

We have previously audited The Minnesota Chorale's June 30, 2013 financial statements, and our report dated November 8, 2013, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Smith, Schopf and Associates, Ltd.*

Maplewood, Minnesota  
November 5, 2014

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**THE MINNESOTA CHORALE**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2014 and 2013**

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 19,789	\$ 11,368
Accounts receivable	28,423	696
Grants and pledges receivable (Note 2)	42,390	46,818
Inventory	5,393	4,043
Prepaid expenses	-	1,300
	<hr/>	<hr/>
Total Current Assets	95,995	64,225
	<hr/>	<hr/>
<b>Property and Equipment</b>		
Office and computer equipment	3,637	3,073
Less: Accumulated depreciation	2,198	1,834
	<hr/>	<hr/>
Property and Equipment, Net	1,439	1,239
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 97,434</b>	<b>\$ 65,464</b>

**See Notes to Financial Statements**

<b>LIABILITIES AND NET ASSETS</b>	<b>2014</b>	<b>2013</b>
<hr/>		
<b>Current Liabilities</b>		
Accounts payable	\$ 41,525	\$ 26,927
Note payable (Note 8)	9,619	25,000
	<hr/>	
Total Current Liabilities	51,144	51,927
	<hr/>	
<b>Net Assets</b>		
<i>Unrestricted</i>		
Undesignated	19,239	(31,463)
<i>Temporarily Restricted (Note 3)</i>	27,051	45,000
	<hr/>	
Total Net Assets	46,290	13,537
	<hr/>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 97,434</b>	<b>\$ 65,464</b>
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**THE MINNESOTA CHORALE**

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

**For the Year Ended June 30, 2014**

**With Comparative Totals for the Year Ended June 30, 2013**

	Unrestricted	Temporarily Restricted	Totals	
			2014	2013
<b>Public Support</b>				
Corporate and foundation grants	\$ 124,100	\$ 2,500	\$ 126,600	\$ 86,468
Individual contributions	89,139	-	89,139	102,579
Government grants	43,798	15,000	58,798	55,548
Total Public Support	257,037	17,500	274,537	244,595
<b>Revenues</b>				
Performance fees and ticket revenue	84,566	-	84,566	32,761
Fundraising	45,965	-	45,965	51,768
Other revenue	3,440	9,551	12,991	2,647
Interest	3	-	3	8
Value of contributed services by unpaid volunteer singers	226,032	-	226,032	193,875
In-kind contributions	1,525	-	1,525	800
Total Revenues	361,531	9,551	371,082	281,859
<b>Net Assets Released</b>				
From Restrictions (Note 4)	45,000	(45,000)	-	-
Total Public Support and Revenues	663,568	(17,949)	645,619	526,454
<b>Expenses</b>				
Performances and education	521,078	-	521,078	493,287
Fundraising	53,134	-	53,134	73,868
General and administrative	38,654	-	38,654	42,681
Total Expenses	612,866	-	612,866	609,836
Increase (Decrease) in Net Assets	50,702	(17,949)	32,753	(83,382)
Net Assets (Deficit) – Beginning of Year	(31,463)	45,000	13,537	96,919
Net Assets – End of Year	\$ 19,239	\$ 27,051	\$ 46,290	\$ 13,537

**See Notes to Financial Statements**

**THE MINNESOTA CHORALE**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2014 and 2013**

	2014	2013
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 32,753	\$ (83,382)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	364	324
(Increase) Decrease in:		
Accounts receivable	(27,727)	(696)
Grants and pledges receivable	4,428	10,414
Inventory	(1,350)	(242)
Prepaid expenses	1,300	16
Increase (Decrease):		
Accounts payable	14,598	1,194
Holding accounts	-	(6,882)
Net Cash Provided By (Used In) Operating Activities	<u>24,366</u>	<u>(79,254)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	<u>(564)</u>	<u>(687)</u>
<b>Cash Flows From Financing Activities</b>		
Payments on note payable	(15,381)	-
Proceeds from issuance of note payable	-	25,000
Net Cash Provided By (Used In) Financing Activities	<u>(15,381)</u>	<u>25,000</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>8,421</b>	<b>(54,941)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>11,368</b>	<b>66,309</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 19,789</b>	<b>\$ 11,368</b>
<b>Supplemental Data:</b>		
Cash Paid During the Year for Interest	\$ 3,267	\$ 2,343
Noncash Investing and Financing Activities:		
Donated services by singers	\$ 226,032	\$ 193,875
Other in-kind donations	1,525	800

**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 Accounting and Revenue Recognition

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

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

The Organization's federal informational income tax returns for 2011, 2012, and 2013 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, *Not-for-Profit Entities*.

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 activities 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 \$226,032 and \$193,875 of contributed services by volunteer singers for the years ended June 30, 2014 and 2013, respectively (see also Note 7).

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, 2014 are expected to be received within one year.

##### Donated Equipment, Materials and Other Services

Donated equipment, materials, and other services are recorded as contributions at the estimated fair value on the date received. The Organization received \$1,525 and \$800 in donated other services for the years ended June 30, 2014 and 2013, respectively.

The Organization also recognizes revenue related to items donated that are later sold as part of a fundraising auction. The amounts recognized as revenue related to items donated for the fundraising auction for the years ended June 30, 2014 and 2013 were \$32,689 and \$22,470, respectively. These amounts are included in fundraising revenue on the Organization's statement of activities.

# 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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#### Cash and Cash Equivalents

Cash and cash equivalents includes all demand deposits and investments with an original maturity of three months or less. The Organization holds no cash balances with financial institutions that exceed the federally insured limit.

#### Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on current relationships with customers, management has concluded that losses realized on balances outstanding at year-end will be immaterial, therefore, no allowance for uncollectible accounts is maintained for accounts receivable. Balances that are still outstanding after reasonable collection efforts have been exhausted are written off to bad debt expense. All accounts receivable are expected to be collected within one year of the statement of financial position date.

#### Pledges and Grants Receivable

The Organization records pledges and grants as revenue when an unconditional 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 lower of the specific cost or the market value 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, 2014 and 2013 was \$364 and \$324, 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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##### 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, 2013, 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, 2014 and 2013 was \$4,007 and \$6,121, respectively.

##### Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, grants and pledges receivable, inventory, prepaid expenses, and accounts payable approximates fair value due to the immediate or short-term maturity of these financial instruments. The carrying value of the Organizations' note payable approximates fair value because the terms are equivalent to market rates for notes payable with similar terms and maturities.

##### Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 5, 2014, the date the financial statements were available to be issued.

**THE MINNESOTA CHORALE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**2. Receivables**

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Pledges and grants receivable at June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
McKnight Foundation	\$ 25,000	\$ -
National Endowment for the Arts	15,000	15,000
Minnesota State Arts Board	2,190	753
Individuals	200	190
Target Foundation	-	30,000
Compas	-	875
	<hr/>	<hr/>
Total Pledges and Grants Receivable	<u>\$ 42,390</u>	<u>\$ 46,818</u>

No allowance has been provided for doubtful accounts, pledges or grants at June 30, 2014 and 2013, since management expects all receivables to be fully collectible within the next fiscal year.

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**3. Restricted Net Assets**

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Temporarily restricted net assets as of June 30, 2014 and 2013 were available for the following purposes:

	<u>2014</u>	<u>2013</u>
Purpose Restriction:		
Bridges	\$ 15,000	\$ 15,000
Minneapolis Youth Chorus	2,500	-
Future Period Restrictions	9,551	30,000
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Total Temporarily Restricted Net Assets	<u>\$ 27,051</u>	<u>\$ 45,000</u>

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## THE MINNESOTA CHORALE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 4. 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, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Purpose Restrictions:		
Bridges Program	\$ 15,000	\$ 17,500
Minneapolis Youth Chorus	-	10,000
Future Period Restrictions	<u>30,000</u>	<u>28,857</u>
 Total Net Assets Released from Restrictions	 <u>\$ 45,000</u>	 <u>\$ 56,357</u>

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#### 5. Retirement Plan

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In February 2010, the Organization implemented a 401(k) retirement plan. The plan covers all employees who have met the eligibility requirements. The Organization made no contributions to this plan for the years ended June 30, 2014 and 2013.

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#### 6. Operating Leases

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The Organization leases office space under a non-cancelable lease with a term ending December 31, 2014. Rental payments consisted of monthly base rent of \$752 through December 2013 and \$774 through December 31, 2014. The Organization has an option to renew the lease.

Rent expense recorded in 2014 and 2013 was \$9,158 and \$8,892, respectively. Future minimum lease payments of \$4,644 are required during the fiscal year ended June 30, 2015 under this lease.

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#### 7. Noncash Contributions of Services and Rent

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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 value of donated rent is recognized based on the number of hours the Organization used the space and rates the facility charges to customers.

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**THE MINNESOTA CHORALE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**8. Note Payable**

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The Organization borrowed \$25,000 from Nonprofits Assistance Fund in January 2013 at 7.0% interest. The loan was payable in monthly installments of interest until the June 2013 due date, at which time all outstanding principal was originally due and payable. The loan is secured by substantially all assets of the Organization. Interest paid on this loan was \$1,353 and \$719 for the years ended June 30, 2014 and 2013, respectively.

The loan has been extended multiple times and in July 2014, the loan's due date was extended to April 2015 with the option to renew for an additional period.

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