

**THE MINNESOTA CHORALE
MINNEAPOLIS, MINNESOTA**

**FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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, 2012, 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 2011 financial statements, and in our report dated November 2, 2011, 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, 2012, 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 and Associates, Ltd.

Maplewood, Minnesota
November 5, 2012

THE MINNESOTA CHORALE

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents	\$ 66,309	\$ 11,734
Grants and pledges receivable (Note 2)	57,232	31,300
Inventory	3,801	3,892
Prepaid expenses	1,316	1,461
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Total Current Assets	128,658	48,387
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Property and Equipment		
Office and computer equipment	5,206	5,738
Less: Accumulated depreciation	4,330	5,738
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Property and Equipment, Net	876	-
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TOTAL ASSETS	\$ 129,534	\$ 48,387

See Notes to Financial Statements

LIABILITIES AND NET ASSETS	2012	2011
Current Liabilities		
Interest payable (Note 8)	\$ -	\$ 156
Accounts payable	25,733	22,924
Holding accounts	6,882	4,162
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Total Current Liabilities	32,615	27,242
Net Assets		
<i>Unrestricted</i>		
Undesignated	40,562	(22,155)
<i>Temporarily Restricted (Note 3)</i>	56,357	43,300
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Total Net Assets	96,919	21,145
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TOTAL LIABILITIES AND NET ASSETS	\$ 129,534	\$ 48,387
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THE MINNESOTA CHORALE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2012

With Comparative Totals for the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Totals	
			2012	2011
Public Support				
Corporate and foundation grants	\$ 122,637	\$ 35,000	\$ 157,637	\$ 89,138
Individual contributions	98,610	-	98,610	66,163
Government grants	73,302	3,857	77,159	60,646
Total Public Support	294,549	38,857	333,406	215,947
Revenues				
Performance fees and ticket revenue	123,546	-	123,546	114,805
Fundraising	56,397	-	56,397	57,075
Other revenue	2,438	-	2,438	3,670
Interest	2	-	2	1
Value of contributed services by unpaid volunteer singers	179,528	-	179,528	195,886
In-kind contributions	10,829	-	10,829	2,100
Total Revenues	372,740	-	372,740	373,537
Net Assets Released				
From Restrictions (Note 4)	25,800	(25,800)	-	-
Total Support and Revenues	693,089	13,057	706,146	589,484
Expenses				
Performances and education	507,066	-	507,066	525,082
Fundraising	80,818	-	80,818	80,754
General and administrative	42,488	-	42,488	43,799
Total Expenses	630,372	-	630,372	649,635
Increase (Decrease) in Net Assets	62,717	13,057	75,774	(60,151)
Net Assets (Deficit) – Beginning of Year	(22,155)	43,300	21,145	81,296
Net Assets – End of Year	\$ 40,562	\$ 56,357	\$ 96,919	\$ 21,145

See Notes to Financial Statements

THE MINNESOTA CHORALE

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	\$ 75,774	\$ (60,151)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	116	-
(Increase) Decrease in:		
Accounts and grants receivable	(25,932)	56,425
Inventory	91	(221)
Prepaid expenses	145	-
Increase (Decrease):		
Accounts payable	2,809	11,716
Interest payable	(156)	156
Other current liabilities	2,720	2,122
Net Cash Provided By Operating Activities	55,567	10,047
Cash Flows From Investing Activities		
Purchase of property and equipment	(992)	-
Cash Flows From Financing Activities		
Borrowings on line of credit and note payable	-	15,000
Payments on line of credit and note payable	-	(31,000)
Net Cash (Used In) Financing Activities	-	(16,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,575	(5,953)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	11,734	17,687
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 66,309	\$ 11,734
Supplemental Data:		
Cash Paid During the Year for Interest	\$ -	\$ 2,832
Noncash Investing and Financing Activities:		
Donated services by singers	\$ 179,528	\$ 195,886
Other in kind donations	10,829	2,100

See Notes to Financial Statements

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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 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.

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 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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 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 \$179,528 and \$195,886 of contributed services by volunteer singers for the years ended June 30, 2012 and 2011, 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, 2012 are expected to be received within one to two years.

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 \$10,829 in donated services for the year ended June 30, 2012. The Organization received \$2,100 in donated rent for the year ended June 30, 2011.

The Organization also recognized revenue related to items donated that were later sold as part of a fundraising auction. The amounts recognized as revenue for the years ended June 30, 2012 and 2011 were \$41,267 and \$39,065, respectively. These amounts are included in fundraising revenue on the Organization's statement of activities.

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.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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 lower of the specific cost of each item 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 year ended June 30, 2012 was \$116. There was no depreciation expense for the year ended June 30, 2011.

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, 2011, 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, 2012 and 2011 was \$7,354 and \$1,714, respectively.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, grants and pledges receivable, inventory, prepaid expenses, interest payable, accounts payable, and holding accounts approximates fair value due to the immediate or short-term maturity of these financial instruments.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to those used in the 2012 financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 5, 2012, the date the financial statements were available to be issued.

2. Receivables

Pledges and grants receivable at June 30, 2012 and 2011 consisted of the following:

	2012	2011
McKnight Foundation	\$ 25,000	\$ -
National Endowment for the Arts	17,500	27,500
The Sheltering Arms Foundation	10,000	-
Minnesota State Arts Board	3,857	-
Compas	875	3,500
Sweet Adelines International	-	300
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Total Pledges and Grants Receivable	\$ 57,232	\$ 31,300

Receivable In:

Less than One Year	\$ 57,232	\$ 13,800
One to Five Years	-	17,500

No allowance has been provided for doubtful accounts, pledges or grants at June 30, 2012 and 2011, since management expects all receivables to be collectible.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Restricted Net Assets

Temporarily restricted net assets as of June 30, 2012 and 2011 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Purpose Restriction:		
Bridges	\$ 17,500	\$ 39,500
Minneapolis Youth Chorus	10,000	3,800
Future Period Restrictions	<u>28,857</u>	<u>-</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 56,357</u>	 <u>\$ 43,300</u>

4. 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, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Purpose Restrictions:		
Bridges Program	\$ 22,000	\$ 49,500
Minneapolis Youth Chorus	3,800	11,200
Future Period Restrictions	<u>-</u>	<u>25,000</u>
 Total Net Assets Released from Restrictions	 <u>\$ 25,800</u>	 <u>\$ 85,700</u>

5. Retirement Plan

In February 2010, the Organization implemented a 401(k) retirement plan. The plan covers all employees who have met the eligibility requirements. Contributions of \$5,598 and \$5,018, respectively, were made to match employee contributions to the 401(k) plan for the years ended June 30, 2012 and 2011.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Operating Leases

The Organization leases office space under a non-cancelable month-to-month lease. Rental payments consist of monthly base rent of \$730. Rent expense recorded in 2012 and 2011 was \$8,760 and \$10,042, respectively.

7. Noncash Contributions of Services and Rent

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.

8. Debt

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 June 2011. The line of credit was secured by substantially all of the Organization's assets. The balance was paid in full in December 2010. Total interest paid on the line of credit for the year ended June 30, 2011 was \$992. Interest in the amount of \$156 was payable at June 30, 2011. The line of credit was not renewed.

Related Party Payable

In April 2011, the Organization borrowed \$15,000 from one of its board members under a promissory note. The note accrued interest on the unpaid principal at the rate of 4.00% per annum and was paid in full on June 30, 2011. Total interest paid on the related party payable for the year ended June 30, 2011 was \$138.