

**THE MINNESOTA CHORALE**  
**MINNEAPOLIS, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**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, 2011, 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 2010 financial statements, and in our report dated November 2, 2010, 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, 2011, 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, 2011

**THE MINNESOTA CHORALE**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2011 and 2010**

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 11,734	\$ 17,687
Grants and pledges receivable (Note 2)	31,300	87,725
Inventory	3,892	3,671
Prepaid expenses	1,461	1,461
Total Current Assets	<u>48,387</u>	<u>110,544</u>
<b>Property and Equipment</b>		
Office and computer equipment	5,738	5,738
Less: Accumulated depreciation	<u>5,738</u>	<u>5,738</u>
Property and Equipment, Net	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 48,387</u></u>	<u><u>\$ 110,544</u></u>

**See Notes to Financial Statements**

<b>LIABILITIES AND NET ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>Current Liabilities</b>		
Line of credit (Note 8)	\$ -	\$ 16,000
Interest payable (Note 8)	156	-
Accounts payable	22,924	11,208
Holding accounts	4,162	2,040
	<hr/>	<hr/>
Total Current Liabilities	27,242	29,248
<b>Net Assets</b>		
<i>Unrestricted</i>		
Undesignated	(22,155)	(14,404)
<i>Temporarily Restricted (Note 3)</i>	43,300	95,700
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Total Net Assets	21,145	81,296
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 48,387</b>	<b>\$ 110,544</b>
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**THE MINNESOTA CHORALE**

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

**For the Year Ended June 30, 2011**

**With Comparative Totals for the Year Ended June 30, 2010**

	Unrestricted	Temporarily Restricted	Totals	
			2011	2010
<b>Public Support</b>				
Corporate and foundation grants	\$ 73,338	\$ 15,800	\$ 89,138	\$ 120,088
Individual contributions	66,163	-	66,163	72,446
Government grants	43,146	17,500	60,646	99,146
<b>Total Public Support</b>	<b>182,647</b>	<b>33,300</b>	<b>215,947</b>	<b>291,680</b>
<b>Revenues</b>				
Performance fees	110,255	-	110,255	57,810
Fundraising	61,625	-	61,625	53,305
Other revenue	3,670	-	3,670	2,688
Interest	1	-	1	3
Value of contributed services by unpaid volunteer singers	195,886	-	195,886	207,083
In-Kind contributions	2,100	-	2,100	-
<b>Total Revenues</b>	<b>373,537</b>	<b>-</b>	<b>373,537</b>	<b>320,889</b>
<b>Net Assets Released</b>				
<b>From Restrictions (Note 4)</b>	<b>85,700</b>	<b>(85,700)</b>	<b>-</b>	<b>-</b>
<b>Total Support and Revenues</b>	<b>641,884</b>	<b>(52,400)</b>	<b>589,484</b>	<b>612,569</b>
<b>Expenses</b>				
Performances and education	525,082	-	525,082	506,079
Fundraising	80,754	-	80,754	71,816
General and administrative	43,799	-	43,799	38,798
<b>Total Expenses</b>	<b>649,635</b>	<b>-</b>	<b>649,635</b>	<b>616,693</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(7,751)</b>	<b>(52,400)</b>	<b>(60,151)</b>	<b>(4,124)</b>
<b>Net Assets (Deficit) – Beginning of Year</b>	<b>(14,404)</b>	<b>95,700</b>	<b>81,296</b>	<b>85,420</b>
<b>Net Assets (Deficit) – End of Year</b>	<b>\$ (22,155)</b>	<b>\$ 43,300</b>	<b>\$ 21,145</b>	<b>\$ 81,296</b>

**See Notes to Financial Statements**

**THE MINNESOTA CHORALE**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (60,151)	\$ (4,124)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	-	456
Loss on abandonment of equipment	-	396
(Increase) Decrease in:		
Accounts and grants receivable	56,425	(24,460)
Inventory	(221)	19
Prepaid expenses	-	1,470
Increase (Decrease):		
Accounts payable	11,716	8,623
Interest payable	156	-
Fiscal agency agreements payable	-	(14,889)
Other current liabilities	2,122	291
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>10,047</b>	<b>(32,218)</b>
<b>Cash Flows From Financing Activities</b>		
Borrowings on line of credit and note payable	15,000	16,000
Payments on line of credit and note payable	(31,000)	-
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>(16,000)</b>	<b>16,000</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(5,953)</b>	<b>(16,218)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>17,687</b>	<b>33,905</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 11,734</b>	<b>\$ 17,687</b>
<b>Supplemental Data:</b>		
Cash Paid During the Year for Interest	\$ 2,832	\$ 786
<b>Noncash Investing and Financing Activities:</b>		
Donated services by singers	\$ 195,886	\$ 207,083
Other in kind donations	2,100	-

**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 uncertainly in income taxes guidance on July 1, 2009. Management has assessed the impact of that guidance and has determined that the Organization has not taken any uncertain tax positions.

The Organization's federal informational income tax returns for 2008, 2009, and 2010 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 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 \$195,886 and \$207,083 of contributed services by volunteer singers for the years ended June 30, 2011 and 2010, 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, 2011 are expected to be received within one to 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 received \$2,100 in donated rent for the year ended June 30, 2011. The Organization received no material donated supplies, services, or rent for the year ended June 30, 2010.

#### 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)

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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 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. Property and equipment was fully depreciated as of June 30, 2011. Depreciation expense for the year ended June 30, 2010 was \$456.

#### 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, 2010, 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, 2011 and 2010 was \$1,714 and \$1,290, 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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Fair Value of Financial Instruments

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

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 2, 2011, 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, 2011 and 2010 consisted of the following:

	<u>2011</u>	2010
National Endowment for the Arts	\$ 27,500	\$ 32,500
Compas	3,500	-
Sweet Adelines International	300	-
McKnight Foundation	-	25,000
Minnesota States Art Board	-	20,000
The Sheltering Arms Foundation	-	10,000
Individuals	-	225
	<hr/>	<hr/>
Total Pledges and Grants Receivable	<u>\$ 31,300</u>	<u>\$ 87,725</u>

Receivable In:

Less than One Year	\$ 13,800	\$ 87,725
One to Five Years	17,500	-

No allowance has been provided for doubtful accounts, pledges or grants at June 30, 2011 and 2010, since management expects all receivables to be collectible.

## THE MINNESOTA CHORALE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 3. Restricted Net Assets

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Temporarily restricted net assets as of June 30, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Purpose Restriction:		
Bridges	\$ 39,500	\$ 59,500
Minneapolis Youth Chorus	3,800	11,200
Future Period Restrictions	-	25,000
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Total Temporarily Restricted Net Assets	<b>\$ 43,300</b>	<b>\$ 95,700</b>

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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, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Purpose Restrictions:		
Bridges Program	\$ 49,500	\$ 15,000
Minneapolis Youth Chorus	11,200	10,000
Future Period Restrictions	25,000	55,000
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Total Net Assets Released from Restrictions	<b>\$ 85,700</b>	<b>\$ 80,000</b>

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#### 5. Retirement Plan

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The Organization had a defined contribution pension plan covering all eligible employees through February, 2010. For the year ended June 30, 2010, a contribution of 5% of all participants' eligible compensation was made. Total defined contribution pension plan expense for the year ended June 30, 2010 related to this plan was \$1,467.

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 \$5,018 and \$3,515, respectively, were made to match employee contributions to the 401(k) plan for the years ended June 30, 2011 and 2010.

## THE MINNESOTA CHORALE

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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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 on December 31, 2011. Rental payments consist of monthly base rent of \$710 to \$730. The Organization has an option to renew the lease.

Lease expenses recorded in 2011 and 2010 were \$10,042 and \$10,391, respectively. Future minimum lease payments of \$4,380 are required 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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#### 8. 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 June 2011. The line of credit was secured by substantially all of the Organization's assets. The balance owed on this line of credit was \$16,000 as of June 30, 2010. The balance was paid in full in December 2010. Total interest paid on the line of credit for the years ended June 30, 2011 and 2010 was \$992 and \$786, respectively. Interest in the amount of \$156 was payable at June 30, 2011.

##### 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.

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#### 9. Subsequent Event

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In August, 2011, the Organization received a letter from the Minnesota State Arts Board awarding a grant of \$43,209. The Organization was anticipating receiving this grant in June, 2011, but the award was delayed due to the Minnesota State shutdown in June 2011.

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