

**THE MINNESOTA CHORALE  
MINNEAPOLIS, MINNESOTA**

**FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**



**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, 2015, 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, 2015, 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, 2014 financial statements, and our report dated November 5, 2014, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Smith, Schafu and Associates, Ltd.*

Maplewood, Minnesota  
November 4, 2015

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**THE MINNESOTA CHORALE**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2015 and 2014**

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 69,128	\$ 19,789
Accounts receivable	-	28,423
Grants and pledges receivable (Note 2)	14,295	42,390
Inventory	6,836	5,393
Total Current Assets	90,259	95,995
<b>Property and Equipment</b>		
Office and computer equipment	3,637	3,637
Less: Accumulated depreciation	2,647	2,198
Property and Equipment, Net	990	1,439
<b>TOTAL ASSETS</b>	<b>\$ 91,249</b>	<b>\$ 97,434</b>

**See Notes to Financial Statements**

<b>LIABILITIES AND NET ASSETS</b>	<b>2015</b>	<b>2014</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 30,887	\$ 41,525
Note payable (Note 8)	-	9,619
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Total Current Liabilities	<b>30,887</b>	51,144
	<hr/>	<hr/>
<b>Net Assets</b>		
<i>Unrestricted</i>		
Undesignated	60,362	19,239
<i>Temporarily Restricted (Note 3)</i>	-	27,051
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Total Net Assets	<b>60,362</b>	46,290
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 91,249</b>	<b>\$ 97,434</b>
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**THE MINNESOTA CHORALE**

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

**For the Year Ended June 30, 2015**

**With Comparative Totals for the Year Ended June 30, 2014**

	Unrestricted	Temporarily Restricted	Totals 2015	2014
<b>Public Support</b>				
Corporate and foundation grants	\$ 78,795	\$ -	\$ 78,795	\$ 126,600
Individual contributions	91,209	-	91,209	98,690
Government grants	44,316	-	44,316	58,798
<b>Total Public Support</b>	<b>214,320</b>	<b>-</b>	<b>214,320</b>	<b>284,088</b>
<b>Revenues</b>				
Performance fees and ticket revenue	148,870	-	148,870	84,566
Fundraising	43,860	-	43,860	45,965
Other revenue	9,871	-	9,871	3,440
Interest	2	-	2	3
Value of contributed services by unpaid volunteer singers	214,004	-	214,004	226,032
In-kind contributions	-	-	-	1,525
<b>Total Revenues</b>	<b>416,607</b>	<b>-</b>	<b>416,607</b>	<b>361,531</b>
<b>Net Assets Released</b>				
<b>From Restrictions (Note 4)</b>	<b>27,051</b>	<b>(27,051)</b>	<b>-</b>	<b>-</b>
<b>Total Public Support and Revenues</b>	<b>657,978</b>	<b>(27,051)</b>	<b>630,927</b>	<b>645,619</b>
<b>Expenses</b>				
Performances and education	528,017	-	528,017	521,078
Fundraising	45,734	-	45,734	53,134
General and administrative	43,104	-	43,104	38,654
<b>Total Expenses</b>	<b>616,855</b>	<b>-</b>	<b>616,855</b>	<b>612,866</b>
Increase (Decrease) in Net Assets	41,123	(27,051)	14,072	32,753
<b>Net Assets – Beginning of Year</b>	<b>19,239</b>	<b>27,051</b>	<b>46,290</b>	<b>13,537</b>
<b>Net Assets – End of Year</b>	<b>\$ 60,362</b>	<b>\$ -</b>	<b>\$ 60,362</b>	<b>\$ 46,290</b>

**See Notes to Financial Statements**

**THE MINNESOTA CHORALE**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2015 and 2014**

	2015	2014
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 14,072	\$ 32,753
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	449	364
(Increase) Decrease in:		
Accounts receivable	28,423	(27,727)
Grants and pledges receivable	28,095	4,428
Inventory	(1,443)	(1,350)
Prepaid expenses	-	1,300
Increase (Decrease):		
Accounts payable	(10,638)	14,598
Interest payable	-	-
Holding accounts	-	-
Net Cash Provided By Operating Activities	<b>58,958</b>	24,366
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	-	(564)
<b>Cash Flows From Financing Activities</b>		
Payments on note payable	(9,619)	(15,381)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>49,339</b>	8,421
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>19,789</b>	11,368
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 69,128</b>	<b>\$ 19,789</b>
<b>Supplemental Data:</b>		
Cash Paid During the Year for Interest	\$ 3,976	\$ 3,267
Noncash Investing and Financing Activities:		
Donated services by singers	\$ 214,004	\$ 226,032
Other in-kind donations	-	1,525

**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 comprises a family of choirs, including an acclaimed symphonic chorus, multiple youth choirs and a choir for senior adults. The symphonic chorus 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 and Prelude, auditioned choruses offered at no charge to students in grades 3-9 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 the years ended June 30, 2013, 2014 and 2015 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 \$214,004 and \$226,032 of contributed services by volunteer singers for the years ended June 30, 2015 and 2014, 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, 2015 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 did not receive any donated services (other than volunteer singer services as noted above) for the year ended June 30, 2015. The Organization received \$1,525 in donated other services for the year ended June 30, 2014.

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, 2015 and 2014 were \$16,845 and \$32,689, 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, 2015 and 2014 was \$449 and \$364, 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, 2014, 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, 2015 and 2014 was \$2,362 and \$4,007, 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 approximated fair value because the terms were equivalent to market rates for notes payable with similar terms and maturities.

##### Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the presentation used in the 2015 financial statements.

##### Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 4, 2015, 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, 2015 and 2014 consisted of the following:

	<b>2015</b>	2014
Federal and state government organizations	<b>\$ 9,216</b>	\$ 17,190
Individuals	<b>5,079</b>	200
Foundation donors	-	25,000
	<hr/>	<hr/>
Total Pledges and Grants Receivable	<b><u>\$ 14,295</u></b>	<b><u>\$ 42,390</u></b>

No allowance has been provided for doubtful accounts, pledges or grants at June 30, 2015 and 2014, 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, 2015 and 2014 were available for the following purposes:

	<b>2015</b>	2014
Purpose Restriction:		
Bridges	<b>\$ -</b>	\$ 15,000
Minneapolis Youth Chorus	-	2,500
Future Period Restrictions	-	9,551
	<hr/>	<hr/>
Total Temporarily Restricted Net Assets	<b><u>\$ -</u></b>	<b><u>\$ 27,051</u></b>

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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, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Purpose Restrictions:		
Bridges Program	\$ 15,000	\$ 15,000
Minneapolis Youth Chorus	2,500	-
Future Period Restrictions	<u>9,551</u>	<u>30,000</u>
 Total Net Assets Released from Restrictions	 <u>\$ 27,051</u>	 <u>\$ 45,000</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, 2015 and 2014.

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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, 2015. Rental payments consisted of monthly base rent of \$774 through December 31, 2014 and \$798 through December 31, 2015. At the end of the lease term, the Organization will work to negotiate an extension.

Rent expense recorded in 2015 and 2014 was \$9,432 and \$9,158, respectively. Future minimum lease payments of \$4,788 are required during the fiscal year ended June 30, 2016 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 was extended and was secured by substantially all assets of the Organization. Interest paid on this loan was \$310 and \$1,353 for the years ended June 30, 2015 and 2014, respectively. The loan was paid off in April 2015.

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