

**THE MINNESOTA CHORALE
MINNEAPOLIS, MINNESOTA**

**FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**



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, 2016, 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, 2016, 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, 2015 financial statements, and our report dated November 4, 2015, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schafu and Associates, Ltd.

Minneapolis, Minnesota
November 9, 2016

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THE MINNESOTA CHORALE

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

ASSETS	2016	2015
Current Assets		
Cash and cash equivalents	\$ 48,177	\$ 69,128
Grants and pledges receivable (Note 2)	27,534	14,295
Inventory	7,725	6,836
Total Current Assets	<u>83,436</u>	<u>90,259</u>
Property and Equipment		
Office and computer equipment	3,637	3,637
Less: Accumulated depreciation	3,096	2,647
Property and Equipment, Net	<u>541</u>	<u>990</u>
TOTAL ASSETS	<u>\$ 83,977</u>	<u>\$ 91,249</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 39,239	\$ 30,887
Net Assets		
<i>Unrestricted</i>		
Undesignated	8,738	60,362
<i>Temporarily Restricted (Note 3)</i>	36,000	-
Total Net Assets	<u>44,738</u>	<u>60,362</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 83,977</u>	<u>\$ 91,249</u>

See Notes to Financial Statements

THE MINNESOTA CHORALE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

	Temporarily		Totals	
	Unrestricted	Restricted	2016	2015
Public Support				
Corporate and foundation grants	\$ 73,375	\$ 31,000	\$ 104,375	\$ 78,795
Individual contributions	62,917	5,000	67,917	91,209
Government grants	37,679	-	37,679	44,316
Total Public Support	173,971	36,000	209,971	214,320
Revenues				
Performance fees and ticket revenue	152,495	-	152,495	148,870
Special events fundraising	51,459	-	51,459	43,860
Other revenue	3,295	-	3,295	9,871
Interest	49	-	49	2
Value of contributed services by unpaid volunteer singers	231,226	-	231,226	214,004
Total Revenues	438,524	-	438,524	416,607
Net Assets Released From Restrictions (Note 4)				
	-	-	-	-
Total Public Support and Revenues	612,495	36,000	648,495	630,927
Expenses				
Performances and education	570,924	-	570,924	528,017
Fundraising	45,307	-	45,307	45,734
General and administrative	47,888	-	47,888	43,104
Total Expenses	664,119	-	664,119	616,855
Increase (Decrease) in Net Assets	(51,624)	36,000	(15,624)	14,072
NET ASSETS - BEGINNING OF YEAR	60,362	-	60,362	46,290
NET ASSETS - END OF YEAR	\$ 8,738	\$ 36,000	\$ 44,738	\$ 60,362

See Notes to Financial Statements

THE MINNESOTA CHORALE

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Change in net assets	\$ (15,624)	\$ 14,072
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	449	449
(Increase) Decrease in:		
Accounts receivable	-	28,423
Grants and pledges receivable	(13,239)	28,095
Inventory	(889)	(1,443)
Increase (Decrease) in:		
Accounts payable	8,352	(10,638)
	<hr/>	<hr/>
Net Cash Provided By (Used In) Operating Activities	(20,951)	58,958
Cash Flows From Financing Activities		
Payments on note payable	-	(9,619)
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(20,951)	49,339
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	69,128	19,789
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CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 48,177	\$ 69,128
	<hr/> <hr/>	<hr/> <hr/>
Supplemental Data:		
Cash Paid During the Year for Interest	\$ 3,568	\$ 3,976
Noncash Investing and Financing Activities:		
Donated services by singers	\$ 231,226	\$ 214,004

See Notes to Financial Statements

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THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Description 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.

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 Presentation

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization had no permanently restricted net assets as of June 30, 2016 and 2015.

Basis of Accounting and Support 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. Public support is recorded when an unconditional commitment to contribute is made or when contributions are actually received. Expenses are recorded as incurred.

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)

Accounts Receivable

Accounts receivable, if any, 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 each of the years ended June 30, 2016 and 2015 was \$449.

Donated Equipment, Materials and Other Services

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 \$231,226 and \$214,004 of contributed services by volunteer singers for the years ended June 30, 2016 and 2015, respectively (see also Note 7).

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Donated Equipment, Materials and Other Services (continued)

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 years ended June 30, 2016 and 2015.

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, 2016 and 2015 were \$11,350 and \$16,845, respectively. These amounts are included in fundraising revenue on the Organization's statement of activities.

Contributions

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.

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, 2016 are expected to be received within one year.

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 fiscal years ended June 30, 2014, 2015 and 2016 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)

Advertising

The Organization expenses advertising costs as they are incurred. Advertising and promotional expense for the years ended June 30, 2016 and 2015 was \$6,669 and \$2,362, respectively.

Fair Value of Financial Instruments

The carrying amount of substantially all assets and liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments.

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.

Use of 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.

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, 2015, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 9, 2016, the date the financial statements were available to be issued.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Receivables

Pledges and grants receivable at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Federal and state government organizations	\$ 1,884	\$ 9,216
Individuals	650	5,079
Foundation donors	<u>25,000</u>	<u>-</u>
Total Pledges and Grants Receivable	<u>\$ 27,534</u>	<u>\$ 14,295</u>

No allowance has been provided for doubtful accounts, pledges or grants at June 30, 2016 and 2015, since management expects all receivables to be fully collectible within the next fiscal year.

3. Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 and 2015 were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Purpose Restriction:		
Minneapolis Youth Chorus	\$ 11,000	\$ -
Future Period Restrictions	<u>25,000</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 36,000</u>	<u>\$ -</u>

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Purpose Restrictions:		
Bridges Program	\$ -	\$ 15,000
Minneapolis Youth Chorus	-	2,500
Future Period Restrictions	-	9,551
	<u>-</u>	<u>27,051</u>
Total Net Assets Released from Restrictions	<u>\$ -</u>	<u>\$ 27,051</u>

5. Retirement Plan

The Organization has implemented a 401(k) retirement plan for its employees. 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, 2016 and 2015.

6. Commitments

The Organization leases office space under a non-cancelable lease with a term ending December 31, 2016. Rental payments consisted of monthly base rent of \$798 through December 31, 2016. At the end of the lease term, the Organization will work to negotiate an extension.

Rent expense recorded in 2016 and 2015 was \$11,638 and \$9,432, respectively. Future minimum lease payments of \$4,788 are required during the fiscal year ended June 30, 2017 under this lease.

7. Noncash Contributions of Services

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)

8. Note Payable

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. The loan was paid off in April 2015. Interest paid on this loan was \$310 for the year ended June 30, 2015.

9. Subsequent Event

In September 2016, the Organization entered into a \$50,000 line of credit agreement with Nonprofits Assistance Fund. The line bears interest at 6.5% until the September 2017 due date, at which time all outstanding principal and interest is due and payable. The line is secured by substantially all assets of the Organization.

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