

**THE MINNESOTA CHORALE
MINNEAPOLIS, MINNESOTA**

**FINANCIAL STATEMENTS
JUNE 30, 2024**

THE MINNESOTA CHORALE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Minnesota Chorale
Minneapolis, Minnesota

Opinion

We have audited the financial statements of The Minnesota Chorale, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Minnesota Chorale as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Minnesota Chorale and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Minnesota Chorale's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Minnesota Chorale's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Minnesota Chorale's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Smith, Schaph and Associates, Ltd.

Minneapolis, Minnesota
January 13, 2025

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THE MINNESOTA CHORALE

STATEMENT OF FINANCIAL POSITION

June 30, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$ 146,121
Grants and pledges receivable	2,606
Other receivable	14,854
Inventory	8,668
	<hr/>
Total Current Assets	172,249

Property and Equipment

Office and computer equipment	5,637
Less: Accumulated depreciation	5,637
	<hr/>
Property and Equipment, net	-

TOTAL ASSETS

\$ 172,249

LIABILITIES AND NET ASSETS

Current Liabilities

Current portion of long-term debt	\$ 3,836
Accounts payable	183
Deferred revenue	23,000
	<hr/>
Total Current Liabilities	27,019

Long-Term Debt, net

11,132

Total Liabilities

38,151

Net Assets

Without donor restrictions	
Board designated	78,000
Undesignated	53,098
With donor restrictions	3,000
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Total Net Assets	134,098

TOTAL LIABILITIES AND NET ASSETS

\$ 172,249

See Notes to Financial Statements

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THE MINNESOTA CHORALE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Totals
Public Support			
Corporate and foundation grants	\$ 23,860	\$ 3,000	\$ 26,860
Individual contributions	221,681	-	221,681
Government grants	52,110	-	52,110
Value of contributed services by unpaid volunteer singers	287,675	-	287,675
Total Public Support	585,326	3,000	588,326
Revenues			
Performance fees and ticket revenue	125,371	-	125,371
Other revenue	4,785	-	4,785
Interest	3,470	-	3,470
Total Revenues	133,626	-	133,626
Net Assets Released From Restrictions	-	-	-
Total Public Support and Revenues	718,952	3,000	721,952
Functional Expenses			
Program services	591,531	-	591,531
Fundraising	47,820	-	47,820
General and administrative	56,203	-	56,203
Total Functional Expenses	695,554	-	695,554
Increase in Net Assets	23,398	3,000	26,398
NET ASSETS - BEGINNING OF YEAR	107,700	-	107,700
NET ASSETS - END OF YEAR	\$ 131,098	\$ 3,000	\$ 134,098

See Notes to Financial Statements

THE MINNESOTA CHORALE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2024

	Program Services		Total
	Performance Programs	Education Programs	Program Services
In-kind singer expense	\$ 287,675	\$ -	\$ 287,675
Salaries	119,965	46,470	166,435
Contract singers	54,600	-	54,600
Other contract services	24,052	2,093	26,145
Recording and producing	19,416	4,523	23,939
Office expenses	5,534	2,526	8,060
Payroll taxes	7,730	3,298	11,028
Rent	4,800	2,400	7,200
Donor development	-	-	-
Insurance	1,620	1,620	3,240
Advertising and promotion	-	-	-
Employee benefits	907	454	1,361
Utilities and telephone	840	420	1,260
Dues and professional development	184	184	368
Interest expense	-	-	-
Depreciation	140	80	220
TOTAL FUNCTIONAL EXPENSES	\$ 527,463	\$ 64,068	\$ 591,531

See Notes to Financial Statements

General and Administrative	Fundraising	Totals
\$ -	\$ -	\$ 287,675
21,603	24,035	212,073
-	-	54,600
21,780	-	47,925
-	-	23,939
2,407	4,171	14,638
1,393	1,683	14,104
2,400	2,400	12,000
-	9,496	9,496
3,240	-	6,480
-	4,383	4,383
453	453	2,267
420	421	2,101
737	738	1,843
1,630	-	1,630
140	40	400
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\$ 56,203	\$ 47,820	\$ 695,554

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THE MINNESOTA CHORALE

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2024

Cash Flows From Operating Activities

Increase in net assets	\$ 26,398
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	400
(Increase) Decrease in:	
Grants and pledges receivable	(717)
Inventory	673
(Decrease) in:	
Accounts payable	(6,119)
Deferred revenue	23,000
	<hr/>
Net Cash Provided By Operating Activities	43,635

Cash Flows From Financing Activities

Payments on long-term debt	<hr/> (3,595)
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Net Increase in Cash and Cash Equivalents	40,040
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CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<hr/>106,081
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CASH AND CASH EQUIVALENTS - END OF YEAR	<hr/>\$ 146,121<hr/>
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid During the Year for:	
Interest	\$ 1,630

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 an acclaimed, professional core symphonic chorus. It performs some 20 concerts yearly with a variety of collaborating partners, including professional, academic and civic ensembles, as well as other choirs. The Organization's Bridges series, begun in 1994 to build musical and social bridges to diverse populations, has been acclaimed as a national model for community engagement programs. Bridges is a series of musical initiatives that harness the richness and diversity of the global choral repertoire to engage cultural communities and raise awareness of pressing social needs.

Comprised of ensembles for singers from ages 8 to 80-plus, the Minnesota Chorale is a multi-generational umbrella organization. With the founding of the Minneapolis Youth Chorus in 2007, the Chorale deepened its community connections offering choral opportunities for Minneapolis School students. Those in grades 6 through 8 develop their musical gifts in an environment dedicated to the celebration of diversity and the pursuit of artistic excellence. MYC's Prelude Children's Choir, for children in grades 3 through 5, provides an introductory choral experience for younger singers. Voices of Experience, established in 2010 in partnership with the MacPhail Center for Music, offers mature singers opportunities to achieve vocal excellence and enrich the community through song.

Basis of Accounting and Support and Revenue Recognition

The Organization maintains its books and records on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

The Organization follows a five-step analysis of contracts to determine when and how to recognize revenue. The five steps are as follows: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the Organization satisfies a performance obligation. Revenue is measured based on consideration specified with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a service or product to a customer.

For performance obligations related to the Organization's special events, performance fees and other revenue, control transfers to the customer and revenue is recognized at a point in time when the events occur and no additional performance obligations are required. The payment terms and conditions in customer contracts require payments as performance obligations are completed, therefore the Organization does not have any significant financing components.

Performance obligations satisfied at a point in time totaled \$130,156 for the year ended June 30, 2024. Revenue from performance obligations satisfied at a point in time consist of the direct benefit to donors for special events (if any), performance fees and other revenue. These services are sold to donors, grantors and patrons.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities, based on the existence or absence of donor imposed restrictions as either:

Net Assets Without Restrictions – Net assets available for use in general operations and not subject to restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to imposed restrictions. Some imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified. Other imposed restrictions are perpetual in nature, where the restriction stipulates that resources be maintained in perpetuity.

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.

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. Pledges and grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Balances that are still outstanding after reasonable collection efforts have been exhausted are written off. All pledges and grants receivable are expected to be collected within one year of the statement of financial position date.

Inventory

Inventory consists of promotional items such as clothing and compact discs. Inventory is valued at the lower of cost or net realizable value on a first-in, first-out basis.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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, 2024 was \$400.

Leases

When, at inception of an agreement, it is concluded an agreement includes a lease component, the Organization records an operating lease or finance lease based on the agreement. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The Organization elected to apply the short-term lease exemption to its existing lease. See Note 8 for information about the short-term lease cost recognized in the year ended June 30, 2024.

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. See Note 9 for further information about the Organization's contributed services.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Conditional promises to give are gifts that include both a barrier that must be overcome, and a right of return of assets transferred or release of a promisor's obligation to transfer assets present. These gifts are recorded when the conditions are met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Contributions (Continued)

All other contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

Advertising

The Organization expenses advertising costs as they are incurred. Advertising and promotional expense for the year ended June 30, 2024 was \$4,383.

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. The fair value of the Organization's long-term debt approximates carrying value because the terms are equivalent to borrowing rates currently available to the Organization for debt with similar terms and maturities.

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. The Statements of Functional Expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All expenses are allocated on the basis of estimates of time and effort.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 13, 2025, the date the financial statements were available to be issued.

2. Liquidity and Availability

Financial assets as of June 30, 2024, less amounts not available for general expenditure within one year of the statement of financial position date, consisted of the following:

Cash and cash equivalents	\$ 146,121
Grants and pledges receivable	2,606
Other receivable	14,854
Less: Net assets with donor restrictions	(3,000)
Less: Board designated reserve	<u>(78,000)</u>
Total	<u>\$ 82,581</u>

As part of the Organization's liquidity management plan, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. None of the financial assets are subject to contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Organization has a goal to maintain financial assets on hand to meet at least two months of normal operating expenses, which are on average approximately \$68,000. The Organization's board-designated funds may be drawn upon in the event of financial distress or an immediate need.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Receivables

Pledges and grants receivable at June 30, 2024 consisted of the following:

State government organizations	\$ 2,106
Individual donors	<u>500</u>
Total Pledges and Grants Receivable	<u>\$ 2,606</u>

4. Line of Credit Agreement

The Organization previously entered into a \$25,000 line of credit agreement with Propel Nonprofits. The line charged interest at 6.5% until the December 31, 2022 due date, at which time all outstanding principal and interest was due and payable. The line was secured by substantially all assets of the Organization.

The line of credit was converted to long-term debt during the year ended June 30, 2023 (see Note 5).

5. Long-Term Debt

During the year ended June 30, 2023, the Organization entered into a \$20,000 five-year term loan with Propel Nonprofits. The loan bears interest at 6.5% through January 18, 2028 and is secured by substantially all assets of the Organization. Maturities of long-term debt as of June 30, 2024 were as follows:

<u>Year Ended June 30,</u>	
2025	\$ 3,836
2026	4,093
2027	4,367
2028	<u>2,672</u>
Total	<u>\$ 14,968</u>

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Net Assets

Designated

Designated net assets represent the amount designated by the Organization's Board of Directors as an operating reserve for the Organization to provide an internal source of funds for unexpected financial conditions. The Organization intends for the designated amount to remain at a level that would be sufficient to cover two to three months of operating expenses. While the reserve could be drawn upon with Board approval, the expectation is that any funds used would be replenished within a reasonably short period of time. As of June 30, 2024, the Organization's Board of Directors had designated net assets without donor restrictions of \$78,000 for this purpose.

Net Assets with Donor Restrictions

Net assets with donor restrictions of \$3,000 as of June 30, 2024 consisted of pledges that were program restricted to be spent in future periods.

There were no net assets released from donor restrictions for the year ended June 30, 2024.

7. 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 year ended June 30, 2024.

8. Commitments

The Organization leases office space under a non-cancelable lease with a term ending December 31, 2024. Rental payments consist of monthly base rent of \$1,000 through December 31, 2024. Rent expense recorded during the year ended June 30, 2024 was \$12,000. Future minimum lease payments of \$6,000 are required during the fiscal year ending June 30, 2025 under this lease.

In December 2024, this lease was renewed for an additional twelve months through December 31, 2025. There were no other changes to the terms of the lease.

THE MINNESOTA CHORALE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. In-Kind Contributions

The Organization's financial statements include the following in-kind contributions and associated expenses:

Services – The Organization receives donated services from volunteer singers that would typically be purchased if not provided as an in-kind contribution. These services, which require specialized skills, are recognized as in-kind contributions at fair value and are expensed when the services are rendered. The estimated fair value of these services is calculated using rates that are proportional to those paid to contracted singers.

In-kind contributions included in the statements of activities and changes in net assets for the year ended June 30, 2024 was \$287,675. This amount is also included as in-kind singer expense under program services on the statement of functional expenses.

10. Government Assistance

Under the provisions of the Coronavirus Aid, Relief and Economic Security (CARES) Act and subsequent additional federal legislation, the Organization was eligible for a refundable employee retention credit (ERC) subject to certain criteria. The Organization considered the credit as a conditional contribution in accordance with FASB ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*, or the Government Grant Model. As a result, the credit was recorded as a receivable and recognized as grant revenue once the measurable performance or other barriers and right of return of the ERC no longer existed. The Organization was due \$14,854 of ERC as of June 30, 2024, which is included in other receivable on the statement of financial position.