

**MADISON YOUTH CHOIRS, INC.**

FINANCIAL STATEMENTS

June 30, 2017 and 2016

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Madison Youth Choirs, Inc.  
Madison, Wisconsin

We have reviewed the accompanying financial statements of Madison Youth Choirs, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of MYC management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### 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.

### Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
October 30, 2017

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**MADISON YOUTH CHOIRS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 240,144	\$ 265,123
Accounts receivable	276	200
Prepaid expenses	10,513	230,776
<b>Total current assets</b>	<b>250,933</b>	<b>496,099</b>
<b>EQUIPMENT AND LEASEHOLD IMPROVEMENTS</b>		
Equipment	94,453	94,453
Leasehold improvements	14,140	14,140
Wardrobe	6,061	6,061
Less accumulated depreciation	(110,987)	(110,461)
<b>Equipment and leasehold improvements - net</b>	<b>3,667</b>	<b>4,193</b>
<b>OTHER ASSETS</b>		
Beneficial interest in assets held by MCF	229,859	211,602
<b>Total assets</b>	<b>\$ 484,459</b>	<b>\$ 711,894</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 748	\$ 237
Unearned revenue	36,173	280,719
<b>Total liabilities</b>	<b>36,921</b>	<b>280,956</b>
<b>NET ASSETS</b>		
Unrestricted	447,538	430,938
<b>Total liabilities and net assets</b>	<b>\$ 484,459</b>	<b>\$ 711,894</b>

See independent accountant's review report and accompanying notes.

**MADISON YOUTH CHOIRS, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended June 30, 2017 and 2016

	2017	2016
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
Gross tuition and other fees	\$ 221,809	\$ 217,044
Less tuition discounts	(24,013)	(25,719)
Tuition and other fees - net	197,796	191,325
Scotland tour fees	257,491	-
Contributions	185,214	397,595
Fundraising and merchandise sales	24,897	29,575
Concerts and performances	26,344	23,336
Advertising	3,500	4,325
Agency endowment return	28,105	(4,988)
Other income	694	770
Total unrestricted support and revenue	724,041	641,938
<b>EXPENSES</b>		
Personnel	343,785	326,865
Tours	233,948	3,375
Production	29,540	27,584
Occupancy	25,602	25,044
Cost of merchandise sold	14,971	17,177
Professional fees	11,844	11,543
Advertising	324	17,854
Information technology	17,078	8,163
Artistic	6,641	7,040
Office expenses	6,805	7,922
Insurance	6,517	5,994
Camps	3,465	3,691
Depreciation	526	748
Meetings	262	842
Other	6,133	5,983
Total expenses	707,441	469,825
Net assets released from restrictions	-	10,000
<b>Change in unrestricted net assets</b>	16,600	182,113
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Net assets released from restrictions	-	(10,000)
Change in net assets	16,600	172,113
Net assets - beginning of year	430,938	258,825
<b>Net assets - end of year</b>	<b>\$ 447,538</b>	<b>\$ 430,938</b>

See independent accountant's review report and accompanying notes.

**MADISON YOUTH CHOIRS, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 16,600	\$ 172,113
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	526	748
(Increase) decrease in assets		
Accounts receivable	(76)	(200)
Prepaid expenses	220,263	(221,414)
Promises to give	-	10,000
Increase (decrease) in liabilities		
Accounts payable	511	(4,989)
Unearned revenue	(244,546)	241,996
<b>Net cash flows from operating activities</b>	<b>(6,722)</b>	<b>198,254</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Return retained in agency endowments	(28,105)	4,988
Distributions from agency endowments	9,848	-
<b>Net cash flows from investing activities</b>	<b>(18,257)</b>	<b>4,988</b>
<b>Net change in cash</b>	<b>(24,979)</b>	<b>203,242</b>
Cash - beginning of year	265,123	61,881
<b>Cash - end of year</b>	<b>\$ 240,144</b>	<b>\$ 265,123</b>

See independent accountant's review report and accompanying notes.

**MADISON YOUTH CHOIRS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016

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Madison Youth Choirs, Inc. (MYC) offers children musical and social education opportunities through weekly rehearsals, annual concerts, music retreats, individual vocal coaching, and tours. The curriculum is presented in an environment of sharing, growth, and recreation, allowing MYC to teach discipline, build self-confidence, foster teamwork, and provide constructive activity and positive role models during formative years. MYC also serves Madison, Wisconsin and surrounding area audiences through public and private performances. In November 2014, member fundraising became voluntary and individual donations from or initiated by parents are now reflected in "Contributions." "Fundraising and merchandise sales" includes money raised by parents through volunteer events or merchandise sales only.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

MYC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

**Equipment and Leasehold Improvements**

Equipment and leasehold improvements are recorded at cost and are depreciated using the straight-line method over the lesser of the useful lives or lease terms. Items with a cost of greater than \$1,000 and a useful life of over one year are capitalized.

**Revenue Recognition**

Revenue from concerts and performances, fundraising and merchandise sales, and projects are recognized as revenue when received. Tuition and Scotland tour fees received during the current year, but which apply to a subsequent year, are deferred and recognized as revenue in the applicable subsequent year.

**Contributions**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Donated Services**

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. Volunteers also provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met.

**MADISON YOUTH CHOIRS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017 and 2016

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Expense Allocation**

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following describes MYC's program services:

*Concerts and Appearances* – Performance is an integral part of MYC. In addition to producing two public concerts each year, MYC collaborates regularly with professional arts organizations including Madison Opera, Madison Symphony Orchestra, Wisconsin Chamber Orchestra and Madison Choral Project among others. In addition, MYC is often asked to perform at special events throughout the community.

*Community Education Outreach* - MYC's community education outreach programs include three popular in-school choirs serving an economically diverse group of over 250 children in Madison at Lincoln, Chavez, and Leopold elementary schools; the Madison Boychoir Festival, engaging over 400 boys in a daylong choral celebration and public performance; an intergenerational choir, joining the voices of teenage MYC singers with senior residents of Capitol Lakes retirement community; choral enrichment programs, encouraging musical exploration for new singers at Lussier Community Education Center, and annual school and community outreach tours to 25 schools and retirement communities throughout Dane County, reaching over 8,000 students and senior citizens.

*Tuition-Based Educational Programming* - The heart of MYC is its dedication to creating meaningful educational experiences for our singers so that they gain a deeper personal connection to music that will enhance their entire lives. MYC achieves this through weekly rehearsals, retreats, special projects, and guest artists. We serve children ages 7-18 in eleven different choirs, each designed to address the social and musical development of each participant. In addition, MYC offers regional and international touring opportunities to broaden singers' cultural and musical experiences.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

**Income Tax Status**

MYC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to MYC's tax-exempt purpose is subject to taxation as unrelated business income. In addition, MYC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**Date of Management's Review**

Management has evaluated subsequent events through October 30, 2017, the date which the financial statements were available to be issued.

**MADISON YOUTH CHOIRS, INC.**  
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June 30, 2017 and 2016

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**NOTE 2 – AGENCY ENDOWMENTS**

MYC established three agency endowments, Madison Youth Choirs Endowment Fund, Carrel Pray Madison Boychoir Alumni Endowment Fund, and Madison Children’s Choir Legacy Fund, at Madison Community Foundation (Foundation). The assets of the agency endowments are invested in the Foundation’s Investment Pool, which includes a diverse mix of equity and debt securities. The Foundation has adopted an investment policy that attempts to generate highly competitive investment returns that support grant making while ensuring that each fund’s principal growth equals or exceeds the rate of inflation.

MYC recognizes the fair value of contributions as support when received and recognizes transfers to the agency endowments as decreases in cash and increases in an asset called “Beneficial interest in assets held by MCF” when the funds are transferred to the Foundation. MYC acknowledges that by virtue of the Foundation’s governing instrument, the Board of Governors of the Foundation has the authority to modify any restriction or condition on the distribution of assets from the fund if, in the reasonable judgment of the Board of Governors, such restriction or condition becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served by the Foundation. The Foundation maintains legal ownership of the Fund. The Foundation’s policy is to distribute each year a certain percentage of the value of the Fund assets. This distribution policy is subject to change by the Foundation’s Board of Governors.

As of June 30, 2017 and 2016, MYC has designated \$229,859 and \$211,602 of unrestricted net assets for the agency endowments. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Composition of and changes in endowment net assets at June 30, 2017 and 2016 were as follows:

	2017	2016
Board-designated endowment funds - beginning of year	\$ 211,602	\$ 216,590
Distribution from agency endowments	(9,848)	-
Net investment activity	28,105	(4,988)
Board-designated endowment funds - end of year	\$ 229,859	\$ 211,602

**NOTE 3 – NET ASSETS**

MYC’s board of directors as of June 30, 2017 and 2016 has chosen to place the following limitations on unrestricted net assets:

	2017	2016
Designated for MYC agency endowments	\$ 229,859	\$ 211,602
Undesignated	217,679	219,336
Unrestricted net assets	\$ 447,538	\$ 430,938

**MADISON YOUTH CHOIRS, INC.**  
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**NOTE 4 – PREPAID EXPENSES AND UNEARNED REVENUE**

During the year ended June 30, 2016, MYC collected fees and paid for charges related to a trip to Scotland in August 2016. The prepaid expenses and unearned revenue at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
<b>Prepaid Expenses</b>		
Scotland tour	\$ -	\$ 220,388
Other	10,513	10,388
	<u>10,513</u>	<u>230,776</u>
Prepaid expenses	<u>\$ 10,513</u>	<u>\$ 230,776</u>
<b>Unearned Revenue</b>		
Scotland tour fees	\$ -	\$ 252,929
Tuition advances	29,584	24,230
Wardrobe	860	560
Other	5,729	3,000
	<u>36,173</u>	<u>280,719</u>
Unearned revenue	<u>\$ 36,173</u>	<u>\$ 280,719</u>

**NOTE 5 – CONCENTRATIONS OF CREDIT RISK**

MYC maintains its cash balances at one financial institution located in Madison, Wisconsin. Amounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016, MYC's uninsured cash balances were \$33,859.

**NOTE 6 – FUNCTIONAL CLASSIFICATIONS OF EXPENSES**

Expenses by function for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Program services		
Concerts and appearances	\$ 57,635	\$ 53,084
Community education outreach	40,904	41,993
Tuition-based educational programming	502,622	275,115
	<u>601,161</u>	<u>370,192</u>
Total program services	601,161	370,192
Management and general activities	51,497	43,060
Development	54,783	56,573
	<u>106,280</u>	<u>99,633</u>
Total expenses	<u>\$ 707,441</u>	<u>\$ 469,825</u>

**MADISON YOUTH CHOIRS, INC.**  
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**NOTE 7 – DONATED SERVICES**

The fair value of donated services for the years ended June 30, 2017 and 2016 included as contributions on the statements of activities and the corresponding functional classifications of expenses was as follows:

	Tuition-Based Educational Programming	Management and General	Development	Total
Website/email consulting	\$ 1,890	\$ 6,615	\$ 945	\$ 9,450
Database consulting	1,950	750	300	3,000
Wardrobe mending	1,125	-	-	1,125
June 30, 2017	<u>\$ 4,965</u>	<u>\$ 7,365</u>	<u>\$ 1,245</u>	<u>\$ 13,575</u>
Advertising	\$ 6,571	\$ 1,642	\$ 8,214	\$ 16,427
Legal	-	555	-	555
Database consulting	1,950	750	300	3,000
Wardrobe mending	1,125	-	-	1,125
June 30, 2016	<u>\$ 9,646</u>	<u>\$ 2,947</u>	<u>\$ 8,514</u>	<u>\$ 21,107</u>

**NOTE 8 – DESCRIPTION OF LEASING ARRANGEMENTS**

MYC rents office space for its program facilities and administrative office under an operating lease agreement on a month to month basis. The lease requires monthly payments of \$2,149. Rent expense for the years ended June 30, 2017 and 2016 was \$25,602 and \$25,044.

**NOTE 9 – DIANE BALLWEG PERFORMANCE FUND**

The Diane Ballweg Performance Fund (Fund) is a component fund of the Madison Community Foundation (MCF). The Fund was established by a \$195,102 gift from Diane Ballweg in February 2014.

MCF, as a charitable trust, serves the mutual interests of Dane County and those individuals and organizations who wish to enhance the quality of life in the community through charitable giving. Donors for the benefit of the community establish component funds of MCF, and when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the fund. However, donors also grant MCF variance power that allows MCF to modify the donors' stipulations under certain circumstances as MCF monitors the changing needs of the community. Therefore, the Fund is not included in the financial statements.

The fair value of the Fund at June 30, 2017 and 2016 was \$205,875 and \$188,812. The Fund made contributions to MYC during the year ended June 30, 2017 of \$9,269.

**MADISON YOUTH CHOIRS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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NOTE 10 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2017 and 2016 were as follows:

	Significant Unobservable Inputs (Level 3)	
	2017	2016
Beneficial interest in assets held by MCF	\$ 229,859	\$ 211,602

MYC's beneficial interest in assets held by MCF (Foundation) represents an agreement between MYC and the Foundation in which MYC transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to MYC by the Foundation. Little information about those assets is released publicly.

The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	Beneficial Interest in Assets Held by MCF	
	2017	2016
Beginning balance	211,602	\$ 216,590
Change in value of beneficial interest included in change in net assets	28,105	(4,988)
Distributions	(9,848)	-
Ending balance	\$ 229,859	\$ 211,602

The change in value of beneficial interest included in the change in net assets is reported as agency endowment return on the statements of activities.