

MADISON YOUTH CHOIRS, INC.

FINANCIAL STATEMENTS

June 30, 2018 and 2017

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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, 2018 and 2017, 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.

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January 28, 2019

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MADISON YOUTH CHOIRS, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 281,635	\$ 240,144
Accounts receivable	866	276
Prepaid expenses	190,570	10,513
Total current assets	473,071	250,933
EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Equipment	97,970	94,453
Leasehold improvements	14,140	14,140
Wardrobe	6,061	6,061
Less accumulated depreciation	(112,200)	(110,987)
Equipment and leasehold improvements - net	5,971	3,667
OTHER ASSETS		
Beneficial interest in assets held by MCF	250,653	229,859
Total assets	<u>\$ 729,695</u>	<u>\$ 484,459</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 601	\$ 748
Unearned revenue	253,113	36,173
Total liabilities	253,714	36,921
NET ASSETS		
Unrestricted	460,981	447,538
Temporarily restricted	15,000	-
Total net assets	475,981	447,538
Total liabilities and net assets	<u>\$ 729,695</u>	<u>\$ 484,459</u>

See independent accountant's review report and accompanying notes.

MADISON YOUTH CHOIRS, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2018 and 2017

	2018	2017
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Gross tuition and other fees	\$ 224,295	\$ 221,809
Less tuition discounts	(22,133)	(24,013)
Tuition and other fees - net	202,162	197,796
Scotland tour fees	-	257,491
Contributions	187,489	185,214
Fundraising and merchandise sales	21,865	24,897
Concerts and performances	28,820	26,344
Advertising	3,550	3,500
Agency endowment return	20,794	28,105
Other income	1,012	694
Total unrestricted support and revenue	465,692	724,041
EXPENSES		
Personnel	343,441	343,785
Occupancy	25,788	25,602
Production	19,053	29,540
Information technology	6,245	17,078
Cost of merchandise sold	12,324	14,971
Professional fees	11,037	11,844
Insurance	7,119	6,517
Office expenses	6,342	6,805
Artistic	5,529	6,641
Other	5,271	6,133
Camps	3,705	3,465
Tours	3,375	233,948
Meetings	1,581	262
Depreciation	1,213	526
Advertising	226	324
Total expenses	452,249	707,441
Change in unrestricted net assets	13,443	16,600
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	15,000	-
Change in net assets	28,443	16,600
Net assets - beginning of year	447,538	430,938
Net assets - end of year	<u>\$ 475,981</u>	<u>\$ 447,538</u>

See independent accountant's review report and accompanying notes.

MADISON YOUTH CHOIRS, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 28,443	\$ 16,600
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,213	526
(Increase) decrease in assets		
Accounts receivable	(590)	(76)
Prepaid expenses	(180,057)	220,263
Increase (decrease) in liabilities		
Accounts payable	(147)	511
Unearned revenue	216,940	(244,546)
Net cash flows from operating activities	65,802	(6,722)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(3,517)	-
Return retained in agency endowments	(20,794)	(28,105)
Distributions from agency endowments	-	9,848
Net cash flows from investing activities	(24,311)	(18,257)
Net change in cash	41,491	(24,979)
Cash - beginning of year	240,144	265,123
Cash - end of year	\$ 281,635	\$ 240,144

See independent accountant's review report and accompanying notes.

MADISON YOUTH CHOIRS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

MYC reports 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 and fundraising and merchandise sales 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, 2018 and 2017

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 Note 6. 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 - MYC's community education programs include popular in-school choirs serving an economically diverse group of children in Madison at Lincoln 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 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. MYC serves 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 January 28, 2019, the date which the financial statements were available to be issued.

MADISON YOUTH CHOIRS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 2 – AGENCY ENDOWMENTS

MYC has 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, 2018 and 2017, MYC has designated \$250,653 and \$229,859 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, 2018 and 2017 were as follows:

	2018	2017
Board-designated endowment funds - beginning of year	\$ 229,859	\$ 211,602
Distribution from agency endowments	-	(9,848)
Net investment activity	20,794	28,105
Board-designated endowment funds - end of year	\$ 250,653	\$ 229,859

NOTE 3 – NET ASSETS

MYC’s board of directors as of June 30, 2018 and 2017 has chosen to place the following limitations on unrestricted net assets:

	2018	2017
Designated for MYC agency endowments	\$ 250,653	\$ 229,859
Undesignated	210,328	217,679
Unrestricted net assets	\$ 460,981	\$ 447,538

MADISON YOUTH CHOIRS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 4 – PREPAID EXPENSES AND UNEARNED REVENUE

During the year ended June 30, 2018, MYC collected fees and paid for charges related to a trip to Scotland in July and August of 2018. The prepaid expenses and unearned revenue at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Prepaid Expenses		
Scotland tour	\$ 180,960	\$ -
Other	9,610	10,513
	<u>190,570</u>	<u>10,513</u>
Unearned Revenue		
Scotland tour fees	\$ 208,007	\$ -
Tuition advances	38,260	29,584
Wardrobe	1,567	860
Other	5,279	5,729
	<u>253,113</u>	<u>36,173</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, 2018, MYC's uninsured cash balances were \$8,104.

NOTE 6 – FUNCTIONAL CLASSIFICATIONS OF EXPENSES

Expenses by function for the years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Program services		
Concerts and appearances	\$ 46,892	\$ 57,635
Community education	38,838	40,904
Tuition-based educational programming	263,538	502,622
	<u>349,268</u>	<u>601,161</u>
Total program services	349,268	601,161
Management and general activities	48,484	51,497
Development	54,497	54,783
	<u>102,981</u>	<u>106,280</u>
Total expenses	<u>\$ 452,249</u>	<u>\$ 707,441</u>

MADISON YOUTH CHOIRS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 7 – DONATED SERVICES

The fair value of donated services for the years ended June 30, 2018 and 2017 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
Information technology	\$ 270	\$ 945	\$ 135	\$ 1,350
Wardrobe mending	1,125	-	-	1,125
June 30, 2018	<u>\$ 1,395</u>	<u>\$ 945</u>	<u>\$ 135</u>	<u>\$ 2,475</u>
Information technology	\$ 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>

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, 2018 and 2017 was \$25,788 and \$25,602.

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, 2018 and 2017 was \$215,718 and \$205,875. The Fund made contributions to MYC during the years ended June 30, 2018 and 2017 of \$8,946 and \$9,269.

MADISON YOUTH CHOIRS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 10 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 were as follows:

	Significant Unobservable Inputs (Level 3)	
	2018	2017
Beneficial interest in assets held by MCF	\$ 250,653	\$ 229,859

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	
	2018	2017
Beginning balance	229,859	\$ 211,602
Change in value of beneficial interest included in change in net assets	20,794	28,105
Distributions	-	(9,848)
Ending balance	\$ 250,653	\$ 229,859

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.