

MADISON YOUTH CHOIRS, INC.

FINANCIAL STATEMENTS

June 30, 2019 and 2018

CONTENTS

Independent Accountant's Review Report.....	1
Statements of Financial Position.....	2
Statements of Activities	3
Statement of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6

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., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. We have also reviewed the accompanying statement of functional expenses for the year ended June 30, 2019. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity 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
Madison, Wisconsin
November 15, 2019

MADISON YOUTH CHOIRS, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 189,249	\$ 281,635
Accounts receivable	22,058	866
Prepaid expenses	2,149	190,570
Total current assets	213,456	473,071
EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Equipment	101,140	97,970
Leasehold improvements	14,140	14,140
Wardrobe	6,061	6,061
Less accumulated depreciation	(113,413)	(112,200)
Equipment and leasehold improvements, net	7,928	5,971
OTHER ASSETS		
Beneficial interest in assets held by Madison Community Foundation	256,680	250,653
Total assets	\$ 478,064	\$ 729,695
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,056	\$ 601
Unearned revenue	37,537	253,113
Total liabilities	40,593	253,714
NET ASSETS		
Without donor restrictions	437,471	460,981
With donor restrictions	-	15,000
Total net assets	437,471	475,981
Total liabilities and net assets	\$ 478,064	\$ 729,695

See independent accountant's review report and accompanying notes.

MADISON YOUTH CHOIRS, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2019 and 2018

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Program fees	\$ 213,585	\$ 224,295
Less program discounts	(24,257)	(22,133)
Program fees, net	189,328	202,162
Tour fees	206,922	-
Contributions	199,627	187,489
Fundraising sales	19,815	21,865
Concerts and appearances	20,285	28,820
Advertising	2,250	3,550
Change in beneficial interest in assets held by Madison Community Foundation	6,027	20,794
Other income	623	1,012
Total revenues without donor restrictions	644,877	465,692
EXPENSES		
Personnel	372,639	343,441
Occupancy	26,014	25,788
Production	25,431	19,053
Information technology	5,238	6,245
Cost of merchandise sold	13,000	12,324
Professional fees	9,392	11,037
Insurance	6,838	7,119
Office expenses	6,880	6,342
Artistic	6,025	5,529
Other	787	5,271
Camps	2,495	3,705
Tours	206,290	3,375
Meetings	822	1,581
Depreciation	1,213	1,213
Advertising	323	226
Total expenses	683,387	452,249
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of time restrictions	15,000	-
Change in net assets without donor restrictions	(23,510)	13,443
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	-	15,000
Net assets released from restrictions	(15,000)	-
Change in net assets with donor restrictions	(15,000)	15,000
Change in net assets	(38,510)	28,443
Net assets at beginning of year	475,981	447,538
Net assets at end of year	\$ 437,471	\$ 475,981

See independent accountant's review report and accompanying notes.

MADISON YOUTH CHOIRS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	<u>Program Services</u>			<u>Supporting Activities</u>		<u>Total</u>
	<u>Concerts and Appearances</u>	<u>Community Education Outreach</u>	<u>Tuition Based Educational Programming</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel	\$ 23,988	\$ 29,029	\$ 250,969	\$ 16,390	\$ 52,263	\$ 372,639
Tours	-	-	206,290	-	-	206,290
Production	25,431	-	-	-	-	25,431
Occupancy	1,675	2,027	17,520	1,143	3,649	26,014
Cost of merchandise sold	-	-	-	13,000	-	13,000
Professional fees	-	5,442	-	3,950	-	9,392
Information technology	269	325	2,811	1,309	524	5,238
Artistic	1,205	-	4,820	-	-	6,025
Office expenses	443	536	4,634	302	965	6,880
Insurance	2,735	-	2,735	1,368	-	6,838
Camps	-	2,495	-	-	-	2,495
Depreciation	78	95	817	53	170	1,213
Other	10	12	1,100	442	368	1,932
Total expenses	\$ 55,834	\$ 39,961	\$ 491,696	\$ 37,957	\$ 57,939	\$ 683,387

See independent accountant's review report and accompanying notes.

MADISON YOUTH CHOIRS, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (38,510)	\$ 28,443
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,213	1,213
Change in value of beneficial interest in assets held by Madison Community Foundation	(6,027)	(20,794)
(Increase) decrease in assets		
Accounts receivable	(21,192)	(590)
Prepaid expenses	188,421	(180,057)
Increase (decrease) in liabilities		
Accounts payable	2,455	(147)
Unearned revenue	(215,576)	216,940
Net cash flows from operating activities	(89,216)	45,008
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(3,170)	(3,517)
Net change in cash	(92,386)	41,491
Cash at beginning of year	281,635	240,144
Cash at end of year	\$ 189,249	\$ 281,635

See independent accountant's review report and accompanying notes.

MADISON YOUTH CHOIRS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Madison Youth Choirs (MYC) creates accessible, meaningful opportunities for youth to thrive in the arts and beyond. MYC offers students of all experience levels a comprehensive music education that inspires self-confidence, personal responsibility, and a spirit of inquiry leading students to become “expert noticers” through choral rehearsals and performances. Regularly collaborating with a diverse range of local organizations, MYC is committed to breaking down barriers to music education, whether financial, physical, or perceptual, and welcomes a vibrant community of singers who reflect the cultural tapestry of our community. MYC serves more than 1,000 young people, ages 7-18, and over 20,000 audience members annually.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Accounts Receivable

MYC considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If accounts receivable become uncollectible, they will be charged to operations when that determination is made.

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 net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, personnel, occupancy, professional fees, information technology, artistic, office expenses, insurance, depreciation, and other expenses, are allocated on the basis of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

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 Chavez elementary schools; 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, the Hmong Language and Cultural Enrichment summer camp, 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 – MYC is dedicated to creating meaningful educational experiences for its 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.

Management and general – Management and general activities relate to the overall direction of MYC and include the activities necessary to ensure proper administrative functioning of the board of directors, manage the financial responsibilities of MYC, and perform other administrative functions.

Fundraising – Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

MADISON YOUTH CHOIRS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 revenues and expenses. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

Madison Youth Choirs, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

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 November 15, 2019, the date which the financial statements were available to be issued.

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.

MADISON YOUTH CHOIRS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – AGENCY ENDOWMENTS (continued)

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, 2019 and 2018, MYC has designated \$256,680 and \$250,653 of net assets without donor restrictions for the agency endowments. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Composition of and changes in endowment net assets at June 30, 2019 and 2018 were as follows:

	2019	2018
Board-designated endowment funds at beginning of year	\$ 250,653	\$ 229,859
Net investment activity	6,027	20,794
Board-designated endowment funds at end of year	\$ 256,680	\$ 250,653

NOTE 3 – NET ASSETS

MYC’s board of directors has designated net assets without donor restrictions for the following purpose:

	2019	2018
Designated for MYC agency endowments	\$ 256,680	\$ 250,653
Undesignated	180,791	210,328
Net assets without donor restrictions	\$ 437,471	\$ 460,981

At June 30, 2018, net assets with donor restrictions consisted of \$15,000 restricted for the 2019 Spring Concert.

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, 2019 and 2018 consisted of the following:

MADISON YOUTH CHOIRS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 4 – PREPAID EXPENSES AND UNEARNED REVENUE (continued)

	2019	2018
Prepaid Expenses		
Tour	\$ -	\$ 180,960
Other	2,149	9,610
	\$ 2,149	\$ 190,570
Unearned Revenue		
Tour fees	\$ -	\$ 208,007
Tuition advances	34,165	38,260
Wardrobe	1,100	1,567
Other	2,272	5,279
	\$ 37,537	\$ 253,113

NOTE 5 – FUNCTIONAL ALLOCATION OF EXPENSES

Expenses by function for the year ended June 30, 2018 were as follows:

Program services		
Concerts and appearances		\$ 46,892
Community education		38,838
Tuition-based educational programming		263,538
		349,268
Total program services		349,268
Management and general activities		48,484
Fundraising		54,497
		102,981
Total expenses		\$ 452,249

NOTE 6 – 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, 2019 and 2018 was \$222,378 and \$215,718. The Fund made contributions to MYC during the years ended June 30, 2019 and 2018 of \$8,615 and \$8,946.

MADISON YOUTH CHOIRS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 7 – 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, 2019 and 2018 was \$26,014 and \$25,788.

NOTE 8 – DONATED SERVICES

The fair value of donated services for the years ended June 30, 2019 and 2018 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	Fundraising	Total
Information technology	\$ 195	\$ 75	\$ 30	\$ 300
Wardrobe mending	1,125	-	-	1,125
June 30, 2019	<u>\$ 1,320</u>	<u>\$ 75</u>	<u>\$ 30</u>	<u>\$ 1,425</u>
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>

NOTE 9 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018 were as follows:

	Significant Unobservable Inputs (Level 3)	
	2019	2018
Beneficial interest in assets held by MCF	<u>\$ 256,680</u>	<u>\$ 250,653</u>

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.

MADISON YOUTH CHOIRS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

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

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 250,653	\$ 229,859
Change in value of beneficial interest in assets held by Madison Community Foundation	<u>6,027</u>	<u>20,794</u>
Ending balance	<u>\$ 256,680</u>	<u>\$ 250,653</u>

NOTE 10 – LIQUIDITY AND AVAILABILITY

The following table reflects the MYC's financial assets of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions.

Cash	\$ 189,249
Accounts receivable	22,058
Beneficial interest in assets held by Madison Community Foundation	<u>256,680</u>
Financial assets, at year end	\$ 467,987
Less those unavailable for general expenditures within one year due to: Beneficial interest in assets held by Madison Community Foundation	256,680
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 211,307</u>

As part of MYC's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.