

MILWAUKEE CHILDREN'S CHOIR, INC.
MILWAUKEE, WISCONSIN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2010

MILWAUKEE CHILDREN'S CHOIR, INC.
MILWAUKEE, WISCONSIN

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Independent Auditor's Report

Board of Directors
Milwaukee Children's Choir, Inc.
Milwaukee, Wisconsin

We have audited the accompanying statement of financial position of Milwaukee Children's Choir, Inc. (MCC) as of June 30, 2010, and the related statements activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the MCC management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milwaukee Children's Choir, Inc. as of June 30, 2010 and the results of its operations and changes in its cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.



Krause & Associates, SC
Grafton, Wisconsin
September 28, 2010

MILWAUKEE CHILDREN'S CHOIR, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

Cash and cash equivalents	\$ 144,364
Accounts receivable	17,609
Prepaid expenses	200
FIXED ASSETS	
Instruments and equipment	18,018
Less accumulated depreciation	<u>(15,069)</u>
Fixed assets, net	<u>2,949</u>
TOTAL ASSETS	<u><u>\$ 165,122</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	\$ 5,313
Deferred revenue	<u>21,242</u>
TOTAL LIABILITIES	<u>26,555</u>
NET ASSETS	
Unrestricted	129,147
Temporarily restricted	<u>9,420</u>
Total net assets	<u>138,567</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 165,122</u></u>

The accompanying notes are an integral part of these financial statements.

MILWAUKEE CHILDREN'S CHOIR, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Tuition and fees for services	\$ 115,439	\$ -	\$ 115,439
Contributions and grants	165,166	436	165,602
Tickets and admissions	22,008	-	22,008
Special events	11,611	-	11,611
Retail sales	3,665	-	3,665
Interest	449	1	450
	<u>318,338</u>	<u>437</u>	<u>318,775</u>
Total revenue and support			
EXPENSES			
Program	257,991	-	257,991
Management and general	57,680	-	57,680
Fundraising	12,664	-	12,664
	<u>328,335</u>	<u>-</u>	<u>328,335</u>
Total expenses			
Change in net assets	(9,997)	437	(9,560)
NET ASSETS, beginning of year	<u>139,144</u>	<u>8,983</u>	<u>148,127</u>
NET ASSETS, end of year	<u>\$ 129,147</u>	<u>\$ 9,420</u>	<u>\$ 138,567</u>

The accompanying notes are an integral part of these financial statements.

MILWAUKEE CHILDREN'S CHOIR, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ (9,560)
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	1,588
Decrease in accounts receivable	4,003
Decrease in inventory	5,348
Increase in prepaid expenses	(200)
Decrease in accounts payable	(7,294)
Decrease in payroll taxes payable	(1,007)
Decrease in deferred revenue	<u>(3,848)</u>
Net cash used in operating activities	(10,970)
Net decrease in cash and cash equivalents	(10,970)
Cash and cash equivalents at beginning of year	<u>155,334</u>
Cash and cash equivalents at end of year	<u><u>\$ 144,364</u></u>

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ - <u><u> </u></u>
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The accompanying notes are an integral part of these financial statements.

MILWAUKEE CHILDREN'S CHOIR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
OPERATING EXPENSES				
Salaries and wages	\$ 153,790	\$ 27,761	\$ 6,493	\$ 188,044
Payroll taxes	11,548	2,085	487	14,120
Advertising	17,673	-	-	17,673
Bank charges	-	2,407	-	2,407
Depreciation	196	1,392	-	1,588
Dues	480	325	-	805
Insurance	3,281	600	120	4,001
Performance and production	36,177	-	-	36,177
Postage	1,739	580	1,185	3,504
Printing	2,090	414	-	2,504
Professional fees	3,958	14,757	-	18,715
Rent	17,861	1,189	792	19,842
Supplies	2,900	3,159	3,587	9,646
Telephone	950	950	-	1,900
Other	<u>5,348</u>	<u>2,061</u>	<u>-</u>	<u>7,409</u>
 Total expenses	 <u>\$ 257,991</u>	 <u>\$ 57,680</u>	 <u>\$ 12,664</u>	 <u>\$ 328,335</u>

The accompanying notes are an integral part of these financial statements.

MILWAUKEE CHILDREN'S CHOIR, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization and business activity

The Milwaukee Children's Choir, Inc. (MCC) is incorporated under the laws of the State of Wisconsin. MCC was established in 1994 as part of the Milwaukee Chamber Orchestra and became an independent not-for-profit organization in 2000. Through regular choir programming and outreach, MCC reaches more than 400 singers in grades 1-12, from over 150 schools. Members come from seven counties and sing in five distinct choir levels. MCC has a liberal financial aid policy and has programming especially geared to Milwaukee's urban youth.

MCC provides exceptional choral music instruction and performance experiences that foster creativity, personal expression and social growth. Through child-centered instruction and age-appropriate performances, MMC helps youth build, within themselves, noteworthy character.

MCC presents several of its own concerts each year, tours regionally and abroad, and performs locally with the Milwaukee Symphony Orchestra, Milwaukee Ballet, Present Music, Milwaukee Youth Symphony Orchestra, Festival City Symphony, The Skylight and other area performing arts organizations. MCC teaches life skills through choral music instruction and performance and in doing so it pleases thousands of performing arts patrons every year.

2. Accounting method

MCC follows the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America, wherein revenues and expenses are recorded in the period earned or incurred. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of MCC are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

MILWAUKEE CHILDREN'S CHOIR, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2010

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Accounting method – continued

Temporarily Restricted net assets - Net assets subject to donor-imposed restrictions that may or may not be met, either by actions of MCC and/or the passage of time. When a restriction is met, restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted net assets – Net assets subject to a donor imposed restriction that they be maintained permanently by MCC. As of June 30, 2010, the MCC have no permanently restricted net assets.

3. Cash and cash equivalents

For purposes of the Statement of Cash Flows, MCC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Accounts receivable

MCC considers trade receivables to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

5. Inventory

Inventory consists of choral recordings for resale. Costs applicable to inventory on hand are determined on the first-in, first-out method. During 2010, MCC wrote off \$5,348 of inventory costs as excess.

6. Fixed assets

Fixed assets are recorded at cost or fair market value if donated. MCC capitalizes all new expenditures for fixed assets in excess of \$1,000. Maintenance and repairs are expensed currently. Fixed assets are depreciated over the estimated useful lives of the assets using the straight-line method as follows:

Instruments and equipment	5 - 7 years
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MILWAUKEE CHILDREN'S CHOIR, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2010

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Deferred revenue and prepaid expenses

Deferred revenue represents advance tuition for the subsequent performance season. Prepaid expenses represent disbursements paid in advance for the subsequent performance season.

8. Advertising

MCC expenses advertising and promotion costs in the period for which the costs relate. The 2010 expense for such costs was \$17,673. At June 30, 2010, there were no prepaid amounts for such costs.

9. Music Rights

MCC owns certain music performance rights. As these rights are not transferable, they are not considered assets.

10. Income taxes

The MCC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The MCC evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

11. Donated services and materials

A number of unpaid volunteers have made significant contributions of their time in conjunction with MCC programs and services. The value of this contributed time is not included in these financial statements, since they are not susceptible to objective measurement.

12. Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

MILWAUKEE CHILDREN'S CHOIR, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2010

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

14. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through September 28, 2010, which is the date that the financial statements were available to be issued. No subsequent events were noted.

B - LEASE COMMITMENTS

MCC leases its administrative and office space under an operating lease through June 30, 2011. Rent is \$550 per month. Future minimum lease payments required under the lease total \$6,600 for 2011.

MCC rents rehearsal and performance space on an as needed basis, without an ongoing commitment to MCC. Rent expense totaled \$19,842 for the year ended June 30, 2010.

C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2010:

Emily Crocker Fund outreach and tuition assistance	\$	6,222
Tour funds		<u>3,198</u>
Total	\$	<u>9,420</u>

D - FUNDRAISING

General fundraising and development expenses are reported as operating expenses.