

Friends of the Minnesota Sinfonia
Minneapolis, Minnesota

Financial Statements
Independent Accountant's Review Report
For the Years Ended
September 30, 2014 and 2013

Carpenter *Evert*
Certified Public Accountants



CONTENTS

| | <u>PAGE</u> |
|---|--------------------|
| INDEPENDENT ACCOUNTANT'S REVIEW REPORT | 1 |
| EXHIBIT A: Statements of Activities and Changes in Net Assets – For the Years Ended September 30, 2014 and 2013 | 2 |
| EXHIBIT B: Statement of Functional Expense – For the Year Ended September 30, 2014 with Comparative Totals for 2013..... | 3 |
| EXHIBIT C: Statement of Functional Expense – For the Year Ended September 30, 2013 | 4 |
| EXHIBIT D: Statements of Financial Position – September 30, 2014 and 2013..... | 5 |
| EXHIBIT E: Statements of Cash Flows – For the Years Ended September 30, 2014 and 2013 | 6 |
| NOTES TO FINANCIAL STATEMENTS | 7-12 |

Certified Public Accountants

Minnesota Center • Suite 940

7760 France Avenue South

Bloomington, Minnesota 55435

952-831-0085 Fax 952-831-0792

Carpenter Evert

Independent Accountant's Review Report

Board of Directors
Friends of the Minnesota Sinfonia
Minneapolis, Minnesota

We have reviewed the accompanying statements of financial position of Friends of the Minnesota Sinfonia as of September 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expense and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization's 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 opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with accounting principles generally accepted in the United States of America.


Carpenter Evert & Associates, Ltd.
Certified Public Accountants

Minneapolis, Minnesota
November 20, 2014

FRIENDS OF THE MINNESOTA SINFONIA
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

| | 2014 | | | | 2013 | |
|---|------------------------------|-------------------------|------------------|------------------------------|--------------------------|--------------------------|
| | Total Program Services | Management & General | Fund- raising | Total Support Services | Total All Services | Total All Services |
| Salaries | 46,150 | 30,139 | 17,895 | 48,034 | 94,184 | \$ 92,900 |
| Payroll Taxes and Employee Benefits | 3,891 | 2,541 | 1,509 | 4,050 | 7,941 | 7,644 |
| Total Personnel Costs | 50,041 | 32,680 | 19,404 | 52,084 | 102,125 | 100,544 |
| Artistic Contract Services | 408,692 | - | - | - | 408,692 | 361,527 |
| Rent | 14,389 | 952 | 565 | 1,517 | 15,906 | 24,134 |
| Printing, Postage and Office Supplies | 10,644 | 6,950 | 4,127 | 11,077 | 21,721 | 16,577 |
| Travel | 9,870 | - | - | - | 9,870 | 13,983 |
| Advertising and Public Relations | 6,330 | - | - | - | 6,330 | 5,873 |
| Professional Fees and Contract Services | 2,500 | 2,713 | - | 2,713 | 5,213 | 5,862 |
| Insurance | 1,100 | 719 | 427 | 1,146 | 2,246 | 2,938 |
| Equipment Rental and Maintenance | 61 | 40 | 24 | 64 | 125 | 1,303 |
| Other | - | 729 | - | 729 | 729 | 333 |
| Music Program Development | 708 | - | - | - | 708 | 559 |
| Depreciation | - | 64 | - | 64 | 64 | 383 |
| Total Expense | \$ 504,335 | \$ 44,847 | \$ 24,547 | \$ 69,394 | \$ 573,729 | \$ 534,016 |

See accompanying Notes to Financial Statements
and Independent Accountant's Review Report.

FRIENDS OF THE MINNESOTA SINFONIA
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | Support Services | | | | |
|---|------------------------------|-------------------------|------------------|------------------------------|--------------------------|
| | Total Program Services | Management & General | Fund- raising | Total Support Services | Total All Services |
| Salaries | \$ 44,592 | \$ 29,728 | \$ 18,580 | \$ 48,308 | \$ 92,900 |
| Payroll Taxes and Employee Benefits | 3,669 | 2,446 | 1,529 | 3,975 | 7,644 |
| Total Personnel Costs | 48,261 | 32,174 | 20,109 | 52,283 | 100,544 |
| Artistic Contract Services | 361,527 | - | - | - | 361,527 |
| Rent | 22,631 | 925 | 578 | 1,503 | 24,134 |
| Printing, Postage and Office Supplies | 7,957 | 5,305 | 3,315 | 8,620 | 16,577 |
| Travel | 13,983 | - | - | - | 13,983 |
| Advertising and Public Relations | 5,873 | - | - | - | 5,873 |
| Professional Fees and Contract Services | 550 | 2,617 | 2,695 | 5,312 | 5,862 |
| Insurance | 1,410 | 940 | 588 | 1,528 | 2,938 |
| Equipment Rental and Maintenance | 625 | 417 | 261 | 678 | 1,303 |
| Other | - | 333 | - | 333 | 333 |
| Music Program Development | 559 | - | - | - | 559 |
| Depreciation | - | 383 | - | 383 | 383 |
| Total Expense | \$ 463,376 | \$ 43,094 | \$ 27,546 | \$ 70,640 | \$ 534,016 |

See accompanying Notes to Financial Statements
and Independent Accountant's Review Report.

FRIENDS OF THE MINNESOTA SINFONIA
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013

| <u>ASSETS</u> | <u>2014</u> | <u>2013</u> |
|--------------------------------------|-----------------------|-----------------------|
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 138,524 | \$ 139,107 |
| Grants Receivable | 58,417 | 44,677 |
| Prepaid Expenses | - | 245 |
| Total Current Assets | <u>196,941</u> | <u>184,029</u> |
| Property and Equipment - Net | <u>-</u> | <u>64</u> |
| TOTAL ASSETS | <u>\$ 196,941</u> | <u>\$ 184,093</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| None | \$ - | \$ - |
| Net Assets: | | |
| Unrestricted | | |
| Board Designated Operating Reserve | 24,016 | 15,006 |
| Undesignated | 82,925 | 78,087 |
| Total Unrestricted Net Assets | <u>106,941</u> | <u>93,093</u> |
| Temporarily Restricted | 90,000 | 91,000 |
| Total Net Assets | <u>196,941</u> | <u>184,093</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 196,941</u> | <u>184,093</u> |

See accompanying Notes to Financial Statements
and Independent Accountant's Review Report.

FRIENDS OF THE MINNESOTA SINFONIA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

| <u>Increase (Decrease) in Cash and Cash Equivalents</u> | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ 12,848 | \$ 39,016 |
| Total Adjustments | <u>(13,431)</u> | <u>(18,885)</u> |
| Net Cash Provided (Used) by Operating Activities | (583) | 20,131 |
| Cash Flows from Investing Activities: | | |
| None | - | - |
| Cash Flows from Financing Activities: | | |
| None | <u>-</u> | <u>-</u> |
| Net Increase (Decrease) in Cash | (583) | 20,131 |
| Cash and Cash Equivalents - Beginning of Year | <u>139,107</u> | <u>118,976</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 138,524</u> | <u>\$ 139,107</u> |

See accompanying Notes to Financial Statements
and Independent Accountant's Review Report.

FRIENDS OF THE MINNESOTA SINFONIA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

1. Summary of Significant Accounting Policies

Organizational Purpose

Friends of the Minnesota Sinfonia (The Sinfonia) is a Minnesota nonprofit corporation. The Sinfonia is a nonprofit professional chamber orchestra that provides concerts and informal performances for people of all ages, social and economic backgrounds and degrees of familiarity with music as well as educational services for our inner-city public schools. The Sinfonia is dedicated to offering free, accessible concerts and informational education programs that foster and nurture the enjoyment of music. To accomplish this mission, the Sinfonia participates in the following programs:

Music in the Schools – Music in the Schools (MIS) is a curriculum-based program that takes the entire 27 member professional Minnesota Sinfonia into inner-city Minneapolis and St. Paul public schools, all at no charge to the districts or students. MIS ties music content to the students' ongoing studies of core academics with a three-month pre-concert curriculum, and culminates with a "Sinfonia Day" that includes classroom visits from musicians and two concerts at each school. MIS uses state educational benchmarks to develop age-appropriate and culturally sensitive curriculums that are relevant to the children we serve, and actively involve them in learning their core subjects and music.

Community Concerts – Community Concerts take place during the holidays and summer months and are performed in a variety of readily accessible and familiar community locations. The repertoire is on the lighter side, and features Broadway show tunes, music from the movies, familiar classics, waltzes, polkas, marches and more. Community concerts are designed as family-friendly events that appeal to all ages and demographics, and are often the first exposure to quality concert music for many of our community's children.

Winter and Summer Concert Series – The Winter and Summer Concert Series are the Sinfonia's "classical" offerings, performed in convenient and easily accessible Minneapolis and St. Paul neighborhood settings. These concerts feature great orchestral repertoire, and locally and internationally renowned soloists. One concert of the Summer Series is reserved for the Annual Youth Outreach Concert, which features the Sinfonia's Young Artist Competition winners as soloists, the winning entry in the Sinfonia/Junior Composers' Music Composition Contest and many of the region's most talented local young musicians performing alongside the Sinfonia.

Programs for Talented Youth – Includes the Young Artist Competition and Junior Composers' Contest which are regional contests for area students up to the age of 19 who compete to win cash prizes, solo appearances and have their works performed by the Sinfonia; and the Youth Outreach week for 40 students.

FRIENDS OF THE MINNESOTA SINFONIA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

1. Summary of Significant Accounting Policies (continued)

Children's Concerts - Children's Concerts are exciting educational programs, where the children not only learn about great music, but also have great fun doing so. These concerts are offered at venues such as Camp Courage for disabled in Wright County, John A Johnson elementary school in St Paul, and North Commons Park in Minneapolis. The North Side Music and Arts Festival is another part of the Sinfonia's community involvement. Each summer the Sinfonia partners with North Minneapolis arts and community groups to perform a concert featuring children from North Minneapolis. One year they danced and acted to Cinderella, and another to Peter and the Wolf. This next summer will be another gala affair in collaboration with Flow, the North Side art extravaganza, and the children will dance and act to The Ugly Duckling.

Greater Minnesota Touring - The Sinfonia brings classical and lighter concert programs and educational services to greater Minnesota communities, nearly all of which are not served by the region's other major professional orchestras.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to The Sinfonia, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and purpose. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of The Sinfonia resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Cash and Cash Equivalents

The Sinfonia defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Property and Equipment

All major expenditures for property and equipment greater than \$250 are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

FRIENDS OF THE MINNESOTA SINFONIA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

1. Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded when received and recognized as support in the period pledged. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statement of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Unconditional promises receivable are recorded as revenue in the period they are received. Conditional promises receivables are recorded in the period when the conditions on which they are based are met.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, The Sinfonia will record such disallowance at the time the final assessment is made.

Functional Allocation of Expense

Salaries and related expenses are allocated based on job descriptions and estimates. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service are allocated based on the best estimates of management.

Income Tax

The Sinfonia has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Sinfonia's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Sinfonia continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Sinfonia annually files a Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending September 30, 2011 and later remain subject to examination by the Internal Revenue Service.

FRIENDS OF THE MINNESOTA SINFONIA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

1. 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 reported amounts of 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.

Subsequent Events

The Sinfonia has evaluated the effect that subsequent events would have on the financial statements through November 20, 2014, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

The Sinfonia provides services within the Twin Cities area. Grants and contributions receivable are from local individuals or institutions.

3. Property and Equipment

The Sinfonia owned the following assets as of:

| | <u>September 30,</u> | | <u>Estimated</u> |
|-------------------------------|----------------------|--------------|---------------------|
| | <u>2014</u> | <u>2013</u> | <u>Useful Lives</u> |
| Equipment | \$ 7,898 | \$ 7,898 | 3 – 5 years |
| Less Accumulated Depreciation | <u>7,898</u> | <u>7,834</u> | |
| | <u>\$ -</u> | <u>\$ 64</u> | |

Depreciation expense of \$64 and \$383 was recorded for the years ended September 30, 2014 and 2013, respectively.

FRIENDS OF THE MINNESOTA SINFONIA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts from the following grants and contributions as of:

| | <u>September 30,</u> | |
|--|----------------------|------------------|
| | <u>2014</u> | <u>2013</u> |
| Winter Concert Series | \$ 75,000 | \$ 20,000 |
| Music in the Schools | 10,000 | 5,000 |
| Community Concerts | 5,000 | 28,000 |
| North Side Music and Arts | - | 22,000 |
| 25 th Anniversary Celebration | - | 16,000 |
| | <u>\$ 90,000</u> | <u>\$ 91,000</u> |

5. Leased Facilities

Rental commitments under noncancelable leases for office space in effect at September 30, 2014, total \$7,514. The future annual rental commitments are as follows:

| <u>Due in the Year Ending September 30,</u> | |
|---|-----------------|
| 2015 | \$ 3,049 |
| 2016 | 3,140 |
| 2017 | <u>1,325</u> |
| | <u>\$ 7,514</u> |

Rental expense was \$2,975 and \$2,890 for the years ended September 30, 2014 and 2013, respectively.

6. In-kind Contributions

The Sinfonia records in-kind contributions at fair market value at date of donation. In-kind contributions included the following as of:

| | <u>September 30,</u> | |
|-----------------------|----------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| Professional Services | \$ 140,015 | \$ 109,900 |
| Venue Rental | 12,000 | 16,100 |
| | <u>\$ 152,015</u> | <u>\$ 126,000</u> |

FRIENDS OF THE MINNESOTA SINFONIA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

7. Grants Receivable

The outstanding balance of \$58,417 for grants receivable at September 30, 2014, is expected to be collected in the subsequent fiscal year.

The balance of grants receivable is due from two sources; 49% from the Minnesota State Arts Board and 51% from a single foundation. All balances are considered collectable.

8. Board Designated Operating Reserve

The Board of Directors has established a operating reserve fund. The purpose of the fund is to ensure the stability of the mission, programs, employment, and ongoing operations of The Sinfonia.

9. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

| | <u>September 30,</u> | |
|--|----------------------|--------------------|
| | <u>2014</u> | <u>2013</u> |
| Depreciation Expense | \$ 64 | \$ 383 |
| Decreases (Increases) in Current Assets: | | |
| Grants Receivable | (13,740) | (19,023) |
| Prepaid Expenses | 244 | (245) |
| Total Adjustments | <u>\$ (13,432)</u> | <u>\$ (18,885)</u> |