

**MASTERSVOICES, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**MASTERVOICES, INC.**

JUNE 30, 2017 AND 2016

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
MasterVoices, Inc.  
New York, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of MasterVoices, Inc. ("Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### ***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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MasterVoices, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The financial statements for MasterVoices, Inc., as of June 30, 2016, were audited by other auditors whose report, dated November 8, 2016, expressed an unmodified opinion on those statements.

*Sobel & Co, LLC*  
Certified Public Accountants

Livingston, New Jersey  
October 6, 2017

**MASTEROICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 40,955	\$ 76,065
Promises to give, current	103,749	81,214
Prepaid expenses	12,360	127,232
Total Current Assets	157,064	284,511
PROPERTY AND EQUIPMENT, net	22,930	3,424
LONG-TERM ASSETS:		
Promises to give, net	98,985	57,496
Security deposits	5,070	5,070
	104,055	62,566
Total Assets	\$ 284,049	\$ 350,501
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 45,433	\$ 42,989
Accrued payroll and related liabilities	5,770	6,504
Deferred revenue	-	78,757
Total Current Liabilities	51,203	128,250
NET ASSETS:		
Unrestricted	107,861	32,255
Temporarily restricted	124,985	189,996
Total Net Assets	232,846	222,251
Total Liabilities and Net Assets	\$ 284,049	\$ 350,501

**MASTEROICES, INC.****STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended June 30, 2017			Year Ended June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions, net of discount	\$ 753,135	\$ 152,841	\$ 905,976	\$ 743,287	\$ 81,906	\$ 825,193
Government grant revenue	21,580	-	21,580	15,000	-	15,000
Special events, net of expense	406,141	-	406,141	269,270	-	269,270
Contributed services	25,000	-	25,000	12,250	-	12,250
Contributed materials	1,127	-	1,127	12,890	-	12,890
Concert fees	96,505	-	96,505	66,401	-	66,401
Concert ticket sales	328,205	-	328,205	366,758	-	366,758
Membership dues	30,830	-	30,830	23,145	-	23,145
Other revenue	471	-	471	3,310	-	3,310
	<u>1,662,994</u>	<u>152,841</u>	<u>1,815,835</u>	<u>1,512,311</u>	<u>81,906</u>	<u>1,594,217</u>
Net assets released from restriction	217,852	(217,852)	-	62,199	(62,199)	-
Total support and revenue	<u>1,880,846</u>	<u>(65,011)</u>	<u>1,815,835</u>	<u>1,574,510</u>	<u>19,707</u>	<u>1,594,217</u>
<b>EXPENSES:</b>						
Program services	1,405,361	-	1,405,361	1,145,875	-	1,145,875
Supporting services:						
Management and general	199,660	-	199,660	260,149	-	260,149
Fundraising	200,219	-	200,219	178,995	-	178,995
Total supporting services	<u>399,879</u>	<u>-</u>	<u>399,879</u>	<u>439,144</u>	<u>-</u>	<u>439,144</u>
Total expenses	<u>1,805,240</u>	<u>-</u>	<u>1,805,240</u>	<u>1,585,019</u>	<u>-</u>	<u>1,585,019</u>
CHANGES IN NET ASSETS	75,606	(65,011)	10,595	(10,509)	19,707	9,198
<b>NET ASSETS:</b>						
Beginning of year	<u>32,255</u>	<u>189,996</u>	<u>222,251</u>	<u>42,764</u>	<u>170,289</u>	<u>213,053</u>
End of year	<u>\$ 107,861</u>	<u>\$ 124,985</u>	<u>\$ 232,846</u>	<u>\$ 32,255</u>	<u>\$ 189,996</u>	<u>\$ 222,251</u>

**MASTERVOICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

	Program Services	Support Services			Program and Support Services
		Management and General	Fundraising	Total Support Services	
Salaries	\$ 245,826	\$ 113,903	\$ 111,894	\$ 225,797	\$ 471,623
Employee benefits	32,206	14,865	14,864	29,729	61,935
Payroll taxes	20,599	9,507	9,507	19,014	39,613
Total salaries and related	298,631	138,275	136,265	274,540	573,171
Advertising	84,696	-	-	-	84,696
Concert hall	253,404	-	-	-	253,404
Consultant expense	28,675	-	26,650	26,650	55,325
Commissions	2,500	-	-	-	2,500
Credit card fees	18,811	-	-	-	18,811
Depreciation	2,265	791	539	1,330	3,595
Donor cultivation	-	-	21,509	21,509	21,509
Dues and subscriptions	1,620	-	-	-	1,620
Education	26,727	-	-	-	26,727
Event expense	84,297	-	-	-	84,297
Insurance	15,297	-	-	-	15,297
Lighting and costumes	13,964	-	-	-	13,964
Marketing and promotion	21,957	-	-	-	21,957
Miscellaneous	-	1,127	450	1,577	1,577
Music	35,201	-	-	-	35,201
Occupancy	30,868	10,779	7,349	18,128	48,996
Office expense	31,321	10,938	7,457	18,395	49,716
Orchestra	220,532	-	-	-	220,532
Professional fees	-	37,750	-	37,750	37,750
Recording	50,184	-	-	-	50,184
Recruitment	3,702	-	-	-	3,702
Rehearsal expense	21,568	-	-	-	21,568
Scenery	20,000	-	-	-	20,000
Soloist expense	139,141	-	-	-	139,141
Total Functional Expenses	\$ 1,405,361	\$ 199,660	\$ 200,219	\$ 399,879	\$ 1,805,240

**MASTERVOICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**

	Program Services	Support Services			Program and Support Services
		Management and General	Fundraising	Total Support Services	
Salaries	\$ 214,539	\$ 131,347	\$ 98,991	\$ 230,338	\$ 444,877
Employee benefits	32,063	19,630	14,794	34,424	66,487
Payroll taxes	18,086	11,073	8,345	19,418	37,504
Total salaries and related expenses	264,688	162,050	122,130	284,180	548,868
Advertising	70,503	-	-	-	70,503
Concert hall	248,050	-	-	-	248,050
Consultant expense	33,801	-	9,050	9,050	42,851
Commissions	26,733	-	-	-	26,733
Credit card fees	-	18,973	-	18,973	18,973
Depreciation	800	635	479	1,114	1,914
Dancer fees	17,500	-	-	-	17,500
Donor cultivation	-	-	16,467	16,467	16,467
Dues and subscriptions	1,175	-	-	-	1,175
Education	1,195	-	-	-	1,195
Event expense	-	-	8,576	8,576	8,576
Insurance	-	16,582	-	16,582	16,582
Lighting and costumes	17,188	-	-	-	17,188
Marketing and promotion	45,258	-	-	-	45,258
Miscellaneous	4,896	1,000	181	1,181	6,077
Music	12,153	-	-	-	12,153
Occupancy	23,445	18,606	14,023	32,629	56,074
Office expense	13,525	10,733	8,089	18,822	32,347
Orchestra	154,072	-	-	-	154,072
Public relations	27,600	-	-	-	27,600
Professional fees	-	31,570	-	31,570	31,570
Recording	16,710	-	-	-	16,710
Recruitment	2,627	-	-	-	2,627
Rehearsal expense	23,524	-	-	-	23,524
Scenery	19,913	-	-	-	19,913
Soloist expense	120,519	-	-	-	120,519
Total Functional Expenses	\$ 1,145,875	\$ 260,149	\$ 178,995	\$ 439,144	\$ 1,585,019



**MASTERSVOICES, INC.**  
**STATEMENTS OF CASH FLOWS**

	June 30,	
	2017	2016
CASH FLOWS (USED FOR) PROVIDED BY:		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 10,595	\$ 9,198
Adjustments to reconcile changes in net assets to net cash (used for) provided by operating activities:		
Depreciation	3,595	1,914
Discount on promise to give	2,011	2,458
Changes in certain assets and liabilities:		
Accounts receivable	-	846
Promises to give	(66,035)	3,999
Grants receivable	-	11,591
Prepaid expenses	114,872	(111,731)
Security deposits	-	(100)
Accounts payable and accrued expenses	2,444	18,882
Accrued payroll and related liabilities	(734)	3,152
Deferred revenue	(78,757)	78,757
Net Cash (Used for) Provided by Operating Activities	<u>(12,009)</u>	<u>18,966</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	<u>(23,101)</u>	<u>(589)</u>
NET (DECREASE) INCREASE IN CASH	(35,110)	18,377
CASH:		
Beginning of year	<u>76,065</u>	<u>57,688</u>
End of year	<u>\$ 40,955</u>	<u>\$ 76,065</u>

**MASTERVOICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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**NOTE 1 - NATURE OF ORGANIZATION:**

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MasterVoices, Inc. (“Organization”) is a performing arts organization that produces and performs large-scale musical works that:

Feature world class soloists and orchestras and our 130 voice chorus of men and women from all walks of life, ages 15 to 85, who dedicate their time and energy to bring these works to life;

Involve collaborations with world-class orchestras, soloists, directors, choreographers and visual artists, so that even familiar works can be viewed and heard in new ways;

Have not been heard or seen in recent memory, be they neglected masterpieces, new works that deserve to be heard, or commissioned works;

Celebrate the power and beauty of human voices raised in song, brought together in a group effort to tell a story.

The Organization considers education and outreach to be important aspects of its work. Its Side-by-Side program offers gifted high school students the opportunity to rehearse and perform with guidance from singing members and professional artists in New York and abroad. Additionally, the Organization gives complimentary tickets to hundreds of high school students and seniors from New York each season, and invites young soloists to perform at top venues as part of the Faith Geier Artist Initiative.

In June 2016, MasterVoices launched “Bridges: Connecting Communities through Music,” a new outreach program that provides people in the New York community with the opportunity to come together to make music with the Organization, regardless of their abilities or backgrounds.

The Organization has performed in prominent New York concert halls, including Carnegie Hall, City Center, and Geffen Hall, under the batons of many esteemed conductors, among them Serge Koussevitzky, Arturo Toscanini, Leonard Bernstein, James Levine, Lauren Maazel, Zubin Mehta, Riccardo Muti, and Alan Gilbert. The Organization has also attracted many world-class soloists, including, Bryn Terfel, Rene Pape, Stephanie Blythe, Deborah Voigt, Eric Owens, Thomas Hampson, Kelli O’Hara, Paulo Szot, and Victoria Clark. Because of its reputation of excellence, MasterVoices, Inc. has been hired to perform with many top orchestras over the years, including the NBC Symphony, the New York Philharmonic, and the Israel Philharmonic, and have been invited to appear abroad in Israel and at the Verbier and Salzburg festivals.

On August 3, 2015, the Organization formally changed its name from The Collegiate Chorale, Inc. to MasterVoices, Inc. The name change was done in conjunction with the Organization’s 75<sup>th</sup> Anniversary, and better represents the Organization: a performing arts organization that celebrates storytelling through the masterful voices of its chorus and world-class soloists, and the creative voices of composers, librettists, designers, and directors.

**MASTERSVOICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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***Basis of Accounting:***

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Financial Statement Presentation:***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

***Cash:***

Cash consists of cash in bank.

***Promises to Give:***

Promises to give are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experiences and management's analysis of the specific promise made. For the years ended June 30, 2017 and 2016, an allowance for uncollectible promises was not deemed necessary.

***Property and Equipment:***

Property and equipment acquired are considered to be owned by the Organization and are recorded at cost. Depreciation is computed using the straight-line method over a 5-year life. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

**MASTEROICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Deferred revenue:***

Deferred revenue represents revenues collected but not earned.

***Contributions and Revenue Recognition:***

MasterVoices' revenue consists of contributions, event revenue and ticket sales. Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

***Contributed Services and Materials:***

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donations. During the years ending June 30, 2017 and 2016, contributed services were \$25,000 and \$12,250, respectively.

Donated property, goods and services are recorded as contributions at their estimated fair value at the date of donation. During the years ending June 30, 2017 and 2016, contributed materials were \$1,127 and \$12,890, respectively.

***Advertising:***

All advertising costs are expensed in the year they are incurred. Advertising expense during the years ended June 30, 2017 and 2016, was approximately \$85,000 and \$71,000 respectively.

***Income Taxes:***

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during years ended June 30, 2017 and 2016. At June 30, 2017 and 2016, there are no significant income tax uncertainties.

**MASTERSVOICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Financial Statement Reporting for Not-for-profit Entities:***

The Financial Accounting Standards Board issued an accounting pronouncement, *Presentation of Financial Statements of Not-for-Profit Entities* that will require net assets to be presented in two classes instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to present the amounts and purposes of Board designations, composition of net assets with donor restrictions, and how the restrictions affect the use of resources. It also requires the Organization to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date. The pronouncement is effective for annual reporting periods beginning after December 15, 2017. It will be effective for the year ending June 30, 2019. The Organization is currently evaluating the effect the new standard will have on its financial statements.

***Use of Estimates:***

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Functional Expenses:***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

***Subsequent Events:***

The organization has evaluated events subsequent to the statement of financial position date as of June 30, 2017 through October 6, 2017, the date that the financial statements were available to be issued.

**MASTERSVOICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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**NOTE 3 - PROMISES TO GIVE:**

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Unconditional promises to give are as follows:

	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
Gross promises to give	\$ 207,249	\$ 141,214
Less: Unamortized discount	(4,515)	(2,504)
Net promises to give	<u>\$ 202,734</u>	<u>\$ 138,710</u>
Amount due in:		
Less than one year	\$ 103,749	\$ 81,214
More than one year	103,500	60,000
Total Promise To Give	<u>\$ 207,249</u>	<u>\$ 141,214</u>

Promises to give have been discounted using the five-year treasury rate in the year the pledge was made.

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**NOTE 4 - PROPERTY AND EQUIPMENT:**

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Property and equipment consist of the following:

	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
Office equipment	\$ 51,528	\$ 51,528
Website	23,102	-
Property and equipment	74,630	51,528
Less: Accumulated depreciation	(51,700)	(48,104)
Property and equipment, net	<u>\$ 22,930</u>	<u>\$ 3,424</u>

Depreciation expense for the years ended June 30, 2017 and 2016, was \$3,595 and \$1,914 respectively.

**MASTERSVOICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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**NOTE 5 - DEFERRED REVENUE:**

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Deferred revenue represents revenues collected but not earned. Deferred revenue was \$0 and \$78,757 at June 30, 2017 and 2016, respectively. The 2016 amount is primarily composed of revenue related to the 2016 Verbier Tour and Festival which took place in July 2016.

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**NOTE 6 - COMMITMENTS AND CONTINGENCIES:**

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The Organization leases office space under an operating lease that expires in October 2019. Rental payments are made on a monthly basis.

Future minimum rental lease payments are as follows:

<b>Year Ending June 30,</b>	
2018	\$ 42,750
2019	58,710
2020	14,820
	<u>\$ 116,280</u>

For the years ending June 30, 2017 and 2016, rent expense was \$48,996 and \$48,424, respectively and is recorded to occupancy in the statements of functional expenses.

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**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS:**

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Temporarily restricted net assets are available as follows:

	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
Time restrictions	\$ 104,985	\$ 139,996
Reserve fund	20,000	20,000
75 <sup>th</sup> Anniversary	-	5,000
Verbier 2017 Education	-	25,000
	<u>\$ 124,985</u>	<u>\$ 189,996</u>

**MASTERSVOICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS: (Continued)**

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Net assets were released from restrictions as follows during the years ended June 30, 2017 and 2016:

	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
Time restrictions	\$ 192,500	\$ 7,542
Purpose	25,352	54,657
	<u>\$ 217,852</u>	<u>\$ 62,199</u>

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**NOTE 8 - CONCENTRATIONS OF RISK:**

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The Organization maintains its cash in an account with a federally insured institution. At times, the balance of this account may be in excess of federally insured limits.