

**MASTERSVOICES, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**MASTERSVOICES, INC.**

JUNE 30, 2018 AND 2017

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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 statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Sobel & Co., LLC*  
Certified Public Accountants

Livingston, New Jersey  
November 7, 2018

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

|   | <b>June 30,</b> |             |
|---|-----------------|-------------|
|   | <b>2018</b>     | <b>2017</b> |
| <b>ASSETS</b>                           |                 |             |
| CURRENT ASSETS:                         |                 |             |
| Cash                                    | \$ 16,864       | \$ 40,955   |
| Promises to give, current               | 239,952         | 103,749     |
| Prepaid expenses                        | 6,900           | 12,360      |
| Total Current Assets                    | 263,716         | 157,064     |
| PROPERTY AND EQUIPMENT, net             | 17,912          | 22,930      |
| LONG-TERM ASSETS:                       |                 |             |
| Promises to give, net                   | 93,701          | 98,985      |
| Security deposits                       | 10,845          | 5,070       |
|   | 104,546         | 104,055     |
| Total Assets                            | \$ 386,174      | \$ 284,049  |
| <b>LIABILITIES AND NET ASSETS</b>       |                 |             |
| CURRENT LIABILITIES:                    |                 |             |
| Accounts payable and accrued expenses   | \$ 70,479       | \$ 45,433   |
| Accrued payroll and related liabilities | 4,838           | 5,770       |
| Deferred revenue                        | 15,000          | -           |
| Total Current Liabilities               | 90,317          | 51,203      |
| NET ASSETS:                             |                 |             |
| Unrestricted                            | 87,156          | 107,861     |
| Temporarily restricted                  | 208,701         | 124,985     |
| Total Net Assets                        | 295,857         | 232,846     |
| Total Liabilities and Net Assets        | \$ 386,174      | \$ 284,049  |

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

|                                      | Year Ended June 30, 2018 |                   |                   | Year Ended June 30, 2017 |                   |                   |
|--------------------------------------|--------------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|
|                                      | Unrestricted             | Temporarily       |                   | Unrestricted             | Temporarily       |                   |
|                                      |                          | Restricted        | Total             |                          | Restricted        | Total             |
| <b>SUPPORT AND REVENUE:</b>          |                          |                   |                   |                          |                   |                   |
| Contributions, net of discount       | \$ 570,513               | \$ 213,500        | \$ 784,013        | \$ 753,135               | \$ 152,841        | \$ 905,976        |
| Government grant revenue             | 22,100                   | -                 | 22,100            | 21,580                   | -                 | 21,580            |
| Special events, net of expense       | 322,489                  | -                 | 322,489           | 406,141                  | -                 | 406,141           |
| Contributed services                 | 25,000                   | -                 | 25,000            | 25,000                   | -                 | 25,000            |
| Contributed materials                | -                        | -                 | -                 | 1,127                    | -                 | 1,127             |
| Concert fees                         | 127,463                  | -                 | 127,463           | 96,505                   | -                 | 96,505            |
| Concert ticket sales                 | 272,270                  | -                 | 272,270           | 328,205                  | -                 | 328,205           |
| Membership dues                      | 32,810                   | -                 | 32,810            | 30,830                   | -                 | 30,830            |
| Other revenue                        | 3                        | -                 | 3                 | 471                      | -                 | 471               |
|                                      | <u>1,372,648</u>         | <u>213,500</u>    | <u>1,586,148</u>  | <u>1,662,994</u>         | <u>152,841</u>    | <u>1,815,835</u>  |
| Net assets released from restriction | 129,784                  | (129,784)         | -                 | 217,852                  | (217,852)         | -                 |
| Total support and revenue            | <u>1,502,432</u>         | <u>83,716</u>     | <u>1,586,148</u>  | <u>1,880,846</u>         | <u>(65,011)</u>   | <u>1,815,835</u>  |
| <b>EXPENSES:</b>                     |                          |                   |                   |                          |                   |                   |
| Program services                     | 1,175,319                | -                 | 1,175,319         | 1,405,361                | -                 | 1,405,361         |
| Supporting services:                 |                          |                   |                   |                          |                   |                   |
| Management and general               | 180,646                  | -                 | 180,646           | 199,660                  | -                 | 199,660           |
| Fundraising                          | 167,172                  | -                 | 167,172           | 200,219                  | -                 | 200,219           |
| Total supporting services            | <u>347,818</u>           | <u>-</u>          | <u>347,818</u>    | <u>399,879</u>           | <u>-</u>          | <u>399,879</u>    |
| Total expenses                       | <u>1,523,137</u>         | <u>-</u>          | <u>1,523,137</u>  | <u>1,805,240</u>         | <u>-</u>          | <u>1,805,240</u>  |
| CHANGES IN NET ASSETS                | (20,705)                 | 83,716            | 63,011            | 75,606                   | (65,011)          | 10,595            |
| <b>NET ASSETS:</b>                   |                          |                   |                   |                          |                   |                   |
| Beginning 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>    |
| End of year                          | <u>\$ 87,156</u>         | <u>\$ 208,701</u> | <u>\$ 295,857</u> | <u>\$ 107,861</u>        | <u>\$ 124,985</u> | <u>\$ 232,846</u> |

*See independent auditors' report and notes to the financial statements.*

**MASTEROICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

|                                     | <b>Program Services</b> | <b>Support Services</b>       |                    | <b>Total Support Services</b> | <b>Total Program and Support</b> |
|-------------------------------------|-------------------------|-------------------------------|--------------------|-------------------------------|----------------------------------|
|                                     |                         | <b>Management and General</b> | <b>Fundraising</b> |                               |                                  |
| Salaries                            | \$ 286,247              | \$ 98,398                     | \$ 62,617          | \$ 161,015                    | \$ 447,262                       |
| Employee benefits                   | 34,567                  | 11,882                        | 7,562              | 19,444                        | 54,011                           |
| Payroll taxes                       | 22,408                  | 7,703                         | 4,902              | 12,605                        | 35,013                           |
| Total salaries and related expenses | 343,222                 | 117,983                       | 75,081             | 193,064                       | 536,286                          |
| Advertising                         | 54,838                  | -                             | -                  | -                             | 54,838                           |
| Bad debts                           | 1,364                   | -                             | -                  | -                             | 1,364                            |
| Concert hall                        | 143,606                 | -                             | -                  | -                             | 143,606                          |
| Consultant expense                  | 24,487                  | -                             | 53,556             | 53,556                        | 78,043                           |
| Commissions                         | 21,409                  | -                             | -                  | -                             | 21,409                           |
| Credit card fees                    | 15,920                  | -                             | -                  | -                             | 15,920                           |
| Depreciation                        | 3,974                   | 1,366                         | 869                | 2,235                         | 6,209                            |
| Dancer fees                         | 3,079                   | -                             | -                  | -                             | 3,079                            |
| Donor cultivation                   | -                       | -                             | 22,809             | 22,809                        | 22,809                           |
| Dues and subscriptions              | 2,969                   | -                             | -                  | -                             | 2,969                            |
| Education                           | 32,925                  | -                             | -                  | -                             | 32,925                           |
| Event expense                       | 84,271                  | -                             | -                  | -                             | 84,271                           |
| Insurance                           | 5,486                   | -                             | -                  | -                             | 5,486                            |
| Lighting and costumes               | 15,239                  | -                             | -                  | -                             | 15,239                           |
| Marketing and promotion             | 31,249                  | -                             | -                  | -                             | 31,249                           |
| Miscellaneous                       | 456                     | -                             | -                  | -                             | 456                              |
| Music                               | 15,699                  | -                             | -                  | -                             | 15,699                           |
| Occupancy                           | 36,292                  | 12,476                        | 7,939              | 20,415                        | 56,707                           |
| Office expense                      | 31,623                  | 10,871                        | 6,918              | 17,789                        | 49,412                           |
| Orchestra                           | 170,657                 | -                             | -                  | -                             | 170,657                          |
| Professional fees                   | -                       | 37,950                        | -                  | 37,950                        | 37,950                           |
| Recording                           | 1,637                   | -                             | -                  | -                             | 1,637                            |
| Recruitment                         | 521                     | -                             | -                  | -                             | 521                              |
| Rehearsal expense                   | 35,175                  | -                             | -                  | -                             | 35,175                           |
| Scenery                             | 8,218                   | -                             | -                  | -                             | 8,218                            |
| Soloist expense                     | 91,003                  | -                             | -                  | -                             | 91,003                           |
| Total Functional Expenses           | \$ 1,175,319            | \$ 180,646                    | \$ 167,172         | \$ 347,818                    | \$ 1,523,137                     |

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

|                                     | <b>Program<br/>Services</b> | <b>Support Services</b>           |                    |                                       | <b>Total<br/>Program and<br/>Support</b> |
|-------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------------------------|--|
|                                     |                             | <b>Management<br/>and General</b> | <b>Fundraising</b> | <b>Total<br/>Support<br/>Services</b> |  |
| 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 expenses | 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                             |



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

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|  | <b>June 30,</b>  |                  |
|--|------------------|------------------|
|  | <b>2018</b>      | <b>2017</b>      |
| <b>CASH FLOWS USED FOR:</b>  |                  |                  |
| <u>OPERATING ACTIVITIES:</u>   |                  |                  |
| Changes in net assets  | \$ 63,011        | \$ 10,595        |
| Adjustments to reconcile changes in net assets<br>to net cash used for operating activities: |                  |                  |
| Depreciation   | 6,209            | 3,595            |
| Discount on promise to give  | 1,784            | 2,011            |
| Changes in certain assets and liabilities:   |                  |                  |
| Promises to give   | (132,703)        | (66,035)         |
| Prepaid expenses   | 5,460            | 114,872          |
| Security deposits  | (5,775)          | -                |
| Accounts payable and accrued expenses  | 25,046           | 2,444            |
| Accrued payroll and related liabilities  | (932)            | (734)            |
| Deferred revenue   | 15,000           | (78,757)         |
| Net Cash Used for Operating Activities   | <u>(22,900)</u>  | <u>(12,009)</u>  |
| <br><u>INVESTING ACTIVITIES:</u>   |                  |                  |
| Purchase of property and equipment   | <u>(1,191)</u>   | <u>(23,101)</u>  |
| <br>NET DECREASE IN CASH   | <br>(24,091)     | <br>(35,110)     |
| <br>CASH:  |                  |                  |
| Beginning of year  | <u>40,955</u>    | <u>76,065</u>    |
| End of year  | <u>\$ 16,864</u> | <u>\$ 40,955</u> |

**MASTERVOICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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**NOTE 1 - NATURE OF ORGANIZATION:**

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MasterVoices, Inc. (“Organization”) is a performing arts organization whose mission is to celebrate the power of the human voice to connect, inspire, and unite. With a world-renowned chorus of 130 adult voices and a solid repertoire of classical, opera, and musical theater work, the Organization’s annual programs include:

A season of professionally presented work that features the MasterVoices chorus alongside world-class orchestras, soloists, and collaborative artists from other disciplines (especially dance, design, theater). Performances are presented at a wide variety of venues ranging from Lincoln Center and Carnegie Hall to community bandshells and site-specific locales.

A year-round series of outreach programs, including free-ticket giveaways for seniors and students and two core programs: *Side-by-Side*, which offers gifted high school students from underserved communities the opportunity to mentor with chorus members and rehearse and perform with the chorus in New York and abroad; and *Bridges*, which commissions composers to work with specific communities in the New York metropolitan area in order to expand their opportunity to make music together, regardless of their abilities or backgrounds. The organization also invites young soloists to perform at top venues as part of the *Father Geier Artist Initiative*.

Founded by legendary choral conductor Robert Shaw in 1941, 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, Lorin 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 has been invited to appear abroad in Israel and at the Verbier and Salzburg festivals.

The Organization has been under the leadership of Tony Award-winning Artistic Director Ted Sperling since 2013. 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 75th 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, 2018 AND 2017**

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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 statements 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. Gross promises to give are reported in the statements of financial position net of any necessary allowance for uncollectible promises to give and unamortized discounts related to multiyear pledges. 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, 2018 and 2017, an allowance for uncollectible promises was not deemed necessary.

**MASTERSVOICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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

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***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.

***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 statements 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, 2018 and 2017, contributed services were \$25,000.

Donated property and goods are recorded as contributions at their estimated fair value at the date of donation. During the year ended June 30, 2018 there were no contributed materials. During the year ending June 30, 2017, contributed materials were \$1,127.

The Organization regularly receives services from volunteers who are not acting in a professional capacity, such as volunteer services, which do not meet the criteria for financial statement recognition and are not included in the financial statements.

***Advertising:***

All advertising costs are expensed in the year they are incurred. Advertising expense during the years ended June 30, 2018 and 2017, was approximately \$55,000 and \$85,000, respectively.

**MASTERSVOICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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

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***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 the years ended June 30, 2018 and 2017. At June 30, 2018 and 2017, there were no significant income tax uncertainties.

***Financial Statement Reporting for Nonprofit 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.

**MASTERSVOICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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

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***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, 2018 through November 7, 2018, the date that the financial statements were available to be issued.

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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>2018</b>       | <b>2017</b>       |
| Gross promises to give     | \$ 339,952        | \$ 207,249        |
| Less: Unamortized discount | (6,299)           | (4,515)           |
| Promises to Give, net      | <u>\$ 333,653</u> | <u>\$ 202,734</u> |
| Amount due in:             |                   |                   |
| Less than one year         | \$ 239,952        | \$ 103,749        |
| More than one year         | 100,000           | 103,500           |
| Total Promises to Give     | <u>\$ 339,952</u> | <u>\$ 207,249</u> |

Promises to give have been discounted using the five-year treasury rate in the year the pledge was made. The applicable rates range from 1.63-2.73%.

**MASTERSVOICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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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>2018</b>      | <b>2017</b>      |
| Office equipment               | \$ 52,719        | \$ 51,528        |
| Website                        | 23,102           | 23,102           |
| Property and equipment         | 75,821           | 74,630           |
| Less: Accumulated depreciation | (57,909)         | (51,700)         |
| Property and Equipment, net    | <u>\$ 17,912</u> | <u>\$ 22,930</u> |

Depreciation expense for the years ended June 30, 2018 and 2017, was \$6,209 and \$3,595 respectively.

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**NOTE 5 - DEFERRED REVENUE:**

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Deferred revenue represents revenues collected but not earned. Deferred revenue, which consists of revenue related to performances occurring during the fiscal year ended June 30, 2019, was \$15,000 at June 30, 2018.

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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</b> |                  |
|--------------------|------------------|
| <b>June 30,</b>    |                  |
| 2019               | \$ 58,710        |
| 2020               | 14,820           |
|                    | <u>\$ 73,530</u> |

For the years ending June 30, 2018 and 2017, rent expense was \$56,707 and \$48,996, respectively, and is recorded to occupancy expenses in the statements of functional expenses.

**MASTERSVOICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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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>2018</b>       | <b>2017</b>       |
| Time restrictions | \$ 188,701        | \$ 104,985        |
| Reserve fund      | 20,000            | 20,000            |
|                   | <u>\$ 208,701</u> | <u>\$ 124,985</u> |

Net assets were released from restrictions as follows during the years ended June 30, 2018 and 2017:

|                   | <b>June 30,</b>   |                   |
|-------------------|-------------------|-------------------|
|                   | <b>2018</b>       | <b>2017</b>       |
| Time restrictions | \$ 129,784        | \$ 192,500        |
| Purpose           | -                 | 25,352            |
|                   | <u>\$ 129,784</u> | <u>\$ 217,852</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.