

THE COLLEGIATE CHORALE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

THE COLLEGIATE CHORALE, INC.
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JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Collegiate Chorale, Inc.

I have audited the accompanying financial statements of The Collegiate Chorale, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows 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 the 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Collegiate Chorale, Inc. as of June 30, 2015 and 2014, 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.

Pisani CPA, LLC
Brentwood, NY

Pisani CPA, LLC

October 1, 2015

THE COLLEGIATE CHORALE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 57,688	\$ 134,584
Accounts receivable	846	640
Promises to give, current	60,129	72,139
Grants receivable	11,591	3,460
Prepaid expenses	15,501	127,475
Total current assets	145,755	338,298
Property and equipment		
Less - accumulated depreciation	50,940	50,940
Net property and equipment	46,191	44,287
Long-term assets		
Promises to give, long-term, net	85,038	-
Security deposits	4,970	4,890
Total long-term assets	90,008	4,890
Total assets	\$ 240,512	\$ 349,841
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 24,107	\$ 50,123
Accrued payroll and related liabilities	3,352	14,064
Deferred revenue	-	175,577
Total current liabilities	27,459	239,764
Net assets		
Unrestricted	42,764	75,077
Temporarily restricted	170,289	35,000
Total net assets	213,053	110,077
Total liabilities and net assets	\$ 240,512	\$ 349,841

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

THE COLLEGIATE CHORALE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Contributions	\$ 544,976	\$ 503,271	\$ 1,048,247
Grant revenue	15,800	30,000	45,800
Concert fees	168,897	-	168,897
Concert ticket sales	369,335	-	369,335
Membership dues	29,810	-	29,810
Other revenue	2,197	-	2,197
Contributed services	50,000	-	50,000
Special events, gross proceeds	605,967	48,900	654,867
Less: Direct benefits to donors	(86,281)	-	(86,281)
Net proceeds from special events	<u>519,686</u>	<u>48,900</u>	<u>568,586</u>
 Net assets released from restrictions	 <u>446,882</u>	 <u>(446,882)</u>	 <u>-</u>
 Total support and revenues	 <u>2,147,583</u>	 <u>135,289</u>	 <u>2,282,872</u>
 Expenses			
Program services	1,829,064	-	1,829,064
Supporting services			
Management and general	151,509	-	151,509
Fundraising	<u>199,323</u>	<u>-</u>	<u>199,323</u>
 Total supporting services	 <u>350,832</u>	 <u>-</u>	 <u>350,832</u>
 Total expenses	 <u>2,179,896</u>	 <u>-</u>	 <u>2,179,896</u>
 Change in net assets	 (32,313)	 135,289	 102,976
 Net assets, beginning of year	 <u>75,077</u>	 <u>35,000</u>	 <u>110,077</u>
 Net assets, end of year	 <u>\$ 42,764</u>	 <u>\$ 170,289</u>	 <u>\$ 213,053</u>

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

THE COLLEGIATE CHORALE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Contributions	\$ 453,261	\$ 79,500	\$ 532,761
Grant revenue	15,760	-	15,760
Concert fees	302,689	-	302,689
Concert ticket sales	143,116	-	143,116
Membership dues	34,075	-	34,075
Other revenue	8,034	-	8,034
Contributed services	22,920	-	22,920
Special events, gross proceeds	594,669	-	594,669
Less: Direct benefits to donors	(83,624)	-	(83,624)
Net proceeds from special events	<u>511,045</u>	<u>-</u>	<u>511,045</u>
Net assets released from restrictions	<u>89,500</u>	<u>(89,500)</u>	<u>-</u>
Total support and revenues	<u>1,580,400</u>	<u>(10,000)</u>	<u>1,570,400</u>
Expenses			
Program services	1,197,179	-	1,197,179
Supporting services			
Management and general	173,853	-	173,853
Fundraising	<u>177,968</u>	<u>-</u>	<u>177,968</u>
Total supporting services	<u>351,821</u>	<u>-</u>	<u>351,821</u>
Total expenses	<u>1,549,000</u>	<u>-</u>	<u>1,549,000</u>
Change in net assets	31,400	(10,000)	21,400
Net assets , beginning of year, as previously reported	61,194	45,000	106,194
Prior period adjustment	<u>(17,517)</u>	<u>-</u>	<u>(17,517)</u>
Net assets , beginning of year, as restated	<u>43,677</u>	<u>45,000</u>	<u>88,677</u>
Net assets , end of year	<u>\$ 75,077</u>	<u>\$ 35,000</u>	<u>\$ 110,077</u>

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

THE COLLEGIATE CHORALE, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Supporting Services			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Employee Compensation				
Salaries	\$ 409,896	\$ 54,347	\$ 123,237	\$ 587,480
Employee benefits	53,754	7,127	16,161	77,042
Payroll taxes	35,686	4,732	10,729	51,147
	499,336	66,206	150,127	715,669
Other expenses				
Advertising	\$ 78,683	\$ -	\$ -	\$ 78,683
Concert hall	227,838	-	-	227,838
Consultant expense	11,067	-	-	11,067
Credit card fees	-	21,863	-	21,863
Depreciation	858	320	726	1,904
Donor cultivation	-	-	16,549	16,549
Dues and subscriptions	1,375	-	-	1,375
Education	3,320	-	-	3,320
Event expense	28,250	-	-	28,250
Insurance	-	14,305	-	14,305
Lighting and costumes	19,330	-	-	19,330
Marketing and promotion	22,029	-	-	22,029
Miscellaneous	35,963	-	2,000	37,963
Music	12,004	-	-	12,004
Occupancy	21,363	7,962	18,055	47,380
Office expense	14,040	5,233	11,866	31,139
Orchestra	292,167	-	-	292,167
Other singer expense	9,150	-	-	9,150
Patron tour concerts	17,963	-	-	17,963
Patron tour travel	106,193	-	-	106,193
Public relations	27,600	-	-	27,600
Professional fees	50,000	32,470	-	82,470
Recording	55,105	-	-	55,105
Recruitment	2,452	3,150	-	5,602
Rehearsal expense	18,699	-	-	18,699
Soloist expense	151,395	-	-	151,395
Verbier tour	122,884	-	-	122,884
	1,329,728	85,303	49,196	1,464,227
Total other expenses	1,329,728	85,303	49,196	1,464,227
Expenses reported by function	\$ 1,829,064	\$ 151,509	\$ 199,323	\$ 2,179,896

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

THE COLLEGIATE CHORALE, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Supporting Services			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Employee Compensation				
Salaries	\$ 457,289	\$ 69,915	\$ 93,658	\$ 620,862
Employee benefits	31,427	4,745	6,332	42,504
Payroll taxes	46,008	6,946	9,269	62,223
	<u>534,724</u>	<u>81,606</u>	<u>109,259</u>	<u>725,589</u>
Other expenses				
Advertising	\$ 22,903	\$ -	\$ -	\$ 22,903
Concert hall	86,720	-	-	86,720
Consultant expense	15,000	-	-	15,000
Credit card fees	-	15,786	-	15,786
Depreciation	946	410	548	1,904
Donor cultivation	-	-	29,846	29,846
Dues and subscriptions	2,562	-	-	2,562
Education	3,796	-	-	3,796
Event expense	-	-	16,508	16,508
Insurance	-	13,190	-	13,190
Lighting and costumes	12,210	-	-	12,210
Marketing and promotion	16,023	-	-	16,023
Miscellaneous	8,938	-	-	8,938
Music	10,069	-	-	10,069
Occupancy	23,379	10,139	13,530	47,048
Office expense	14,302	6,202	8,277	28,781
Orchestra	100,343	-	-	100,343
Other singer expense	32,334	-	-	32,334
Patron tour concerts	20,834	-	-	20,834
Patron tour travel	73,768	-	-	73,768
Public relations	27,600	-	-	27,600
Professional fees	-	46,520	-	46,520
Recruitment	2,612	-	-	2,612
Rehearsal expense	24,958	-	-	24,958
Soloist expense	33,275	-	-	33,275
Verbier tour	129,883	-	-	129,883
	<u>662,455</u>	<u>92,247</u>	<u>68,709</u>	<u>823,411</u>
Total other expenses	<u>662,455</u>	<u>92,247</u>	<u>68,709</u>	<u>823,411</u>
Expenses reported by function	<u>\$ 1,197,179</u>	<u>\$ 173,853</u>	<u>\$ 177,968</u>	<u>\$ 1,549,000</u>

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

THE COLLEGIATE CHORALE, INC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 102,976	\$ 21,400
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,904	1,904
Change in operating assets and liabilities		
Increase in accounts receivable	(206)	(640)
(Increase) decrease in promises to give, net	(73,028)	105,128
Increase in grants receivable	(8,131)	(3,460)
Decrease (increase) in prepaid expenses	111,974	(8,029)
Increase in security deposits	(80)	-
Decrease in accounts payable and accrued expenses	(26,016)	(39,615)
Decrease in accrued payroll and related liabilities	(10,712)	(3,453)
Increase (decrease) in deferred revenue	(175,577)	12,921
Net cash provided (used) by operating activities	<u>(76,896)</u>	<u>86,156</u>
 Cash flows from investing activities		
Purchases of computer equipment	-	(5,927)
Net cash used by investing activities	<u>-</u>	<u>(5,927)</u>
 Net increase (decrease) in cash and cash equivalents	 (76,896)	 80,229
 Cash and cash equivalents, beginning of year	 <u>134,584</u>	 <u>54,355</u>
 Cash and cash equivalents, end of year	 <u>\$ 57,688</u>	 <u>\$ 134,584</u>
 Supplemental Information		
Non-cash transactions		
Contributed services	\$ 50,000	\$ 22,920
	<u>\$ 50,000</u>	<u>\$ 22,920</u>
The non-cash contributions have been recorded in the following accounts.		
Professional fees	\$ 50,000	\$ 22,920
	<u>\$ 50,000</u>	<u>\$ 22,920</u>

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

THE COLLEGIATE CHORALE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(1) **Nature of Activities, Nonprofit Status and Significant Accounting Policies**

Nature of Activities

The mission of The Collegiate Chorale, Inc. (The Chorale) is to enrich its audiences through innovative programming and exceptional performances of a broad range of vocal music featuring a premier choral ensemble. Inherent in its mission is The Chorale's belief that choral music is a compelling collaboration that creates a powerful, shared experience unifying listeners and musicians of all backgrounds, beliefs and ages. The Chorale is supported primarily by contributions, event revenue and ticket sales. It operates in New York, NY.

The Chorale's performance model is somewhat unique. Each season we offer a concert from four different program categories, to explore the many ways in which the choral art is expressed: 1) Major choral works that are timeless, and that showcase the exhilarating, moving, and uplifting sound of a chorus; 2) Operas containing significant choral writing, from any era, presented in concert form to bring the music to the forefront; 3) Music from genres including Broadway/musical theater; music of the Americas; American operetta; classical concert pieces by American composers; and 4) A wild-card, opportunity-driven category for music that deserves to be heard but does not fit neatly into any of the other categories; or, we may choose to present an additional and unique offering in the Choral Masterworks, Opera-in Concert, or American Masters category. As a part of our performance model, we invite many of the world's most celebrated soloists, instrumentalists, and conductors to join with us in our concerts, thus offering our audiences the highest level of musical artistry.

The singers who make up the 150-175 voice Chorale come from all parts of the New York/New Jersey/Connecticut region, as well as beyond. We have one member who travels to New York City each week from Rhode Island to sing with us! Our members include 15 year old singers (students in our "Side-by-Side" high school program), recent college graduates, established lawyers, doctors, musicians, marketing professionals, arts administrators, teachers, computer programmers, psychologists, authors, editors, translators, and so on... and retirees, still singing with the precision, enthusiasm and musicality acquired from years of performing with The Chorale.

On August 3, 2015, The Chorale formally changed its name to MasterVoices Inc. Please refer to Note 10.

THE COLLEGIATE CHORALE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(1) **Nature of Activities, Nonprofit Status and Significant Accounting Policies** (continued)

Nonprofit Status

The Chorale is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to The Chorale within the requirements of the Internal Revenue Code. Under *Accounting Standards Codification (ASC) Section 740*, the tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize the tax-exempt status. Management of The Chorale is not aware of any events that could jeopardize the tax-exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements. The Chorale's federal exempt organization tax returns for the years ended June 30, 2012, 2013 and 2014 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Significant Accounting Policies

The following are the more significant accounting policies used in the preparation of the accompanying financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board. The Chorale reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

THE COLLEGIATE CHORALE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(1) **Nature of Activities, Nonprofit Status and Significant Accounting Policies** (continued)

Significant Accounting Policies (continued)

Revenue Recognition

The Chorale's revenue consists of contributions, event revenue and ticket sales. Unrestricted contributions, event revenue and ticket sales intended for the current period are recognized when received. Restricted contributions are recorded as temporarily restricted support and net assets if they are received with donor stipulations that limit the use of the contributed assets. When a donor or sponsor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Property and Equipment

Acquisitions of property and equipment with useful lives greater than one year are recorded at cost. Property and equipment acquisitions are depreciated using the straight-line method over the estimated useful lives of the assets.

Estimates

The preparation of financial statements in accordance 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 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.

THE COLLEGIATE CHORALE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(1) **Nature of Activities, Nonprofit Status and Significant Accounting Policies** (continued)

Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, The Chorale considers all highly liquid investments available for current use with an initial maturity date of three months or less to be cash equivalents.

Contributed Services

The Chorale records various types of contributed support, including services. The Chorale recognizes certain services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. The amounts reflected in the accompanying financial statements as contributed services are offset by like amounts included in expenses.

Subsequent Events

The Chorale has evaluated subsequent events through October 1, 2015 which is the date these financial statements were available to be issued.

(2) **Promises to Give**

Management expects all promises to give to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary. Unconditional promises to give consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Amounts expected to be collected in:		
Less than one year	\$ 60,129	\$ 72,139
One to five years	90,000	-
Total promises to give	<u>150,129</u>	<u>72,139</u>
Less unamortized discount (2.89%)	<u>(4,962)</u>	<u>-</u>
	145,167	72,139
Current promises to give	<u>60,129</u>	<u>72,139</u>
Long-term promises to give	<u>\$ 85,038</u>	<u>\$ -</u>

THE COLLEGIATE CHORALE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(3) Grants Receivable

At June 30, 2015 and 2014, grants receivable consisted of the following:

	<u>2015</u>	<u>2014</u>
NYC Department of Cultural Affairs	\$ -	\$ 3,460
National Endowment of the Arts	11,591	-
Total grants receivable	\$ 11,591	\$ 3,460

(4) Property and Equipment

Property and equipment, accumulated depreciation and the estimated useful lives as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>	Estimated Useful Lives
Office equipment	\$ 50,940	\$ 50,940	5 years
Property and equipment	50,940	50,940	
Less accumulated depreciation	46,191	44,287	
Property and equipment, net	\$ 4,749	\$ 6,653	

Depreciation expense was \$1,904 for each of the years ended June 30, 2015 and 2014.

(5) Deferred Revenue

Deferred revenue represents revenues collected but not earned. Deferred revenue was \$0 and \$175,577 at June 30, 2015 and 2014, respectively. The 2014 amount is primarily composed of revenue related to the 2014 Verbier Tour and Festival which took place in July 2014.

(6) Leasing Arrangement

On August 31, 2007, The Chorale entered into a lease for its office facilities in New York, NY, which expires on November 1, 2015. Rent expense was \$47,280 and \$47,048 for the years ended June 30, 2015 and 2014, respectively, and is recorded as Occupancy in the Statement of Functional Expenses. Rent expense under the agreement is expected to be \$15,760 in the year ended June 30, 2016.

THE COLLEGIATE CHORALE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Time restrictions	\$ 120,038	\$ 35,000
Reserve fund	20,000	-
Branding initiative	<u>30,251</u>	<u>-</u>
	<u>\$ 170,289</u>	<u>\$ 35,000</u>

(8) Concentration of Revenue

During the years ended June 30, 2015 and 2014, board members contributed \$406,034 and \$240,383 to the Chorale, respectively.

(9) Prior Period Adjustment - June 30, 2014

The financial statements for the year ended June 30, 2013 understated accrued payroll and related liabilities by \$17,517 and overstated unrestricted net assets at June 30, 2013 by the same amount. Accordingly, net assets at June 30, 2013 have been restated to reflect these changes.

(10) Subsequent Event

On August 3, 2015, The Chorale formally changed its name to MasterVoices Inc. On the eve of the Organization's 75th Anniversary, the new name, MasterVoices, better represents the Organization: the combined voices of singing artists, both professional and avocational, with those of composers, librettists, designers and directors, to provide masterful performances of music in many genres.