

TWIN CITIES GAY MEN'S CHORUS

FINANCIAL STATEMENTS

July 31, 2017 and 2016

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THOMAS LEWIS & ASSOCIATES, P.A.
Certified Public Accountants

6700 France Avenue, Suite 116, Minneapolis, Minnesota 55435
952-835-1510, Fax: 952-835-9347

email: info@tlewiscpa.com
web-site: www.tlewiscpa.com

750 S. Plaza Dr., Suite 204, Mendota Heights, Minnesota 55120
651-690-5498, Fax: 952-835-9347

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
TWIN CITIES GAY MEN'S CHORUS
Minneapolis, Minnesota

Introductory

We have audited the accompanying financial statements of **TWIN CITIES GAY MEN'S CHORUS**, which comprise the statement of financial position as of July 31, 2017, and the related statement of activities, functional expenses, and cash flows 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.

Auditor's 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 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, 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 **TWIN CITIES GAY MEN'S CHORUS** as of July 31, 2017, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report of Summarized Comparative Information

We have previously audited the **TWIN CITIES GAY MEN'S CHORUS**'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Thomas Lewis & Associates, P.A.

THOMAS LEWIS & ASSOCIATES, P.A.
January 9, 2018



TWIN CITIES GAY MEN'S CHORUS
STATEMENTS OF FINANCIAL POSITION
July 31, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 95,617	\$ 124,736
Temporarily restricted	20,573	17,517
Total	116,190	142,253
Accounts receivable	5,315	6,419
Prepaid expenses	7,607	5,485
Total Current Assets	129,112	154,157
PROPERTY AND EQUIPMENT		
Furniture and equipment	58,168	58,168
Leasehold improvements	1,093	1,093
Total property and equipment - at cost	59,261	59,261
Less accumulated depreciation	(57,262)	(57,262)
Net Property and Equipment	1,999	1,999
RESTRICTED ASSETS		
Cash - restricted for endowment purposes	36,409	36,215
	\$ 167,520	\$ 192,371

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 17,070	\$ 14,309
Accrued expenses	5,946	5,786
Deferred revenue	29,482	20,623
Total Current Liabilities	52,498	40,718
NET ASSETS		
Unrestricted	58,040	97,921
Temporarily restricted	20,573	17,517
Permanently restricted	36,409	36,215
Total Net Assets	115,022	151,653
	\$ 167,520	\$ 192,371

See independent auditor's report and notes to financial statements.

TWIN CITIES GAY MEN'S CHORUS
STATEMENTS OF ACTIVITIES
For the Years Ended July 31, 2017 and 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2017	2016
PUBLIC SUPPORT					
Contributions and grants	\$ 158,240	\$ 30,626	\$ 194	\$ 189,060	\$ 252,596
Government grants	55,097	-	-	55,097	42,482
Special events revenue - net of expenses of \$16,781 and \$40,962 in 2017 and 2016, respectively	49,429	-	-	49,429	60,181
Net assets released from restrictions	27,570	(27,570)	-	-	-
Total Public Support	290,336	3,056	194	293,586	355,259
REVENUE					
Concert ticket sales	128,137	-	-	128,137	127,800
Merchandise sales	850	-	-	850	5,816
Interest and dividends income	389	-	-	389	343
Advertising revenue	6,535	-	-	6,535	12,980
Membership fees	18,076	-	-	18,076	14,286
Other program revenue (expense)	3,750	-	-	3,750	4,667
Miscellaneous income	461	-	-	461	213
Total Revenue	158,198	-	-	158,198	166,105
Total Public Support & Revenue	448,534	3,056	194	451,784	521,364
EXPENSES					
Program services	354,519	-	-	354,519	494,073
Management and general	78,922	-	-	78,922	89,748
Fundraising	54,974	-	-	54,974	65,261
Total Expenses	488,415	-	-	488,415	649,082
CHANGE IN NET ASSETS	(39,881)	3,056	194	(36,631)	(127,718)
NET ASSETS, BEGINNING OF YEAR	97,921	17,517	36,215	151,653	279,371
NET ASSETS, END OF YEAR	\$ 58,040	\$ 20,573	\$ 36,409	\$ 115,022	\$ 151,653

See independent auditor's report and notes to financial statements.

TWIN CITIES GAY MEN'S CHORUS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended July 31, 2017 with Comparative Totals for 2016

	2017			2016	
	Program Services	Management and General	Fundraising	Total	Comparative Totals
Salaries	\$ 125,874	\$ 43,603	\$ 33,685	\$ 203,162	\$ 235,147
Payroll taxes	8,873	4,162	2,571	15,606	16,897
Employee benefits	14,446	6,730	4,157	25,333	32,363
Total Salaries and Related Expenses	149,193	54,495	40,413	244,101	284,407
Advertising and promotion	17,328	-	2,967	20,295	43,926
Concert production	41,085	-	-	41,085	57,180
Professional fees	7,141	12,332	787	20,260	15,872
Concert and rehearsal space rental	30,119	-	-	30,119	26,746
Printing and copying	17,030	386	238	17,654	23,722
Membership expenses	39,704	-	-	39,704	55,000
Office expense	7,313	2,618	3,359	13,290	15,208
Contract services	13,031	-	-	13,031	43,022
Music	8,211	-	-	8,211	7,831
Occupancy	8,226	3,860	2,384	14,470	14,745
Travel and meetings	1,216	664	31	1,911	12,890
Merchandise costs	104	-	-	104	17,251
Postage and shipping	3,744	230	142	4,116	7,707
Bank and merchant service fees	4,399	2,075	3,292	9,766	7,924
Insurance	2,314	1,086	670	4,070	2,457
Telephone	1,359	637	394	2,390	2,119
Dues and licenses	1,023	480	297	1,800	3,906
Miscellaneous	1,979	59	-	2,038	7,169
Total Expenses before Depreciation	354,519	78,922	54,974	488,415	649,082
Depreciation	-	-	-	-	-
Total Expenses	\$ 354,519	\$ 78,922	\$ 54,974	\$ 488,415	\$ 649,082

See independent auditor's report and notes to financial statements.

TWIN CITIES GAY MEN'S CHORUS
STATEMENTS OF CASH FLOWS
For the Years Ended July 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (36,631)	\$ (127,718)
(Increase) decrease in:		
Accounts receivable	1,104	31,254
Prepaid Expenses	(2,122)	26,153
Increase (decrease) in:		
Accounts payable	2,761	11,372
Accrued expenses	160	731
Deferred revenue	8,859	(18,575)
Net Cash Used by Operating Activities	(25,869)	(76,783)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Other decrease in cash - endowment purposes	(194)	(607)
Net Cash Used by Investing Activities	(194)	(607)
 DECREASE IN CASH AND CASH EQUIVALENTS	(26,063)	(77,390)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	142,253	219,643
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 116,190	\$ 142,253

See independent auditor's report and notes to financial statements.

TWIN CITIES GAY MEN'S CHORUS
NOTES TO FINANCIAL STATEMENTS
July 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Twin Cities Gay Men's Chorus (the "Organization"), was founded in 1982 as a Minnesota non-profit corporation. The Organization is a voluntary community chorus, organized to provide the opportunity for fellowship of gay and gay-sensitive men to build community spirit by singing together. The primary purpose of the Organization is to pursue musical excellence in performance. In addition, the Organization seeks to provide its members with rewarding musical experiences, to promote social exchange among a group of men with a common purpose, and to reflect positive aspects of being gay to themselves, their audience and the general community.

Basis of Presentation

The financial statements have been prepared in conformity with the disclosure requirements of accounting standards of not-for-profit organizations. Under these provisions, net assets and revenues, expenses, gains and losses are classified on the existence or absence of donor-imposed restrictions.

Accordingly, the Organization's net assets and changes thereto are classified and reported as follows:

Unrestricted net assets - This classification contains net assets that the Board of Directors has discretionary control over.

Temporarily restricted - Includes net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization with the passage of time.

Permanently restricted - Are net assets subject to donor-imposed restrictions stipulating that the corpus be held in perpetuity.

Revenues

Donations, grants, contributions, and all other forms of revenue are considered unrestricted as to use unless specifically restricted by the donor.

Donated Material and Services

Donated material and services are recorded as a contribution when received, at their fair market value, if significant and measurable.

Unrestricted, Temporarily Restricted and Permanently Restricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as restricted support and then released from restriction.

TWIN CITIES GAY MEN'S CHORUS
NOTES TO FINANCIAL STATEMENTS
July 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from federal and state income taxes as organizations described under Section 501 (c) (3) of the Internal Revenue Code and section 290.05 of the Minnesota Statute. The Organization's open audit periods are the years ended July 31, 2014 through 2017.

The Organization has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at July 31, 2017.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for tax returns prior to the year ended July 31, 2014.

The Organization's policy is to classify any income tax related interest and penalties in interest expense and other expenses, respectively.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less are considered to be cash equivalents. Cash for endowment purposes that is permanently restricted is offset against cash and cash equivalents and is separately stated.

Receivables

The Organization uses the direct write-off method for accounts receivable deemed uncollectible and no allowance for doubtful accounts has been established.

Inventories

Inventories, which are comprised primarily of compact discs and DVDs, are valued at lower of cost or market on the first-in, first-out basis. Production costs for items with significant expected future sales are capitalized as inventory; production costs for items with minimal future expected sales are expensed as incurred. There were no items considered inventoriable at July 31, 2017 or 2016.

TWIN CITIES GAY MEN'S CHORUS
NOTES TO FINANCIAL STATEMENTS
July 31, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment is being depreciated on a straight-line basis over estimated useful lives of 3 to 10 years.

Functional Expenses

Operating expenses directly identifiable with a functional area are charged to that area and where expenses affect more than one area, they are allocated on the basis of ratios determined by management.

Reclassifications

Certain 2016 amounts have been reclassified in order to conform to the 2017 financial statement presentation.

Subsequent Events

Subsequent events have been evaluated through January 9, 2018, which is the date the financial statements were available to be issued.

NOTE B - RETIREMENT PLAN

The Organization maintains a SIMPLE IRA plan for the benefit of its employees. Under this plan, the Organization matches up to 3% of employee deferrals to the plan. Expense under the plan was \$1,744 and \$2,766 for the years ended July 31, 2017 and 2016, respectively.

NOTE C - COMMITMENTS AND CONTINGENCIES

Operating Lease

The Organization leases its facilities under an operating lease, renewing annually on a calendar-year basis, with monthly payments of \$1,064. Total expense under this lease for the years ended July 31, 2017 and 2016 was \$12,613 and \$12,397, respectively. Minimum lease obligations for the year ending July 31, 2017 total \$5,320.

Concentrations

The Organization relies upon foundation, corporate and individual donors for approximately 40% of its operating budget. Should the Organization not be able to provide the services expected by its individual and corporate beneficiaries or should the government change the non-profit status of the Organization, this could result in a significant impact on the operations of the Organization. Management believes there is no great risk that these events will occur.

Federal Deposit Insurance

The Federal Deposit Insurance Corporation insures checking and savings account balances up to \$250,000 per financial institution. From time to time, the Organization's balances may exceed this limit. At July 31, 2017 and 2016, there were no balances in excess of those limits.