

**Choral Arts Ensemble of Rochester**

Rochester, MN

**Financial Statements**

June 30, 2010 and 2009

# **Choral Arts Ensemble of Rochester**

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**Independent Auditor's Report  
On the Financial Statements**

To the Board of Directors  
Choral Arts Ensemble of Rochester  
Rochester, MN

We have audited the accompanying statements of financial position of **Choral Arts Ensemble of Rochester** as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the overall accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Choral Arts Ensemble of Rochester** as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Wolter & Raak, Ltd.*

Wolter & Raak, Ltd.

August 27, 2010

# Choral Arts Ensemble of Rochester

Rochester, MN

## STATEMENT OF FINANCIAL POSITION

June 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 80,850	\$ 50,968
Accounts Receivable	18,750	15,461
Prepaid Expenses	4,876	10,277
Inventory	2,691	3,272
Investments	89,531	83,208
Total Current Assets	<u>196,698</u>	<u>163,186</u>
<b>Property and Equipment</b>		
Furniture and Equipment	29,105	24,193
Less: Accumulated Depreciation	24,711	22,489
Property and Equipment	<u>4,394</u>	<u>1,704</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>201,092</u></b>	<b>\$ <u>164,890</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 2,400	\$ 1,047
Accrued Expenses:		
Accrued Salaries and Wages	3,176	3,176
Payroll Taxes	3,920	3,894
Deferred Revenue	10,050	3,450
Total Current Liabilities	<u>19,546</u>	<u>11,567</u>
<b>Net Assets</b>		
Unrestricted	167,371	146,648
Temporarily Restricted	14,175	6,675
Total Net Assets	<u>181,546</u>	<u>153,323</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>201,092</u></b>	<b>\$ <u>164,890</u></b>

See Accompanying Notes to Financial Statements

## Choral Arts Ensemble of Rochester

Rochester, MN

### STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
<b>Public Support</b>			
Contributions	\$ 103,852	\$ 9,000	\$ 112,852
Special events, net of related expenses of \$47,553	(4,194)		(4,194)
Grants	112,655		112,655
In Kind Donations	36,871		36,871
Total Public Support	249,184	9,000	258,184
<b>Revenues</b>			
Event Ticket Sales	50,751		50,751
Program Advertising	5,600		5,600
CD Sales	3,894		3,894
Education Income	5,450		5,450
Investment Income	8,315		8,315
Total Revenues	74,010	-	74,010
<b>Net Assets Released from Restrictions</b>	1,500	(1,500)	-
Total Support and Revenues	324,694	7,500	332,194
<b>Expenses</b>			
Program Services:			
Artistic Development	63,429		63,429
Concert Production	54,051		54,051
Harmony for Mayo	66,194		66,194
Promotion and Marketing	62,793		62,793
Education and Other	3,808		3,808
Total Program Services	250,275	-	250,275
Supporting Services:			
Fundraising	31,262		31,262
Management and General	22,434		22,434
Total Supporting Services	53,696		53,696
Total Expenses	303,971	-	303,971
Change in Net Assets	20,723	7,500	28,223
<b>Net Assets, June 30, 2009</b>	<b>146,648</b>	<b>6,675</b>	<b>153,323</b>
<b>Net Assets, June 30, 2010</b>	<b>\$ 167,371</b>	<b>\$ 14,175</b>	<b>\$ 181,546</b>

See Accompanying Notes to Financial Statements

## Choral Arts Ensemble of Rochester

Rochester, MN

### STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS

Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total
<b>Public Support</b>			
Contributions	\$ 108,028	\$	\$ 108,028
Special events, net of related expenses of \$38,080	10,562		10,562
Grants	106,544		106,544
In Kind Donations	22,614		22,614
Total Public Support	247,748	-	247,748
<b>Revenues</b>			
Event Ticket Sales	43,195		43,195
Program Advertising	6,449		6,449
CD Sales	7,236		7,236
Education Income	1,975		1,975
Investment Income (Loss)	(13,228)		(13,228)
Total Revenues	45,627	-	45,627
<b>Net Assets Released from Restrictions</b>	18,200	(18,200)	-
Total Support and Revenues	311,575	(18,200)	293,375
<b>Expenses</b>			
Program Services:			
Artistic Development	70,568		70,568
Concert Production	55,767		55,767
Harmony for Mayo	62,715		62,715
Promotion and Marketing	57,174		57,174
Education and Other	3,337		3,337
Total Program Services	249,561	-	249,561
Supporting Services:			
Fundraising	29,940		29,940
Management and General	21,155		21,155
Total Supporting Services	51,095		51,095
Total Expenses	300,656	-	300,656
Change in Net Assets	10,919	(18,200)	(7,281)
<b>Net Assets, June 30, 2008</b>	<b>135,729</b>	<b>24,875</b>	<b>160,604</b>
<b>Net Assets, June 30, 2009</b>	<b>\$ 146,648</b>	<b>\$ 6,675</b>	<b>\$ 153,323</b>

See Accompanying Notes to Financial Statements

**Choral Arts Ensemble of Rochester**  
Rochester, MN

**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2010

	Program Services			
	<b>Artistic Development</b>	<b>Concert Production</b>	<b>Harmony for Mayo</b>	<b>Promotion and Marketing</b>
Salaries and Wages	\$ 33,729	\$ 22,991	\$ 15,596	\$ 24,951
Payroll Taxes	2,684	1,879	1,224	1,662
Employee Benefits	2,212	1,347	592	1,642
Total Salaries and Related Expenses	38,625	26,217	17,412	28,255
Performers			41,725	
Guest Artists	4,000			
Instrumentalists	5,350			
Commissioned Works	9,000			
Subcontracted Services		4,415	0	570
Advertising				17,175
Printing, Design, and Photography		9,057		10,591
Rental Fees	1,757	3,075	1,464	2,343
Audit and Accounting Fees	1,434			
Supplies	962	1,683	802	1,283
Recording and Production Costs		5,296		
Training and Education	336			
Dues and Licenses	38	936	790	
Telephone	263	460	219	350
Bank and Credit Card Services Charges	435	761	362	580
Insurance	456	799	380	608
Postage	506	885	422	675
Miscellaneous			2,396	7
Total Expenses Before Depreciation	63,162	53,584	65,972	62,437
Depreciation Expense	267	467	222	356
<b>Total Expenses</b>	<b>\$ 63,429</b>	<b>\$ 54,051</b>	<b>\$ 66,194</b>	<b>\$ 62,793</b>

See Accompanying Notes to the Financial Statements

Supporting Services

<u>Education and Other</u>	<u>Total</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>	<u>Grand Totals</u>
\$ 681	\$ 97,948	\$ 18,586	\$ 8,154	\$ 26,740	\$ 124,688
57	7,506	1,559	999	2,558	10,064
20	5,813	1,581	1,148	2,729	8,542
758	111,267	21,726	10,301	32,027	143,294
	41,725			-	41,725
	4,000			-	4,000
	5,350			-	5,350
	9,000			-	9,000
	4,985		500	500	5,485
	17,175			-	17,175
	19,648	1,071		1,071	20,719
586	9,225	2,782	2,636	5,418	14,643
	1,434		4,301	4,301	5,735
321	5,051	1,523	1,443	2,966	8,017
	5,296			-	5,296
	336		57	57	393
	1,764	995	306	1,301	3,065
88	1,380	416	394	810	2,190
145	2,283	689	652	1,341	3,624
152	2,395	723	685	1,408	3,803
169	2,657	801	759	1,560	4,217
1,500	3,903	114	-	114	4,017
3,719	248,874	30,840	22,034	52,874	301,748
89	1,401	422	400	822	2,223
<b>\$ 3,808</b>	<b>\$ 250,275</b>	<b>\$ 31,262</b>	<b>\$ 22,434</b>	<b>\$ 53,696</b>	<b>\$ 303,971</b>

See Accompanying Notes to the Financial Statements

## Choral Arts Ensemble of Rochester

Rochester, MN

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009

	Program Services			
	Artistic Development	Concert Production	Harmony for Mayo	Promotion and Marketing
Salaries and Wages	\$ 36,234	\$ 22,416	\$ 14,591	\$ 25,974
Payroll Taxes	2,920	1,839	1,191	1,673
Employee Benefits	2,191	1,317	533	1,657
	41,345	25,572	16,315	29,304
Total Salaries and Related Expenses				
Performers			39,125	
Guest Artists	12,110			
Instrumentalists	6,346			
Commissioned Works	5,000			
Subcontracted Services		2,390	0	400
Advertising				13,902
Printing, Design, and Photography		11,049		7,998
Rental Fees	1,281	5,024	1,667	1,708
Audit and Accounting Fees	1,469			
Supplies	625	2,535	840	840
Recording and Production Costs		6,561		
Training and Education	1,116			
Dues and Licenses	75	535	550	
Telephone	246	431	205	328
Bank and Credit Card Services Charges	373	652	311	497
Insurance	268	468	223	357
Postage	139	243	321	1,590
Miscellaneous			3,012	16
	70,393	55,460	62,569	56,940
Total Expenses Before Depreciation				
Depreciation Expense	175	307	146	234
	70,568	55,767	62,715	57,174
<b>Total Expenses</b>	<b>\$ 70,568</b>	<b>\$ 55,767</b>	<b>\$ 62,715</b>	<b>\$ 57,174</b>

See Accompanying Notes to Financial Statements

Supporting Services

<u>Education and Other</u>	<u>Total</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>	<u>Grand Totals</u>
\$ 644	\$ 99,859	\$ 18,524	\$ 7,175	\$ 25,699	\$ 125,558
54	7,677	1,524	1,062	2,586	10,263
16	5,714	1,726	1,075	2,801	8,515
714	113,250	21,774	9,312	31,086	144,336
	39,125			-	39,125
	12,110			-	12,110
	6,346			-	6,346
	5,000			-	5,000
	2,790		813	813	3,603
	13,902			-	13,902
	19,047	1,217		1,217	20,264
427	10,107	2,028	1,921	3,949	14,056
	1,469		4,406	4,406	5,875
297	5,137	1,018	1,040	2,058	7,195
	6,561			-	6,561
	1,116		1,414	1,414	2,530
	1,160	1,427	450	1,877	3,037
82	1,292	390	368	758	2,050
124	1,957	590	559	1,149	3,106
89	1,405	424	401	825	2,230
46	2,339	760	208	968	3,307
1,500	4,528	34	-	34	4,562
3,279	248,641	29,662	20,892	50,554	299,195
58	920	278	263	541	1,461
<b>\$ 3,337</b>	<b>\$ 249,561</b>	<b>\$ 29,940</b>	<b>\$ 21,155</b>	<b>\$ 51,095</b>	<b>\$ 300,656</b>

See Accompanying Notes to Financial Statements

**Choral Arts Ensemble of Rochester**  
Rochester, MN

**STATEMENT OF CASH FLOWS**  
For the Years Ended June 30, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>Cash Flows From Operating Activities:</b>		
Change in Net Assets	\$ 28,223	\$ (7,281)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	2,223	1,461
Net unrealized (gain) loss on investments	(6,325)	14,510
Donation of Equipment	(4,912)	-
Change in assets (increase) decrease		
Accounts Receivable	(3,289)	(461)
Prepaid Expenses	5,401	(9,331)
Inventory	581	(1,397)
Change in liabilities increase (decrease)		
Accounts Payable	1,353	288
Accrued Salaries and Wages	0	29
Accrued Payroll Taxes	27	836
Deferred Revenues	6,600	2,591
	29,882	1,245
Net Cash Provided by Operating Activities	<b>29,882</b>	<b>1,245</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>29,882</b>	<b>1,245</b>
<b>Cash and Cash Equivalents - July 1</b>	50,968	49,723
<b>Cash and Cash Equivalents - June 30</b>	<b>\$ 80,850</b>	<b>\$ 50,968</b>

See Accompanying Notes to Financial Statements

**Choral Arts Ensemble of Rochester**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2010

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Choral Arts Ensemble of Rochester was organized to promote the highest standard of excellence in the performance of choral arts for the education and enjoyment of the membership and the community at large. The choir performs five programs each season, as well as outreach concerts by smaller groups within the Ensemble. The Organization also coordinated the Harmony for Mayo Series, in partnership with Mayo Clinic, presenting free weekly concerts featuring a variety of music.

**Net Assets**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. Accordingly, net assets of the Organization are classified and reported as follows:

**Unrestricted Funds**

All net assets not classified as temporarily or permanently restricted are classified as unrestricted, and include all board designated amounts.

**Temporarily Restricted Funds**

The Organization reports contributions and contribution type grants that are restricted by the donor or grantee as an increase to temporarily restricted net assets. When the donor restriction is accomplished, these temporarily restricted assets are reclassified to unrestricted and reported on the statement of activities as assets released from restrictions. If the restriction is met in the period the related revenue is recognized, the amounts are reported within the unrestricted activity.

**Accounts Receivable**

Unconditional promises to give are recognized as revenue in the period received. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. The Organization does not estimate a reserve for bad debts, as write-offs have been historically small and the amounts involved are believed to be not material. The Organization does not currently have a policy to place receivables on nonaccrual status. Accounts in excess of 30 days are considered past due. The Organization had no nonmortgage loans held for sale, interest-only strips, loans or other receivables, or retained interests in securitizations.

**Inventories**

Inventories consist of compact discs held for resale and are stated at the lower of cost (first-in, first-out) or market values.

**Choral Arts Ensemble of Rochester**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2010

**NOTE 1 CONT.**

**Investments**

Investments are stated at market based upon quoted market prices. Gains and losses are recognized when the securities are sold and are included as a component of investment income. The difference between cost and market value of securities, unrealized gains and losses, are recognized in the statement of activities as a component of investment income.

**Revenue Recognition**

Contributions and contribution type grants are recognized as revenue when they are received or an unconditional pledge is made. The Organization reports all contributions and contribution type grants as unrestricted unless explicit restrictions are received from the donor. The Organization reports contributions and contribution type grants as restricted revenue if they are received with donor stipulations or grant requirements that limit the use of the donation. When the donor or grant stipulations expire or are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities.

Concert revenue and performance fees are recognized in the period the concert is performed. Amounts received in advance are recognized as deferred revenue.

Season ticket revenues are recognized ratably over the concert season.

**Equipment and Depreciation**

Equipment is recorded at cost or at estimated fair market value at the date of gift. Donations of equipment are reported as unrestricted revenue unless the donor has restricted the use of the donated equipment. The Organization generally capitalizes all expenditures for equipment in excess of \$500. Depreciation is provided using the straight-line method over estimated lives ranging from three to seven years.

**Donated Services and Materials**

The Organization receives a significant amount of volunteer time in the fulfillment of its program activities. These donated services are not generally reflected in the financial statements since these services do not require any specialized skills.

The donations of these services that do require specialized skills are reflected in the statement of activities at their fair market value. Donated materials are reflected as contributions at their fair market value at the date of donation if the donated materials are usable in program and supporting services.

**Choral Arts Ensemble of Rochester**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2010

**NOTE 1 CONT.**

**Functional Expenses**

The cost of providing the Organization's various program and supporting services have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between program and supporting services benefited by the expenditures.

Directly identifiable expenses are charged to programs and supporting services. Salaries and wages are allocated based upon the estimated time spent in each program activity. Payroll related expenses, including payroll taxes and workers' compensation insurance, are allocated based upon salaries and wages. Certain expenses are allocated based on frequency of usage or space used.

**Advertising**

Advertising costs are expensed as incurred.

**Income Taxes**

The Organization is exempt from federal income taxes as a public charity under Section 501 (c)(3) of the Internal Revenue Code.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all its demand accounts, money market accounts, and those investment securities with an original maturity of three months or less to be considered cash or cash equivalents.

**Accumulated Unpaid Vacation and Sick Time**

Vacation and paid sick leave are recognized as an expense when paid and not when accrued. The unrecorded liability, if any, is not considered material in relation to the financial condition or operating results of the Organization.

**Retirement Plan**

In accordance with terms of their Simple retirement plan, the Organization will match the eligible employee's salary reduction contributions up to a limit of 3% of the employee's compensation. Contributions made by the Organization for the year ended June 30, 2010 and 2009 totaled \$3,682 and \$3,370.

**Choral Arts Ensemble of Rochester**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2010

**NOTE 1 CONT.**

**Fair Value of Financial Instruments**

The carrying value of cash and cash equivalents approximated the fair value because of the short maturity of those instruments.

**Use of Estimated in the Preparation of Financial Statements**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2. INVESTMENTS**

Investments as of June 30, 2010 are comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>(Depreciation) Appreciation</u>
<b>Mutual Funds:</b>			
Bond Index Fund	\$ 37,743	\$ 36,945	\$ (798)
International Index Fund	22,343	15,044	(7,299)
US Equity Index Fund	44,620	36,163	(8,457)
Global Equity Fund	1,089	1,379	290
<b>Totals</b>	<u>\$ 105,795</u>	<u>\$ 89,531</u>	<u>\$ (16,264)</u>

The following tabulation summarizes the relationship between the quoted market value and the cost of investments as of June 30, 2009.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized gain (loss)</u>
Unrealized gain (loss) at the end of the year	\$ 105,795	\$ 89,531	\$ (16,264)
Unrealized gain (loss) at the beginning of the year	\$ 105,795	\$ 83,208	\$ (22,587)
Change in unrealized gain (loss)			<u>\$ 6,323</u>

**Choral Arts Ensemble of Rochester**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2010

**NOTE 2 CONT.**

Investments as of June 30, 2009 are comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>(Depreciation) Appreciation</u>
<b>Mutual Funds:</b>			
Bond Index Fund	\$ 37,743	\$ 36,056	\$ (1,687)
International Index Fund	22,343	14,076	(8,267)
US Equity Index Fund	44,620	31,834	(12,786)
Global Equity Fund	1,089	1,242	153
<b>Totals</b>	<u>\$ 105,795</u>	<u>\$ 83,208</u>	<u>\$ (22,587)</u>

The following tabulation summarizes the relationship between the quoted market value and the cost of investments as of June 30, 2009.

	<u>Cost</u>	<u>Fair Value</u>	<u>(Depreciation) Appreciation</u>
Unrealized gain (loss) at the end of the year	\$ 105,795	\$ 83,208	\$ (22,587)
Unrealized gain (loss) at the beginning of the year	\$ 104,706	\$ 97,718	\$ (6,988)
Change in unrealized Gain (Loss)			<u>\$ (15,599)</u>

The components of investment income for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Interest and Dividend Income	\$ 2,060	\$ 2,599
Realized Loss	(70)	(228)
Net Unrealized Gain (Loss)	<u>6,325</u>	<u>(15,599)</u>
<b>Net Investment Income</b>	<u>\$ 8,315</u>	<u>\$ (13,228)</u>

**Choral Arts Ensemble of Rochester**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2010

**NOTE 3. RESTRICTED NET ASSETS AND ASSETS RELEASED FROM RESTRICTION**

Temporarily restricted net assets as of June 30, 2010 and June 30, 2009 are available for the following program activities:

	<u>2010</u>	<u>2009</u>
Symphonic Concert	\$ 9,000	\$ -
Mary J. Franz Christmas Carol Fund	5,175	6,675
<b>Totals</b>	<u>\$ 14,175</u>	<u>\$ 6,675</u>

Temporarily restricted net assets released from restriction by satisfaction of expenditure requirements are as follows:

	<u>2010</u>	<u>2009</u>
Mary J. Franz Christmas Carol Fund	\$ 1,500	\$ 3,200
Harmony for Mayo Program		15,000
<b>Totals</b>	<u>\$ 1,500</u>	<u>\$ 18,200</u>

The Harmony for Mayo program is funded by contributions from Mayo Foundation. Allowable program expenditures include an allocation for performances by Choral Arts Ensemble. This program change is not reflected in the Statement of Functional Expenses.

**NOTE 4. VULNERABILITY DUE TO CONCENTRATION OF FUNDING SOURCES**

The Organization receives a substantial amount of operating revenues from the Harmony for Mayo program from Mayo Clinic. The ability of the Organization to continue this program is therefore directly associated with the continued funding from Mayo Clinic.

The Organization receives substantial amounts of contribution type grants from two grantors. The ability of the Organization to continue its current program level is directly associated with the continued receipt of these grants.

**Choral Arts Ensemble of Rochester**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2010

**NOTE 5. LEASES**

The Organization leases its current office space under a one year operating lease that commenced October 1, 2009 and lasts through September 30, 2010 with one successive one year renewal option. The base rental cost is \$918 per month. Rental expense under the operating lease was \$10,947 for the year ended June 30, 2010. Minimum annual payments under this lease agreement are as follows:

Year ending June 30		
2010	\$	2,754

**NOTE 6. IN KIND DONATIONS**

The value of In-Kind Donations included in the financial statements and the corresponding expenses or assets are as follows for the years ended June 30, 2010 and 2009:

	2010	2009
Items for Silent Auction	\$ 31,113	\$ 22,614
Liquor Donation	1,680	-
Services	1,500	-
2 Laptops & 1 Desktop Computer	2,578	-
Total In-Kind Donations	\$ 36,871	\$ 22,614

**NOTE 7. SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 27, 2010, the date the financial statements were available to be issued.



WOLTER & RAAK<sup>LLP</sup>

CPAs • Consultants • Planners

To the Board of Directors  
Choral Arts Ensemble of Rochester  
Rochester, MN

In planning and performing our audits of the financial statements of Choral Arts Ensemble of Rochester as of and for the years ended June 30, 2010 and 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Choral Arts Ensemble of Rochester internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

#### Limited Segregation of Duties

A limited number of people have the primary responsibility for all of the accounting and financial duties, including the authorization and approval of transactions. As a result, many of the aspects of internal accounting controls that rely upon an adequate segregation of duties are missing. The Organization has segregated duties to the extent possible given the limited number of employees involved in the accounting and financial process.

## Accounting and Financial Reporting

An organization of this size has an inherent limitation in its ability to effectively segregate its accounting duties and to prepare annual full disclosure financial statements in accordance with generally accepted accounting principles. Management is aware of this risk and has determined that it would not be practical for the Organization to devote the resources required to overcome this limitation.

As part of the audit services, we prepared a draft of your financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for those financial statements prior to their issuance.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Holter & Raak, Ltd.*

Rochester, Minnesota  
August 27, 2010