

THE PHILADELPHIA SINGERS, INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010

THE PHILADELPHIA SINGERS, INC.
YEARS ENDED JUNE 30, 2011 AND 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements.....	5
Independent Auditors' Report on Additional Information	12
Schedule of Functional Expenses	13



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Independent Auditors' Report

To: The Board of Directors
The Philadelphia Singers, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying statement of financial position of **The Philadelphia Singers, Inc.**, as of June 30, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of **The Philadelphia Singers, Inc.'s** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 **The Philadelphia Singers, Inc.** as of June 30, 2011 and 2010 and the change in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Collingswood, NJ
October 14, 2011

THE PHILADELPHIA SINGERS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and cash equivalents	\$ 67,195	\$ 22,742
Grants receivable	325,000	150,274
Marketable securities	10,315	10,321
Prepaid expenses	5,026	3,605
	<hr/>	<hr/>
Total current assets	407,536	186,942
	<hr/>	<hr/>
Other assets		
Charitable remainder trusts	122,257	100,284
Musical equipment, net of depreciation	-	-
	<hr/>	<hr/>
Total other assets	122,257	100,284
	<hr/>	<hr/>
Total Assets	<u>\$ 529,793</u>	<u>\$ 287,226</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 10,922	\$ 29,280
Accrued expenses and payroll liabilities	6,175	5,915
Deferred revenue	-	2,780
	<hr/>	<hr/>
Total current liabilities	17,097	37,975
	<hr/>	<hr/>
Long term liabilities		
Note payable, related party	189,500	214,500
	<hr/>	<hr/>
Total long term liabilities	189,500	214,500
	<hr/>	<hr/>
Net assets		
Unrestricted	(154,061)	(218,667)
Temporarily restricted	477,257	253,418
	<hr/>	<hr/>
Total net assets	323,196	34,751
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 529,793</u>	<u>\$ 287,226</u>

The accompanying notes are an integral part of this statement

THE PHILADELPHIA SINGERS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

	Unrestricted	Temporarily Restricted	2011 Totals	2010 Totals
Revenues				
Admissions	\$ 47,784	\$ -	\$ 47,784	\$ 68,078
Special events	12,732	-	12,732	17,325
Contract performances	301,512	-	301,512	157,503
Trust income and royalties	353	-	353	300
Realized and unrealized gain/(loss) on investments	2,438	-	2,438	2,726
Contributions	162,626	-	162,626	99,657
Grants	21,740	330,000	351,740	404,148
Change in value of remainder trusts	-	21,973	21,973	45,734
In-kind contributions	4,326	-	4,326	2,923
Other	4,155	-	4,155	3,061
Net assets released from restrictions:				
Satisfaction of program restrictions	128,134	(128,134)	-	-
Total revenues	685,800	223,839	909,639	801,455
Expenses:				
Program expenses	485,518	-	485,518	477,301
Management and general	79,675	-	79,675	101,395
Fundraising	56,001	-	56,001	80,829
Total expenses	621,194	-	621,194	659,525
Change in net assets	64,606	223,839	288,445	141,930
Net assets, beginning of year	(218,667)	253,418	34,751	(107,179)
Net assets, end of year	<u>\$ (154,061)</u>	<u>\$ 477,257</u>	<u>\$ 323,196</u>	<u>\$ 34,751</u>

The accompanying notes are an integral part of this statement

THE PHILADELPHIA SINGERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2011</u>	<u>2010</u>
Increase in net assets	\$ 288,445	\$ 141,930
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Change in realized/unrealized appreciation	(2,438)	(2,726)
Change in value of remainder trusts	(21,973)	(45,874)
Forgiveness of note payable, related party	(25,000)	(10,000)
(Increase) decrease in:		
Prepaid expenses	(1,421)	(1,782)
Grants receivable	(174,726)	(64,051)
Increase (decrease) in:		
Accounts payable	(18,358)	(44,240)
Accrued expenses	260	(15,662)
Deferred revenue	(2,780)	2,755
	<u>42,009</u>	<u>(39,650)</u>
Net cash provided by (used in) operating activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of marketable securities	<u>2,444</u>	<u>2,879</u>
Net cash provided by investing activities	<u>2,444</u>	<u>2,879</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	44,453	(36,771)
Cash, beginning of year	<u>22,742</u>	<u>59,513</u>
Cash, end of year	<u>\$ 67,195</u>	<u>\$ 22,742</u>
Supplemental information		
Interest expense	<u>\$ 11,730</u>	<u>\$ 13,439</u>

The accompanying notes are an integral part of this statement

THE PHILADELPHIA SINGERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1. PROGRAMS AND ACTIVITIES

The Philadelphia Singers, Inc. (the "Organization") is a non-profit organization established to operate, conduct, and maintain a choral music group for the presentation of programs to the public intended to foster choral music appreciation in the Philadelphia area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Organization prepares its financial statements in accordance with Accounting Standards Codification (ASC) No. 958, "Not-for-Profit Entities." Under ASC No. 958, the Organization is required to report 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) based upon the existence or absence of donor-imposed restrictions. In addition, the Organization is required to present a statement of cash flows. For the years ended June 30, 2011 and 2010, the Organization had no permanently restricted net assets.

Concentration of Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. ASC No. 825 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

All of the Organization's expenses, including expenses relating to assets previously included among the temporarily restricted net assets class of accounts, are decreases in unrestricted net assets.

THE PHILADELPHIA SINGERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of the programs of the Organization, principally in financial development. The value of this contributed time is not reflected in the statements since it is not susceptible to objective measurement or valuation.

The Organization does recognize material contributed services that would be purchased if not contributed. These contributed amounts are recorded at fair market value on the donation date as contribution revenue.

Musical Equipment

The Organization follows the practice of capitalizing, at cost or market value where the original cost is not known, all expenditures for fixed assets in excess of \$1,000. Depreciation is computed on a straight-line basis over the useful lives. Asset lives for financial statement reporting of depreciation are:

Musical Equipment	20 years
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Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2011 and 2010, the expense totaled \$24,218 and \$75,728.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

Effective January 1, 2009, management adopted the accounting standard, "Accounting for Uncertainty in Income Taxes." This standard clarifies the accounting and reporting for uncertainties in income tax positions taken or expected to be taken in filings with taxing jurisdictions, using minimum recognition and measurement thresholds.

Management has reviewed tax positions taken in filings with federal and state jurisdictions and believes those positions would be sustained should the filings be examined by the relevant taxing authority. These tax filings are subject to examination, generally for three years after they are filed.

THE PHILADELPHIA SINGERS, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011 AND 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Should settlement of an examination or other event result in a change in management's evaluation of a tax position taken or expected to be taken in filings that have not been closed by statute or examination, any interest and penalties related to the unrecognized tax benefit as a result of the uncertain tax position would be included in interest expense and administrative expenses, respectively.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, as determined by quoted market prices, with gains and losses included in the statement of activities and changes in net assets. Donated securities are recorded at the market value on the date of contribution. Gain or loss on sale of investments is determined on the basis of average cost.

3. CHARITABLE REMAINDER TRUSTS

Charitable Remainder Trusts are expected to be realized as follows at June 30:

	<u>2011</u>
In one year or less	\$ -
One to five years	-
More than five years	<u>122,257</u>
	<u>\$ 122,257</u>

	<u>2010</u>
In one year or less	\$ -
One to five years	-
More than five years	<u>100,284</u>
	<u>\$ 100,284</u>

THE PHILADELPHIA SINGERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

4. MARKETABLE SECURITIES

Marketable securities consist of the following at June 30:

	2011	
	Market	Cost
Certificates of Deposit	\$ 8,580	\$ 8,580
Common Stock	1,735	3,389
	\$ 10,315	\$ 11,969
	2010	
	Market	Cost
Certificates of Deposit	\$ 8,576	\$ 8,576
Common Stock	1,745	3,389
	\$ 10,321	\$ 11,965

Unrealized depreciation at June 30, 2011 and 2010 was \$1,654 and \$1,644, respectively.

On July 1, 2008, the Organization adopted the provisions of ASC No. 820 "Fair Value Measurements and Disclosures" for financial statement elements currently required to be measured at fair value. ASC No. 820 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy under ASC No. 820 are described below:

- Level 1 - quoted prices in active markets for identical securities
- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 - significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

THE PHILADELPHIA SINGERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

4. MARKETABLE SECURITIES (CONT'D)

The summary of inputs used to value the Organization's investments is as follows at June 30, 2011:

Investments	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Certificates of Deposit	\$ 8,580	\$ 8,580	\$ -	\$ -
Common Stock	<u>1,735</u>	<u>1,735</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,315</u>	<u>\$ 10,315</u>	<u>\$ -</u>	<u>\$ -</u>
Charitable Remainder Trusts	<u>\$ 122,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,257</u>

Charitable Remainder Trusts are measured at the estimated future cash flows which involve unobservable inputs. As a result, these assets have been classified as Level 3 inputs.

5. OPERATING LEASE COMMITMENT

The Organization entered into a lease agreement effective September 1, 2005. The lease was extended for an additional five years effective September 1, 2010.

Future minimum lease payments under this operating lease are:

<u>Year ended June 30,</u>	<u>Amount</u>
2012	\$ 19,241
2013	19,830
2014	20,419
2015	21,008
2016	7,068
Thereafter	<u>-</u>
	<u>\$ 87,565</u>

THE PHILADELPHIA SINGERS, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011 AND 2010

6. RELATED PARTY TRANSACTIONS

A loan was given to the Organization by a director in the amount of \$269,500 in 2006. Note payable consists of the following at June 30:

	<u>2011</u>	<u>2010</u>
Note payable to a director, with 6% interest	<u>\$189,500</u>	<u>\$214,500</u>

This loan is guaranteed by a director of the Organization.

Interest expense charged to operations for these loans for the fiscal years 2011 and 2010 were \$11,730 and \$13,439, respectively.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Use in future periods		
Charitable Remainder Trusts	\$ 122,257	\$ 100,284
Time and purpose restricted	<u>355,000</u>	<u>153,134</u>
	<u>\$ 477,257</u>	<u>\$ 253,418</u>

8. CONTINGENCIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplate continuation of the Organization as a going concern. At June 30, 2011 the Organization has an accumulated Unrestricted Net Asset deficit of \$154,061. This factor, among others, indicates that the continued existence of the Organization remains dependent upon its ability to attract public and private support for its programs and to receive grant awards.

Management has specified the goal of reducing its operating deficiency through increased income which will provide funds to meet the current operating expenses. During the fiscal year ending June 30, 2005, the Philadelphia Singers began a financial turn-around, when the operating budget grew, with increases in both earned and contributed revenue, and ended the year with a small surplus. The recovery has continued over the last five years with operating surpluses or balanced budgets each year. The Organization began to pay down its debt in the fiscal year ending June 30, 2008, and will continue to decrease its debt through a combination of debt repayment and forgiveness.

THE PHILADELPHIA SINGERS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

9. SUBSEQUENT EVENTS

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through October 14, 2011, the date the financial statements were available to be issued. The Organization had no significant or material subsequent events through October 14, 2011.



Certified Public Accountants
Business Advisors

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Independent Auditors' Report on Additional Information

To: The Board of Directors
The Philadelphia Singers, Inc.
Philadelphia, Pennsylvania

We have audited the financial statements of **The Philadelphia Singers, Inc.** as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Renzi, Bernardi, Suarez & Co

Collingswood, NJ
October 14, 2011

THE PHILADELPHIA SINGERS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	Program Expenses	Management & General	Fundraising	2011 Total Expenses	2010 Total Expenses
Salaries	\$ 286,725	\$ 34,967	\$ 27,973	\$ 349,665	\$ 281,347
Contracted salaries	110,433	-	-	110,433	136,856
Payroll taxes and benefits	30,145	3,676	2,941	36,762	35,836
Total Salaries & Expenses	427,303	38,643	30,914	496,860	454,039
Accounting and auditing	-	17,188	-	17,188	32,332
Advertising and marketing	10,656	242	13,320	24,218	75,728
Bank fees	2,387	2,290	195	4,872	5,219
Commissions	2,500	-	-	2,500	-
Dues and subscriptions	449	572	-	1,021	1,561
In-kind expense	4,326	-	-	4,326	2,923
Insurance	2,566	-	-	2,566	2,362
Interest	-	11,730	-	11,730	13,439
Miscellaneous	299	1,061	-	1,360	928
Office expense	2,056	2,628	1,028	5,712	8,035
Payroll processing fees	605	1,815	-	2,420	2,872
Postage and shipping	1,313	1,343	328	2,984	1,609
Printing and publications	10,379	-	-	10,379	10,741
Occupancy	18,258	1,251	5,502	25,011	39,539
Special events	-	-	4,539	4,539	4,241
Telephone and internet	2,421	912	175	3,508	3,957
Total Expenses	\$ 485,518	\$ 79,675	\$ 56,001	\$ 621,194	\$ 659,525

The accompanying notes are an integral part of this statement