

GLOUCESTER STAGE COMPANY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011 and 2010

GLOUCESTER STAGE COMPANY, INC.
DECEMBER 31, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

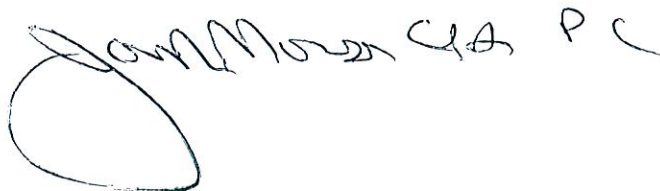
To the Board of Directors
Gloucester Stage Company, Inc.
Gloucester, Massachusetts

I have audited the accompanying statements of financial position of Gloucester Stage Company, Inc. (a not-for-profit Corporation) as of December 31, 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 Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit 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 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gloucester Stage Company, Inc. as of December 31, 2011 and 2010, 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.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Jon R. Morse CPA PC". The signature is written in a cursive style with a large, looping initial "J".

October 2, 2012

GLOUCESTER STAGE COMPANY, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 62,395	\$ 94,871
Investments	5,035	5,218
Accounts receivable	8,025	555
Unconditional promises to give	388,000	480,800
Prepaid Expenses	1,866	2,266
Property and equipment, net	963,173	956,122
Total Assets	<u>\$ 1,428,494</u>	<u>\$ 1,539,832</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable & accrued expenses	\$ 8,723	\$ 9,646
Accrued payroll & payroll taxes	842	452
Payroll taxes payable	15,572	15,214
Deferred revenue	5,450	7,299
Notes payable	495,000	757,824
Total Liabilities	<u>525,587</u>	<u>790,435</u>
Net assets:		
Unrestricted	502,517	251,154
Temporarily restricted by donors	400,390	497,463
Permanently restricted	0	780
Total Net Assets	<u>902,907</u>	<u>749,397</u>
Total Liabilities and Net Assets	<u>\$ 1,428,494</u>	<u>\$ 1,539,832</u>

See Independent Auditor's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>
REVENUE:				
Admissions	\$ 236,546			\$ 236,546
Contributions	65,931	\$ 144,325		210,256
Contributions-in kind	4,000			4,000
Grants	5,000	275,000		280,000
Concessions	6,491			6,491
Other Support:				
Raffle	30,000			30,000
Program ads	29,140			29,140
Special events	45,764			45,764
Rental income	20,786			20,786
Gain on sale of stock	783			783
Interest and dividend income	119			119
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue and Other Support	444,560	419,325	-	863,885
Net Assets Released From Restriction	517,178	(516,398)	(780)	-
EXPENSES:				
Program service costs	539,673			539,673
General and administrative	94,720			94,720
Fundraising	75,982			75,982
Total Expenses	710,375	-	-	710,375
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	251,363	(97,073)	(780)	153,510
NET ASSETS, BEGINNING OF YEAR	251,154	497,463	780	749,397
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, END OF YEAR	<u>\$ 502,517</u>	<u>\$ 400,390</u>	<u>\$ -</u>	<u>\$ 902,907</u>

See Independent Auditor's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>
REVENUE:				
Admissions	\$ 242,177			\$ 242,177
Contributions	69,309	\$ 620,313		689,622
Contributions-in kind	9,000			9,000
Grants	35,000	23,000		58,000
Concessions	4,806			4,806
Other Support:				
Raffle	30,000			30,000
Program ads	24,235			24,235
Special events	14,367			14,367
Rental income	17,052			17,052
Interest income	53			53
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue and Other Support	445,999	643,313	-	1,089,312
Net Assets Released From Restriction	195,850	(195,850)		-
EXPENSES:				
Program service costs	404,536			404,536
General and administrative	90,979			90,979
Fundraising	51,045			51,045
Total Expenses	<hr/> 546,560	<hr/> -	<hr/> -	<hr/> 546,560
CHANGE IN NET ASSETS	95,289	447,463	-	542,752
NET ASSETS, BEGINNING OF YEAR	<hr/> 155,865	<hr/> 50,000	<hr/> 780	<hr/> 206,645
NET ASSETS, END OF YEAR	<hr/> <u>\$ 251,154</u>	<hr/> <u>\$ 497,463</u>	<hr/> <u>\$ 780</u>	<hr/> <u>\$ 749,397</u>

See Independent Auditor's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 153,510	\$ 542,752
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Contribution of shares of stock	(4,904)	(5,218)
Gain on sale of stock	(783)	-
Re-invested dividends	(31)	-
Donation of Piano	(10,000)	-
Depreciation:property & equipment	21,144	19,145
(Increase) decrease in accounts receivable	(7,470)	(555)
(Increase) decrease in promises to give	92,800	(480,800)
Increase (decrease) in prepaid expenses	400	(400)
(Increase) decrease in refundable equity bond	-	8,302
Increase (decrease) in accounts payable/accrued expenses	(923)	(6,860)
Increase (decrease) in payroll taxes payable	748	(1,444)
Increase (decrease)in deferred revenue	(1,849)	6,257
Net cash provided by (used in) operating activities	<u>242,642</u>	<u>81,179</u>
 CASH FLOWS FROM INVESTMENT ACTIVITIES		
Proceeds from sale of stock donation	5,901	-
Equipment & fixture acquisitions	(18,195)	(16,802)
Net cash used in investing activities	<u>(12,294)</u>	<u>(16,802)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	(262,824)	(40,394)
Net cash used in financing activities	<u>(262,824)</u>	<u>(40,394)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(32,476)	23,983
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>94,871</u>	<u>70,888</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 62,395</u>	<u>\$ 94,871</u>
 Supplemental disclosures:		
Interest paid	<u>\$ 29,177</u>	<u>\$ 41,057</u>
 The following were non cash donations:		
Bookkeeping services	\$ -	\$ 5,000
Concession goods	4,000	4,000
Shares of stock	4,904	5,118
Piano	10,000	-
	<u>\$ 18,904</u>	<u>\$ 14,118</u>

See Independent Auditor's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Note 1 – Nature of Activities

Gloucester Stage Company, Inc. (the Company) is a not-for-profit organization incorporated in the Commonwealth of Massachusetts. Its stated purpose is to conduct cultural, charitable and educational activities. The Company presents several theatrical productions throughout the year. The Company's support comes primarily from admissions and contributions.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Company 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include the Company's operating checking accounts, money market accounts and petty cash.

Investments

The Company reports investments in marketable equity securities with readily determinable fair market values at fair market value.

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the nature of any donor restrictions.

Contributions/grants that are restricted by the donor are reported as increased in temporarily or permanently restricted net assets until the restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished). When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Deferred Revenue

Play pass subscriptions applicable to performances that have not yet taken place are not recognized as revenue and are treated as deferred revenue. Additional deferred revenue is derived from prepaid rental income from leasing the lower level of the Theater building.

Donated Services and Materials

The Company is the benefactor of numerous in-kind donations of supplies and services. Where the value of the donation can be objectively measured, it is recorded as an in-kind contribution offset by the appropriate expense or capital expenditure.

A substantial number of unpaid individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of this contributed time is not susceptible to objective measurement and is, therefore, not reflected in these financial statements.

Income Tax Status

The Company qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and therefore, has no provision for federal income taxes. The Company is not a private foundation.

In 2009, the Company adopted Topic 740 of the FASB Accounting Standards Codification (ASC) relating to accounting for uncertainty in income taxes. As required by this topic, management of the Company has evaluated its tax positions, applying a "More Likely Than Not" standard, and believes that there would be no material changes to the results of its operations or financial position as a result of an audit by applicable taxing authorities, federal or state. The Company has filed all of its known required returns in a timely manner including permitted extensions. Accordingly, management believes that tax years 2008, 2009, 2010 and 2011 remain open years and subject to review.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Note 3 – Promises to Give

Unconditional promises to give for 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Restricted for payments on the interest on notes payable with the balance to principal.	\$400,000	\$500,000
Less: Unamortized discount	<u>(12,000)</u>	<u>(19,200)</u>
Net Unconditional promises to give	<u>\$388,000</u>	<u>\$480,800</u>
Amounts due in:		
One year or less	\$100,000	\$100,000
Two to five years	<u>300,000</u>	<u>400,000</u>
Gross amounts due	<u>\$400,000</u>	<u>\$500,000</u>

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and currently a discount rate of 2% when the donor makes an unconditional promise to give to the Company.

Note 4 – Investments

Investments are presented in the financial statements at fair value. In 2011 60 shares of 3M Company were donated as an unrestricted donation. The fair value of these shares held was \$4,904 at December 31, 2011, In 2010 70 shares of Exxon Mobil Corp were donated as an unrestricted donation. The fair value of these shares held was \$5,118 at December 31, 2010. The Exxon Mobil Corp shares were sold in 2011.

Note 5 – In-kind Contributions

The Company received and recorded in-kind contributions of services and supplies as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted operating:		
Accounting services	\$ -0-	\$ 5,000
Concession food	<u>4,000</u>	<u>4,000</u>
Total In-kind contributions	<u>\$ 4,000</u>	<u>\$ 9,000</u>

The treasurer contributed the accounting services above for 2010.

Note 6– Advertising Costs

The Company uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Total advertising costs consist of the design and production of posters, newspapers ads, season brochures, and postcards. Additional costs include postage for brochure and postcard mailings, and website maintenance. These costs totaled \$ 25,274 and \$24,695 in 2011 and 2010, respectively.

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Note 7 – Deferred Revenue

Deferred revenue as of December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Unearned subscriptions	\$ 5,450	\$ 7,299

As each production is presented, the portion of the advance subscriptions that pertains to that production is recognized as revenue.

Note 8 – Leases

The Company leases approximately 2500 square feet of space in the Theater building under a tenant-at-will agreement for \$1,042 per month. Rental income of \$12,500 was recorded in 2011 and 2010. Additional rental income has also been collected from companies renting space on a temporary basis for \$125 - \$1,200 for each rental period. Total rental income amounted to \$20,786 and \$17,052 for 2011 and 2010, respectively.

Note 9 – Notes Payable

The Company borrowed \$75,000 on March 1, 2002. This note is payable on demand; bears interest at five percent (5%) per annum at December 31, 2011 and 2010, respectively; interest is payable monthly; is secured by all business assets of the Company and is guaranteed by various board members. The outstanding balance at December 31, 2011 was \$ 0 and at December 31 2010 was \$18,500.

The Company borrowed \$675,000 in 2004 to purchase its Theater building and an additional \$109,324 in 2005 for building improvements. The note provides for interest payable monthly at five percent (5%) per annum at December 31, 2011 and 2010. The note is due on demand and is secured with a first mortgage on the land and building; a lien on all assets of the company; loan payback from capital campaigns, assignment of pledges and donations. The outstanding balance on this bank loan at December 31, 2011 and 2010 was \$495,000 and \$739,324, respectively.

Note 10 – Property and Equipment

Property and equipment are recorded at cost or at fair market when donated. Depreciation of leasehold/building improvements, equipment and fixtures is provided using estimated useful lives of 5 to 40 years of the respective assets using the straight-line method. It is the general practice to charge maintenance and repairs to the current period. Major repairs are capitalized and depreciated over estimated useful lives.

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Note 10 – Property and Equipment, continued

The following is a summary of property and equipment, less accumulated depreciation, as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Theater building/land	\$ 750,000	\$750,000
Theater improvements	278,839	262,175
Leasehold improvements	62,481	62,481
Equipment & fixtures	<u>70,639</u>	<u>63,087</u>
	1,161,959	1,137,743
Less accumulated depreciation	<u>(198,786)</u>	<u>(181,621)</u>
Total	<u>\$ 963,173</u>	<u>\$ 956,122</u>

For the years ended December 31, 2011 and 2010 the depreciation expense was \$21,144 and \$19,145 respectively.

All property and equipment of the company is pledged as collateral for borrowings as described in Note 9.

Note 11 – Restrictions on Net Assets

Permanently restricted net assets consist of certain leasehold improvements and equipment, net of accumulated depreciation. The net book value of these assets total \$-0- and \$780 at December 31, 2011 and 2010, respectively.

In 2011, the company received contributions and grants of \$419,325 which were restricted for specific purposes. During the year, the Company satisfied 2011 restrictions of \$415,825 and prior years of \$100,573. At year end, the temporarily restricted assets totaled \$400,390 which was held as follows:

Bank loan interest and principal	\$396,890
NEA Education Grant Advance for 2012	<u>3,500</u>
Total temporary restricted net assets	<u>\$400,390</u>

In 2010, the company received contributions and grants of \$643,313 which were restricted for specific purposes. During the year, the Company satisfied restrictions of this and prior years of \$195,850. At year end, the temporarily restricted assets totaled \$497,463 which was held as follows:

Bank loan interest and principal	\$481,710
Beautification and maintenance projects	10,546
Development/marketing salary	3,707
Advertisement and 2011 operations	<u>1,500</u>
Total temporary restricted net assets	<u>\$497,463</u>

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

Note 12 - Accrued compensated absences

Company policy does not provide for carryover of compensated absences and therefore no accrual is made.

Note 13 - Concentrations

The Company received a substantial portion of its support from the following:

	<u>2011</u>	<u>2010</u>
Dusky Foundation Grant	\$ <u>250,000</u>	\$ <u>-0-</u>
Anonymous donor	\$ <u>68,000</u>	\$ <u>601,000</u>

In 2011 the anonymous donor remitted \$100,000 for a pledge receivable that was made in 2010.

Note 14 – Evaluation of Subsequent Events

The Company has evaluated subsequent events through October 2, 2012, the date which the financial statements were available to be issued.

GLOUCESTER STAGE COMPANY, INC.
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2011

	PROGRAM SERVICE COSTS	GENERAL AND ADMINISTRATIVE	FUNDRAISING	2011 TOTAL
Advertising and promotion	\$ 25,274			\$ 25,274
Bank charges		88		88
Concession expenses	7,194			7,194
Credit card discount		10,696		10,696
Depreciation and amortization	21,144			21,144
Education program expenses	433			433
Employee benefits	24,264			24,264
Employee salaries and payroll taxes	248,329	39,257	\$ 45,193	332,779
Facility maintenance	10,243			10,243
Fundraising -other			1,516	1,516
Fundraising -special events			17,227	17,227
Insurance-building	4,357			4,357
Insurance-directors & officers		1,524		1,524
Insurance-package	2,887	5,376		5,376
Insurance-worker's compensation	29,177	469	546	3,902
Interest expense	1,620			29,177
Membership dues and fees		8,178		1,620
Office supplies and expenses		3,000		8,178
Payroll service fees				3,000
Printing and publications-program/newsletters	7,992			7,992
Production materials and other	44,427			44,427
Production outside services	29,497			29,497
Professional fees	64,683	15,000		79,683
Raffle prizes			10,000	10,000
Real estate taxes	515			515
Taxes-other		1,977	1,500	3,477
Telephone	3,491			3,491
Ticket sales on-line processing fees		9,155		9,155
Utilities	14,146			14,146
Total	<u>\$ 539,673</u>	<u>\$ 94,720</u>	<u>\$ 75,982</u>	<u>\$ 710,375</u>

See Independent Auditor's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC.
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2010

	PROGRAM SERVICE COSTS	GENERAL AND ADMINISTRATIVE	FUNDRAISING	2010 TOTAL
Advertising and promotion	\$ 24,695			\$ 24,695
Bank charges		\$ 355		355
Concession expenses	6,054			6,054
Credit card discount		10,462		10,462
Depreciation and amortization	19,041	104		19,145
Education program expenses	1,110			1,110
Employee benefits	18,458			18,458
Employee salaries and payroll taxes	186,935	36,202	\$ 31,103	254,240
Facility maintenance	5,848			5,848
Fundraising -other			1,850	1,850
Fundraising -special events			6,237	6,237
Insurance-building	3,794			3,794
Insurance-directors & officers		1,524		1,524
Insurance-package		5,200		5,200
Insurance-worker's compensation	2,154	443	355	2,952
Interest expense	39,230	1,827		41,057
Membership dues and fees	2,960			2,960
Office supplies and expenses		9,549		9,549
Payroll service fees		2,900		2,900
Printing and publications-program/newsletters	10,050			10,050
Production materials and other	36,842			36,842
Production outside services	26,699			26,699
Professional fees		13,650		13,650
Raffle prizes			10,000	10,000
Real estate taxes	482			482
Taxes-other		1,211	1,500	2,711
Telephone	3,987			3,987
Ticket sales on-line processing fees		7,552		7,552
Utilities	16,197			16,197
Total	<u>\$ 404,536</u>	<u>\$ 90,979</u>	<u>\$ 51,045</u>	<u>\$ 546,560</u>

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