

GLOUCESTER STAGE COMPANY, INC.

FINANCIAL STATEMENTS

**DECEMBER 31, 2010 AUDITED
DECEMBER 31, 2009 REVIEWED**

GLOUCESTER STAGE COMPANY, INC.
DECEMBER 31, 2010 (AUDITED) and 2009 (REVIEWED)

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JON R. MORSE, CPA, PC
CERTIFIED PUBLIC ACCOUNTANT

38 Pleasant Street
Gloucester, MA 01930

TEL (978) 283-2224
FAX (978) 283-0113

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statement of financial position of Gloucester Stage Company, Inc. (a not-for-profit Corporation) as of December 31, 2010, and the related statements of activities and cash flows for the year 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.

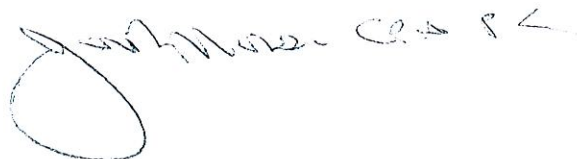
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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, 2010, and the changes in its net assets and its cash flows for the year 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 financial statements as a whole. The schedule of functional expenses on page 12-13 is presented for 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The 2009 financial statements were reviewed by me, and my report thereon, dated November 11, 2010, stated that I was not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

September 28, 2011



GLOUCESTER STAGE COMPANY, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2010 AND 2009

	2010 Audited	2009 Reviewed
ASSETS		
Cash and cash equivalents	\$ 94,871	\$ 70,888
Investments	5,218	-
Accounts receivable	555	-
Unconditional promises to give	480,800	-
Prepaid Expenses	2,266	1,866
Property and equipment, net	956,122	958,465
Equity bond	-	8,302
Total Assets	\$ 1,539,832	\$ 1,039,521

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable & accrued expenses	9,646	\$ 11,531
Accrued payroll & payroll taxes	452	5,427
Payroll taxes payable	15,214	16,658
Deferred revenue	7,299	1,042
Notes payable	757,824	798,218
Total Liabilities	790,435	832,876
Net assets:		
Unrestricted	251,154	155,865
Temporarily restricted by donors	497,463	50,000
Permanently restricted	780	780
Total Net Assets	749,397	206,645
Total Liabilities and Net Assets	\$ 1,539,832	\$ 1,039,521

See accountant's report and notes to financial statements

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

	<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 accountant's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009- REVIEWED

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>
REVENUE:				
Admissions	195,315			\$ 195,315
Contributions	94,017	\$ 89,600		183,617
Contributions-in kind	13,682			13,682
Grants	27,000	10,370		37,370
Concessions	5,237			5,237
Other Support:				
Raffle	30,000			30,000
Program ads	25,395			25,395
Special events	35,620			35,620
Rental income	20,066			20,066
Loss on sale of stock	(132)			(132)
Interest income	7			7
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue and Other Support	446,207	99,970	-	546,177
Net Assets Released From Restriction	86,105	(86,105)		-
EXPENSES:				
Program service costs	378,087			378,087
General and administrative	96,886			96,886
Fundraising	31,681			31,681
Total Expenses	<hr/> 506,654	<hr/> -	<hr/> -	<hr/> 506,654
CHANGE IN NET ASSETS	25,658	13,865	-	39,523
NET ASSETS, BEGINNING OF YEAR	<hr/> 130,207	<hr/> 36,135	<hr/> 780	<hr/> 167,122
NET ASSETS, END OF YEAR	<hr/> <u>\$ 155,865</u>	<hr/> <u>\$ 50,000</u>	<hr/> <u>\$ 780</u>	<hr/> <u>\$ 206,645</u>

See accountant's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
	Audited	Reviewed
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 542,752	\$ 39,523
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Contribution of shares of stock	(5,218)	(4,682)
Loss on sale of stock	-	132
Depreciation:property & equipment	19,145	18,367
(Increase) decrease in accounts receivable	(555)	-
(Increase) decrease in promises to give	(480,800)	-
Increase/(decrease) in prepaid expenses	(400)	(356)
(Increase)/decrease in security deposit	-	1,200
(Increase) decrease in refundable equity bond	8,302	(8,302)
Increase/ decrease) in accounts payable/accrued expenses	(6,860)	(35,647)
Increase (decrease) in payroll taxes payable	(1,444)	8,363
Increase/(decrease)in deferred revenue	6,257	(13,690)
Net cash provided by (used in) operating activities	81,179	4,908
 CASH FLOWS FROM INVESTMENT ACTIVITIES		
Proceeds from sale of stock donation	-	4,550
Equipment & fixture acquisitions	(16,802)	(1,163)
Net cash used in investing activities	(16,802)	3,387
 CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	(40,394)	(11,537)
Net cash used in financing activities	(40,394)	(11,537)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	23,983	(3,242)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	70,888	74,130
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 94,871	\$ 70,888
 Supplemental disclosures:		
Interest paid	\$ 41,057	\$ 55,058
The following were non cash donations:		
Bookkeeping services	\$ 5,000	\$ 5,000
Concession goods	4,000	4,000
Shares of stock	5,118	4,682
	\$ 14,118	\$ 13,682

See accountant's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 (AUDITED) and 2009 (REVIEWED)

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, 2010 (AUDITED) and 2009 (REVIEWED)

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 is classified as a Section 501(c)(3) Organization under the Federal Internal Revenue Code. As a result, it has been determined to be exempt from federal and state income taxes and is deemed "not a private foundation".

Reclassifications

Certain functional expense accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

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, 2010 (AUDITED) and 2009 (REVIEWED)

Note 3 – Promises to Give

Unconditional promises to give for 2010 consist of the following:

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

Note 5 – In-kind Contributions

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

	<u>2010</u>	<u>2009</u>
Unrestricted operating:		
Accounting services	\$ 5,000	\$ 5,000
Concession food	<u>4,000</u>	<u>4,000</u>
Total In-kind contributions	<u>\$ 9,000</u>	<u>\$ 9,000</u>

The treasurer contributed the accounting services above for 2010 and 2009.

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 (AUDITED) and 2009 (REVIEWED)

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 \$ 24,695 and \$24,337 in 2010 and 2009, respectively.

Note 7 – Deferred Revenue

Deferred revenue as of December 31, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Unearned subscriptions	\$ 7,299	\$ -
Prepaid rent	<u>-</u>	<u>1,042</u>
	<u>\$ 7,299</u>	<u>\$ 1,042</u>

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

Prepaid rent is one months advance payment on storage space on the lower level of the Theater building.

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 2010 and 2009. 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 \$17,052 and \$20,066 for 2010 and 2009, 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%) and seven percent (7%) at December 31, 2010 and 2009, 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, 2010 was \$ 18,500 and at December 31 2009 was \$46,000.

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 (AUDITED) and 2009 (REVIEWED)

Note 9 – Notes payable (continued)

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%) at December 31, 2010 and six and three quarter's percent (6.75%) at December 31, 2009. 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; and assignment of leases and rents. The outstanding balance on this bank loan at December 31, 2010 and 2009 was \$739,324 and \$749,324, respectively.

On May 8th 2007, the Company purchased lighting equipment totaling \$20,780 for use in their stage productions under a retail installment sale agreement. The company made a cash down payment of 10% of the purchase price and financed the balance of \$18,702 over a 3 year period at an annual interest rate of 8.6%. The agreement calls for monthly payments of \$591. The seller maintains a security interest in the equipment until the note is paid in full. The outstanding balance at December 31, 2010 and 2009 was \$0 and \$2,894, respectively.

Total notes payable were \$757,824 and \$798,218 at December 31, 2010 and 2009, 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.

The following is a summary of property and equipment, less accumulated depreciation, as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Theater building/land	\$ 750,000	\$ 750,000
Theater improvements	262,175	260,612
Leasehold improvements	62,481	62,481
Equipment & fixtures	<u>63,087</u>	<u>47,848</u>
	1,137,743	1,120,941
Less accumulated depreciation	<u>(181,621)</u>	<u>(162,476)</u>
Total	<u>\$ 956,122</u>	<u>\$ 958,465</u>

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 (AUDITED) and 2009 (REVIEWED)

Note 10 – Property and Equipment (continued)

For the years ended December 31, 2010 and 2009 the depreciation expense was \$19,145 and \$18,367 respectively.

All property and equipment of the company is pledged as collateral for borrowings as described in Note 7.

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 \$780 and \$780 at December 31, 2010 and 2009, respectively.

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>

In 2009, the Company received contributions and grants totaling \$99,970 which were restricted for specific purposes. During the year, the Company satisfied restrictions of this and prior years of \$86,105. At year end, the temporarily restricted assets totaled \$50,000 which was held as follows:

Artistic Director salary	\$25,000
General Manager salary	20,000
Hearing devices for theater audience	<u>5,000</u>
Total temporary restricted net assets	<u>\$50,000</u>

Note 11 – Evaluation of Subsequent Events

The Company has evaluated subsequent events through September 28, 2011, 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, 2010- AUDITED

	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	2,154	5,200		5,200
Insurance-worker's compensation		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	\$ 404,536	\$ 90,979	\$ 51,045	\$ 546,560

See accountant's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009- REVIEWED

	PROGRAM SERVICE COSTS	GENERAL AND ADMINISTRATIVE	FUNDRAISING	2009 TOTAL
Advertising and promotion	\$ 24,337			\$ 24,337
Bank charges		\$ 65		65
Concession expenses	6,219			6,219
Credit card discount		6,952		6,952
Depreciation and amortization	18,157	210		18,367
Education program expenses	105			105
Employee benefits	17,153			17,153
Employee salaries and payroll taxes	141,411	56,145	\$ 14,372	211,928
Facility maintenance	3,546			3,546
Fundraising -other			2,499	2,499
Fundraising -special events			3,166	3,166
Insurance-building	3,794			3,794
Insurance-directors & officers		1,524		1,524
Insurance-package		4,844		4,844
Insurance-worker's compensation	1,382		144	2,061
Interest expense	51,839			55,058
Membership dues and fees	1,409			1,409
Office supplies and expenses		2,874		2,874
Payroll service fees		3,000		3,000
Printing and publications-program/newsletters	9,288			9,288
Production materials and other	44,575			44,575
Production outside services	34,474			34,474
Professional fees		9,000		9,000
Raffle prizes			10,000	10,000
Real estate taxes	445			445
Taxes-other		1,315	1,500	2,815
Telephone	4,082			4,082
Ticket sales on-line processing fees		7,203		7,203
Utilities	15,871			15,871
Total	<u>\$ 378,087</u>	<u>\$ 96,886</u>	<u>\$ 31,681</u>	<u>\$ 506,654</u>

See accountant's report and notes to financial statements