



**GLOUCESTER STAGE COMPANY, INC.**  
**DECEMBER 31, 2009 and 2008**

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2009  
Review

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ACCOUNTANT'S REPORT

# 015593

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

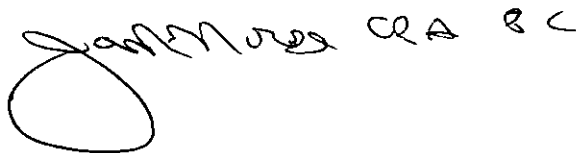
I have reviewed the accompanying statements of financial position of Gloucester Stage Company, Inc. (a not-for-profit Corporation) as of December 31, 2009 and 2008 and the related statements of activities, and statements of cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Gloucester Stage Company, Inc.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

My review was made for expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The schedule of functional expenses is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made thereto.

November 11, 2010

 J. R. Morse CPA PC

GLOUCESTER STAGE COMPANY, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2009 AND 2008

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	70,888	\$ 74,130
Prepaid expenses	1,866	1,510
Property and equipment, net	958,465	975,669
Equity Bond	8,302	-
Security deposit	-	1,200
<b>Total Assets</b>	<b>\$ 1,039,521</b>	<b>\$ 1,052,509</b>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable & accrued expenses	\$ 11,531	\$ 40,840
Accrued payroll & payroll taxes	5,427	11,765
Payroll taxes payable	16,658	8,295
Deferred revenue	1,042	14,732
Notes payable	798,218	809,755
<b>Total Liabilities</b>	<b>832,876</b>	<b>885,387</b>
Net assets:		
Unrestricted	155,865	130,207
Temporarily restricted by donors	50,000	36,135
Permanently restricted	780	780
<b>Total Net Assets</b>	<b>206,645</b>	<b>167,122</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,039,521</b>	<b>\$ 1,052,509</b>

See accountant's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>
<b>REVENUE:</b>				
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
<b>Other Support:</b>				
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
<b>Net Assets Released From Restriction</b>	86,105	(86,105)		-
<b>EXPENSES:</b>				
Program service costs	378,087			378,087
General and administrative	96,886			96,886
Fundraising	31,681			31,681
Total Expenses	<u>506,654</u>	<u>-</u>	<u>-</u>	<u>506,654</u>
<b>CHANGE IN NET ASSETS</b>	25,658	13,865	-	39,523
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>130,207</u>	<u>36,135</u>	<u>780</u>	<u>167,122</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 155,865</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ 780</u></u>	<u><u>\$ 206,645</u></u>

See accountant's report and notes to financial statements

**GLOUCESTER STAGE COMPANY, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>
<b>REVENUE:</b>				
Admissions	\$ 178,793			\$ 178,793
Contributions	88,298	\$ 51,777		140,075
Contributions-in kind	17,815			17,815
Grants	40,650	21,185		61,835
Concessions	6,013			6,013
<b>Other Support:</b>				
Raffle	30,000			30,000
Program ads	29,635			29,635
Special events	40,409			40,409
Rental income	20,889			20,889
Interest income	18			18
Total Revenue and Other Support	452,520	72,962	-	525,482
<b>Net Assets Released From Restriction</b>	75,227	(75,227)		-
<b>EXPENSES:</b>				
Program service costs	383,506			383,506
General and administrative	121,525			121,525
Fundraising	83,755			83,755
Total Expenses	588,786	-	-	588,786
<b>CHANGE IN NET ASSETS</b>	(61,039)	(2,265)	-	(63,304)
<b>NET ASSETS, BEGINNING OF YEAR</b>	191,246	38,400	780	230,426
<b>NET ASSETS, END OF YEAR</b>	\$ 130,207	\$ 36,135	\$ 780	\$ 167,122

See accountant's report and notes to financial statements

**GLOUCESTER STAGE COMPANY, INC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 39,523	\$ (63,304)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation: property & equipment	18,367	18,476
(Increase) decrease in accounts receivable	-	300
(Increase) decrease in promises to give	-	39,986
Decrease in prepaid expenses	(356)	100
(Increase)/decrease in security deposit	1,200	(1,200)
(Increase) decrease in refundable equity bond	(8,302)	-
Increase (decrease) in accounts payable/accrued expenses	(35,647)	35,471
Increase (decrease) in payroll taxes payable	8,363	(2,261)
Decrease in deferred revenue	(13,690)	2,225
<b>Net cash provided by (used in ) operating activities</b>	<b>9,458</b>	<b>29,793</b>
 <b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Equipment & fixture acquisitions	(1,163)	-
<b>Net cash used in investing activities</b>	<b>(1,163)</b>	<b>-</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan advances	-	8,000
Loan repayments	(11,537)	(9,002)
<b>Net cash used in financing activities</b>	<b>(11,537)</b>	<b>(1,002)</b>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,242)</b>	<b>28,791</b>
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>74,130</b>	<b>45,339</b>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 70,888</b>	<b>\$ 74,130</b>
 <b>Supplemental disclosures:</b>		
Interest paid	<b>\$ 55,058</b>	<b>\$ 60,946</b>
The following were donated services/supplies:		
Bookkeeping services	\$ 5,000	\$ 5,000
Concession goods	4,000	4,000
Director fees	-	8,815
	<b>\$ 9,000</b>	<b>\$ 17,815</b>

See accountant's report and notes to financial statements

**GLOUCESTER STAGE COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 and 2008**

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**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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the Company 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.

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.

Contributions and Grants

The Company accounts for contributions and grants in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

**GLOUCESTER STAGE COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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Deferred Revenue

Playpass 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 includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

**GLOUCESTER STAGE COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 and 2008**

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**Note 3 – In-kind Contributions**

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

	<u>2009</u>	<u>2008</u>
<b>Unrestricted operating:</b>		
Accounting services	\$ 5,000	\$ 5,000
Concession food	4,000	4,000
 Artistic Director Fees	<u>0</u>	<u>8,815</u>
 Total In-kind contributions	<u>\$9,000</u>	<u>\$10,000</u>

Certain members of the Board contributed professional services above. The Treasurer provided \$5,000 of accounting services in 2009 and 2008 and a director provided artistic director services in 2008.

**Note 4 – 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 \$ 24,337 and \$37,048 in 2009 and 2008, respectively.



**GLOUCESTER STAGE COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 and 2008**

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**Note 8 – Notes payable (continued)**

The outstanding balance at December 31, 2009 and 2008 was \$749,324 and \$749,324 respectively.

On May 8<sup>th</sup> 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, 2009 and 2008 was \$2,894 and \$9,431 respectively.

In 2008, an officer made an unsecured \$5,000, non interest bearing, loan to the company which is payable on demand. The loan was contributed to the organization in 2009.

**Note 9 – 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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Theater building/land	\$ 750,000	\$ 750,000
Theater improvements	260,612	260,612
Leasehold improvements	62,481	62,481
Equipment & fixtures	<u>47,848</u>	<u>46,684</u>
	1,120,941	1,119,777
Less accumulated depreciation	<u>(162,476)</u>	<u>(144,108)</u>
Total	<u>\$ 958,465</u>	<u>\$ 975,669</u>

**GLOUCESTER STAGE COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 and 2008**

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**Note 9 – Property and Equipment (continued)**

For the years ended December 31, 2009 and 2008 the depreciation expense was \$18,367 and \$18,476 respectively.

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

**Note 10 – 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, 2009 and 2008, respectively.

In 2009, the Company received contributions and grants of \$99,970 which were restricted for specific purposes. During the year, the Company satisfied restrictions of \$49,970. At year end, the temporarily restricted assets totaled \$50,000 which was held for artistic and general manager salaries for 2010 and special hearing devices for the theater audience.

In 2008, the Company received restricted contributions of \$72,962 which were restricted for specific purposes. At year end, \$25,000 was held for basement renovations and \$11,135 was held for a 2009 play sponsorship for a total of \$36,135. These restrictions were released or satisfied in 2009.

**Note 11 – Commitment**

On September 10, 2007, The Company entered into an agreement with a professional fundraising organization. In the agreement, the Gloucester Stage Company retained their consulting services to assist in developing a significant fundraising campaign as well as produce a 3-5 year strategic plan for consideration by the Board. The professional service fee for the engagement is \$50,000. At December 31, 2008, the services were satisfied and the balance of \$35,000 had been billed for services performed.

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

	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	535	144	2,061
Interest expense	51,839	3,219		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
<b>Total</b>	<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

GLOUCESTER STAGE COMPANY, INC.  
SCHEDULES OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	PROGRAM SERVICE COSTS	GENERAL AND ADMINISTRATIVE	FUNDRAISING	2008 TOTAL
Advertising and promotion	\$ 37,048			\$ 37,048
Bad debts- pledges				-
Bank charges		\$ 206		206
Concession expenses	6,416			6,416
Credit card discount		5,195		5,195
Depreciation and amortization	18,266	210		18,476
Education program expenses	2,605			2,605
Employee benefits	14,637			14,637
Employee salaries and payroll taxes	134,597	75,228	\$ 19,233	229,058
Facility maintenance	3,626			3,626
Fundraising -other			39,274	39,274
Fundraising -special events			13,512	13,512
Insurance-building	4,309			4,309
Insurance-directors & officers		1,524		1,524
Insurance-package		5,326		5,326
Insurance-worker's compensation	1,295	824	236	2,355
Interest expense	52,945	2,947		55,892
Membership dues and fees	3,050			3,050
Office supplies and expenses		4,780		4,780
Payroll service fees		1,200		1,200
Printing and publications-program/newsletters	10,994			10,994
Production materials and other	44,751			44,751
Production outside services	28,838			28,838
Professional fees		15,200		15,200
Raffle prizes			10,000	10,000
Real estate taxes	272			272
Taxes-other		890	1,500	2,390
Telephone	3,944			3,944
Ticket sales on-line processing fees		7,995		7,995
Utilities	15,913			15,913
Total	<u>\$ 383,506</u>	<u>\$ 121,525</u>	<u>\$ 83,755</u>	<u>\$ 588,786</u>

See accountant's report and notes to financial statements