

GLOUCESTER STAGE COMPANY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012 and 2011

GLOUCESTER STAGE COMPANY, INC.
DECEMBER 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

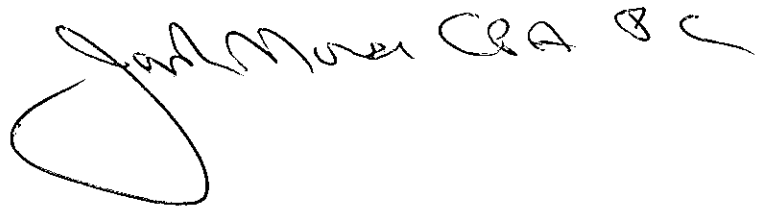
To the Board of Directors
Gloucester Stage Company, Inc.
Gloucester, Massachusetts

I have audited the accompanying statements of financial position of Gloucester Stage Company, Inc. (a not-for-profit Corporation) as of December 31, 2012 and 2011 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, 2012 and 2011, 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 black ink, reading "Jon R. Morse CPA PC" with a stylized flourish at the end.

Jon R. Morse, CPA, PC
November 1, 2013

GLOUCESTER STAGE COMPANY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 78,227	\$ 62,395
Investments	4,847	5,035
Accounts receivable	1,150	8,025
Unconditional promises to give	294,200	388,000
Prepaid Expenses	3,413	1,866
Security Deposit	300	-
Property and equipment, net	941,809	963,173
Total Assets	<u>\$ 1,323,946</u>	<u>\$ 1,428,494</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable & accrued expenses	\$ 17,318	\$ 8,723
Accrued payroll & payroll taxes	3,226	842
Payroll taxes payable	11,753	15,572
Deferred revenue	5,335	5,450
Notes payable	408,000	495,000
Total Liabilities	<u>445,632</u>	<u>525,587</u>
Net assets:		
Unrestricted	577,909	502,517
Temporarily restricted by donors	300,405	400,390
Total Net Assets	<u>878,314</u>	<u>902,907</u>
Total Liabilities and Net Assets	<u>\$ 1,323,946</u>	<u>\$ 1,428,494</u>

See Independent Auditor's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>
REVENUE:				
Admissions	\$ 234,502			\$ 234,502
Contributions	74,668	\$ 167,750		242,418
Contributions-in kind	9,005			9,005
Grants	34,600	18,500		53,100
Concessions	4,945			4,945
Other Support:				
Raffle	30,000			30,000
Program ads	28,215			28,215
Special events	42,580			42,580
Rental income	18,482			18,482
Gain on sale of stock	204			204
Interest and dividend income	114			114
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue and Other Support	477,315	186,250	-	663,565
Net Assets Released From Restriction	286,235	(286,235)		-
EXPENSES:				
Program service costs	499,559			499,559
General and administrative	97,143			97,143
Fundraising	91,456			91,456
Total Expenses	688,158	-	-	688,158
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	75,392	(99,985)	-	(24,593)
NET ASSETS, BEGINNING OF YEAR	502,517	400,390	-	902,907
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, END OF YEAR	<u>\$ 577,909</u>	<u>\$ 300,405</u>	<u>\$ -</u>	<u>\$ 878,314</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	<hr/> 710,375	<hr/> -	<hr/> -	<hr/> 710,375
CHANGE IN NET ASSETS	251,363	(97,073)	(780)	153,510
NET ASSETS, BEGINNING OF YEAR	<hr/> 251,154	<hr/> 497,463	<hr/> 780	<hr/> 749,397
NET ASSETS, END OF YEAR	<hr/> <u>\$ 502,517</u>	<hr/> <u>\$ 400,390</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ 902,907</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, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (24,593)	\$ 153,510
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Contribution of shares of stock	(4,847)	(4,904)
Gain on sale of stock	(204)	(783)
Re-invested dividends	(35)	(31)
Donation of Piano	-	(10,000)
Depreciation:property & equipment	21,364	21,144
(Increase) decrease in accounts receivable	6,875	(7,470)
(Increase) decrease in promises to give	93,800	92,800
Increase (decrease) in prepaid expenses	(1,547)	400
Increase (decrease) in security deposit	(300)	-
Increase (decrease) in accounts payable/accrued expenses	10,980	(923)
Increase (decrease) in payroll taxes payable	(3,819)	748
Increase (decrease)in deferred revenue	(115)	(1,849)
Net cash provided by (used in) operating activities	<u>97,559</u>	<u>242,642</u>
 CASH FLOWS FROM INVESTMENT ACTIVITIES		
Proceeds from sale of stock donation	5,273	5,901
Equipment & fixture acquisitions	-	(18,195)
Net cash used in investing activities	<u>5,273</u>	<u>(12,294)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	(87,000)	(262,824)
Net cash used in financing activities	<u>(87,000)</u>	<u>(262,824)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	15,832	(32,476)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>62,395</u>	<u>94,871</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 78,227</u>	<u>\$ 62,395</u>
 Supplemental disclosures:		
Interest paid	<u>\$ 19,185</u>	<u>\$ 29,177</u>
 The following were non cash donations:		
Concession goods	\$ 4,005	\$ 4,000
WBUR advertising	5,000	
Shares of stock	4,946	4,904
Piano	-	10,000
	<u>\$ 13,951</u>	<u>\$ 18,904</u>

See Independent Auditor's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

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, 2012 and 2011

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.

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 2009, 2010, 2011 and 2012 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, 2012 and 2011

Note 3 – Promises to Give

Unconditional promises to give for 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Restricted for payments on the interest on notes payable with the balance to principal.	\$300,000	\$400,000
Less: Unamortized discount	(5,800)	(12,000)
Net Unconditional promises to give	<u>\$294,200</u>	<u>\$388,000</u>
Amounts due in:		
One year or less	\$100,000	\$100,000
Two to five years	<u>200,000</u>	<u>300,000</u>
Gross amounts due	<u>\$300,000</u>	<u>\$400,000</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 2012 56 shares of Exxon Mobil were donated as an unrestricted donation. The fair value of these shares held at December 31, 2012 was \$4,847. 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. The 3M shares were sold in 2012.

Note 5 – In-kind Contributions

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

	<u>2012</u>	<u>2011</u>
Unrestricted operating:		
Advertising services	\$ 5,000	\$ -0-
Concession food	<u>4,000</u>	<u>4,000</u>
Total In-kind contributions	<u>\$ 9,005</u>	<u>\$ 4,000</u>

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 \$ 24,189 and \$25,274 in 2012 and 2011, respectively.

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

Note 7 – Deferred Revenue

Deferred revenue as of December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Unearned subscriptions	\$ 5,335	\$ 5,450

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. The tenant-at-will vacated in September 2012. Rental income of \$9,375 was recorded in 2012 and \$12,500 was recorded in 2011. 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 \$18,482 and \$20,786 for 2012 and 2011, respectively.

Note 9 – Notes Payable

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, 2012 and 2011. 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, 2012 and 2011 was \$408,000 and \$495,000, 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, 2012 and 2011

Note 10 – Property and Equipment, continued

The following is a summary of property and equipment, less accumulated depreciation, as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Theater building/land	\$ 750,000	\$750,000
Theater improvements	278,839	278,839
Leasehold improvements	62,481	62,481
Equipment & fixtures	<u>70,639</u>	<u>70,639</u>
	1,161,959	1,161,959
Less accumulated depreciation	<u>(220,150)</u>	<u>(198,786)</u>
Total	<u>\$ 941,809</u>	<u>\$ 963,173</u>

For the years ended December 31, 2012 and 2011 the depreciation expense was \$21,364 and \$21,144 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

In 2012, the company received contributions and grants of \$186,250 which were restricted for specific purposes. During the year, the Company satisfied 2012 restrictions of \$182,750 and prior years of \$103,485. At year end, the temporarily restricted assets totaled \$300,405 which was held as follows:

Bank loan interest and principal	\$296,905
NEA Education Grant Advance for 2013	<u>3,500</u>
Total temporary restricted net assets	<u>\$300,405</u>

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>

Note 12 - Accrued compensated absences

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

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

Note 13 - Concentrations

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

	<u>2012</u>	<u>2011</u>
Dusky Foundation Grant	\$ <u>-0-</u>	\$ <u>250,000</u>
Anonymous donor	\$ <u>125,000</u>	\$ <u>68,000</u>

In 2012 and 2011 the anonymous donor remitted \$100,000 each year for a pledge receivable that was made in 2010.

Note 14 – Evaluation of Subsequent Events

The Company has evaluated subsequent events through November 1, 2013, 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, 2012

	PROGRAM SERVICE COSTS	GENERAL AND ADMINISTRATIVE	FUNDRAISING	2012 TOTAL
Advertising and promotion	\$ 24,189			\$ 24,189
Bank charges		131		131
Concession expenses	6,588			6,588
Credit card discount		8,339		8,339
Depreciation and amortization	21,364			21,364
Education program expenses	2,289			2,289
Employee benefits	28,791	1,327	2,638	32,756
Employee salaries and payroll taxes	262,507	31,418	\$ 49,725	343,650
Facility maintenance	7,004			7,004
Fundraising -other			4,061	4,061
Fundraising -special events			22,717	22,717
Insurance-building	2,931			2,931
Insurance-directors & officers		1,524		1,524
Insurance-package		5,200		5,200
Insurance-worker's compensation		489	815	5,431
Interest expense	4,127			20,885
Memberships dues and fees	20,885			1,585
Office supplies and expenses		16,176		16,176
Payroll service fees		2,650		2,650
Printing and publications-program/newsletters	9,885			9,885
Production materials and other	45,100			45,100
Production outside services	42,897			42,897
Professional fees	0	20,650		20,650
Raffle prizes			10,000	10,000
Real estate taxes	551			551
Taxes-other		1,039	1,500	2,539
Telephone	3,653			3,653
Ticket sales on-line processing fees		8,200		8,200
Utilities	15,213			15,213
Total	<u>\$ 499,559</u>	<u>\$ 97,143</u>	<u>\$ 91,456</u>	<u>\$ 688,158</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, 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		5,376		5,376
Insurance-worker's compensation	2,887	469	546	3,902
Interest expense	29,177			29,177
Membership dues and fees	1,620			1,620
Office supplies and expenses		8,178		8,178
Payroll service fees		3,000		3,000
Printing and publications-program/newsletters	7,992			7,992
Production materials and other	39,767			39,767
Production outside services	34,157			34,157
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>

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