

GLOUCESTER STAGE COMPANY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013 and 2012

**GLOUCESTER STAGE COMPANY, INC.
DECEMBER 31, 2013 and 2012**

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INDEPENDENT AUDITOR'S REPORT

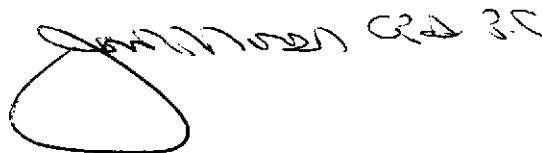
To the Board of Directors
Gloucester Stage Company, Inc.
Gloucester, Massachusetts

I have audited the accompanying statements of financial position of Gloucester Stage Company, Inc. (a not-for-profit Corporation) as of December 31, 2013 and 2012 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, 2013 and 2012, 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.



Jon R. Morse, CPA, PC
October 22, 2014

**GLOUCESTER STAGE COMPANY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012**

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 120,624	\$ 78,227
Investments	10,760	4,847
Accounts receivable	0	1,150
Unconditional promises to give	198,000	294,200
Prepaid Expenses	9,260	3,413
Security Deposit	0	300
Property and equipment, net	920,445	941,809
Total Assets	<u>\$ 1,259,089</u>	<u>\$ 1,323,946</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable & accrued expenses	\$ 18,674	\$ 17,318
Accrued payroll & payroll taxes	0	3,226
Payroll taxes payable	946	11,753
Deferred revenue	7,360	5,335
Notes payable	324,000	408,000
Total Liabilities	<u>350,980</u>	<u>445,632</u>
Net assets:		
Unrestricted	697,221	577,909
Temporarily restricted by donors	210,888	300,405
Total Net Assets	<u>908,109</u>	<u>878,314</u>
Total Liabilities and Net Assets	<u>\$ 1,259,089</u>	<u>\$ 1,323,946</u>

See Independent Auditor's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>
REVENUE:				
Admissions	\$ 264,841			\$ 264,841
Contributions and Grants	82,460	\$ 224,972		307,432
Contributions-in kind	4,503			4,503
Concessions	8,285			8,285
Other Support:				
Raffle	30,000			30,000
Program ads	27,140			27,140
Special events	33,000			33,000
Rental income	10,164			10,164
Gain on sale of stock	0			-
Unrealized gain on securities	929			929
Interest and dividend income	289			289
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue and Other Support	461,611	224,972	-	686,583
Net Assets Released From Restriction	314,489	(314,489)	-	-
EXPENSES:				
Program service costs	508,689			508,689
General and administrative	87,995			87,995
Fundraising	60,104			60,104
Total Expenses	656,788	-	-	656,788
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	119,312	(89,517)	-	29,795
NET ASSETS, BEGINNING OF YEAR	577,909	300,405	-	878,314
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, END OF YEAR	<u>\$ 697,221</u>	<u>\$ 210,888</u>	<u>\$ -</u>	<u>\$ 908,109</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 and Grants	109,268	\$ 186,250		295,518
Contributions-in kind	9,005			9,005
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	<hr/> 688,158	<hr/> -	<hr/> -	<hr/> 688,158
CHANGE IN NET ASSETS	75,392	(99,985)	-	(24,593)
NET ASSETS, BEGINNING OF YEAR	<hr/> 502,517	<hr/> 400,390	<hr/> -	<hr/> 902,907
NET ASSETS, END OF YEAR	<hr/> <u>\$ 577,909</u>	<hr/> <u>\$ 300,405</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ 878,314</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, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 29,795	\$ (24,593)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Contribution of shares of stock	(4,846)	(4,847)
Gain on sale of stock	-	(204)
Unrealized gain securities	(929)	-
Re-invested dividends	(138)	(35)
Depreciation: property & equipment	21,364	21,364
(Increase) decrease in accounts receivable	1,150	6,875
(Increase) decrease in promises to give	96,200	93,800
Increase (decrease) in prepaid expenses	(5,847)	(1,547)
Increase (decrease) in security deposit	300	(300)
Increase (decrease) in accounts payable/accrued expenses	(1,870)	10,980
Increase (decrease) in payroll taxes payable	(10,807)	(3,819)
Increase (decrease) in deferred revenue	2,025	(115)
Net cash provided by (used in) operating activities	<u>126,397</u>	<u>97,559</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Proceeds from sale of stock donation	-	5,273
Equipment & fixture acquisitions	-	-
Net cash used in investing activities	<u>-</u>	<u>5,273</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	(84,000)	(87,000)
Net cash used in financing activities	<u>(84,000)</u>	<u>(87,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	42,397	15,832
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>78,227</u>	<u>62,395</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 120,624</u>	<u>\$ 78,227</u>
Supplemental disclosures:		
Interest paid	<u>\$ 14,629</u>	<u>\$ 19,185</u>
 The following were non cash donations:		
Concession goods	\$ 4,005	\$ 4,005
WBUR advertising	-	5,000
Shares of stock	4,946	4,946
	<u>\$ 8,951</u>	<u>\$ 13,951</u>

See Independent Auditor's report and notes to financial statements

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

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, certificates with maturity in under three months, 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, 2013 and 2012

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 2010, 2011, 2012 and 2013 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, 2013 and 2012

Note 3 – Promises to Give

Unconditional promises to give for 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Restricted for payments on the interest on notes payable with the balance to principal.	\$200,000	\$300,000
Less: Unamortized discount	(2,000)	(5,800)
Net Unconditional promises to give	<u>\$198,000</u>	<u>\$294,200</u>
Amounts due in:		
One year or less	\$100,000	\$100,000
Two to five years	<u>100,000</u>	<u>200,000</u>
Gross amounts due	<u>\$200,000</u>	<u>\$300,000</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. The fair value of the investments were determined using Level 1 observable market inputs consisting of quoted prices in active markets for identical assets.

In 2013 99 shares of Merck were donated as an unrestricted donation. In 2012 56 shares of Exxon Mobil were donated as an unrestricted donation. The fair value of these shares held at December 31, 2013 and 2012 was \$10,760 and \$4,847, respectively.

Note 5 – In-kind Contributions

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

	<u>2013</u>	<u>2012</u>
Unrestricted operating:		
Advertising services	\$ -0-	\$ 5,000
Concession food	<u>4,005</u>	<u>4,005</u>
Total In-kind contributions	<u>\$ 4,005</u>	<u>\$ 9,005</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 \$ 28,434 and \$ 24,189 in 2013 and 2012, respectively.

GLOUCESTER STAGE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

Note 7 – Deferred Revenue

Deferred revenue as of December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Unearned subscriptions	\$ 7,360	\$ 5,335

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 leased 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. 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 \$10,164 and \$18,482 for 2013 and 2012, 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 4.75% and 5.00% per annum at December 31, 2013 and 2012, respectively. 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, 2013 and 2012 was \$324,000 and \$408,000, 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, 2013 and 2012

Note 10 – Property and Equipment, continued

The following is a summary of property and equipment, less accumulated depreciation, as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</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>(241,514)</u>	<u>(220,150)</u>
Total	<u>\$ 920,445</u>	<u>\$ 941,809</u>

For the years ended December 31, 2013 and 2012 the depreciation expense was \$21,364 and \$21,364 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 2013, the company received contributions and grants of \$224,972 which were restricted for specific purposes. During the year, the Company satisfied 2013 restrictions of \$214,084 and prior years of \$100,405. At year end, the temporarily restricted assets totaled \$210,888 which was held as follows:

Bank loan interest and principal	\$200,000
Education Expenses (YAW)	<u>10,888</u>
Total temporary restricted net assets	<u>\$210,888</u>

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>

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, 2013 and 2012

Note 13 - Concentrations

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

	<u>2013</u>	<u>2012</u>
Anonymous donor	\$ <u>125,000</u>	\$ <u>125,000</u>

In 2013 and 2012 the anonymous donor also 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 October 22, 2014, 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, 2013**

	PROGRAM SERVICE COSTS	GENERAL AND ADMINISTRATIVE	FUNDRAISING	2013 <u>TOTAL</u>
Advertising and promotion	\$ 28,434			\$ 28,434
Bank charges		125		125
Concession expenses	9,599			9,599
Credit card discount		9,306		9,306
Depreciation and amortization	21,364			21,364
Education program expenses	2,564			2,564
Employee benefits	30,091	2,565	1,636	34,292
Employee salaries and payroll taxes	249,067	27,040	\$ 17,652	293,759
Facility maintenance	7,119			7,119
Fundraising -other			11,261	11,261
Fundraising -special events			17,812	17,812
Insurance-building	4,515			4,515
Insurance-directors & officers		1,524		1,524
Insurance-package		6,155		6,155
Insurance-worker's compensation	3,408		243	4,015
Interest expense	16,329			16,329
Membership dues and fees	1,995			1,995
Office supplies and expenses		7,075		7,075
Payroll service fees		2,425		2,425
Printing and publications-program/newsletters	10,578			10,578
Production materials and other	47,428			47,428
Production outside services	55,757			55,757
Professional fees	0	20,370		20,370
Raffle prizes			10,000	10,000
Real estate taxes	556			556
Taxes-other		1,762	1,500	3,262
Telephone	3,856			3,856
Ticket sales on-line processing fees		9,284		9,284
Utilities	16,029			16,029
Total	<u>\$ 508,689</u>	<u>\$ 87,995</u>	<u>\$ 60,104</u>	<u>\$ 656,788</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, 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
Membership dues and fees	20,885			1,585
Office supplies and expenses	1,585			16,176
Office supplies and expenses		16,176		2,650
Payroll service fees		2,650		9,885
Printing and publications-program/newsletters	9,885			2,650
Production materials and other	45,100			9,885
Production outside services	42,897			45,100
Professional fees	0			42,897
Raffle prizes			10,000	20,650
Real estate taxes	551			10,000
Taxes-other		1,039	1,500	551
Telephone	3,653			2,539
Ticket sales on-line processing fees		8,200		3,653
Utilities	15,213			8,200
				15,213
Total	<u>\$ 499,559</u>	<u>\$ 97,143</u>	<u>\$ 91,456</u>	<u>\$ 688,158</u>

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