

GLOUCESTER STAGE COMPANY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2014



FEELEY & DRISCOLL, P.C.

Certified Public Accountants/Business Consultants

GLOUCESTER STAGE COMPANY, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position December 31, 2014	3
Statement of Activities For the year ended December 31, 2014	4
Statement of Functional Expenses For the year ended December 31, 2014	5
Statement of Cash Flows For the year ended December 31, 2014	6
Notes to Financial Statements December 31, 2014	7





Feeley & Driscoll, P.C.

Certified Public Accountants / Business Consultants

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

Independent Auditor's Report

We have audited the accompanying financial statements of Gloucester Stage Company, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Gloucester Stage Company, Inc.
Page Two

Independent Auditor's Report - Continued

Opinion

In our 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, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Boston, Massachusetts
September 28, 2015

Feeley & Driscoll, P.C.



GLOUCESTER STAGE COMPANY, INC.

Statement of Financial Position

December 31, 2014

Assets

Current assets:	
Cash and cash equivalents	\$ 41,775
Pledge receivable	100,000
Prepaid expenses and other current assets	13,812
Total current assets	<u>155,587</u>
Property and equipment:	
Theater building and land	750,000
Theater improvements	278,839
Equipment and fixtures	83,070
Leasehold improvements	62,481
Software	14,897
	<u>1,189,287</u>
Less accumulated depreciation and amortization	<u>(268,504)</u>
	<u>920,783</u>
Total assets	<u>\$ 1,076,370</u>

Liabilities and Net Assets

Current liabilities:	
Note payable, mortgage	\$ 236,000
Accounts payable and accrued expenses	19,804
Payroll taxes payable	6,943
Total current liabilities	<u>262,747</u>
Net assets:	
Unrestricted	701,845
Temporarily restricted	111,778
Total net assets	<u>813,623</u>
Total liabilities and net assets	<u>\$ 1,076,370</u>

See accompanying notes to financial statements.

GLOUCESTER STAGE COMPANY, INC.

Statement of Activities

For the year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues and gains:			
Admissions	\$ 282,718	\$ -	\$ 282,718
Contributions and grants	226,639	11,778	238,417
Special events revenue, gross	25,445	-	25,445
Less costs of direct benefits to donors	1,566	-	1,566
Special events revenue, net	23,879	-	23,879
Program advertising	21,870	-	21,870
Raffle	18,500	-	18,500
Rental income	9,973	-	9,973
Concessions	9,749	-	9,749
Donated services	8,820	-	8,820
Interest and dividend income	6	-	6
Net assets released from restriction	110,888	(110,888)	-
Total revenue and support	<u>713,042</u>	<u>(99,110)</u>	<u>613,932</u>
Functional expenses:			
Program service costs	565,945	-	565,945
General and administrative	108,111	-	108,111
Fundraising	34,362	-	34,362
Total functional expenses	<u>708,418</u>	<u>-</u>	<u>708,418</u>
Change in net assets	4,624	(99,110)	(94,486)
Net assets, beginning of year	<u>697,221</u>	<u>210,888</u>	<u>908,109</u>
Net assets, end of year	<u>\$ 701,845</u>	<u>\$ 111,778</u>	<u>\$ 813,623</u>

See accompanying notes to financial statements.

GLOUCESTER STAGE COMPANY, INC.

Statement of Functional Expenses

For the year ended December 31, 2014

	Programs Service Costs	General and Administrative	Fundraising	Total
Salaries and wages	\$ 237,201	\$ 25,752	\$ 16,811	\$ 279,764
Production	68,636	-	-	68,636
Employee benefits	52,669	4,489	2,863	60,021
Printing and publication	40,058	-	-	40,058
Occupancy	36,592	-	-	36,592
Payroll taxes	26,976	2,929	1,912	31,817
Depreciation and amortization	26,990	-	-	26,990
Professional fees	-	23,185	-	23,185
Office supplies and expenses	-	19,791	-	19,791
Advertising and promotion	19,323	-	-	19,323
Insurance	-	17,492	-	17,492
Royalties	17,047	-	-	17,047
Fundraising - special events	-	-	12,386	12,386
Interest	11,470	-	-	11,470
Ticket sales on-line processing fees	-	10,581	-	10,581
Credit card fees	10,386	-	-	10,386
Repairs and maintenance	6,786	-	-	6,786
Concession	6,442	-	-	6,442
Information technology	-	3,433	-	3,433
Education program expenses	2,888	-	-	2,888
Membership dues and fees	2,481	-	-	2,481
Taxes - other	-	459	390	849
Total functional expenses	<u>\$ 565,945</u>	<u>\$ 108,111</u>	<u>\$ 34,362</u>	<u>\$ 708,418</u>

See accompanying notes to financial statements.

GLOUCESTER STAGE COMPANY, INC.

Statement of Cash Flows

For the year ended December 31, 2014

Cash flows from operating activities:	
Change in net assets	\$ (94,486)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	26,990
Increase (decrease) in net cash resulting from change in:	
Pledge receivable	98,000
Prepaid expenses and other current assets	(4,552)
Accounts payable and accrued expenses	1,130
Payroll taxes payable	5,997
Deferred revenues	(7,360)
Net cash provided by operating activities	<u>25,719</u>
Cash flows from investing activities:	
Purchases of property and equipment	(27,328)
Proceeds from sale of investments in marketable securities	10,760
Net cash used in investing activities	<u>(16,568)</u>
Cash flows from financing activities -	
Payments on note payable, mortgage	(88,000)
Net cash used in financing activities	<u>(88,000)</u>
Net decrease in cash and cash equivalents	(78,849)
Cash and cash equivalents, beginning of year	<u>120,624</u>
Cash and cash equivalents, end of year	<u>\$ 41,775</u>
Supplemental disclosures of cash flow information -	
Cash paid during the year for:	
Interest	<u>\$ 11,470</u>

See accompanying notes to financial statements.

GLOUCESTER STAGE COMPANY, INC.

Notes to Financial Statements

December 31, 2014

Note 1 - Organization

The Gloucester Stage Company, Inc. (the "Company") is a not-for profit organization incorporated in the Commonwealth of Massachusetts. The purpose of the Company is to conduct cultural, charitable and educational activities. The Company produces and presents theatrical programs and performances. The Company receives its funding primarily from admissions and contributions.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by the Company in preparation of the accompanying financial statements is set forth below:

Basis of Presentation - The accounts of the Company are maintained on the accrual basis of accounting. Net assets are classified into unrestricted, temporarily restricted and permanently restricted net assets, when appropriate, to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified objectives as follows:

Unrestricted - Net assets which bear no external restrictions and are generally available for use by the Company and may be designated by action of the Board of Directors.

Temporarily restricted - Net assets whose use by the Company has been limited by donors to a specific period or purpose.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pledges Receivable - Pledges that are expected to be collected within 1 year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional pledges are not included in support or expenses until the conditions are substantially met. Pledges receivable are due within 1 year.

The Company uses the allowance method to account for uncollectible pledges receivable. Under this method, if needed, an estimate of uncollectible accounts is made based upon specific account balances that are considered uncollectible. Factors used to establish an allowance include the credit quality of the donor and whether the balance is significant. Accounts are considered past due once the unpaid balance is 90 days or more outstanding, unless payment terms are extended by contract or other agreement. When an account balance is past due, and attempts have been made to collect the receivable through legal and other means, the amount is considered uncollectible and written off. No allowance was considered necessary at December 31, 2014 and 2013.

GLOUCESTER STAGE COMPANY, INC.

Notes to Financial Statements - Continued

December 31, 2014

Note 2 - Summary of Significant Accounting Policies - Continued

Property and Equipment - All property and equipment are stated at cost. Major renewals, additions, and betterments are charged to the property accounts, while replacements, maintenance, and repairs, which do not improve or extend the lives of the respective assets, are expensed in the year incurred. When an asset is sold or retired, its costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the change in net assets. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support, unless the donor has restricted the donated asset to a specific purpose.

Depreciation and amortization - Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets.

<u>Description</u>	<u>Life in Years</u>
Theater building and land	40
Theater improvements	40
Equipment and fixtures	5
Leasehold improvements	15
Software	3

Contributions and Grants - The Company recognizes the full amount of the contributions and grants received in the period that they were made as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions, which are designated by the donor for use in a future period or for specific purposes, are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time or use of the funds for the specific purpose.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services - Donated services are measured at their fair values as determined by Management. During the year ended December 31, 2014, the value of contributed services (primarily advertising services) meeting the requirements for recognition was recorded and included in the financial statements. Contributions of services are recognized in accordance with applicable accounting standards if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The donations are recorded as in-kind contributions offset by the appropriate expenses or capital expenditure, where the value of the donations can be objectively measured.

GLOUCESTER STAGE COMPANY, INC.

Notes to Financial Statements - Continued

December 31, 2014

Note 2 - Summary of Significant Accounting Policies - Continued

Donated Services - Continued - The Company also has a substantial number of unpaid individuals that volunteer their time and perform a variety of tasks to assist the Company. The value of this contributed time is susceptible to objective measurements and is therefore, not reflected in these financial statements.

Advertising Costs - Advertising costs are expensed as incurred. The Company uses advertising to promote its programs among the audience it serves. These costs totaled \$7,951 as of December 31, 2014.

Income Taxes - The Company is a nonprofit organization and is exempt from federal income and state taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements. There are currently no federal or state income tax examinations in progress. Tax years from 2011 through the current year remain open for examination by federal and state tax authorities.

Functional Expense Allocation - Expenses related directly to a program are allocated to that program. Other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Subsequent Events - Management has evaluated events and transactions subsequent to the statement of financial position date for potential recognition or disclosure in the financial statements through September 28, 2015, which is the date the financial statements were available for issuance.

Note 3 - Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents represent short-term, highly liquid investments with original maturities of 3 months or less from the date of purchase. The Company has a potential concentration of credit risk in that it sometimes maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount is \$250,000, which is applied per depositor, per insured bank for each account ownership category. As of December 31, 2014, the Company had no balances in excess of FDIC limits.

GLOUCESTER STAGE COMPANY, INC.

Notes to Financial Statements - Continued

December 31, 2014

Note 4 - Note Payable, Mortgage

The Company borrowed \$675,000 in 2004 to purchase its theater building and an additional \$109,324 in 2005 for building improvements. The note was due to be paid interest only for 3 years, unless sooner demanded. Final payment of the fully unpaid principal balance plus all accrued but unpaid interest is due in July 2019. The interest rate on the note was at 4.00% per annum, as amended. The note is subject to certain reporting requirements. The note 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 the note at December 2014 was \$236,000.

Note 5 - Temporarily Restricted Net Assets

Net assets were released from restriction for the following programs and purposes during the year ended December 31, 2014:

Bank loan principal and interest	\$	100,000
Education expenses		<u>10,888</u>
	\$	<u>110,888</u>

Temporarily restricted net assets were available for the following programs and purposes at December 31, 2014:

Bank loan principal and interest	\$	100,000
Education expenses		<u>11,778</u>
	\$	<u>111,778</u>

GLOUCESTER STAGE COMPANY, INC.

Notes to Financial Statements - Continued

December 31, 2014

Note 6 - Donated Services

Services were donated to the Company in support of its program. These services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donors, agencies or by management. The estimated fair market value of the services have been reported as contribution revenue and functional expense for the year ended December 31, 2014.

The value of these services was as follows for the year ended December 31, 2014:

Advertising	<u>\$ 8,820</u>
-------------	-----------------

Note 7 - Concentrations

Transactions with 1 donor accounted for 100% of the Company's pledge receivable as of December 31, 2014.

Note 8 - Rental Income

The Company leased approximately 2,500 square feet of space in the theater building under a tenant-at-will agreement for \$1,042 per month. Additional rental income has also been collected from companies renting space on a temporary basis and the monthly rent ranges from \$125 to \$1,200. Total rental income was \$9,973 as of December 31, 2014.

Note 9 - Subsequent Events

On April 30, 2015, the Company entered into a revolving line of credit agreement with a bank, which permitted borrowings up to \$100,000. The terms of the line of credit call for interest to be charged on outstanding borrowings at a rate of Prime Rate plus 1.00% and are secured by the commercial property of the Company. The line of credit is subject to certain reporting requirements.