

**47 PALMER, INC.  
DBA PASSIM FOLK MUSIC  
AND CULTURAL CENTER**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

**47 PALMER, INC.  
DBA PASSIM FOLK MUSIC AND CULTURAL CENTER**

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**Business Advisors  
Certified Public Accountants**

To the Board of Directors  
47 Palmer, Inc.  
DBA Passim Folk Music and Cultural Center  
Cambridge, Massachusetts

### **Independent Auditors' Report**

We have audited the accompanying balance sheet of 47 Palmer, Inc., dba Passim Folk Music and Cultural Center (a Massachusetts nonprofit Corporation) as of December 31, 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's December 31, 2008 financial statements and, in our report dated November 2, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 47 Palmer, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles

April 30, 2010

*PAVENTO, RATCLIFFE, RENZI & CO., LLC*

**47 PALMER, INC.  
DBA PASSIM FOLK MUSIC AND CULTURAL CENTER**

BALANCE SHEETS - DECEMBER 31, 2009 and 2008

**ASSETS**

	2009	2008
<b>CURRENT ASSETS:</b>		
Cash	\$ 46,942	\$ 19,127
Grants and contributions receivable	18,322	5,820
Prepaid expenses and other current assets	15,212	8,882
Inventory	1,510	1,634
Deposits	<u>785</u>	<u>5,775</u>
Total current assets	<u>82,771</u>	<u>41,238</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	98,970	84,271
Less - Accumulated depreciation	<u>83,171</u>	<u>77,108</u>
	<u>15,799</u>	<u>7,163</u>
<b>OTHER ASSETS</b>		
Deposits	<u>6,500</u>	<u>6,256</u>
	<u>\$105,070</u>	<u>\$ 54,657</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 45,528	\$ 74,087
Accrued expenses	10,858	11,940
Deferred revenue	<u>24,148</u>	<u>35,344</u>
Total current liabilities	<u>80,534</u>	<u>121,371</u>
<b>NET ASSETS (DEFICIT):</b>		
Unrestricted	21,543	(69,710)
Temporarily restricted	<u>2,993</u>	<u>2,996</u>
	<u>24,536</u>	<u>(66,714)</u>
	<u>\$105,070</u>	<u>\$ 54,657</u>

*The accompanying notes are an integral part of these financial statements.*

**47 PALMER, INC.**  
**DBA PASSIM FOLK MUSIC AND CULTURAL CENTER**

STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2009 WITH COMPARATIVE TOTALS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		2008	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>				
Admission, Club, and benefits	\$ 651,407	\$ -	\$ 651,407	\$ 555,454
Tuitions & newsletter revenue	59,053	-	59,053	56,259
Grants and donations	225,293	897	226,190	255,556
Membership revenue	86,600	-	86,600	89,832
In-kind contributions and donated services	37,717	-	37,717	47,679
Other income	14,203	-	14,203	11,630
Special events	16,055	-	16,055	179,205
Assets released from restrictions:				
Restrictions satisfied by payments	900	(900)	-	-
Total support and revenue	1,091,228	(3)	1,091,225	1,195,615
<b>EXPENSES:</b>				
Program expenses	727,202	-	727,202	803,270
Management and general	155,438	-	155,438	192,966
Fundraising expenses	117,335	-	117,335	113,596
Special events expenses	-	-	-	153,982
Total expenses	999,975	-	999,975	1,263,814
Increase (decrease) in net assets	91,253	(3)	91,250	(68,199)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(69,710)	2,996	(66,714)	1,485
NET ASSETS (DEFICIT), END OF YEAR	\$ 21,543	\$ 2,993	\$ 24,536	\$ (66,714)

*The accompanying notes are an integral part of these financial statements.*

**47 PALMER, INC.  
DBA CLUB PASSIM**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2009 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009						2008		TOTAL	TOTAL
	Program Services					Supporting Services				
	Club Passim	Culture For Kids	School Of Music	Outreach	Archive Project	Total Program Services	Management and General	Fund-raising	TOTAL	TOTAL
Salaries	\$ 96,659	\$ 2,845	\$ 35,280	\$ 14,683	\$ 9,128	\$ 158,595	\$ 69,361	\$ 83,575	\$ 311,531	\$ 397,212
Employee benefits	9,635	1,338	6,793	2,324	801	20,891	893	9,107	30,891	47,150
Payroll taxes	8,704	306	3,221	1,327	1,081	14,639	6,126	7,684	28,449	37,316
Total salaries and related expenses	114,998	4,489	45,294	18,334	11,010	194,125	76,380	100,366	370,871	481,678
Advertising & promotion	191	-	50	-	-	241	477	-	718	3,335
Artist fees	336,376	3,160	-	1,825	-	341,361	-	150	341,511	364,354
Accounting & legal	-	-	-	-	-	-	8,722	-	8,722	8,755
Bad debt expense	-	-	-	-	-	-	954	-	954	-
Bank & credit card fees	-	-	-	-	-	-	25,242	-	25,242	24,099
Conferences, conventions and meetings	-	-	-	-	742	742	-	76	818	4,505
Consignment	-	-	-	-	-	-	-	-	-	435
Contributions	-	-	-	-	-	-	-	-	-	305
Cost of goods sold	23,440	-	-	-	-	23,440	-	124	23,564	-
Depreciation	4,778	-	-	-	-	4,778	1,285	-	6,063	1,340
Dues & subscriptions	200	-	-	-	-	200	1,313	421	1,934	2,596
Hospitality	9,144	94	312	345	25	9,920	1,543	1,476	12,939	37,252
Instructor fees	-	-	31,012	-	-	31,012	-	-	31,012	21,250
Insurance	1,618	-	-	-	-	1,618	7,055	-	8,673	7,412
Interest expense	210	-	-	-	-	210	2,674	-	2,884	4,264
Licenses & permits	10,857	-	-	-	-	10,857	430	-	11,287	7,089
Miscellaneous	4,265	-	449	-	-	4,714	2,793	2,099	9,606	10,052
Occupancy costs	36,793	158	3,350	1,237	-	41,539	5,126	5,577	52,242	62,509
Postage and shipping	260	-	60	-	69	389	2,915	2,579	5,883	9,125
Printing and publications	432	-	91	33	100	656	5,388	3,075	9,119	26,042
Professional fees & consultants	21,626	-	-	-	-	21,626	2,616	75	24,317	16,367
Rental & maintenance of equipment	3,178	-	260	-	-	3,438	5,526	115	9,079	19,530
Scholarships	-	-	20,117	-	-	20,117	-	-	20,117	19,999
Subcontractor fees	4,075	-	2,658	-	2,180	8,913	-	643	9,556	88,983
Special event direct costs	-	-	-	-	-	-	-	-	-	18,634
Supplies & small equipment	4,710	-	101	460	-	5,271	3,065	312	8,648	19,353
Telephone	1,541	247	247	-	-	2,035	1,934	247	4,216	3,713
Travel	-	-	-	-	-	-	-	-	-	838
Total operating expenses	463,694	3,659	58,707	3,900	3,116	533,077	79,058	16,969	629,104	782,136
Total expenses	\$ 578,692	\$ 8,148	\$ 104,001	\$ 22,234	\$ 14,126	\$ 727,202	\$ 155,438	\$ 117,335	\$ 999,975	\$ 1,263,814

*The accompanying notes are an integral part of these financial statements.*

**47 PALMER, INC.**  
**DBA PASSIM FOLK MUSIC AND CULTURAL CENTER**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 91,250	\$(68,199)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities-		
Depreciation	6,063	1,340
Increase in long-term deposits	(244)	-
(Increase) decrease in current assets-		
Grants and contributions receivable	(12,502)	9,986
Prepaid expenses	(6,330)	2,263
Inventory	124	680
Deposits	4,990	(4,125)
Increase (decrease) in current liabilities-		
Accounts payable	(28,559)	33,073
Accrued expenses	(1,082)	5178
Deferred revenue	<u>(11,196)</u>	<u>1,424</u>
Net cash provided (used) by operating activities	42,514	(18,380)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(14,699)	(3,042)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH	27,815	(21,422)
CASH AT BEGINNING OF YEAR	<u>19,127</u>	<u>40,549</u>
CASH AT END OF YEAR	<u>\$ 46,942</u>	<u>\$ 19,127</u>

*The accompanying notes are an integral part of these financial statements.*

**47 PALMER, INC.**  
**DBA PASSIM FOLK MUSIC AND CULTURAL CENTER**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

(1) NATURE OF OPERATIONS

47 Palmer, Inc., dba Passim Folk Music and Cultural Center (“the Center”), was incorporated in 1994 as a Massachusetts nonprofit corporation. The objectives of the Center are the cultivation and preservation of folk music. The Center, through its operations, serves as a local and national resource for teaching, performing, and celebrating the art and folk music traditions of countries worldwide. The Center reaches out to people of all ages, backgrounds and communities through its diverse programming including a performance venue, school of music, historical archive and multi-cultural children’s programming.

The Center operates the following programs:

Club Passim – A legendary folk music venue located in Harvard Square, Cambridge first opened in 1958. Club Passim continues to bring in the best of emerging and established acoustic and roots musicians.

Culture for Kids – Provides free programs that bring children from all backgrounds together to learn through music, dance, cooking and art. Children learn about world cultures and the history of different styles of music in interactive environment.

Passim School of Music – One of the only schools in New England to focus on folk music. The Passim School of Music provides classes for all levels in various instruments such as guitar, fiddle, and banjo, as well as classes in such disciplines as music industry, voice, and songwriting. The Passim School of Music also offers workshops by nationally known musicians and other music professionals.

Passim Folk Music Archives – Containing hundreds of photographs, recordings and other memorabilia, the Passim Folk Archive is creating a permanent record of the folk music scene centered in Harvard Square, and including all of New England from 1958 to the present. Due to budgetary constraints, the Archive Program has been disbanded

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(a) Basis of Accounting*

The financial statements of 47 Palmer, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

*(b) 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 No. 117, the Center 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.



**47 PALMER, INC.**  
**DBA PASSIM FOLK MUSIC AND CULTURAL CENTER**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*(b) Basis of Presentation (Continued)*

The financial statements contain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the basis of accounting as described above. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

*(c) Contributions*

The Center accounts for contributions in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activity as net assets released from restrictions.

*(d) Promises to Give*

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decrease of liabilities or expenses depending on the form of benefit received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

*(e) Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

*(f) Deferred Revenue*

Ticket sales and other program revenue received prior to the fiscal year to which they apply are not recognized as revenues until the year earned.

**47 PALMER, INC.**  
**DBA PASSIM FOLK MUSIC AND CULTURAL CENTER**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*(g) Grants and Contributions Receivable*

Receivables for grants and contributions are recorded when the commitment to give is formalized and unconditional. During the year, management periodically reviews the status of receivables and adjustments are made through an allowance for doubtful accounts for those receivables in question. There were no doubtful accounts as of December 31, 2009 and 2008, respectively.

*(h) Tax Status*

47 Palmer, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. The Center's federal Exempt Organization Tax Returns for 2006 through 2009 are subject to examination by the IRS. Tax returns are, generally, subject to examination for three years after the filing date.

*(i) In-Kind Contributions and Donated Services*

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

*(j) Property and Equipment*

The Center capitalizes property and equipment acquisitions in excess of \$500. Investments in property and equipment are recorded at cost and include expenditures for improvements, which substantially increase the useful lives of these 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 assets to a specific purpose. Depreciation of property and equipment (including assets acquired by capital lease) is computed using the straight-line method. The estimated useful lives are as follows:

<u>Classification</u>	<u>Shorter of Estimated Lives/ Lease Terms</u>
Leasehold improvements	3 years
Furniture and equipment	3-7 years

**47 PALMER, INC.  
DBA PASSIM FOLK MUSIC AND CULTURAL CENTER**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*(k) Use of Estimates*

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

*(l) Advertising*

Advertising costs are expensed as incurred. Advertising expense totaled \$718 and \$3,335 for the years ended December 31, 2009 and 2008, respectively.

(3) GRANTS AND CONTRIBUTIONS RECEIVABLE

All grants and contributions are due within the next accounting cycle, and, therefore, no present value calculations are required.

(4) PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classification as follows:

	2009	2008
Leasehold improvements	\$53,335	\$46,180
Furniture and equipment	42,496	34,952
Donated equipment	<u>3,139</u>	<u>3,139</u>
	98,970	84,271
Less- Accumulated depreciation	<u>83,171</u>	<u>77,108</u>
	<u>\$ 15,799</u>	<u>\$ 7,163</u>

Depreciation expense for the years ended December 31, 2009 and 2008 was \$6,063 and \$1,340, respectively.

**47 PALMER, INC.  
DBA PASSIM FOLK MUSIC AND CULTURAL CENTER**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

(5) SUB-LEASE

The Center shares its plant facility with a for-profit food concession entity. As such, the for-profit entity is a sub-lessee of 47 Palmer, Inc. on its share of the facility. Amounts received as rent and utility reimbursements totaled \$66,000 and \$63,300 for the years ended December 31, 2009 and 2008, respectively.

(6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2009	2008
Scholarship fund	<u>\$2,993</u>	<u>\$2,996</u>

(7) IN-KIND CONTRIBUTIONS AND DONATED SERVICES

The Center receives a significant amount of donated services from unpaid volunteers who assist in program and fund-raising activities. No amounts have been recognized in the statements of activity for these volunteer services because the criteria for recognition under SFAS No. 116 have not been satisfied.

In-kind contributions and donated services that meet the recognitions criteria under SFAS 116 are recorded in the accompanying statements of activity and include the following:

	2009	2008
Building rent (see Commitment Note below)	\$37,717	\$42,717
Printing services	<u>-</u>	<u>4,962</u>
	<u>\$37,717</u>	<u>\$47,679</u>

**47 PALMER, INC.**  
**DBA PASSIM FOLK MUSIC AND CULTURAL CENTER**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

(8) COMMITMENTS AND CONTINGENCIES

Facility Operating Lease

The Center leases its operating facility on a month-to-month, tenant-at-will basis.

In August of 2006, the landlord issued a memorandum agreeing to: below market rates on a tenant-at-will basis through December of 2008, a return to fair market value basis in January of 2009, and a possibility of renegotiating the lease terms in January of 2009. In July of 2008, lease terms were re-negotiated for calendar year 2009 only. The landlord agreed to accept a monthly rent of \$8,000 (See note 7 regarding in-kind contributions). These lease terms, although not rising to the level of a contract, translate into an increase in rent of \$12,000 for calendar year 2009. In November 2009, the landlord agreed to accept a monthly rent of \$9,000 for the calendar year 2010. The landlord also agreed to forgive \$14,000 of rent for 2009.

Sub Lessee

The Center had granted a license to its sub-lessee (Note 5) to operate a restaurant on its premises. The license was granted for a stated annual fee for a period of five years and expired on September 4, 2004. The sub-tenant continues to occupy the same premises and operate its restaurant on a month-to-month tenant-at-will-basis. The sub-tenant continues to pay rent and taxes according to the following formula: base rent is the rate in effect at the time of its sub-lease expiration in 2004. Base rent is increased on a pro rata basis in accordance with the primary lease. In addition, an agreed upon factor of sales in excess of a base amount is to be paid by the sub-tenant. Amounts received as rent, including tax and utility reimbursements, totaled \$66,000 and \$63,300 for the years ended December 31, 2009 and 2008, respectively. For 2009 the sub-lessee's rent was \$5,500 per month. For 2010, the sublessee's rent will be \$6,187.50 per month.

**47 PALMER, INC.**  
**DBA PASSIM FOLK MUSIC AND CULTURAL CENTER**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

(9) RELATED PARTY ACTIVITY

A member of the board of directors loaned the Organization \$10,000 during fiscal year 2009. The loan was repaid, with interest of \$100, prior to the end of the fiscal year.

(10) FINANCIAL CONDITION AND MANAGEMENT PLANS

*Financial Condition*

As shown in the accompanying financial statements, the Organization showed an increase in net assets of \$91,250 for the fiscal year ending December 31, 2009. The current ratio increased from .3 in fiscal year 2008 to 1.0 in fiscal year 2009. Although revenue decreased by 9%, expenses decreased by 21%. The income decline is reflective of the general economic decline. Aggressive cost cutting measures, however, have more than mitigated that decrease.

As of December 31, 2009, current assets had doubled from the previous year, going from \$41, 238 to \$82,771. This indicates that the Organization has greatly improved its cash flow situation.

*Management Plans*

In response to its cash flow problems, the Organization changed its business model. Special events in the form of large concerts have been eliminated. Some programs that were unable to generate sufficient revenue, were eliminated and others were reduced in size. Negotiations were entered into with the landlord to continue the below-market rental agreement. Concentrated efforts were made to:

- (a) seek additional funding sources through special appeals to long-term supporters, and
- (b) decrease expenses through staff reductions and other cost-saving measures, which resulted in a decrease for the 2009 year of more than \$200,000.

(11) SUBSEQUENT EVENTS

The Organization evaluated subsequent events through April 30, 2010, which is the date the financial statements were available to be issued.