

T.F. ALLEN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS



COMMONWEALTH
SHAKESPEARE
COMPANY

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

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T.F. ALLEN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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T.F. ALLEN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS
THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
BOSTON, MASSACHUSETTS

We have audited the accompanying statement of financial position of The Commonwealth Shakespeare Company, Inc. as of September 30, 2011 and the related statements of activities and cash flows 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.

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 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 The Commonwealth Shakespeare Company, Inc. as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

T.F. Allen & Company

T.F. Allen & Company

Belmont, Massachusetts
May 15, 2012

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2011

ASSETS

2011

CURRENT ASSETS:

Cash and cash equivalents	\$	67,880
Accounts receivable		5,250
Unconditional promises to give:		
Restricted for summer educational programs		25,000
Restricted for advertising		57,000
Inventory held for resale		1,294
Prepaid expenses		3,818
TOTAL CURRENT ASSETS		<u>160,242</u>

PROPERTY AND EQUIPMENT:

Office furniture and equipment		23,730
Less: Accumulated depreciation		<u>(2,175)</u>
		21,555

OTHER ASSETS

Intangible assets, net of amortization		<u>29,444</u>
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TOTAL ASSETS

\$ 211,241

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$	45,288
Deferred revenue		<u>57,000</u>
TOTAL CURRENT LIABILITIES		102,288

RESTRICTED NET ASSETS

41,000

UNRESTRICTED NET ASSETS

67,953

TOTAL LIABILITIES AND NET ASSETS

\$ 211,241

See accountants' audit report and notes to financial statements.

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CHANGE IN NET ASSETS:				
REVENUE:				
Contributions:				
Government and city	\$ 22,916	\$ 11,250	\$ -	\$ 34,166
Corporate	53,090	-	-	53,090
Foundations	158,350	63,000	41,000	262,350
Donated goods and services	141,219	-	-	141,219
General public	193,971	-	-	193,971
	<u>569,546</u>	<u>74,250</u>	<u>41,000</u>	<u>684,796</u>
Fundraising	114,091	-	-	114,091
Program fees	63,611	-	-	63,611
Other	101	-	-	101
Net assets released from restrictions:				
Satisfied by participation or time	5,000	(5,000)	-	-
Satisfied by payments	69,250	(69,250)	-	-
	<u>252,053</u>	<u>(74,250)</u>	<u>-</u>	<u>177,803</u>
	821,599	-	41,000	862,599
FUNCTIONAL EXPENSES:				
Program services:				
Salaries and wages	112,381	-	-	112,381
Production expenses	258,712	-	-	258,712
Total program services	<u>371,093</u>	<u>-</u>	<u>-</u>	<u>371,093</u>
Supporting services:				
Administration and general	375,581	-	-	375,581
Fundraising	46,781	-	-	46,781
TOTAL FUNCTIONAL EXPENSES	<u>793,455</u>	<u>-</u>	<u>-</u>	<u>793,455</u>
CHANGE IN NET ASSETS	28,144	-	41,000	69,144
NET ASSETS:				
BEGINNING OF YEAR	39,809	-	-	39,809
END OF YEAR	<u>\$ 67,953</u>	<u>\$ -</u>	<u>\$ 41,000</u>	<u>\$ 108,953</u>

See accountants' audit report and notes to financial statements.

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

2011

OPERATING ACTIVITIES:

Cash received from apprentices	\$ 63,611
Cash paid to employees and suppliers	(636,134)
Fundraising and other income	114,091
Contribution income	501,541
	<u>43,109</u>

INVESTING ACTIVITIES:

Purchases of property and equipment	(22,954)
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FINANCING ACTIVITIES:

Contribution for purchase of equipment	<u>16,000</u>
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Increase in cash 36,155

CASH BALANCE:

Beginning of year	31,725
End of year	<u>\$ 67,880</u>

RECONCILIATION OF CHANGES IN
NET ASSETS TO CASH FLOWS:

OPERATING ACTIVITIES:

Changes in net assets	\$ 69,144
Adjustments to reconcile changes in net assets to cash flows - operating activities:	
Depreciation and amortization	8,584
Donation of website in kind	(35,000)
Contribution for purchase of equipment	(16,000)
Decrease (increase) in assets:	
Accounts receivable	11,779
Restricted for summer educational programs	(25,000)
Inventory held for resale	5,047
Prepaid expenses	(2,156)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	39,627
Deferred revenue	(12,916)
Total adjustments	<u>(26,035)</u>

CASH FLOWS - OPERATING ACTIVITIES \$ 43,109

See accountants' audit report and notes to financial statements.

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS

1. Description of Organization:

Organization – The Commonwealth Shakespeare Company, Inc. (CSC) was organized under the laws of the Commonwealth of Massachusetts as a non-profit corporation in 1996. The CSC is located in Boston, Massachusetts and its mission is to produce and perform productions of the works of William Shakespeare on the Boston Commons with no fee for admittance. It serves Boston's diverse communities, and not only educates Boston's youth about Shakespeare's works, but also about their own potential and creativity.

2. Summary of Significant Accounting Policies:

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when the cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Cash and Cash Equivalents – The CSC considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Financial Statement Presentation – Under generally accepted accounting principles 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. Presently the CSC has no temporarily or permanently restricted net assets. In addition, the CSC is required to present a statement of cash flows.

Accounts Receivable – The CSC carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the CSC evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections and current conditions. All accounts were considered fully collectible as of September 30, 2011.

Promises to Give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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 increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. All promises to give were considered fully collectible as of September 30, 2011.

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies: (Continued)

Property, Equipment and Depreciation – Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of three years. Depreciation expense for the year ended September 30, 2011 was \$1,917.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates are used for valuation of receivables, depreciation, and payables, among others. Accordingly, actual results could differ from those estimates.

Financial Instruments - The CSC's financial instruments are cash, accounts receivable, and accounts payable. The recorded values of these accounts approximate the fair values based on their short-term nature.

Support and Revenues – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Expenses – The cost of providing the CSC's various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs using various allocation methods.

Advertising – Advertising costs are charged to operations as incurred.

Subsequent Events – The CSC has evaluated all subsequent events through March 24, 2012 the date the financial statements were available to be issued.

3. Intangible Assets:

Intangible assets consist of the web design of the organization's web site. The cost of \$40,000 is being amortized over 36 months. The net value as of September 30, 2011 was \$29,444.

4. Commitment and Leases:

During 2011 the organization terminated a Tenancy at Will agreement as it relates to their office facility. The monthly rent was \$251. The agreement could be terminated by either party one month prior to the last day of the month upon which it is desired that the tenancy shall expire.

See accountants' audit report.

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS

4. Commitment and Leases: (Continued)

In February of 2011, the organization entered into a lease for its office space. The monthly rental is \$1,750 and the lease expires February 28, 2014. Rent expense aggregated \$16,083 for the year ended September 30, 2011.

Future minimum lease payments under the office space lease at September 30, 2011 are as follows:

<u>Year ending September 31,</u>	
2012	\$ 21,000
2013	21,000
2014	8,750
Thereafter	-
Total future minimum lease payments	<u>\$ 50,750</u>

5. Donated Goods and Services:

The CSC frequently receives goods and services which are donated by the public, or members of the Board of Trustees. These contributed services are reflected in the financial statements at the fair value of the services received. During the year ended September 30, 2011, the CSC recognized \$141,219 of professional services and \$15,380 of goods for their annual auction event. These amounts are included in the statement of activities as contributions.

6. Income Taxes:

The CSC has been determined to be a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to section 501(a) of the Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Management has analyzed the CSC's tax positions for all open tax years. U.S. state jurisdictions have statutes of limitations that generally range from three to five years. The CSC has concluded that no provision for unrecognized tax benefits from uncertain tax positions is required in the financial statements.

7. Concentrations:

Cash – The CSC had no excess of federally insured amounts on deposit at one financial institution at September 30, 2011.

Grants Receivable – No grant receivable concentration existed at September 30, 2011.

Major Grantor – No grantor concentration existed at September 30, 2011.

See accountants' audit report.