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COMMONWEALTH
SHAKESPEARE
COMPANY

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

T.F. ALLEN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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2012

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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

2012
Audit
013645

Report on the Financial Statements

We have audited the accompanying financial statements of The Commonwealth Shakespeare Company, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2012, and the related statements of activities 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.

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, 2012, 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.

T.F. Allen & Company
T.F. Allen & Company
Belmont, Massachusetts
May 15, 2013

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THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 30,209
Accounts receivable	23,985
Inventory held for resale	2,294
Prepaid expenses	6,690
TOTAL CURRENT ASSETS	<u>63,178</u>

PROPERTY AND EQUIPMENT:

Office furniture and equipment	48,226
Less: Accumulated depreciation	<u>(10,650)</u>
	37,576

OTHER ASSETS:

Intangible assets, net of amortization	<u>17,767</u>
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TOTAL ASSETS

\$ 118,521

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 49,612
TOTAL CURRENT LIABILITIES	<u>49,612</u>

UNRESTRICTED NET ASSETS

68,909

TOTAL LIABILITIES AND NET ASSETS

\$ 118,521

See accountants' audit report and notes to financial statements.

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CHANGE IN NET ASSETS:				
REVENUE:				
Contributions:				
Government and city	\$ 38,450	\$ 1,250	\$ -	\$ 39,700
Corporate	61,797	-	-	61,797
Foundations	74,733	63,500	-	138,233
Donated goods and services	18,474	-	-	18,474
General public	155,002	-	-	155,002
	<u>348,456</u>	<u>64,750</u>	<u>-</u>	<u>413,206</u>
Fundraising	187,660	-	-	187,660
Program fees	69,449	-	-	69,449
Other	5	-	-	5
Net assets released from restrictions:				
Satisfied by payments	105,750	(64,750)	(41,000)	-
	<u>362,864</u>	<u>(64,750)</u>	<u>(41,000)</u>	<u>257,114</u>
	711,320	-	(41,000)	670,320
FUNCTIONAL EXPENSES:				
Program services:				
Salaries and wages	93,920	-	-	93,920
Production expenses	255,853	-	-	255,853
Total program services	<u>349,773</u>	<u>-</u>	<u>-</u>	<u>349,773</u>
Supporting services:				
Administration and general	304,118	-	-	304,118
Fundraising	56,473	-	-	56,473
Total supporting services	<u>360,591</u>	<u>-</u>	<u>-</u>	<u>360,591</u>
TOTAL FUNCTIONAL EXPENSES	<u>710,364</u>	<u>-</u>	<u>-</u>	<u>710,364</u>
CHANGE IN NET ASSETS	956	-	(41,000)	(40,044)
NET ASSETS:				
BEGINNING OF YEAR	67,953	-	41,000	108,953
END OF YEAR	<u>\$ 68,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,909</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, 2012

OPERATING ACTIVITIES:

Cash received from apprentices	\$ 69,449
Cash paid to employees and suppliers	(689,759)
Fundraising and other income	187,660
Contribution income	419,476
	<u>(13,174)</u>

INVESTING ACTIVITIES:

Purchases of furniture and equipment	<u>(24,497)</u>
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Decrease in cash

(37,671)

CASH BALANCE:

Beginning of year	67,880
End of year	<u>\$ 30,209</u>

RECONCILIATION OF CHANGES IN
NET ASSETS TO CASH FLOWS:

OPERATING ACTIVITIES:

Changes in net assets	\$ (40,044)
Adjustments to reconcile changes in net assets to cash flows - operating activities:	
Depreciation and amortization	20,152
Donation of advertising in kind	(57,000)
Decrease (increase) in assets:	
Accounts receivable	(18,735)
Restricted for Summer Education Program	25,000
Inventory held for resale	(1,000)
Prepaid expenses	(2,872)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	4,325
Deferred revenue	57,000
Total adjustments	<u>26,870</u>

Purchases of furniture and equipment

(24,497)

CASH FLOWS - OPERATING ACTIVITIES

\$ (37,671)

See accountants' audit report and notes to financial statements.

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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, 2012.

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, 2012.

Inventory - Inventory is stated at the lower of cost (first-in, first-out) or market.

See accountants' audit report.

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THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies: (Continued)

Property, Equipment and Depreciation – The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to seven years. Depreciation expense for the year ended September 30, 2012 was \$8,475.

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 May 15, 2013, 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, 2012 was \$17,767.

See accountants' audit report.

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS

4. Commitment and Leases:

In February of 2011, the organization entered into a lease for its office space. The monthly rental was \$1,600 for the first four months and \$1,675 for the remaining months of the fiscal year plus overhead expenses. On February 1, 2013 the monthly rental increases to \$1,750 and the lease expires February 28, 2014. Rent expense aggregated \$25,308 for the year ended September 30, 2012.

Future minimum lease payments under the lease at September 30, 2012 are as follows:

<u>Year ending September 30,</u>	
2013	\$ 20,700
2014	8,750
Thereafter	-
Total future minimum lease payments	<u>\$ 29,450</u>

4. 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, 2012, the CSC recognized \$12,693 of professional services and \$29,790 of goods for their annual auction event. These amounts are included in the statement of activities as contributions.

5. 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.

6. Concentrations:

Cash – The CSC had no excess of federally insured amounts on deposit at one financial institution at September 30, 2012.

Grants Receivable – No grant receivable concentration existed at September 30, 2012.

Major Grantor – No grantor concentration existed at September 30, 2012.

Accounts receivables – From four donors totaled \$21,061 or 87.8% of accounts receivable at September 30, 2012.

See accountants' audit report.