



FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2017

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T.F. ALLEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
BABSON PARK, MASSACHUSETTS

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, 2017, 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.

Auditors' 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, 2017, 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, P.C.


Woburn, Massachusetts
May 18, 2018

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 17,021
Accounts receivable	32,318
Promises to give	135,544
Inventory held for resale	1,622
Prepaid and other current assets	29,067
TOTAL CURRENT ASSETS	<u>215,572</u>

PROPERTY AND EQUIPMENT:

Office furniture and equipment	166,576
Less: Accumulated depreciation	(113,998)
	<u>52,578</u>

TOTAL ASSETS	<u>\$ 268,150</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 64,337
Deferred revenue	27,240
TOTAL CURRENT LIABILITIES	<u>91,577</u>

TEMPORARILY RESTRICTED NET ASSETS	50,000
UNRESTRICTED NET ASSETS	126,573
TOTAL NET ASSETS	<u>176,573</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 268,150</u>
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See independent accountants' audit report and notes to financial statements.

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CHANGE IN NET ASSETS:				
REVENUE AND SUPPORT:				
Support:				
Government and city	\$ 14,150	\$ 10,000	\$ -	\$ 24,150
Corporate	156,000	31,500	-	187,500
Foundations	1,510	110,000	-	111,510
Donated goods and services	83,265	-	-	83,265
Fundraising events	122,365	60,010	-	182,375
General public	298,715	-	-	298,715
	<u>676,005</u>	<u>211,510</u>	<u>-</u>	<u>887,515</u>
Revenue:				
Program fees/fee for service	358,528	-	-	358,528
Other	5,109	-	-	5,109
Net assets released from restrictions:				
Satisfied by payments and time	213,670	(213,670)	-	-
	<u>577,307</u>	<u>(213,670)</u>	<u>-</u>	<u>363,637</u>
TOTAL REVENUE	1,253,312	(2,160)	-	1,251,152
FUNCTIONAL EXPENSES:				
Program services:				
Salaries and wages, net	293,073	-	-	293,073
Production expenses	355,455	-	-	355,455
Total program services	<u>648,528</u>	<u>-</u>	<u>-</u>	<u>648,528</u>
Supporting services:				
Administration and general	394,896	-	-	394,896
Fundraising and development	191,217	-	-	191,217
Total supporting services	<u>586,113</u>	<u>-</u>	<u>-</u>	<u>586,113</u>
TOTAL FUNCTIONAL EXPENSES	<u>1,234,641</u>	<u>-</u>	<u>-</u>	<u>1,234,641</u>
CHANGE IN NET ASSETS	18,671	(2,160)	-	16,511
NET ASSETS:				
BEGINNING OF YEAR	107,902	52,160	-	160,062
END OF YEAR	<u>\$ 126,573</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 176,573</u>

See independent accountants' audit report and notes to financial statements.

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

OPERATING ACTIVITIES:

Cash received from programming	\$ 358,528
Cash paid to employees and suppliers	(1,218,374)
Fundraising and other income	187,484
Contribution income	636,732
	<u>(35,630)</u>

FINANCING ACTIVITIES:

Borrowed on line of credit	80,000
Payments on line of credit	<u>(80,000)</u>
	-

Decrease in cash (35,630)

CASH BALANCE:

Beginning of year	\$ 52,651
End of year	<u>\$ 17,021</u>

RECONCILIATION OF CHANGES IN NET ASSETS TO CASH FLOWS:

OPERATING ACTIVITIES:

Changes in net assets	\$ 16,511
Adjustments to reconcile changes in net assets to cash flows - operating activities:	
Depreciation and amortization	24,222
Decrease (increase) in assets:	
Accounts receivable	(9,673)
Promises to give	(58,735)
Inventory held for resale	2,250
Prepaid expenses	(7,632)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	37,624
Deferred revenue	(40,197)
Total adjustments	<u>(52,141)</u>

CASH FLOWS - OPERATING ACTIVITIES \$ (35,630)

See independent accountants' audit report and notes to financial statements.

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(continued)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest

\$ 707

DISCLOSURE OF ACCOUNTING POLICY:

For purposes of the statements of cash flows, the Company considers cash in operating bank accounts, demand deposits, cash on hand, and highly liquid debt instruments purchased with a maturity of three months or less as cash equivalents.

See independent 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 Babson Park, 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. The Organization is supported primarily through donor contributions, grants, and Babson College. Approximately 25% of the organizations support for the year came from Babson College.

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 permanently restricted net assets. In addition, the CSC is required to present a statement of cash flows.

Accounts Receivable – The CSC carries accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the CSC evaluates 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, 2017.

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, 2017.

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

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 and accelerated methods over estimated useful lives ranging from three to seven years. Depreciation and amortization expense for the year ended September 30, 2017 was \$24,222.

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 incurred by the CSC have been allocated among production and program, general and administrative, and fundraising based on estimates and evaluations made by management.

Advertising – Advertising costs are charged to operations as incurred.

Salaries and Wages – CSC employs two individuals that also perform services at Babson College. CSC pays the employees in full for their time working for CSC and Babson College. Babson College reimburses CSC for their portion of salaries and wages and the related payroll taxes. The financial statements report salaries and wages net of the reimbursements.

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies: (Continued)

Subsequent Events – The CSC has evaluated all subsequent events through May 18, 2018, the date the financial statements were available to be issued.

3. Commitment and Leases:

The organization moved to Babson College on September 1, 2013 and was granted a non-exclusive license to occupy the office space on the Babson College Campus until December 31, 2016, and then the agreement was renewed until August 31, 2018. According to the agreement, the organization will not pay rent, but reimburse Babson College for its use of campus resources such as copying, phone service, etc. These reimbursements are included in the administrative expenses.

4. Line of Credit:

In November of 2012, the organization opened a line of credit in the amount of \$100,000. In the current year CSC borrowed \$80,000 and paid back \$80,000. The bank's restriction on the line of credit is that it must be clear for one month during the year. There was no balance as of September 30, 2017.

5. Deferred Revenue:

Included in deferred revenue is a remaining lease payment of \$26,115 for the lease of a trussing system to Babson College and program revenue for the next year event. The lease of a trussing system began in August of 2014 and will expire in July of 2024; the single payment of \$38,217 will be amortized over that period. Revenue earned under the agreement as of September 30, 2017 was \$3,822, and is included in other income.

6. 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 goods or services received. During the year ended September 30, 2017, the CSC recognized \$83,265 of professional services. These amount is included in the statement of activities as contributions.

THE COMMONWEALTH SHAKESPEARE COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS

7. 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.

8. Concentrations:

Cash – The CSC had no cash in excess of federally insured amounts on deposit at one financial institution at September 30, 2017.

Major Grantors – Contributions from the major grantor Babson College totaled \$314,500 at September 30, 2017.

Accounts Receivables – Balances from major donors totaled \$26,774 or 83% of accounts receivable at September 30, 2017.

Promises To Give – Balances from major donors totaled \$71,502 or 53% of promises to give at September 30, 2017.