



GALA CHORUSES I, INC.

**Financial Statements and Supplemental Schedules for the Years
Ended December 31, 2015 and 2014 and Independent Auditors'
Report**

GALA CHORUSES I, INC.

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report | 1 |
| Financial Statements as of December 31, 2015 and 2014 and for the Years Then Ended: | |
| Statements of Financial Position | 3 |
| Statements of Activities and Changes in Net Assets | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6 |
| Supplemental Schedules for the Years Ended December 31, 2015 and 2014: | |
| Supplemental Schedules of Support and Revenue | 10 |
| Supplemental Schedules of Expenses | 12 |



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of GALA Choruses I, Inc.

We have audited the accompanying financial statements of GALA Choruses I, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 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 auditors' 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 auditors consider 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 GALA Choruses I, Inc. as of December 31, 2015, 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.

Prior Period Financial Statements

The 2014 financial statements were reviewed by us, and our report thereon, dated March 24, 2015, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Schedule of Support and Revenue and the Supplemental Schedule of Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information for the year ended December 31, 2015 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We reviewed the supplementary information provided for the year ended December 31, 2014 and based on our review, we were not aware of any material modifications that should be made for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Grossman Yanak + Fors LLP

Pittsburgh, Pennsylvania
May 12, 2016

GALA CHORUSES I, INC.STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

| <u>ASSETS</u> | 2015 <u>(audited)</u> | 2014 <u>(reviewed)</u> |
|--|--------------------------|---------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 164,376 | \$ 10,192 |
| Investments | 855,099 | 234,525 |
| Accounts receivable, net | 56,391 | 7,662 |
| Prepaid expenses and other current assets | <u>36,786</u> | <u>12,396</u> |
| Total | <u>1,112,652</u> | <u>264,775</u> |
| PROPERTY AND EQUIPMENT: | | |
| Furniture and equipment | 11,446 | 6,426 |
| Accumulated depreciation | <u>(3,200)</u> | <u>(1,606)</u> |
| Property and equipment, net | <u>8,246</u> | <u>4,820</u> |
| TOTAL ASSETS | <u>\$ 1,120,898</u> | <u>\$ 269,595</u> |
| <u>LIABILITIES AND NET ASSETS (DEFICIENCY)</u> | | |
| LIABILITIES: | | |
| Accounts payable | \$ 425 | \$ 22,648 |
| Funds held for others | 17,724 | 8,001 |
| Deferred revenue | <u>1,165,012</u> | <u>5,400</u> |
| Total | <u>1,183,161</u> | <u>36,049</u> |
| NET ASSETS: | | |
| Unrestricted: | | |
| Board designated | 100,000 | 100,000 |
| Undesignated | <u>(194,763)</u> | <u>133,546</u> |
| Total | <u>(94,763)</u> | <u>233,546</u> |
| Temporarily restricted | <u>32,500</u> | <u>-</u> |
| Total | <u>(62,263)</u> | <u>233,546</u> |
| TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY) | <u>\$ 1,120,898</u> | <u>\$ 269,595</u> |

See notes to financial statements.

GALA CHORUSES I, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

| | 2015 <u>(audited)</u> | 2014 <u>(reviewed)</u> |
|--|--------------------------|---------------------------|
| UNRESTRICTED SUPPORT AND REVENUE: | | |
| Support | \$ 55,127 | \$ 40,753 |
| Revenue | 140,024 | 102,702 |
| Investment income (loss), net | <u>(21)</u> | <u>43,592</u> |
| Total | <u>195,130</u> | <u>187,047</u> |
| EXPENSES: | | |
| General and administrative | 115,428 | 93,225 |
| Association services | 144,176 | 161,735 |
| Festival | 157,690 | 35,565 |
| Annual conferences | 75,195 | 65,020 |
| Resource development | <u>30,950</u> | <u>28,100</u> |
| Total | <u>523,439</u> | <u>383,645</u> |
| DECREASE IN UNRESTRICTED NET ASSETS | (328,309) | (196,598) |
| Release of Board designated net assets | - | (1,250) |
| Contributions - temporarily restricted | <u>32,500</u> | <u>-</u> |
| DECREASE IN NET ASSETS | <u>(295,809)</u> | <u>(197,848)</u> |
| NET ASSETS - BEGINNING OF YEAR | <u>233,546</u> | <u>431,394</u> |
| NET ASSETS (DEFICIENCY) - END OF YEAR | <u>\$ (62,263)</u> | <u>\$ 233,546</u> |

See notes to financial statements.

GALA CHORUSES I, INC.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

| | 2015 <u>(audited)</u> | 2014 <u>(reviewed)</u> |
|---|--------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Decrease in net assets | \$ (295,809) | \$ (196,598) |
| Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 1,594 | 1,285 |
| Realized and unrealized gains on investments | - | (38,001) |
| (Increase) decrease in: | | |
| Accounts receivable | (48,729) | 3,871 |
| Prepaid expenses and other current assets | (24,390) | (7,577) |
| Increase (decrease) in: | | |
| Accounts payable | (22,223) | 15,085 |
| Funds held for others | 9,723 | 2,875 |
| Deferred revenue | <u>1,159,612</u> | <u>2,275</u> |
| Net cash provided by (used in) operating activities | <u>779,778</u> | <u>(216,785)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investments | (620,574) | (234,594) |
| Proceeds from sale of investments | - | 448,299 |
| Purchase of fixed assets | <u>(5,020)</u> | <u>-</u> |
| Net cash provided by (used in) investing activities | <u>(625,594)</u> | <u>213,705</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 154,184 | (3,080) |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>10,192</u> | <u>13,272</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u>\$ 164,376</u> | <u>\$ 10,192</u> |

**SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING
ACTIVITIES**

During 2014, \$1,250 of the Board designated net assets were transferred to the liability account, Funds held for others.

See notes to financial statements.

GALA CHORUSES I, INC.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND PURPOSE

Organization, Purpose and Operations - GALA Choruses, Inc. was incorporated in the state of California on July 26, 1983. On April 1, 2006, GALA Choruses, Inc. was merged into GALA Acquisition Corporation, a Delaware corporation formed on January 11, 2006, with the surviving entity being GALA Acquisition Corporation. On the same day, the name of GALA Acquisition Corporation was changed to GALA Choruses I, Inc.

The Organization is a national association of choruses dedicated to providing leadership and inspiration to the lesbian and gay movement through excellence in the choral arts. The Organization stages festivals, conferences and other events featuring its member choruses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenditures are recognized when incurred.

Use of Estimates - The preparation of financial statements in conformity with U.S. 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Financial Statement Presentation - Unrestricted net assets are the net assets that are neither permanently nor temporarily restricted by donor or grantor-imposed stipulations. Unrestricted net assets may be subdivided into those funds which have been designated for particular purposes by the Board of Directors and funds which are undesignated. Board designated net assets represent funds designated for youth chorus support and a reserve for operations.

Temporarily restricted net assets result from contributions or other inflows of assets for which use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant of those stipulations. Temporarily restricted net assets were \$32,500 as of December 31, 2015, which were all designated for youth chorus support. There were no temporarily restricted net assets as of December 31, 2014.

Permanently restricted net assets result from contributions, grants and other inflows of assets for which use by the Organization is limited by donor or grantor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. There were no permanently restricted net assets as of December 31, 2015 and 2014.

Cash and Cash Equivalents - The Organization considers all monies available for current use in checking, savings and certificates of deposit with initial maturities of three months or less to be cash equivalents. The Organization maintains, at financial institutions, cash which at times may exceed federally insured limits and which may at times exceed statement of financial position amounts due to outstanding checks.

Accounts Receivable - A valuation allowance is provided for those receivables for which collection is doubtful; uncollectible accounts are written off and charged against the allowance. Past due accounts are determined based primarily upon how recently payments have been received. Increases in the allowance are charged to general and administrative expenses. The allowance was \$1,415 and \$905 at December 31, 2015 and 2014, respectively.

Investments - Investments in marketable securities are reflected at fair value using quoted market prices in active markets. At December 31, 2015 and 2014, a mutual fund invested in money market securities accounted for all investments. Interest (net of interest expense), dividends and unrealized gains and losses are included in the statements of activities.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions are reclassified to unrestricted net assets upon occurrence of a specific event or passage of time.

In-kind contributions are recognized at fair market value when received. The amounts reflected in the financial statements as support are offset by related amounts included in expenses or property and equipment, when applicable. No such contributions were made during the years ended December 31, 2015 and 2014.

Property and Equipment - Property and equipment are stated at cost. Expenditures for property and equipment, if significant, are capitalized. Maintenance and repairs are charged to expense when incurred; betterments and renewals are capitalized. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, typically five years, and was \$1,594 and \$1,285 for the years ended December 31, 2015 and 2014, respectively.

Impairment of Long-Lived Assets - Management evaluates the valuation and depreciation, as applicable, of the Organization's various long-lived assets. Management's evaluation considers both current and future levels of undiscounted cash flows generated by the related assets to determine when impairment has occurred. Any writedowns due to impairment are charged to the statement of activities at the time the impairment is identified.

Deferred Revenue - Amounts reflected as deferred revenue on the statements of financial position at December 31, 2015 and 2014 result primarily from advance registration fees and other receipts associated with

the 2016 Festival and the 2015 M&D Conference, respectively. Related expenses are presented as prepaid expenses.

Restricted Revenues - Donor-restricted income is classified as unrestricted if restrictions are satisfied in the same fiscal year in which the income is received.

Advertising - Advertising costs are expensed as incurred. Advertising expenses were \$8,448 and \$5,100 for the years ended December 31, 2015 and 2014, respectively.

Fair Value Measurements - The Organization has adopted the guidance included in U.S. generally accepted accounting principles which established a framework for measuring fair value of financial assets and expands disclosures about fair value measurements. The fair value hierarchy for disclosure of fair value measurements is as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs that reflect the reporting entity's own assumptions.

The Organization's assets measured at fair value consist of mutual funds. The valuation methodology used to measure the fair value of these investments is the net asset value ("NAV") of shares held at month end (level 1 inputs).

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Income Taxes - The Organization meets the requirements to be treated as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Management believes there is no liability related to uncertain tax positions at December 31, 2015 or 2014. The Organization is no longer subject to tax examinations for the years before December 31, 2012.

Subsequent Events - The Organization has analyzed subsequent events for recognition and disclosure purposes through May 12, 2016, the date the financial statements were available to be issued.

3. RELATED PARTIES

Contributions from board members and affiliated individuals were \$30,503 and \$24,657 for the years ended December 31, 2015 and 2014, respectively.

GALA CHORUSES I, INC.

**SUPPLEMENTAL SCHEDULES OF SUPPORT AND REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Support: | | |
| Contributions | \$ <u>55,127</u> | \$ <u>40,753</u> |
| Revenue: | | |
| Membership dues | 71,984 | 65,037 |
| Registration fees | 39,200 | 32,600 |
| Merchandise | 10,265 | 845 |
| Other revenue | 10,829 | 4,220 |
| Grants | <u>7,746</u> | <u>-</u> |
| Total | <u>140,024</u> | <u>102,702</u> |
| Investment Income: | | |
| Interest, net | (21) | 5,591 |
| Realized and unrealized gains on investments | <u>-</u> | <u>38,001</u> |
| Total | <u>(21)</u> | <u>43,592</u> |
| TOTAL SUPPORT AND REVENUE | <u>\$ 195,130</u> | <u>\$ 187,047</u> |

GALA CHORUSES I, INC.

**SUPPLEMENTAL SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>General and Administrative</u> | <u>Association Services</u> | <u>Festival</u> | <u>Annual Conferences</u> | <u>Resource Development</u> | <u>Total</u> |
|---------------------------------|---------------------------------------|---------------------------------|-------------------|-------------------------------|---------------------------------|-------------------|
| Advertising costs | \$ - | \$ 8,448 | \$ - | \$ - | \$ - | \$ 8,448 |
| Audit | 3,664 | - | - | - | - | 3,664 |
| Bad debt expense | 1,170 | - | - | - | - | 1,170 |
| Bank service charges | 4,683 | - | 24,844 | - | - | 29,527 |
| Building rentals - other | 1,300 | - | - | 1,087 | - | 2,387 |
| Depreciation | 1,594 | - | - | - | - | 1,594 |
| 411 advisor fees | - | 44,398 | - | - | - | 44,398 |
| Design services | 975 | - | - | 675 | 250 | 1,900 |
| Equipment rental | - | - | - | 3,278 | - | 3,278 |
| Filing fees | 25 | - | - | - | - | 25 |
| Flowers or awards | - | 7,043 | - | - | - | 7,043 |
| Food and catering | 8,421 | 2,151 | - | 23,440 | 368 | 34,380 |
| Grant expense - scholarships | - | 2,300 | - | - | - | 2,300 |
| Insurance | 1,474 | - | - | - | - | 1,474 |
| License fees | 246 | 232 | - | - | - | 478 |
| Marketing Expense | - | 155 | 5,186 | - | - | 5,341 |
| Merchandise | - | - | 4,923 | - | - | 4,923 |
| Miscellaneous | 12 | - | - | - | - | 12 |
| Music comm / arranging | - | - | 500 | - | - | 500 |
| Office supplies | 915 | - | - | 148 | 212 | 1,275 |
| Photocopying | - | - | - | 896 | - | 896 |
| Postage | 2,177 | - | - | - | - | 2,177 |
| Printing | 150 | - | 92 | - | - | 242 |
| Professional services | 7,500 | 4,000 | 2,500 | 4,025 | - | 18,025 |
| Registration service fees | - | 900 | 4,230 | 1,215 | - | 6,345 |
| Association management services | 55,241 | 55,241 | 110,482 | 27,620 | 27,620 | 276,204 |
| Shipping | 43 | - | - | - | - | 43 |
| Storage facilities | 2,615 | - | - | - | - | 2,615 |
| Subscriptions / membership | 5,801 | 655 | 798 | - | 2,500 | 9,754 |
| Telephone and internet | 1,282 | - | - | - | - | 1,282 |
| Travel and lodging - board | 3,055 | - | - | - | - | 3,055 |
| Travel and lodging - presenters | 755 | 11,638 | - | 3,749 | - | 16,142 |
| Travel and lodging - staff | 5,665 | 1,925 | 3,985 | 9,062 | - | 20,637 |
| Travel and lodging - youth | - | 5,090 | - | - | - | 5,090 |
| Video production | - | - | 150 | - | - | 150 |
| Web development | 6,665 | - | - | - | - | 6,665 |
| Total expenses | \$ 115,428 | \$ 144,176 | \$ 157,690 | \$ 75,195 | \$ 30,950 | \$ 523,439 |

GALA CHORUSES I, INC.

SUPPLEMENTAL SCHEDULE OF EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2014

| | General and Administrative | Association Services | Festival | Annual Conferences | Resource Development | Total |
|---------------------------------|-------------------------------|-------------------------|------------------|-----------------------|-------------------------|-------------------|
| Advertising costs | \$ - | \$ 5,100 | \$ - | \$ - | \$ - | \$ 5,100 |
| Audit | 3,584 | - | - | - | - | 3,584 |
| Bank service charges | 4,098 | - | - | - | - | 4,098 |
| Building rentals other | - | 630 | - | - | - | 630 |
| Depreciation | 1,285 | - | - | - | - | 1,285 |
| 411advisor fees | - | 30,800 | - | 3,700 | - | 34,500 |
| Design services | 750 | - | 1,000 | 2,300 | 1,450 | 5,500 |
| Equipment rental | - | - | - | 3,367 | - | 3,367 |
| Filing fees | 60 | - | - | - | - | 60 |
| Flowers or awards | 337 | 5,259 | - | 288 | - | 5,884 |
| Food and catering | 6,058 | 2,865 | - | 14,622 | - | 23,545 |
| Grant expense - scholarships | - | - | - | 2,877 | - | 2,877 |
| Insurance | 1,960 | - | - | - | - | 1,960 |
| License fees | 242 | 228 | - | - | - | 470 |
| Marketing expense | - | 129 | 1,518 | - | - | 1,647 |
| Merchandise expense | - | - | 247 | - | - | 247 |
| Miscellaneous | 8,276 | - | - | (250) | - | 8,026 |
| Music lease/purchase | - | 8 | - | - | - | 8 |
| Office supplies | 1,316 | - | - | 379 | - | 1,695 |
| Photocopying | - | 188 | 142 | 363 | - | 693 |
| Postage | 838 | - | - | - | - | 838 |
| Printing | 770 | 251 | - | 1,350 | - | 2,371 |
| Professional services | 1,000 | 5,500 | - | (750) | - | 5,750 |
| Registration service fees | 596 | - | - | 764 | - | 1,360 |
| Association management services | 40,200 | 91,680 | 30,150 | 20,820 | 24,150 | 207,000 |
| Storage facilities | 2,714 | - | - | - | - | 2,714 |
| Subscriptions/membership | 4,197 | - | - | - | 2,500 | 6,697 |
| Telephone and internet | 1,911 | - | - | - | - | 1,911 |
| Travel and lodging - presenters | 60 | 10,390 | - | 3,920 | - | 14,370 |
| Travel and lodging - board | 999 | - | - | - | - | 999 |
| Travel and lodging - staff | 3,264 | (204) | 2,508 | 10,853 | - | 16,421 |
| Travel and lodging - youth | - | 8,911 | - | 417 | - | 9,328 |
| Web development | 8,710 | - | - | - | - | 8,710 |
| Total expenses | \$ 93,225 | \$ 161,735 | \$ 35,565 | \$ 65,020 | \$ 28,100 | \$ 383,645 |