

## **GALA CHORUSES, INC. AND AFFILIATE**

**Consolidated Financial Statements for the  
Years Ended December 31, 2008 and 2007,  
Supplemental Schedules for the Year Ended  
December 31, 2008 and Independent  
Accountants' Report**

## **GALA CHORUSES, INC. AND AFFILIATE**

### **TABLE OF CONTENTS**

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	<u>Page</u>
Independent Accountants' Report	1
Financial Statements as of December 31, 2008 and 2007 and for the Years Then Ended:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5
Supplemental Schedules for the Year Ended December 31, 2008:	
Supplemental Schedules of Support and Revenue	8
Supplemental Schedule of Expenses	9

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## INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying consolidated statement of financial position of GALA Choruses I, Inc. (a nonprofit organization) and Affiliate as of December 31, 2008 and the related consolidated statements of activities and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these consolidated financial statements is the representation of the management of GALA Choruses I, Inc.

A review consists principally of inquiries of the Organization's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2008 consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the consolidated financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the supplemental schedules listed in the accompanying table of contents is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic consolidated financial statements, and we are not aware of any material modifications that should be made thereto.

The financial statements for the year ended December 31, 2007, were audited by us, and we expressed an unqualified opinion on them in our report dated September 8, 2008, but we have not performed any auditing procedures since that date.

*Grossman Yanak & Ford LLP*

October 12, 2009

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**GALA CHORUSES, INC. AND AFFILIATE****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2008 AND 2007**

<u>ASSETS</u>	<u>NOTES</u>	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	2,3	\$ 4,508	\$ 349,548
Certificates of deposit	2	25,076	108,494
Accounts receivable	2	90,664	21,025
Prepaid expenses and other current assets	2	<u>2,065</u>	<u>173,930</u>
Total		<u>122,313</u>	<u>652,997</u>
<b>PROPERTY AND EQUIPMENT:</b>			
Furniture and equipment		9,477	7,569
Accumulated depreciation		<u>(2,348)</u>	<u>(728)</u>
Property and equipment, net	2	<u>7,129</u>	<u>6,841</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 129,442</u></b>	<b><u>\$ 659,838</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>LIABILITIES:</b>			
Accounts payable		\$ 91,952	\$ 13,109
Deferred revenue	2	2,000	646,975
Accrued payroll		<u>1,460</u>	<u>2,487</u>
Net		<u>95,412</u>	<u>662,571</u>
<b>UNRESTRICTED NET ASSETS (DEFICIENCY IN NET ASSETS):</b>			
Board designated	2	20,281	20,281
Undesignated	2	<u>13,749</u>	<u>(23,014)</u>
Total		<u>34,030</u>	<u>(2,733)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b><u>\$ 129,442</u></b>	<b><u>\$ 659,838</u></b>

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

## GALA CHORUSES, INC. AND AFFILIATE

### CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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	<u>NOTES</u>	<u>2008</u>	<u>2007</u>
SUPPORT AND REVENUE:			
Support	2	\$ 119,670	\$ 59,291
Revenue	2	<u>1,585,529</u>	<u>182,078</u>
Total		<u>1,705,199</u>	<u>241,369</u>
EXPENSES:			
General and administrative	1	99,452	122,146
Association services		136,985	73,525
Festival		1,398,589	-
Grant programs		5,073	-
Annual conferences		15,241	105,293
Resource development		<u>13,096</u>	<u>8,103</u>
Total		<u>1,668,436</u>	<u>309,067</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS			
		36,763	(67,698)
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR			
		<u>(2,733)</u>	<u>64,965</u>
UNRESTRICTED NET ASSETS - END OF YEAR			
		<u>\$ 34,030</u>	<u>\$ (2,733)</u>

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

## GALA CHORUSES, INC. AND AFFILIATE

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 36,763	\$ (67,698)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,620	1,786
Loss on disposal of assets	-	1,559
(Increase) decrease in:		
Receivables	(69,639)	(20,235)
Prepaid expenses and other current assets	171,865	(169,302)
Increase (decrease) in:		
Accounts payable	78,843	12,500
Deferred revenue	(644,975)	646,975
Accrued payroll	<u>(1,027)</u>	<u>2,487</u>
Net cash provided by (used in) operating activities:	<u>(426,550)</u>	<u>408,072</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,908)	(6,893)
(Purchase) sale of certificates of deposit, net	<u>83,418</u>	<u>(4,535)</u>
Net cash provided by (used in) in investing activities	<u>81,510</u>	<u>(11,428)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of credit repayments, net	<u>-</u>	<u>(70,415)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(345,040)	326,229
CASH AND CASH EQUIVALENTS, BEGINNING	<u>349,548</u>	<u>23,319</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 4,508</u>	<u>\$ 349,548</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 964</u>	<u>\$ 5,975</u>

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

## **GALA CHORUSES, INC. AND AFFILIATE**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. ORGANIZATION AND PURPOSE**

*Principles of Consolidation* - The consolidated financial statements of GALA Choruses I, Inc. and Subsidiary (collectively "GALA" or the "Organization") include the accounts of GALA Choruses I, Inc. (the "Parent") and its common controlled affiliate, GALA Choruses Foundation, Inc. (the "Foundation"). All significant intercompany accounts and transactions are eliminated from the consolidated financial statements.

*Organization, Purpose and Operations* - GALA Choruses, Inc. was incorporated in the state of California on July 26, 1983. The Organization was 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 staged festivals, conferences, and other events featuring its member choruses.

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.

On January 11, 2006 GALA Choruses Foundation, Inc. was created to serve as a fundraising entity. The Foundation was formed as a nonprofit corporation with no capital stock. A majority of the board of directors of the Foundation are also directors of GALA Choruses I, Inc.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*Use of Estimates* - The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

*Financial Statement Presentation* - In accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements for Not-For-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. In addition, a statement of cash flows must be presented.

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.

Temporarily restricted net assets result from contributions or other inflows of assets whose use by the Organization is limited by the 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. There were no temporarily restricted net assets as of December 31, 2008 and 2007.

Permanently restricted net assets result from contributions, grants and other inflows of assets whose 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, 2008 and 2007.

*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 consolidated statement of financial position amounts due to outstanding checks.

*Certificates of Deposit* - Certificates of deposit consist of certificates with original maturities of greater than three months.

*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 expenses. No allowance was deemed to be necessary at December 31, 2008 and 2007.

*Contributions* - In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, 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.

Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the financial statements as support are offset by like amounts included in expenses or property and equipment, when applicable. No such contributions were made during the years ended December 31, 2008 and 2007.

*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 totaled \$1,620 and \$1,786 for the years ended December 31, 2008 and 2007, respectively.

*Impairment of Long-Lived Assets* - Management evaluates the valuation and depreciation, as applicable, of the Organizations'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 statement of financial position at December 31, 2007 result primarily from advance registration fees associated with the quadrennial program, Festival, in 2008. 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 \$350 for the year ended December 31, 2007. There were no advertising expenses for the year ended December 31, 2008.

*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.

### **3. LINE OF CREDIT**

In January 2006, the Organization established a line of credit with Bank of America that was secured by certificates of deposit totaling \$108,494 at December 31, 2007. Maximum borrowings under the line of credit were \$100,000, and there was no outstanding balance at December 31, 2007. Interest was payable monthly at the prime rate plus .25%. The prime rate was 7.25% at December 31, 2007. Interest expense was \$964 and \$5,975 for the years ended December 31, 2008 and 2007, respectively. During 2008, the line of credit expired and the Organization did not renew the agreement.

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See independent accountants' report.

**GALA CHORUSES, INC. AND AFFILIATE**

**SUPPLEMENTAL SCHEDULES OF SUPPORT AND REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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Support:	
Contributions	\$ <u>119,670</u>
TOTAL SUPPORT	\$ <u><u>119,670</u></u>
Revenue:	
Registration fees	\$ 944,581
Advertising	7,013
Merchandise	255,313
Membership dues	68,750
Special events	192,912
Grants	<u>116,960</u>
TOTAL REVENUE	\$ <u><u>1,585,529</u></u>

See independent accountants' report.

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## GALA CHORUSES, INC. AND AFFILIATE

### SUPPLEMENTAL SCHEDULE OF EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2008

	Administration	Association Services	Festival	Grant Programs	Annual Conference	Resource Development	Total
Administrative services		\$ 2,000	\$ 53,716				\$ 55,716
Audio recording		-	23,679				23,679
Audit	\$ 8,425	-	-				8,425
Bad debt expense	-	1,350	-				1,350
Bank service charges	2,794	299	33,311		\$ 20	\$ 2	36,426
Building rentals	-	-	182,000		-	-	182,000
Contribution	-	-	7,500		-	-	7,500
Depreciation	1,620	-	-		-	-	1,620
Design services	-	7,625	15,485		-	-	23,110
Equipment rental	-	-	125,618		285	-	125,903
Filing fees	50	-	-		-	-	50
Flowers or awards	61	1,319	1,077		-	-	2,457
Food & catering	-	-	127,328		5,605	-	132,933
Grant expense - commission matching	-	18,800	-		-	-	18,800
Grant expense - youth	-	-	19,157	\$ 5,073	-	-	24,230
Hotel attrition	-	-	15,000	-	-	-	15,000
Insurance	996	-	25,209	-	-	-	26,205
License fees	-	-	8,439	-	-	-	8,439
Merchandise - consignment	-	-	50,985	-	-	-	50,985
Merchandise	-	131	75,598	-	-	-	75,729
Miscellaneous	10,925	-	429	-	-	-	11,354
Music comm / arranging	-	(13)	1,555	-	-	-	1,542
Music lease / purchase	-	(307)	510	-	-	-	203
Office supplies	2,406	-	17,908	-	-	-	20,314
Payroll expense	36	-	4	-	-	-	40
Payroll taxes	3,213	-	1,260	-	-	-	4,473
Photocopying	83	-	661	-	-	-	744
Postage	2,147	6,190	1,842	-	-	-	10,179
Printing	-	17,430	40,685	-	33	1,233	59,381
Professional services	-	1,000	218,093	-	-	-	219,093
Registration service fees	-	718	17,814	-	91	15	18,638
Salaries	60,500	70,050	155,075	-	4,200	14,280	304,105
Shipping	-	-	5,550	-	-	-	5,550
Storage facilities	2,208	-	-	-	-	-	2,208
Subscriptions/Membership	100	677	115	-	27	395	1,314
Telephone and internet	3,003	4,276	-	-	-	-	7,279
Transportation	-	-	81,136	-	419	-	81,555
Travel & lodging - presenters	25	-	36,286	-	-	-	36,311
Travel and lodging - staff	2,372	1,814	43,879	-	4,561	-	52,626
Video production	-	-	11,220	-	-	-	11,220
Web development	95	3,626	465	-	-	-	4,186
Other (income) expense, net	(1,607)	-	-	-	-	(2,829)	(4,436)
<b>Total expenses</b>	<b>\$ 99,452</b>	<b>\$ 136,985</b>	<b>\$ 1,398,589</b>	<b>\$ 5,073</b>	<b>\$ 15,241</b>	<b>\$ 13,096</b>	<b>\$ 1,668,436</b>

See independent accountants' report.