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**GALA CHORUSES I, INC.**

**Financial Statements and Supplemental Schedules for the Years  
Ended December 31, 2016 and 2015 and Independent Auditors'  
Report**

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# **GALA CHORUSES I, INC.**

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## **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 statements of financial position as of December 31, 2016 and 2015 and the related statements of activities and changes in net assets, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Schedules of Support and Revenue and the Supplemental Schedules 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 has been subjected to the auditing procedures applied in the audits 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.

*Grossman Yanak + Ford LLP*

Pittsburgh, Pennsylvania  
May 22, 2017

## **GALA CHORUSES I, INC.**

### **STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015**

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<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 376,064	\$ 164,376
Investments	-	855,099
Accounts receivable, net	29,236	56,391
Prepaid expenses and other current assets	<u>19,115</u>	<u>36,786</u>
Total	<u>424,415</u>	<u>1,112,652</u>
PROPERTY AND EQUIPMENT:		
Furniture and equipment	15,932	11,446
Accumulated depreciation	<u>(6,012)</u>	<u>(3,200)</u>
Property and equipment, net	<u>9,920</u>	<u>8,246</u>
TOTAL ASSETS	<u>\$ 434,335</u>	<u>\$ 1,120,898</u>
<u>LIABILITIES AND NET ASSETS (DEFICIENCY)</u>		
LIABILITIES:		
Accounts payable	\$ 2,677	\$ 425
Funds held for others	13,803	17,724
Deferred revenue	<u>30,721</u>	<u>1,165,012</u>
Total	<u>47,201</u>	<u>1,183,161</u>
NET ASSETS:		
Unrestricted:		
Board designated	100,000	100,000
Undesignated	<u>285,134</u>	<u>(194,763)</u>
Total	<u>385,134</u>	<u>(94,763)</u>
Temporarily restricted	<u>2,000</u>	<u>32,500</u>
Total	<u>387,134</u>	<u>(62,263)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	<u>\$ 434,335</u>	<u>\$ 1,120,898</u>

See notes to financial statements.

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## GALA CHORUSES I, INC.

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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	<u>2016</u>	<u>2015</u>
UNRESTRICTED SUPPORT AND REVENUE:		
Support	\$ 154,166	\$ 55,127
Revenue	2,044,963	140,024
Investment income (loss), net	721	(21)
Net assets released from restrictions	<u>32,500</u>	<u>-</u>
Total	<u>2,232,350</u>	<u>195,130</u>
EXPENSES:		
General and administrative	128,385	115,428
Association services	121,045	144,176
Festival	1,470,910	157,690
Annual conferences	-	75,195
Resource development	<u>32,113</u>	<u>30,950</u>
Total	<u>1,752,453</u>	<u>523,439</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>479,897</u>	<u>(328,309)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	2,000	32,500
Net assets released from restrictions	<u>(32,500)</u>	<u>-</u>
TOTAL INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(30,500)</u>	<u>32,500</u>
INCREASE (DECREASE) IN NET ASSETS	<u>449,397</u>	<u>(295,809)</u>
NET ASSETS (DEFICIENCY) - BEGINNING OF YEAR	<u>(62,263)</u>	<u>233,546</u>
NET ASSETS (DEFICIENCY) - END OF YEAR	<u>\$ 387,134</u>	<u>\$ (62,263)</u>

See notes to financial statements.

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## GALA CHORUSES I, INC.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 449,397	\$ (295,809)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,812	1,594
(Increase) decrease in:		
Accounts receivable	27,155	(48,729)
Prepaid expenses and other current assets	17,671	(24,390)
Increase (decrease) in:		
Accounts payable	2,252	(22,223)
Funds held for others	(3,921)	9,723
Deferred revenue	<u>(1,134,291)</u>	<u>1,159,612</u>
Net cash provided by (used in) operating activities	<u>(638,925)</u>	<u>779,778</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	-	(620,574)
Proceeds from sale of investments	855,099	-
Purchase of fixed assets	<u>(4,486)</u>	<u>(5,020)</u>
Net cash provided by (used in) investing activities	<u>850,613</u>	<u>(625,594)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	211,688	154,184
CASH AND CASH EQUIVALENTS, BEGINNING	<u>164,376</u>	<u>10,192</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 376,064</u>	<u>\$ 164,376</u>

See notes to financial statements.

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# **GALA CHORUSES I, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **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 \$2,000 and \$32,500 as of December 31, 2016 and 2015, respectively. Amounts released from restriction during the year ended December 31, 2016 related to the 2016 Festival. Amounts restricted at December 31, 2016 relate to the 2020 Festival.

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, 2016 and 2015.



*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 \$652 and \$1,415 at December 31, 2016 and 2015, respectively.

*Investments* - Investments in marketable securities are reflected at fair value using quoted market prices in active markets. At December 31, 2015, 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. In-kind contributions were \$42,227 for the year ended December 31, 2016 and related to complimentary hotel room rentals for the 2016 Festival that were offset as Festival travel and lodging expenses. No such contributions were made during the year ended December 31, 2015.

*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 \$2,812 and \$1,594 for the years ended December 31, 2016 and 2015, 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 write-downs 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, 2016 and 2015 result primarily from advance registration fees and other receipts associated with the 2017 Symposium and the 2016 Festival, 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 \$4,621 and \$8,448 for the years ended December 31, 2016 and 2015, 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, which are based on their quoted prices (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, 2016 or 2015. The Organization is no longer subject to tax examinations for the years before December 31, 2013.

*Subsequent Events* - The Organization has analyzed subsequent events for recognition and disclosure purposes through May 22, 2017, the date the financial statements were available to be issued.

### **3. RELATED PARTIES**

Contributions from board members and affiliated individuals were \$27,238 and \$30,503 for the years ended December 31, 2016 and 2015, respectively. An event management system used for the 2016 Festival is co-owned by a GALA board member. Amounts paid related to this system approximated \$38,100 and \$4,600 for the years ended December 31, 2016 and 2015, respectively.

### **4. CONTINGENCIES**

The Organization is subject to potential claims related to copyright permissions for music performed at the 2016 Festival. While no claims have been asserted through the issuance date of the financial statements, management believes the ultimate outcome of potential claims will not have a material adverse effect on the financial position or the results of operations of the Organization.

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**GALA CHORUSES I, INC.**

**SUPPLEMENTAL SCHEDULES OF SUPPORT AND REVENUE  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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	<u>2016</u>	<u>2015</u>
Support:		
Contributions	\$ <u>154,166</u>	\$ <u>55,127</u>
Revenue:		
Membership dues	64,646	71,984
Registration fees	1,417,923	39,200
Merchandise	166,709	10,265
Other revenue	385,685	10,829
Grants	<u>10,000</u>	<u>7,746</u>
Total	<u>2,044,963</u>	<u>140,024</u>
Investment income (loss):		
Interest, net	<u>721</u>	<u>(21)</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b><u>\$ 2,199,850</u></b>	<b><u>\$ 195,130</u></b>

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## GALA CHORUSES I, INC.

### SUPPLEMENTAL SCHEDULE OF EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2016

	General and Administrative	Association Services	Festival	Resource Development	Total
Advertising costs	\$ -	\$ 2,121	\$ 2,500	\$ -	\$ 4,621
Audio recording	-	-	12,500	-	12,500
Audit	7,351	-	-	-	7,351
Bad debt expense	1,000	-	-	-	1,000
Bank service charges	6,456	-	14,749	-	21,205
Building rentals - other	-	-	166,617	-	166,617
Depreciation	2,812	-	-	-	2,812
411 advisor fees	-	42,110	-	-	42,110
Design services	-	-	12,678	-	12,678
Equipment rental	65	-	164,431	-	164,496
Filing fees	25	-	105	-	130
Flowers or awards	735	8,000	2,594	-	11,329
Food and catering	7,803	-	79,538	-	87,341
Grant expense - youth	-	-	24,836	-	24,836
Insurance	1,555	-	8,242	-	9,797
License fees	896	237	11,105	-	12,238
Marketing Expense	-	190	10,290	-	10,480
Merchandise - consignment	-	-	19,393	-	19,393
Merchandise	-	-	68,453	-	68,453
Miscellaneous	(110)	-	-	-	(110)
Music comm / arranging	-	-	3,200	-	3,200
Music lease / purchase	-	-	3,171	-	3,171
Musician fees	-	-	40,375	-	40,375
Office supplies	657	-	13,452	-	14,109
Postage	621	-	1,715	-	2,336
Printing	-	-	15,706	-	15,706
Professional services	18,128	-	332,333	-	350,461
Registration service fees	-	905	30,235	-	31,140
Association management services	59,220	54,285	208,871	29,610	351,986
Shipping	-	-	8,875	-	8,875
Storage facilities	2,907	-	-	-	2,907
Subscriptions / membership	4,085	2,919	86	2,500	9,590
Tax expense (non-payroll)	-	-	11,148	3	11,151
Telephone and internet	1,021	-	-	-	1,021
Transportation	-	-	8,866	-	8,866
Travel and lodging - board	3,612	-	-	-	3,612
Travel and lodging - presenters	-	9,054	38,800	-	47,854
Travel and lodging - staff	5,316	1,224	51,104	-	57,644
Travel and lodging - youth	-	-	30,593	-	30,593
Video production	-	-	74,349	-	74,349
Web development	4,230	-	-	-	4,230
<b>Total expenses</b>	<b>\$ 128,385</b>	<b>\$ 121,045</b>	<b>\$ 1,470,910</b>	<b>\$ 32,113</b>	<b>\$ 1,752,453</b>

## GALA CHORUSES I, INC.

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

	General and Administrative	Association Services	Festival	Annual Conferences	Resource Development	Total
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
411advisor 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 - presenters	755	11,638	-	3,749	-	16,142
Travel and lodging - board	3,055	-	-	-	-	3,055
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	<u>\$ 115,428</u>	<u>\$ 144,176</u>	<u>\$ 157,690</u>	<u>\$ 75,195</u>	<u>\$ 30,950</u>	<u>\$ 523,439</u>