

GALA CHORUSES, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

GALA CHORUSES, INC.
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS.....	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Cash Flows.....	4
Notes to Financial Statements.....	5 - 7
INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION.....	8
ADDITIONAL INFORMATION	
Schedule I - Support and Revenue.....	9
Schedule II - Expenses.....	10 - 11



Bormel, Grice & Huyett, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

14409 Greenview Drive, Suite 201
Laurel, Maryland 20708-3293
Baltimore, MD (410) 792-7259
DC / VA (301) 953-3259
Fax (301) 725-5256
Web Site www.bormel-grice.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
GALA Choruses, Inc.
Washington, D.C.

We have audited the accompanying statement of financial position of GALA Choruses, Inc. (a nonprofit organization) as of December 31, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GALA Choruses, Inc. as of December 31, 2005, 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.

Bormel, Grice & Huyett, P.A.

July 7, 2006

GALA CHORUSES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 224,396
Accounts receivable	32,107
Pledges receivable	<u>1,200</u>
TOTAL CURRENT ASSETS	<u>257,703</u>
Property and Equipment	
Furniture and equipment	19,807
Less: accumulated depreciation	<u>15,796</u>
	<u>4,011</u>
Other Assets	
Investments	419
Security deposit	<u>2,090</u>
	<u>2,509</u>
TOTAL ASSETS	<u>\$ 264,223</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Deferred revenue	\$ <u>807</u>
Net Assets	
Unrestricted	
Board designated	25,007
Undesignated	<u>238,409</u>
	<u>263,416</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 264,223</u>

The accompanying notes are an integral part of these financial statements

GALA CHORUSES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005

Support and Revenue	
Support	\$ 56,351
Revenue	<u>233,159</u>
 TOTAL SUPPORT AND REVENUE	 <u>289,510</u>
 Expenses	
Program expenses	
Annual conference	121,658
Association services	49,316
Equality forum	3,798
Festival	40,088
General and administrative	163,769
Fundraising	<u>43,920</u>
 TOTAL EXPENSES	 <u>422,549</u>
 CHANGE IN NET ASSETS	 (133,039)
 Net Assets - Beginning of Year	 <u>396,455</u>
 Net Assets - End of Year	 \$ <u><u>263,416</u></u>

The accompanying notes are an integral part of these financial statements

GALA CHORUSES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005

Cash Flows From Operating Activities:	
Contributions received	\$ 69,752
Revenue received	198,526
Interest received	4,895
Payments to vendors and employees	<u>(507,172)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(233,999)</u>
NET DECREASE IN CASH	(233,999)
Cash and Cash Equivalents - Beginning of Year	<u>458,395</u>
Cash and Cash Equivalents - End of Year	<u>\$ 224,396</u>

The accompanying notes are an integral part of these financial statements

Reconciliation of Change in Net Assets to Net Cash
Used by Operating Activities:

Change in net assets	\$ <u>(133,039)</u>
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	2,108
Unrealized loss on investments	120
Loss on disposal	1,146
(Increase) Decrease in:	
Accounts receivables	(18,290)
Pledges receivable	3,350
Increase (Decrease) in:	
Accounts payable and accrued expenses	(13,899)
Other liabilities	(76,302)
Deferred revenue	<u>807</u>
 TOTAL ADJUSTMENTS	 <u>(100,960)</u>
 NET CASH USED BY OPERATING ACTIVITIES	 \$ <u><u>(233,999)</u></u>

GALA CHORUSES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Note 1 - Background and Objectives

GALA Choruses, Inc. was incorporated in the state of California on July 26, 1983. 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.

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code except for unrelated business income. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Note 2 - Significant Accounting Policies

Accounting Method

The financial statements are prepared on the accrual basis of accounting.

Financial Statement Presentation

The financial statements are presented in accordance with the Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets that are subject to donor-imposed restrictions that require passage of time or the occurrence of a specific event.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently.

The Organization had no temporarily or permanently restricted net assets at December 31, 2005.

Contributions

The financial statements are also presented in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, 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.

Investments

The Organization reports investments under SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, the Organization is required to report investments in equity securities with readily determinable fair values and all investments in debt securities at fair value and report gains and losses in the Statement of Activities.

Fair Value of Financial Instruments

The Organization reports its assets and liabilities in conformity with SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." SFAS No. 107 requires all entities to disclose the fair value of financial instruments for which it is practicable to estimate fair value. SFAS No. 107 defines the fair value of a financial instrument as the amount which the instrument could be exchanged in a current transaction between willing parties.

Note 2 - Significant Accounting Policies (Continued)

The carrying amounts of cash and cash equivalents, accounts and pledges receivable and deferred revenue approximate fair value due to their short-term nature. Investments are carried at fair market value, using quoted market prices.

Accounts and Pledges Receivable

Management is of the opinion that substantially all outstanding receivables are collectible, therefore no provision for bad debts has been made.

Property and Equipment

Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets using the straight-line method of depreciation. Major renewals and improvements are charged to various asset categories while maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Depreciation expense was \$2,108 for the year ended December 31, 2005.

Deferred Revenues

Certain income is recognized in subsequent fiscal years to more accurately reflect the matching of revenues and expenses.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$816 the year ended December 31, 2005.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Goods

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.

Note 3 - Cash and Cash Equivalents

The Organization considers all monies available for current use in checking, savings and certificates of deposits with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash in high credit quality financial institutions. The balances may, at times, exceed federally insured limits. At December 31, 2005, the Organization exceeded the insured limits by approximately \$12,000.

The balance at December 31, 2005 consists of:

Checking accounts	\$ 212,755
Savings	11,641
	<hr/>
	\$ 224,396
	<hr/>

Note 4 - Investments

In accordance with SFAS No. 124 (Note 2), the investments are stated at fair market value using quoted market prices.

Note 4 - Investments (Continued)

In accordance with SFAS No. 124 (Note 2), the investments are stated at fair market value using quoted market prices.

Investments were comprised of the following at December 31, 2005:

Corporate stocks	\$ <u>419</u>
------------------	---------------

The return on investments (dividends, interest, net realized and unrealized gains), including cash accounts, was \$4,895.

Note 5 - Unrestricted Net Assets

Undesignated	\$ 238,409
Designated - GALA choruses Foundation	
The Board of Trustees has designated this amount to promote new choral works by member organizations.	<u>25,007</u>
	\$ <u>263,416</u>

Note 6 - Fundraising

Fundraising expenses consisted of the following:

Design services	\$ 1,360
Insurance	950
Office expenses	2,642
Postage and shipping	2,363
Printing	980
Rent expense	7,850
Salaries and benefits	27,475
Telephone	<u>300</u>
	\$ <u>43,920</u>

Note 7 - Lease Commitment

The Organization leases its office facilities at 1720 Eye Street, NW, Washington, DC. The lease commenced January 1, 2002 and expires December 31, 2006 with monthly rental of \$2,459. Rent expense for the year ended December 31, 2005 was \$33,913, which includes \$2,500 space rental at the annual conference.

Note 8 - Subsequent Event

Line of Credit

The Organization established a line of credit with Bank of America in the amount of \$50,000 on January 27, 2006. The annual percentage rate is 7.5%. The line is secured by a certificate of deposit.

**GALA CHORUSES, INC.
ADDITIONAL INFORMATION
YEAR ENDED DECEMBER 31, 2005**



Bormel, Grice & Huyett, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

14409 Greenview Drive, Suite 201
Laurel, Maryland 20708-3293
Baltimore, MD (410) 792-7259

DC / VA (301) 953-3259
Fax (301) 725-5256
Web Site www.bormel-grice.com

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

To the Board of Directors
GALA Choruses, Inc.
Washington, D.C.

Our report on our audit of the basic financial statements of GALA Choruses, Inc. (a nonprofit organization) for December 31, 2005 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of support and revenue and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bormel, Grice & Huyett, P.A.

July 7, 2006

GALA CHORUSES, INC.
SCHEDULE I - SUPPORT AND REVENUE
YEAR ENDED DECEMBER 31, 2005

Support		
Contributions	\$	<u>56,351</u>
TOTAL SUPPORT	\$	<u><u>56,351</u></u>
Revenue		
Registration fees	\$	54,834
Advertising		2,309
Merchandise		5,739
Membership		62,866
Special events		15,401
Interest		4,895
Rental		7,049
Hotel charges abatements		53,704
Canadian tax refund		25,357
Other income		<u>1,005</u>
TOTAL REVENUE	\$	<u><u>233,159</u></u>

See accountants' report on additional information

GALA CHORUSES, INC.
SCHEDULE II - EXPENSES
YEAR ENDED DECEMBER 31, 2005

Annual Conference

Advertising	\$	816
Bank fees		1,622
Design services		8,250
Equipment rental		5,739
Food and catering		17,572
Guest artist fees		5,250
Insurance		2,012
Merchandise		6,957
Music lease		1,302
Office expenses		4,042
Postage and shipping		4,787
Printing		238
Professional services		6,809
Rent expense		10,350
Salaries and benefits		42,512
Telephone		923
Travel and lodging		2,477
		2,477
	\$	121,658

Association Services

Design services	\$	9,400
Grants		2,000
Insurance		388
Office expenses		4,482
Postage		812
Printing		8,850
Professional services		527
Rent expense		7,850
Salaries and benefits		11,013
Telephone		1,036
Travel and lodging		2,958
		2,958
	\$	49,316

Equality Forum

Music leasing and copying fees	\$	232
Office expenses		283
Professional fees		500
Travel and lodging		2,783
		2,783
	\$	3,798

See accountants' report on additional information

GALA CHORUSES, INC.
SCHEDULE II - EXPENSES
YEAR ENDED DECEMBER 31, 2005

<u>Festival</u>	
Insurance	\$ 1,150
Production expenses	100
Professional services	309
Salaries and benefits	31,500
Shipping	2,198
Telephone	600
Travel and lodging	4,231
	<u>4,231</u>
	<u>\$ 40,088</u>
 <u>General and Administrative</u>	
Administrative services	\$ 5,734
Audit	2,500
Bank fees	2,465
Depreciation	2,108
Equipment rental/repair	751
Executive search	27,842
Insurance	2,989
Office expenses	7,455
Postage and shipping	3,370
Printing	1,767
Professional development	2,000
Professional services	23,872
Rent expense	7,863
Salaries and benefits	52,929
Storage	1,512
Telephone	5,161
Travel and lodging	13,451
	<u>13,451</u>
	<u>\$ 163,769</u>
 <u>Fundraising</u>	
Design services	\$ 1,360
Insurance	950
Office expenses	2,642
Postage and shipping	2,363
Printing	980
Rent expense	7,850
Salaries and benefits	27,475
Telephone	300
	<u>300</u>
	<u>\$ 43,920</u>

See accountants' report on additional information