

THE NORMAN MAILER CENTER, INC.

(A Massachusetts Nonprofit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2011



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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CERTIFIED
PUBLIC ACCOUNTANTS
& ADVISORS

PARTNERS

David E. Blumenthal, CPA**†
Roseanna L. Purzycki, CPA†
David J. Swan, CPA**†
Stephan H. Wasserman, CPA**†
Robert O. Watts, CPA†
Tracy Farryl Katz, Esq., CPA†
Nazfar B. Afshar, CPA†
Gary L. Krausz, CPA†
Keith S. Dolabson, CPA

PRINCIPAL

Marie Ambrosino

DIRECTORS

Rosemarie Reed, CPA†
Caryn A. Leemon-Krausz, CPA
Brian J. Gray, CPA

FOUNDERS

Donald L. Gursey, (1888-2007)
Stanley B. Schneider, CPA



1888
Century Park East
Suite 900
Los Angeles
CA
90067-1735

310 552 0960 ph
310 557 3468 fx



www.gursey.com

Independent Auditors' Report

To the Board of Directors
The Norman Mailer Center, Inc.
New York, New York

We have audited the accompanying statement of financial position of The Norman Mailer Center, Inc. (a Massachusetts nonprofit corporation) (the Center) as of December 31, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of the Center. 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 the Center as of December 31, 2011, and the changes in its net assets, functional expenses, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Gursey | Schneider LLP

September 19, 2012
Los Angeles, California

* Accredited in Business Valuation
† Certified in Financial Forensics

THE NORMAN MAILER CENTER, INC.
(A Massachusetts Nonprofit Corporation)
Statement of Financial Position
December 31, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 14,558
Contributions receivable	5,000
Prepaid program costs and deposits	<u>38,715</u>

TOTAL CURRENT ASSETS 58,273

OTHER ASSETS

Artwork - held for sale	335,000
Property and equipment, net	<u>3,028</u>

TOTAL ASSETS \$ 396,301

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 68,025
Loans payable, related party	<u>62,668</u>

TOTAL CURRENT LIABILITIES 130,693

NET ASSETS (DEFICIT)

Unrestricted	(74,392)
Temporarily restricted	<u>340,000</u>

TOTAL NET ASSETS 265,608

TOTAL LIABILITIES AND NET ASSETS \$ 396,301

See Accountants' Report and Accompanying Notes to Financial Statements

THE NORMAN MAILER CENTER, INC.
(A Massachusetts Nonprofit Corporation)
Statement of Activities
Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 354,347	\$ -	\$ 354,347
Special events income, net of direct event costs of \$247,713	191,987	-	191,987
Writing program revenues	68,823	-	68,823
Donated artwork	-	335,000	335,000
Net assets released from restrictions by satisfaction of time restrictions	187,166	(187,166)	-
Total revenues	<u>802,323</u>	<u>147,834</u>	<u>950,157</u>
EXPENSES			
Program services	458,610	-	458,610
Management and general	299,397	-	299,397
Fundraising	93,473	-	93,473
Total expenses	<u>851,480</u>	<u>-</u>	<u>851,480</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(49,157)</u>	<u>147,834</u>	<u>98,677</u>
NET ASSETS, Beginning of year	<u>(25,235)</u>	<u>192,166</u>	<u>166,931</u>
NET ASSETS, End of year	<u>\$ (74,392)</u>	<u>\$ 340,000</u>	<u>\$ 265,608</u>

See Accountants' Report and Accompanying Notes to Financial Statements

THE NORMAN MAILER CENTER, INC.
(A Massachusetts Nonprofit Corporation)
Statement of Functional Expenses
Year Ended December 31, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>TOTAL EXPENSES</u>
Accounting	\$ -	\$ 35,799	\$ -	\$ 35,799
Advertising	8,608	-	-	8,608
Art storage	6,262	-	-	6,262
Automobile	-	7,583	-	7,583
Bad debt expense	-	10,244	-	10,244
Bank charges	-	6,062	-	6,062
Conferences	-	1,377	-	1,377
Depreciation	3,360	-	-	3,360
Design	-	-	5,025	5,025
Grants to award recipients	30,627	-	-	30,627
Guest speaker fees	8,243	-	-	8,243
HRC Fellows compensation	25,000	-	-	25,000
Information technology	2,075	2,075	2,075	6,226
Insurance	8,012	3,701	3,701	15,414
Interest	-	2,578	-	2,578
Legal	-	26,166	-	26,166
Maintenance and equipment rental	13,892	4,648	2,325	20,865
Outside services	33,470	-	5,000	38,470
Postage and shipping	-	-	16,715	16,715
Printing, supplies and office	10,598	14,862	-	25,460
Professional fundraiser	-	-	41	41
Professional membership	-	175	-	175
Rents	122,961	60,845	-	183,806
Salaries - office staff	101,939	61,922	3,091	166,952
Salaries - officer	50,000	50,000	50,000	150,000
Taxes	-	200	-	200
Travel and meals	15,239	8,869	3,210	27,318
Utilities	18,323	2,290	2,290	22,904
TOTAL EXPENSES	<u>\$ 458,610</u>	<u>\$ 299,397</u>	<u>\$ 93,473</u>	<u>\$ 851,480</u>

The statement of functional expenses reflected above includes non-cash expenses for officer salary (\$150,000).

THE NORMAN MAILER CENTER, INC.
(A Massachusetts Nonprofit Corporation)
Statement of Cash Flows
Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 98,677
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	3,360
Non-cash contribution of artwork	(335,000)
Change in assets and liabilities:	
Contributions receivable	187,165
Prepaid expense	(23,592)
Accounts payable	43,016
	43,016
NET CASH USED FOR OPERATING ACTIVITIES	(26,374)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(1,166)
	(1,166)
CASH USED FOR INVESTING ACTIVITIES	(1,166)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from loans from related parties	134,168
Principal payments on loans from related parties	(101,000)
	(101,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	33,168
NET INCREASE IN CASH	5,628
CASH, Beginning of year	8,930
CASH, End of year	\$ 14,558
<u>CASH PAID DURING THE YEAR FOR:</u>	
Interest	\$ 2,578

See Accountants' Report and Accompanying Notes to Financial Statements

THE NORMAN MAILER CENTER, INC.
(A Massachusetts Nonprofit Corporation)
Notes to Financial Statements
December 31, 2011

NOTE 1 — NATURE OF ORGANIZATION

The Norman Mailer Center, Inc. (the Center), a Massachusetts nonprofit corporation was established in 2008 for literary education purposes. The organization honors Mr. Norman Mailer by opening his Provincetown, Massachusetts home and literary collections to further literary education. The Center brings writers together for workshops, seminars, lectures, readings and conferences. The Center offers fellowships, stipends and scholarships for those in need. In addition, the Center produces literary publications and makes visiting writers available to the community as well as offers residency for visiting professionals.

The Center achieves this mission through three main strategies:

Fellowship Programs — The goals of the fellowship programs are to bring aspiring writers together with distinguished educators and accomplished authors in a series of seminars, readings and lectures to advance the skill and art of writing. The programs encourage, mentor, and inspire young writers.

Writing Workshops — The Center provides educational workshops throughout the year that focus on specific aspects of writing.

Public Programs — The Center hosts lectures from visiting writers that are open to the general public in Provincetown, Massachusetts.

In addition, the Center has established a program of collaborative events with nonprofit institutions, including The Fine Arts Work Center, The Center for Black Literature, Tablet Magazine, and The Norman Mailer Society.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Presentation — The accompanying financial statements have been prepared on the accrual basis of accounting.

Literary Collection — The Center's literary collection is comprised of Norman Mailer's working library (which includes Norman Mailer's full collection of books as well as his office furniture). The collection, which was acquired through contribution from Mr. and Mrs. Mailer's estates, is not recognized as an asset on the statement of financial position. The collection is held for educational, research, and display purposes. The Center's policy is that all items are cataloged, preserved, and cared for appropriately. Activities verifying their existence and assessing their condition are performed regularly.

Significant Uncertainty — Mrs. Norris Mailer, the widow of Mr. Norman Mailer passed away in 2010. The primary asset of her estate was the Provincetown, Massachusetts residence. Mrs. Mailer's heirs have asked the Center make a decision by December 15, 2012 whether it intends to purchase or vacate the residence. The purchase price is \$3.5 million and the Center estimates needing \$2.0 million of cash (plus projected encumbrances) in order to purchase the residence from the estate. This amount needs to be paid by February 15, 2013. If the Center is unable raise the \$2.0 million, or if the Center decides to vacate the residence, the Center has to vacate the property by March 15, 2013.

THE NORMAN MAILER CENTER, INC.
(A Massachusetts Nonprofit Corporation)
Notes to Financial Statements
December 31, 2011

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The ability of the Center to continue to operate in its current facility in Provincetown, Massachusetts depends on its ability to raise the \$2.0 million by February 15, 2013. Subsequent to year end, the Center raised approximately \$150,000 in unrestricted assets for pre-sales of the 2012 gala sponsorship, sold \$200,000 of gala tickets, and received \$212,000 of general donations. The Center also received six additional pieces of art which management estimates can be sold for \$200,000.

If the Center is unsuccessful in raising the required funds to purchase the residence, the board of directors believes the Center can continue its educational programs and share the public collection of Mr. Norman Mailer's works in a location other than the Mailer residence.

The Center believes that through fundraising, sales of artwork, cost-savings, and short-term borrowings from the directors, the Center will be able to continue its literary programs and display the collections of Norman Mailer in the future. The resolution of the residence and housing may result in changes to the manner in which the Center operates.

Use of Estimates — The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses.

Recognition of Contributions — The Center recognizes contributions, including unconditional promises to give, as revenue in the period received, at fair value.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

Contributions Receivable — Contributions receivables are recorded when accrued and are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Management believes all contributions receivable are collectible at December 31, 2011 and thus, no allowance has been established.

Contributed Goods and Services — Some management services provided to the Center are donated. Contributed services are recognized if the services received (a) increase or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Management estimates the fair value of services provided by the Center's president and co-founder, to be \$150,000 for 2011.

During 2011, the Center received donations of two pieces of art, with an estimated value of \$335,000. The donors restricted the donations such that the funds from sale of the artwork should be used to purchase the Provincetown residence.

The Center receives contributed time from officers and volunteers that does not meet the two recognition criteria described above.

THE NORMAN MAILER CENTER, INC.
(A Massachusetts Nonprofit Corporation)
Notes to Financial Statements
December 31, 2011

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses — The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and equipment — Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives ranging from 3 to 7 years. Maintenance and repair costs are charged to expense as incurred.

Income Taxes — The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Center is required to evaluate its tax positions and recognize a liability for any positions that would not be considered “more likely than not” to be upheld under a tax authority examination. If such issues exist, The Center's policy will be to recognize any tax liability so recorded, including applicable interest and penalties, as a component of income tax expense. Management is not aware of any violation of its tax status exempt from income taxes, nor any exposure to unrelated business income tax or other tax liabilities.

The Center's federal income tax and informational returns filed since inception remain subject to examination by the Internal Revenue Service and the California and Massachusetts state taxing authorities.

Fair Value Measurements — GAAP has established a fair value hierarchy organized into three levels based upon the "input" assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable either directly or indirectly with fair value being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Advertising – Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2011 was \$8,608.

Concentrations of Risk — The Center maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. However, through December 31, 2012, the Federal Deposit Insurance Corporation (“FDIC”) is providing unlimited insurance coverage on noninterest-bearing accounts.

THE NORMAN MAILER CENTER, INC.
(A Massachusetts Nonprofit Corporation)
Notes to Financial Statements
December 31, 2011

NOTE 3 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2011:

Furniture and fixtures	\$	3,238
Machinery and equipment		3,532
Website development and video production		32,380
TOTAL		39,150
Less: accumulated and depreciation		(36,122)
PROPERTY AND EQUIPMENT (NET)	\$	3,028

Depreciation expense for the year ended December 31, 2011 was \$3,360.

NOTE 4 – COMMITMENTS

Provincetown, MA Residence

The Center uses the former home of Norman and Norris Mailer in Provincetown, Massachusetts for purposes of seminars, workshops, and other charitable programs. There is no lease agreement with the Mailer estate, however, the estate waived all rent payments except for maintenance and upkeep costs for the home. All taxes and operating costs are reflected in their natural categories in the statement of functional expenses.

Provincetown, MA Condominiums

The Center leases condominiums in Provincetown, Massachusetts to house workshop and fellowship participants. Subsequent to year end, the Center entered into several short term leases commencing and ending in 2012. Total minimum lease commitments under these short-term agreements are \$79,000.

New York Administrative Office

The Center leased office space under a non-cancelable operating lease that expires on December 31, 2014. The lease is in the name of the Center and various other entities related to Lawrence Schiller, President and Director of the Center. Future minimum rental payments are summarized as follows:

Year ending December 31,	Total
2012	\$ 59,165
2013	61,952
2014	63,500
	\$ 184,617

THE NORMAN MAILER CENTER, INC.
(A Massachusetts Nonprofit Corporation)
Notes to Financial Statements
December 31, 2011

NOTE 4 – COMMITMENTS

Total rent expense during the year ended December 31, 2011 is summarized as follows:

Provincetown Residence	\$ 9,175
Provincetown Condominiums	113,786
New York Office	<u>60,845</u>
	<u>\$ 183,806</u>

NOTE 5 — TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2011, the Center had temporarily restricted net assets of \$340,000 which consists of \$335,000 of donated artwork (whose proceeds from sale will be used for purchase of the Provincetown residence) and \$5,000 which will be available for general use in 2012.

All amounts released from restriction totaling \$187,166 during the year ended December 31, 2011 were a result of passage of time restrictions.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Center purchased printing, graphic design, and website development services from relatives of one of Center's directors. Amounts paid to related parties for these services was \$6,983.

Contributions receivable includes \$5,000 due from one board member.

Loans payable totaling \$62,668 represents unsecured borrowings from related parties. Amounts are interest free and due on demand.

NOTE 7 – SUBSEQUENT EVENTS

Management has reviewed subsequent events through September 19, 2012, the date the financial statements were available to be issued.

During 2012, the Center received donations of six additional pieces of artwork with an estimated value of \$200,000. The Center intends to sell the art to use the funds to purchase the Provincetown residence.