

BAY STATE PERFORMING ARTS, INC.

**FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011**

WITH INDEPENDENT AUDITORS' REPORT THEREON

**BAY STATE PERFORMING ARTS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

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Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bay State Performing Arts, Inc.
Boston, MA

We have audited the accompanying financial statements of Bay State Performing Arts, Inc, (a non-profit organization), which comprise the statement of financial position as of August 31, 2012 and 2011, and the related statements of activities, cash flows and functional expenses 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.

Auditor's 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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 Bay State Performing Arts, Inc. as of August 31, 2012 and 2011, 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.

Bruce D. Norling, CPA, P.C.

July 10, 2013

Bay State Performing Arts, Inc.
Statements of Financial Position
For the Years Ended August 31, 2012 and 2011

		AUGUST 31,	
		2012	2011
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$	24,236	\$ 13,025
Accounts Receivable		479	750
Music Inventories		-	11,668
Prepaid Expenses		-	29,389
Total Current Assets		24,715	54,832
FIXED ASSETS			
Equipment		4,870	7,432
Accumulated Depreciation		(1,461)	(3,049)
Total Fixed Assets		3,409	4,383
OTHER ASSETS			
Security Deposit		1,100	1,100
TOTAL ASSETS	\$	29,224	\$ 60,315
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	37,634	\$ 42,264
Accrued Expenses		18,924	12,146
Deferred Revenue		10,013	1,250
Notes Payable, Current		10,956	25,850
Total Current Liabilities		77,527	81,510
Notes Payable, Long-Term		20,000	-
NET ASSETS			
Unrestricted		(68,303)	(21,195)
Total Net Assets		(68,303)	(21,195)
TOTAL LIABILITIES AND NET ASSETS	\$	29,224	\$ 60,315

See Accompanying Notes to Financial Statements

Bay State Performing Arts, Inc.
Statements of Activities and Changes In Net Assets
For the Years Ended August 31, 2012 and 2011

	Years Ended	
	2012	2011
SUPPORT AND REVENUE		
Programs	\$ 231,590	\$ 257,568
Contributions, Sponsorships and Grants	235,375	192,362
Fundraising Events	85,125	72,886
Membership Dues	25,310	21,430
Merchandise Sales	14,309	3,028
Advertising	10,200	17,045
Donated Services	5,273	15,810
Total Support and Revenue	607,182	580,129
COST OF GOODS SOLD	12,588	1,113
OPERATING EXPENSES		
Program Services	353,150	332,294
Administrative	157,800	147,451
Fundraising	130,752	126,434
Total Operating Expenses	641,702	606,179
Increase (Decrease) in Net Assets	(47,108)	(27,163)
Net Assets at Beginning of Year	(21,195)	5,968
Net Assets at End of Year	\$ (68,303)	\$ (21,195)

See Accompanying Notes to Financial Statements

Bay State Performing Arts, Inc.
Statements of Cash Flows
For the Years Ended August 31, 2012 and 2011

	Years Ended	
	2012	2011
OPERATING ACTIVITIES		
Change in Net Assets	\$ (47,108)	\$ (27,163)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	974	487
Contributions from Debt Forgiveness	(8,154)	(10,500)
(Increase) Decrease in Accounts Receivable	271	(270)
(Increase) Decrease in Music Inventories	11,668	11,978
(Increase) Decrease in Prepaid Expenses	29,389	(17,636)
Increase (Decrease) in Accounts Payable	(4,630)	22,054
Increase (Decrease) in Accrued Expenses	6,778	5,910
Increase (Decrease) in Deferred Revenue	8,763	(750)
Net Cash Provided by (Used In) Operating Activities	(2,049)	(15,890)
INVESTING ACTIVITIES		
(Acquisition) of Fixed Assets	-	(4,870)
FINANCING ACTIVITIES		
(Payments) on Current Notes Payable	(6,740)	-
Increase in Current Notes Payable	-	15,350
Increase in Long-Term Notes Payable	20,000	-
Net Cash Provided by (Used In) Financing Activities	13,260	15,350
Net Increase (Decrease) in Cash and Cash Equivalents	11,211	(5,410)
Cash and Cash Equivalents Beginning of Year	13,025	18,435
Cash and Cash Equivalents End of Year	\$ 24,236	\$ 13,025
Supplemental Non-Cash Transactions:		
Forgiveness of Notes Payable Recorded as Contributions	\$ 8,154	\$ 10,500

See Accompanying Notes to Financial Statements

**BAY STATE PERFORMING ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011**

NOTE 1 NATURE OF BUSINESS

Bay State Performing Arts, Inc. (the Organization) was incorporated in 1982 in the state of Massachusetts to publicly perform a diverse choral repertoire to the highest standard of musical excellence; to provide enriching social entertainment and artistic experiences for members, friends and audiences; and to serve as positive and affirming representatives of the gay and lesbian community. The Organization does business under the name of Boston Gay Men's Chorus. The Organization receives annual dues from members, contributions from individuals and organizations, and performance fees for musical productions as well as fees from the sales of recordings.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the accrual basis. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Accounting Policies

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America.

Estimates and Assumptions

Preparing financial statements require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are comprised of cash deposits and money market funds with original maturities of three months or less.

Music Inventories

Compact disc inventories are stated at the lower of cost or market. Management of the Organization has determined that all CDs should be written off as unsellable due to the transition to digital media for music sales.

Property Assets

The Organization capitalizes expenditures in excess of \$1,000 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

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Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Depreciation expense was \$974 and \$487 for the years ended August 31, 2012 and 2011, respectively. Routine repairs and maintenance are expensed as incurred.

Advertising and Marketing Costs

The Organization expenses its advertising and marketing costs when they are incurred. Advertising and marketing costs for the years ended August 31, 2012 and 2011 were \$37,169 and \$57,851 respectively.

Concentration of Risk

The Organization maintains its cash accounts at a bank, which may from time to time exceed the federally insured limit for \$250,000. The Organization has not experienced any losses in such account and believes it is not exposed to any significant risk with respect to this account.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. According to management, all accounts are fully collectible. Therefore, no allowance has been calculated.

In-Kind Contributions and Donated Services

In reporting support and revenue and expenses, the Organization has included in its operating revenue and expenses fair value of in-kind services donated to it. The Organization also receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the statement of activities for donated services because the criteria for recognition have not been satisfied.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions

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

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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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Taxes

The Organization has been classified as an other-than private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated business.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at August 31, 2012. The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2008.

NOTE 3 COST OF GOODS SOLD

Cost of goods sold at August 31, is comprised of the following:

	<u>2012</u>	<u>2011</u>
Beginning Inventory	\$ 11,688	\$ 23,646
Product Costs	13,579	-
Ending Inventory	-	(11,668)
Write-Down	(12,679)	(10,855)
Comp CDs	-	(10)
COGS	<u>\$ 12,588</u>	<u>\$ 1,113</u>

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Music Inventories at August 31 consisted of the value of the following CDs:

	<u>2012</u>	<u>2011</u>
In Need of Music	\$ 0	\$ 1,640
EOS	0	454
Here to Stay	0	5,145
Gloria!	0	473
OZ and Beyond	0	397
Best of the BGMC	0	779
Razzle Dazzle	0	2,780
	<u>\$ 0</u>	<u>\$ 11,668</u>

NOTE 4 LEASE COMMITMENT

During 2012, the Organization extended its lease for office space for 5 years until December 2017. The lease is a net lease requiring the Organization to pay normal operating costs in addition to the minimum lease payments. Future minimum lease payments are as follows:

FY13	20,388
FY14	20,520
FY15	20,773
FY16	21,407
FY17	21,660
FY18	7,220
Total minimum lease payments	<u>\$ 111,968</u>

In addition, the Organization rents performance and rehearsal space which is not subject to a lease. These costs are included in occupancy expense on the statement of functional expenses.

NOTE 5 RELATED PARTY NOTES PAYABLE

The Organization has issued non-interest bearing note payables to several officers and members of the organization. Short-term notes are due within a year. Long-term notes are due on July 1, 2015. During FY12, \$8,154 of the notes were converted to contributions; \$6,740 were repaid; and \$20,000 of new notes were issued. The following table summarizes this activity.

	8/31/2011	Conversion	Repayment	New Loans	8/31/2012
Short-Term Notes	25,850	(8,154)	(6,740)	-	10,956
Long-Term Notes	-	-	-	20,000	20,000
Total Notes Payable	<u>25,850</u>	<u>(8,154)</u>	<u>(6,740)</u>	20,000	<u>30,956</u>

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NOTE 6 INVENTORY WRITE-DOWN

Management of the Organization has assessed its compact disc inventory and future sales projections and determined that all CDs should be written off as unsellable. This is due to the transition to digital media for music sales and the lack of CD sales. The total cost of this write-off was \$12,679, which has been included as an administrative expense for 2012. The total cost of the CD write-down in 2011 was \$10,855.

NOTE 7 IN-KIND DONATIONS

The in-kind contributions for 2012 and 2011 consisted of certain donated services, valued by management at \$5,273 and \$15,810 respectively, which are included in program and administrative revenues and expenditures.

NOTE 8 CONCENTRATION OF MARKET RISK

The Organization relies on contributions, sponsorships and grants to support its operations. During FY12, the board of directors provided approximately \$29,000 in contributions. Should these sources of support decrease significantly, this may adversely impact the Organization financially and result in reducing costs and/or programs.

NOTE 9 MANAGEMENT PLANS TO FINANCE OPERATIONS

Management of the Organization is aware of the deficit in net assets and has plans to finance future operations. These plans include increasing fiscal accountability, reducing expenses, and increasing fundraising efforts.

NOTE 10 SUBSEQUENT EVENTS

The Organization did not have any recognized or nonrecognized subsequent events after August 31, 2012, the date of the statement of financial position. Subsequent events have been evaluated through July 10, 2013, the date the financial statements were available to be issued.