

BAY STATE PERFORMING ARTS, INC.

**Financial Statements
For the Years Ended August 31, 2011 and 2010**

(With Independent Auditors' Report Thereon)

BAY STATE PERFORMING ARTS, INC.

FINANCIAL STATEMENTS

For the Years Ended August 31, 2011 and 2010

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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 statements of financial position of Bay State Performing Arts, Inc, a non-profit organization, as of August 31, 2011 and 2010, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 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 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 audits provide 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 Bay State Performing Arts, Inc. as of August 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Bruce D. Norling, CPA, P.C.

June 28, 2012

Bay State Performing Arts, Inc.
Statements of Financial Position
For the Years Ended August 31, 2011 and 2010

		AUGUST 31,	
		2011	2010
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$	13,025	\$ 18,435
Accounts Receivable		750	480
Music Inventories		11,668	23,646
Prepaid Expenses		29,389	11,753
Total Current Assets		54,832	54,314
 FIXED ASSETS			
Equipment		7,432	7,289
Accumulated Depreciation		(3,049)	(7,289)
Total Fixed Assets		4,383	-
 OTHER ASSETS			
Security Deposit		1,100	1,100
TOTAL ASSETS	\$	60,315	\$ 55,414
 LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	42,264	\$ 20,210
Accrued Expenses		12,146	6,236
Deferred Revenue		1,250	2,000
Notes Payable		25,850	21,000
Total Current Liabilities		81,510	49,446
 NET ASSETS			
Unrestricted		(21,195)	5,968
Total Net Assets		(21,195)	5,968
TOTAL LIABILITIES AND NET ASSETS	\$	60,315	\$ 55,414

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, 2011 and 2010

	Years Ended	
	2011	2010
SUPPORT AND REVENUE		
Programs	\$ 257,568	\$ 240,268
Contributions, Sponsorships and Grants	192,362	209,760
Fundraising Events	72,886	75,976
Membership Dues	21,430	24,605
Merchandise Sales	3,028	12,250
Advertising	17,045	10,025
Donated Services	15,810	19,570
Interest Income	-	-
	580,129	592,454
COST OF GOODS SOLD	1,113	9,645
OPERATING EXPENSES		
Program Services	332,294	386,458
Administrative	147,451	88,756
Fundraising	126,434	113,330
	606,179	588,544
Increase (Decrease) in Net Assets	(27,163)	(5,735)
Net Assets at Beginning of Year	5,968	11,703
Net Assets at End of Year	\$ (21,195)	\$ 5,968

See Accompanying Notes to Financial Statements

Bay State Performing Arts, Inc.
Statements of Cash Flows
For the Years Ended August 31, 2011 and 2010

	Years Ended	
	2011	2010
OPERATING ACTIVITIES		
Change in Net Assets	\$ (27,163)	\$ (5,735)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	487	460
(Increase) Decrease in Accounts Receivable	(270)	5,130
(Increase) Decrease in Music Inventories	11,978	738
(Increase) Decrease in Prepaid Expenses	(17,636)	(6,191)
Increase (Decrease) in Accounts Payable	22,054	15,267
Increase (Decrease) in Accrued Expenses	5,910	3,060
Increase (Decrease) in Deferred Revenue	(750)	-
Net Cash Provided by (Used In) Operating Activities	<u>(5,390)</u>	<u>12,729</u>
INVESTING ACTIVITIES		
(Acquisition) of Fixed Assets	<u>(4,870)</u>	<u>-</u>
FINANCING ACTIVITIES		
Reduction of Notes Payable	<u>4,850</u>	<u>(2,500)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,410)	10,229
Cash and Cash Equivalents Beginning of Year	<u>18,435</u>	<u>8,206</u>
Cash and Cash Equivalents End of Year	<u>\$ 13,025</u>	<u>\$ 18,435</u>

See Accompanying Notes to Financial Statements

Bay State Performing Arts, Inc.
Statements of Functional Expenses
For the Years Ended August 31, 2011 and 2010

	Year Ended August 31, 2011				Year Ended August 31, 2010			
	PROGRAM SERVICES	ADMINISTRATIVE	FUND-RAISING	TOTAL	PROGRAM SERVICES	ADMINISTRATIVE	FUND-RAISING	TOTAL
Salaries and Wages	\$ 100,833	\$ 69,621	\$ 53,110	\$ 223,564	\$ 155,961	\$ 30,720	\$ 49,624	\$ 236,304
Occupancy	62,729	21,510	-	84,239	64,808	12,152	4,051	81,010
Marketing and Publicity	54,287	-	3,564	57,851	63,872	-	-	63,872
Concert Production Expenses	79,234	-	-	79,234	61,980	-	-	61,980
Special Events	-	-	53,089	53,089	-	-	46,669	46,669
Payroll Taxes	8,109	5,586	4,325	18,020	12,306	2,424	3,916	18,646
Employee Benefits	6,077	2,637	2,041	10,755	10,283	2,026	3,272	15,581
Professional Fees	-	12,599	-	12,599	-	12,874	-	12,874
Office Expenses	942	8,477	1,356	10,775	3,566	5,349	2,971	11,886
Postage and Delivery	3,548	-	5,323	8,871	-	9,794	-	9,794
Service Charges	7,935	2,409	3,401	13,745	-	6,587	-	6,587
Member Services	3,702	-	-	3,702	6,700	-	-	6,700
Telephone and Internet	-	6,101	-	6,101	1,390	2,502	1,668	5,561
Insurance	-	6,068	-	6,068	966	1,739	1,160	3,865
Community Relations	2,575	-	225	2,800	2,825	-	-	2,825
Travel	2,323	-	-	2,323	1,801	-	-	1,801
Bad Debts	-	935	-	935	-	1,137	-	1,137
Miscellaneous	-	167	-	167	-	579	-	579
Depreciation	-	486	-	486	-	460	-	460
Printing and Copying	-	-	-	-	-	414	-	414
Loss on Write-Down of Inventory	-	10,855	-	10,855	-	-	-	-
Total Functional Expenses	\$ 332,294	\$ 147,451	\$ 126,434	\$ 606,179	\$ 386,458	\$ 88,756	\$ 113,330	\$ 588,545

See Accompanying Notes to Financial Statements

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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 compact discs.

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 generally accepted accounting principles 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. Such costs include performer fees, studio and equipment rental, royalties and manufacturing of the products.

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 \$487 and \$460 for the years ended August 31, 2011 and 2010, 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, 2011 and 2010 were \$57,851 and \$63,872 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 under SFAS No. 116 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 which the support is recognized. All other donor-restricted support is

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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.

On September 1, 2009, the Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. 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, 2011.

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 2007.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

NOTE 3 COST OF GOODS SOLD

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

	<u>2011</u>	<u>2010</u>
Beginning Inventory	\$ 23,646	\$ 24,384
Product Costs	-	5,403
Ending Inventory	(11,668)	(23,646)
One-Time Write-Down	(10,855)	-
Comp CDs	(10)	-
COGS	<u>\$ 1,113</u>	<u>\$ 6,141</u>

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Music Inventories at August 31 consisted of:

	<u>2011</u>	<u>2010</u>
In Need of Music	\$ 1,640	\$ 1,791
EOS	454	5,919
Here to Stay	5,145	5,595
Gloria!	473	551
OZ and Beyond	397	539
Best of the BGMC	779	808
Razzle Dazzle	2,780	8,443
	<u>\$ 11,668</u>	<u>\$ 23,646</u>

NOTE 4 LEASE COMMITMENT

During 2005, the Organization negotiated a lease agreement effective October 1, 2005 for a term of five years and three months expiring December 31, 2010. During FY 2010, this term was extended to December 31, 2012. 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:

2012	\$ 20,125
2013	<u>6,708</u>
Total minimum lease payments	<u>\$ 26,833</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 NOTE PAYABLE

During fiscal year 2009, the Organization issued \$23,500 in non-interest bearing note payables to several officers and members of the organization. As of August 31, 2011, the current balances of these notes are \$10,500. The proceeds from the notes were used by the Organization to fund working capital needs. The notes are set to be paid back no later than April 2012.

During fiscal year 2011, the Organization issued a \$15,350 note to an officer of the board of directors to fund recording and production costs of the "Joy!" CD. It is to be paid back over the next three years based on CD sales.

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NOTE 6 INVENTORY WRITE-DOWN

Management of the Organization has assessed its current inventory and future sales projections and determined that 485 copies of "Razzle Dazzle" and 1,203 copies of "EOS" compact discs should be written off as unsellable. The total cost of this write-down is \$10,855 which has been included as an administrative expense for 2011.

NOTE 7 IN-KIND DONATIONS

The in-kind contributions for 2011 and 2010 consisted of certain donated services, valued by management at \$15,810 and \$19,570 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. Should these sources of support decrease significantly, this may adversely impact the Organization financially and result in reducing costs and/or programs.

NOTE 9 SUBSEQUENT EVENTS

The Organization did not have any recognized or nonrecognized subsequent events after August 31, 2011, the date of the statement of financial position. Subsequent events have been evaluated through June 28, 2012, the date the financial statements were available to be issued.