

BAY STATE PERFORMING ARTS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012
WITH INDEPENDENT AUDITORS' REPORT THEREON

**BAY STATE PERFORMING ARTS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

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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 statements of financial position as of August 31, 2013 and 2012, 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 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 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, 2013 and 2012, 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.

December 13, 2013

Bay State Performing Arts, Inc.
Statements of Financial Position
August 31, 2013 and 2012

	AUGUST 31,	
	2013	2012
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 46,521	\$ 24,236
Accounts Receivable	639	479
Prepaid Expenses	3,392	-
Total Current Assets	50,552	24,715
FIXED ASSETS		
Equipment	4,870	4,870
Accumulated Depreciation	(2,434)	(1,461)
Total Fixed Assets	2,436	3,409
OTHER ASSETS		
Restricted Cash in Investment Account	10,030	-
Security Deposit	1,100	1,100
TOTAL ASSETS	\$ 64,118	\$ 29,224
LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 24,844	\$ 37,634
Accrued Expenses	8,723	18,924
Deferred Revenue	6,500	10,013
Notes Payable, Current	-	10,956
Total Current Liabilities	40,067	77,527
Notes Payable, Long-Term	57,000	20,000
NET ASSETS		
Unrestricted	(42,949)	(68,303)
Permanently Restricted Net Assets	10,000	-
Total Net Assets	(32,949)	(68,303)
TOTAL LIABILITIES AND NET ASSETS	\$ 64,118	\$ 29,224

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, 2013 and 2012

	Unrestricted	Permanently Restricted	2013 Total	2012 Total
Programs	\$ 265,450	\$ -	\$ 265,450	\$ 231,590
Contributions, Sponsorships and Grants	207,083	10,000	217,083	235,375
Fundraising Events	79,143	-	79,143	85,125
Membership Dues	26,604	-	26,604	25,310
Merchandise Sales	2,311	-	2,311	14,309
Advertising	12,545	-	12,545	10,200
Donated Goods and Services	4,005	-	4,005	5,273
Total Support and Revenue	597,141	10,000	607,141	607,182
COST OF GOODS SOLD	-	-	-	12,588
OPERATING EXPENSES				
Program Services	402,993	-	402,993	353,150
Administrative	89,620	-	89,620	157,800
Fundraising	79,174	-	79,174	130,752
Total Operating Expenses	571,787	-	571,787	641,702
Increase (Decrease) in Net Assets	25,354	10,000	35,354	(47,108)
Net Assets at Beginning of Year	(68,303)	-	(68,303)	(21,195)
Net Assets at End of Year	\$ (42,949)	\$ 10,000	\$ (32,949)	\$ (68,303)

See Accompanying Notes to Financial Statements

Bay State Performing Arts, Inc.
Statements of Cash Flows
August 31, 2013 and 2012

	Years Ended	
	2013	2012
OPERATING ACTIVITIES		
Change in Net Assets	\$ 35,354	\$ (47,108)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	974	974
Contributions from Debt Forgiveness	(30,956)	(8,154)
(Increase) Decrease in Accounts Receivable	(160)	271
(Increase) Decrease in Music Inventories	-	11,668
(Increase) Decrease in Prepaid Expenses	(3,392)	29,389
Increase (Decrease) in Accounts Payable	(12,791)	(4,630)
Increase (Decrease) in Accrued Expenses	(10,201)	6,778
Increase (Decrease) in Deferred Revenue	(3,513)	8,763
Net Cash Provided by (Used In) Operating Activities	(24,685)	(2,049)
INVESTING ACTIVITIES		
Purchase of Investments	(10,030)	-
	(10,030)	-
FINANCING ACTIVITIES		
Payments on Current Notes Payable	(3,000)	(6,740)
Increase in Long-Term Notes Payable	60,000	20,000
Net Cash Provided by (Used In) Financing Activities	57,000	13,260
Net Increase (Decrease) in Cash and Cash Equivalents	22,285	11,211
Cash and Cash Equivalents Beginning of Year	24,236	13,025
Cash and Cash Equivalents End of Year	\$ 46,521	\$ 24,236
 Supplemental Non-Cash Transactions:		
Forgiveness of Notes Payable Recorded as Contributions	\$ 30,956	\$ 8,154

See Accompanying Notes to Financial Statements

Bay State Performing Arts, Inc.
Statements of Functional Expenses
For the Years Ended August 31, 2013 and 2012

	Year Ended August 31, 2013				Year Ended August 31, 2012			
	PROGRAM SERVICES	ADMINI- STRATIVE	FUND- RAISING	TOTAL	PROGRAM SERVICES	ADMINI- STRATIVE	FUND- RAISING	TOTAL
Salaries and Wages	\$ 154,914	33,196	\$ 33,196	\$ 221,306	\$ 106,483	\$ 73,832	\$ 64,668	\$ 244,983
Occupancy	55,318	17,872	11,915	85,105	61,221	21,044	-	82,265
Marketing and Publicity	23,974	7,745	5,164	36,883	36,565	-	603	37,168
Concert Production Expenses	99,220	-	-	99,220	104,980	-	-	104,980
Special Events	-	-	16,152	16,152	-	-	45,741	45,741
Payroll Taxes	19,074	4,087	4,087	27,248	10,315	7,033	6,095	23,443
Employee Benefits	10,021	2,147	2,147	14,315	9,655	5,049	4,376	19,080
Professional Fees	-	9,188	-	9,188	-	11,133	-	11,133
Office Expenses	7,388	2,387	1,591	11,366	972	7,807	1,334	10,113
Postage and Delivery	4,813	1,555	1,037	7,405	2,814	-	4,221	7,035
Service Charges	9,013	2,912	1,941	13,866	8,200	2,891	3,514	14,605
Member Services	4,761	1,538	1,026	7,325	5,617	-	-	5,617
Telephone and Internet	4,264	1,378	918	6,560	-	5,654	-	5,654
Insurance	-	4,641	-	4,641	-	3,958	-	3,958
Community Relations	-	-	-	-	2,650	-	200	2,850
Travel	6,390	-	-	6,390	3,678	-	-	3,678
Bad Debts	-	-	-	-	-	59	-	59
Miscellaneous	3,843	-	-	3,843	-	5,687	-	5,687
Depreciation	-	974	-	974	-	974	-	974
Loss on Write-Down of Inventory	-	-	-	-	-	12,679	-	12,679
Total Functional Expenses	\$ 402,993	\$ 89,620	\$ 79,174	\$ 571,787	\$ 353,150	\$ 157,800	\$ 130,752	\$ 641,702

See Accompanying Notes to Financial Statements

BAY STATE PERFORMING ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012

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 in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Estimates

The preparation of financial statements in accordance 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. 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.

Fixed 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.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Depreciation expense was \$974 and \$974 for the years ended August 31, 2013 and 2012, respectively. Routine repairs and maintenance are expensed as incurred.

BAY STATE PERFORMING ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012

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, 2013 and 2012 were \$36,883 and \$37,169 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 these volunteer 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.

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 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.

BAY STATE PERFORMING ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
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Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, costs have been allocated among the programs and services benefited based on direct charges and personnel time estimates.

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, 2013. 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 2009.

NOTE 3 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:

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NOTES TO FINANCIAL STATEMENTS
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FY14	20,520
FY15	20,773
FY16	21,407
FY17	21,660
FY18	7,220
Total minimum lease payments	<u>\$ 91,580</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 4 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. The long-term notes were due on July 1, 2015. During FY13 all of these notes payable totaling, \$30,956, were converted to contributions. A new interest bearing long-term note payable was issued in FY13 for \$60,000, of which \$3,000 was repaid. Interest is accrued at 2 points above the Federal Interest Rate for 1-month non-financial paper and shall be paid annually by May 31st of each year. The following table summarizes this activity.

	8/31/2012	Conversion	New Loans	Repayment	8/31/2013
Short-Term Notes	\$ 10,956	(10,956)	-	-	-
Long-Term Notes	20,000	(20,000)	60,000	(3,000)	57,000
Total Notes Payable	<u>\$ 30,956</u>	<u>(30,956)</u>	60,000	(3,000)	57,000

NOTE 5 INVESTMENT ACCOUNT

The investment account consists of approximately \$10,000 contributed in 2013 and held in a money market fund. This amount is restricted by the donor to be used in the future to establish an endowment fund. The income from the endowment will be used in part to fund the general administration of the Organization and in part to increase the value of the endowment.

NOTE 6 IN-KIND DONATIONS

The in-kind contributions for 2013 and 2012 consisted of certain donated goods and services, valued by management at \$4,005 and \$5,273

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AUGUST 31, 2013 AND 2012

respectively, which are included in program and administrative revenues and expenditures.

NOTE 7 CONCENTRATION OF MARKET RISK

The Organization relies on contributions, sponsorships and grants to support its operations. During FY13, the board of directors provided approximately \$20,000 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 8 INVENTORY WRITE-DOWN

Management of the Organization 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 of \$12,679 was included as an administrative expense for 2012.

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, 2013, the date of the statement of financial position. Subsequent events have been evaluated through December 13, 2013, the date the financial statements were available to be issued.