

BAY STATE PERFORMING ARTS, INC.

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014**

WITH INDEPENDENT AUDITORS' REPORT THEREON

**BAY STATE PERFORMING ARTS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014**

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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, 2015 and 2014, and the related statements of activities and changes in net assets, 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, 2015 and 2014, 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.

November 24, 2015

Bay State Performing Arts, Inc.
Statements of Financial Position
August 31, 2015 and 2014

	AUGUST 31,	
	2015	2014
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 16,019	\$ 41,195
Accounts Receivable	10,484	3,934
Prepaid Expenses	22,892	19,018
Total Current Assets	49,395	64,147
FIXED ASSETS		
Equipment	4,870	4,870
Accumulated Depreciation	(4,383)	(3,408)
Total Fixed Assets	487	1,462
OTHER ASSETS		
Restricted Cash and Cash Equivalents	30,000	20,000
Security Deposit	1,100	1,100
Total Other Assets	31,100	21,100
TOTAL ASSETS	\$ 80,982	\$ 86,709
LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 9,200	\$ 18,601
Accrued Expenses	7,239	6,721
Deferred Revenue	-	5,484
Notes Payable, Current	12,000	12,000
Total Current Liabilities	28,439	42,806
Notes Payable, Long-Term	21,000	33,000
NET ASSETS		
Unrestricted	1,543	(9,097)
Permanently Restricted Net Assets	30,000	20,000
Total Net Assets	31,543	10,903
TOTAL LIABILITIES AND NET ASSETS	\$ 80,982	\$ 86,709

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, 2015 and 2014

	Unrestricted	Permanently Restricted	2015 Total	2014 Total
SUPPORT AND REVENUE				
Programs	\$ 357,317	\$ -	\$ 357,317	\$ 290,359
Tour Fees Collected	502,730	-	502,730	-
Contributions, Sponsorships and Grants	204,441	10,000	214,441	196,681
Fundraising Events	88,179	-	88,179	100,135
Membership Dues	40,895	-	40,895	38,390
Merchandise Sales	227	-	227	845
Advertising	16,880	-	16,880	10,385
Donated Goods	428	-	428	318
	<u>1,211,097</u>	<u>10,000</u>	<u>1,221,097</u>	<u>637,113</u>
OPERATING EXPENSES				
Program Services	1,002,219	-	1,002,219	420,457
Administrative	95,530	-	95,530	80,563
Fundraising	102,766	-	102,766	92,243
	<u>1,200,515</u>	<u>-</u>	<u>1,200,515</u>	<u>593,263</u>
Change in Net Assets from Operations	10,582	10,000	20,582	43,850
Interest Income	58	-	58	2
	<u>10,640</u>	<u>10,000</u>	<u>20,640</u>	<u>43,852</u>
Net Assets at Beginning of Year	(9,097)	20,000	10,903	(32,949)
Net Assets at End of Year	<u>\$ 1,543</u>	<u>\$ 30,000</u>	<u>\$ 31,543</u>	<u>\$ 10,903</u>

See Accompanying Notes to Financial Statements

Bay State Performing Arts, Inc.
Statements of Cash Flows
August 31, 2015 and 2014

	Years Ended	
	2015	2014
OPERATING ACTIVITIES		
Change in Net Assets	\$ 20,640	\$ 43,852
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	974	974
(Increase) Decrease in Accounts Receivable	(6,550)	(3,295)
(Increase) Decrease in Prepaid Expenses	(3,874)	(15,626)
Increase (Decrease) in Accounts Payable	(9,401)	(6,243)
Increase (Decrease) in Accrued Expenses	519	(2,002)
Increase (Decrease) in Deferred Revenue	(5,484)	(1,016)
Contributions restricted for long term purposes	(10,000)	(10,000)
Net Cash Provided by (Used In) Operating Activities	(13,176)	6,644
FINANCING ACTIVITIES		
Payments on Current Notes Payable	(12,000)	(12,000)
Increase in Long-Term Notes Payable	-	-
Net Cash Provided by (Used In) Financing Activities	(12,000)	(12,000)
Net Increase (Decrease) in Cash and Cash Equivalents	(25,176)	(5,356)
Cash and Cash Equivalents Beginning of Year	41,195	46,551
Cash and Cash Equivalents End of Year	\$ 16,019	\$ 41,195
 Supplemental Transactions:		
Contributions restricted for long term purposes	\$ 10,000	\$ 10,000

See Accompanying Notes to Financial Statements

Bay State Performing Arts, Inc.
Statements of Functional Expenses
For the Years Ended August 31, 2015 and 2014

	Year Ended August 31, 2015				Year Ended August 31, 2014			
	PROGRAM SERVICES	ADMINI- STRATIVE	FUND- RAISING	TOTAL	PROGRAM SERVICES	ADMINI- STRATIVE	FUND- RAISING	TOTAL
Salaries and Wages	\$ 158,266	\$ 28,184	\$ 30,352	\$ 216,802	\$ 130,382	\$ 23,219	\$ 25,005	\$ 178,606
Occupancy	63,343	10,272	11,984	85,599	69,994	10,551	11,255	91,800
Marketing and Publicity	67,654	12,048	12,975	92,677	49,537	8,822	9,500	67,859
Concert Production Expenses	124,822	1,585	-	126,407	91,700	1,585	-	93,285
Special Events	-	1,267	33,444	34,711	-	1,267	33,444	34,711
Payroll Taxes	18,446	3,285	3,538	25,269	15,459	2,753	2,965	21,177
Employee Benefits	13,931	2,481	2,672	19,084	13,117	2,336	2,516	17,969
Professional Fees	-	17,838	-	17,838	-	9,910	-	9,910
Office Expenses	5,658	1,828	1,219	8,705	6,578	2,123	1,417	10,118
Service Charges	13,940	4,504	3,002	21,446	10,955	3,539	2,360	16,854
Member Services	9,083	2,432	1,621	13,136	7,526	2,432	1,621	11,579
Telephone and Internet	4,163	1,345	897	6,405	5,097	1,647	1,098	7,842
Insurance	-	3,241	-	3,241	-	3,153	-	3,153
Travel and Tour	520,443	2,235	1,062	523,740	18,187	2,235	1,062	21,484
Interest	-	942	-	942	-	1,226	-	1,226
Miscellaneous	2,470	1,069	-	3,539	1,925	2,791	-	4,716
Depreciation	-	974	-	974	-	974	-	974
Total Functional Expenses	<u>\$ 1,002,219</u>	<u>\$ 95,530</u>	<u>\$ 102,766</u>	<u>\$ 1,200,515</u>	<u>\$ 420,457</u>	<u>\$ 80,563</u>	<u>\$ 92,243</u>	<u>\$ 593,263</u>

See Accompanying Notes to Financial Statements

BAY STATE PERFORMING ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

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. The cash equivalents for the Statement of Cash Flows excludes restricted cash held in the Permanent Endowment.

Fixed Assets

The Organization capitalizes expenditures in excess of \$1,500 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

BAY STATE PERFORMING ARTS, INC.
NOTES TO FINANCIAL STATEMENTS
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for the years ended August 31, 2015 and 2014, 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, 2015 and 2014 were \$92,677 and \$67,859, 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.

Classification of Net Assets

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the organization.

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,

BAY STATE PERFORMING ARTS, INC.
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depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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, 2015. 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's federal and state income tax returns are generally open to examination for the last three years.

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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FY15	20,773
FY16	21,407
FY17	21,660
FY18	7,220
Total minimum lease payments	<u>\$ 71,060</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

A new interest bearing long-term note payable was obtained from a member of the Board of Director's in FY13 for \$60,000, of which \$27,000 was repaid at August 31, 2015. 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.

	8/31/2013	Repayment	8/31/14	Repayment	8/31/15
Total Long-Term Notes	<u>57,000</u>	(12,000)	<u>45,000</u>	(12,000)	<u>33,000</u>

The Organization has agreed to repay the loan principal at \$1,000 per month.

Future current loan payments are as follows:

2016	\$ 12,000
2017	\$ 12,000
2018	<u>\$ 9,000</u>
Total	<u>\$ 33,000</u>

NOTE 5 RESTRICTED ENDOWMENT NET ASSETS

As of August 31, 2015 \$30,000 is restricted by the donor to be used to establish an endowment fund. The income from the endowment will be used

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in part to fund the general administration of the Organization and in part to increase the value of the endowment. Interest earned was \$58 and \$2, in 2015 and 2014, respectively. The values of the original donations are classified as permanently restricted net assets.

Donor-restricted endowment fund net assets and changes in endowment net assets consist of the following:

		Unrestricted	Permanently Restricted		Total FMV
Endowment assets, 8/31/13	\$	_____ -	_____ <u>10,000</u>	\$	_____ <u>10,000</u>
Contributions		_____ -	_____ <u>10,000</u>		_____ <u>10,000</u>
Endowment assets, 8/31/14	\$	_____ -	_____ <u>20,000</u>	\$	_____ <u>20,000</u>
Contributions		_____ -	_____ <u>10,000</u>		_____ <u>10,000</u>
Investment Income		_____ <u>58</u>	_____ -		_____ <u>58</u>
Endowment Assets Expended		_____ <u>(58)</u>	_____ -		_____ <u>(58)</u>
Endowment assets, 8/31/15	\$	_____ -	_____ <u>30,000</u>	\$	_____ <u>30,000</u>

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NOTE 6 IN-KIND DONATIONS

The in-kind contributions for 2015 and 2014 consisted of certain donated goods valued by management at \$428 and \$318 respectively, which are included in program and administrative revenues and expenditures.

The organization also receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No contributions are reflected in the financial statements for volunteer hours as the following criteria were not met. Contributions are recognized if the

BAY STATE PERFORMING ARTS, INC.
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services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

NOTE 7 CONCENTRATION OF MARKET RISK

The Organization relies on contributions, sponsorships and grants to support its operations. For 2015 and 2014, the board of directors provided approximately \$20,600 and \$26,900, respectively, 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 TOUR ACTIVITY

The Organization planned and performed an international tour in June of 2015. They received approximately \$503,000 in fees from the members participating and expended approximately \$524,000 in tour expenses, the net being approximately (\$21,000).

NOTE 9 SUBSEQUENT EVENTS

The Organization did not have any recognized or nonrecognized subsequent events after August 31, 2015, the date of the statement of financial position. Subsequent events have been evaluated through November 24, 2015, the date the financial statements were available to be issued.