

**BAY STATE PERFORMING ARTS, INC.**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

**WITH INDEPENDENT AUDITORS' REPORT THEREON**

**BAY STATE PERFORMING ARTS, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

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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, 2016 and 2015, 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, 2016 and 2015, 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 28, 2016

**Bay State Performing Arts, Inc.**  
**Statements of Financial Position**  
**August 31, 2016 and 2015**

	AUGUST 31,	
	2016	2015
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 18,162	\$ 16,019
Accounts Receivable	-	10,484
Prepaid Expenses	6,085	22,892
Investments	2,516	-
Total Current Assets	26,763	49,395
<b>FIXED ASSETS</b>		
Equipment	4,870	4,870
Accumulated Depreciation	(4,870)	(4,383)
Total Fixed Assets	-	487
<b>OTHER ASSETS</b>		
Restricted Cash and Cash Equivalents	40,000	30,000
Security Deposit	1,100	1,100
Total Other Assets	41,100	31,100
<b>TOTAL ASSETS</b>	<b>\$ 67,863</b>	<b>\$ 80,982</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable	\$ 1,686	\$ 9,200
Accrued Expenses	6,988	7,239
Deferred Revenue	-	-
Notes Payable, Current	12,000	12,000
Total Current Liabilities	20,674	28,439
Notes Payable, Long-Term	9,000	21,000
Total Liabilities	29,674	49,439
<b>NET ASSETS</b>		
Unrestricted	(1,811)	1,543
Permanently Restricted Net Assets	40,000	30,000
Total Net Assets	38,189	31,543
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 67,863</b>	<b>\$ 80,982</b>

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, 2016 and 2015**

	<b>Unrestricted</b>	<b>Permanently Restricted</b>	<b>2016 Total</b>	<b>2015 Total</b>
<b>SUPPORT AND REVENUE</b>				
Programs	\$ 314,565	\$ -	\$ 314,565	\$ 357,317
Tour Fees Collected	-	-	-	502,730
Contributions, Sponsorships and Grants	218,379	10,000	228,379	214,441
Fundraising Events	122,298	-	122,298	88,179
Membership Dues	42,093	-	42,093	40,895
Merchandise Sales	233	-	233	227
Advertising	11,750	-	11,750	16,880
Donated Goods and Services	1,452	-	1,452	1,628
	<u>710,770</u>	<u>10,000</u>	<u>720,770</u>	<u>1,222,297</u>
<b>OPERATING EXPENSES</b>				
Program Services	503,087	-	503,087	1,002,219
Administrative	120,656	-	120,656	95,530
Fundraising	90,384	-	90,384	102,766
	<u>714,127</u>	<u>-</u>	<u>714,127</u>	<u>1,200,515</u>
Change in Net Assets from Operations	(3,357)	10,000	6,643	21,782
Interest Income	3	-	3	58
	<u>3</u>	<u>-</u>	<u>3</u>	<u>58</u>
Total Change in Net Assets	(3,354)	10,000	6,646	21,840
Net Assets at Beginning of Year	<u>1,543</u>	<u>30,000</u>	<u>32,743</u>	<u>10,903</u>
Net Assets at End of Year	<u>\$ (1,811)</u>	<u>\$ 40,000</u>	<u>\$ 39,389</u>	<u>\$ 32,743</u>

See Accompanying Notes to Financial Statements

**Bay State Performing Arts, Inc.**  
**Statements of Cash Flows**  
**August 31, 2016 and 2015**

	Years Ended	
	2016	2015
<b>OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 6,646	\$ 21,840
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	487	974
Donation of Investments	(5,398)	-
(Increase) Decrease in Accounts Receivable	10,484	(6,550)
(Increase) Decrease in Prepaid Expenses	16,807	(3,874)
Increase (Decrease) in Accounts Payable	(7,514)	(9,401)
Increase (Decrease) in Accrued Expenses	(251)	519
Increase (Decrease) in Deferred Revenue	-	(5,484)
Contributions restricted for long term purposes	(10,000)	(10,000)
Net Cash Provided by (Used In) Operating Activities	11,261	(11,976)
<b>INVESTING ACTIVITIES</b>		
Sale of investments	2,882	-
Net Cash Provided by (Used In) Investing Activities	2,882	-
<b>FINANCING ACTIVITIES</b>		
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	2,143	(23,976)
Cash and Cash Equivalents Beginning of Year	16,019	41,195
Cash and Cash Equivalents End of Year	\$ 18,162	\$ 16,019
Supplemental Transactions:		
Contributions restricted for long term purposes	\$ 10,000	\$ 10,000
Cash Paid for Interest	\$ 683	\$ 942

See Accompanying Notes to Financial Statements

**Bay State Performing Arts, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended August 31, 2016 and 2015**

	Year Ended August 31, 2016				Year Ended August 31, 2015			
	PROGRAM SERVICES	ADMINI- STRATIVE	FUND- RAISING	TOTAL	PROGRAM SERVICES	ADMINI- STRATIVE	FUND- RAISING	TOTAL
Salaries and Wages	\$ 149,306	\$ 28,634	\$ 26,589	\$ 204,529	\$ 158,266	\$ 28,184	\$ 30,352	\$ 216,802
Occupancy	63,506	12,179	11,309	86,994	63,343	10,272	11,984	85,599
Marketing and Publicity	59,948	11,497	10,676	82,121	67,654	12,048	12,975	92,677
Concert Production Expenses	161,714	31,014	28,798	221,526	124,822	1,585	-	126,407
Special Events	-	-	-	-	-	1,267	33,444	34,711
Payroll Taxes	14,316	2,746	2,549	19,611	18,446	3,285	3,538	25,269
Employee Benefits	12,545	2,406	2,234	17,185	13,931	2,481	2,672	19,084
Professional Fees	-	16,698	-	16,698	-	17,838	-	17,838
Office Expenses	5,367	1,734	1,156	8,257	5,658	1,828	1,219	8,705
Service Charges	11,834	3,823	2,549	18,206	13,940	4,504	3,002	21,446
Member Services	9,203	1,765	1,639	12,607	9,083	2,432	1,621	13,136
Telephone and Internet	4,061	1,312	875	6,248	4,163	1,345	897	6,405
Insurance	-	3,513	-	3,513	-	3,241	-	3,241
Travel and Tour	5,530	1,061	985	7,576	520,443	2,235	1,062	523,740
Interest	-	683	-	683	-	942	-	942
Miscellaneous	5,757	1,104	1,025	7,886	2,470	1,069	-	3,539
Depreciation	-	487	-	487	-	974	-	974
Total Functional Expenses	<u>\$ 503,087</u>	<u>\$ 120,656</u>	<u>\$ 90,384</u>	<u>\$ 714,127</u>	<u>\$ 1,002,219</u>	<u>\$ 95,530</u>	<u>\$ 102,766</u>	<u>\$ 1,200,515</u>

See Accompanying Notes to Financial Statements



**BAY STATE PERFORMING ARTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**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 \$487 and \$974

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for the years ended August 31, 2016 and 2015, respectively. Routine repairs and maintenance are expensed as incurred.

**Investments**

The investments of BGMC are recorded at fair value based on quoted market prices.

**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, 2016 and 2015 were \$82,121 and \$92,677, 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.

**BAY STATE PERFORMING ARTS, INC.**  
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**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.

**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 is exempt from income taxes as an organization (not a private foundation) formed for charitable purposes and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to the Organization within Internal Revenue Code regulations. The Organization is subject to federal and state tax on income from any unrelated business.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. 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 effect 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, 2016.

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.

**BAY STATE PERFORMING ARTS, INC.**  
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**NOTE 3 FAIR VALUE OF INVESTMENTS**

Fair Value Measurements provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**Level 2:** Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Mutual Funds: Valued at net asset value (NAV) of shares held by the Organization at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values.

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Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2016 and 2015:

	<b><u>Level 1</u> <u>8/31/16</u></b>	<b><u>Level 1</u> <u>8/31/15</u></b>
Stocks	<u>\$ 2,516</u>	<u>          -</u>
Total Investments, Stocks	<b><u>\$ 2,516</u></b>	<b><u>          -</u></b>

**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:

FY17	21,660
FY18	<u>7,220</u>
Total minimum lease payments	<b><u>\$ 28,880</u></b>

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**

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 \$39,000 was repaid at August 31, 2016. 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.

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	8/31/2014	Repayment	8/31/15	Repayment	8/31/16
<b>Total Long-Term Notes</b>	<u>45,000</u>	(12,000)	<u>33,000</u>	(12,000)	<u>21,000</u>

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

Future current loan payments are as follows:

2017	\$	12,000
2018	\$	<u>9,000</u>
Total	\$	<u>21,000</u>

**NOTE 6 RESTRICTED ENDOWMENT NET ASSETS**

As of August 31, 2016, \$40,000 is restricted by the donor to be used 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. Interest earned was \$3 and \$58, in 2016 and 2015, 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, 8/31/14	\$	-	<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>
Contributions		-	<u>10,000</u>	<u>10,000</u>
Investment Income		<u>3</u>	-	<u>3</u>
Endowment Assets Expended		<u>(3)</u>	-	<u>(3)</u>
Endowment assets, 8/31/16	\$	<u>-</u>	<u>40,000</u>	\$ <u>40,000</u>

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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 7 IN-KIND DONATIONS**

The in-kind contributions for 2016 and 2015 consisted of certain donated goods valued by management at \$1,127 and \$428 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 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 8 CONCENTRATION OF MARKET RISK**

The Organization relies on contributions, sponsorships and grants to support its operations. For 2016 and 2015, the board of directors provided approximately \$23,400 and \$20,600, 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 9 SUBSEQUENT EVENTS**

The Organization did not have any recognized or non-recognized subsequent events after August 31, 2016, the date of the statement of financial position. Subsequent events have been evaluated through November 28, 2016, the date the financial statements were available to be issued.