



**Bay State Performing Arts, Inc.
DBA Boston Gay Men's Chorus
Financial Statements
For the Years Ended
August 31, 2018 and 2017**

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus

Index

Independent Auditor's Report

Financial Statements:

Statements of Financial Position

Statements of Activities

Statements of Functional Expenses

Statements of Cash Flows

Notes to Financial Statements



Melissa Gilroy, CPA

mg@mgilroycpa.com
(p) 781.696.4019

Independent Auditor's Report

To the Board of Directors
Bay State Performing Arts, Inc.
DBA Boston Gay Men's Chorus
Boston, MA

I have audited the accompanying financial statements of Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus (a nonprofit organization, "the Organization"), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus as of August 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Melissa Gilroy".

Melissa Gilroy, Certified Public Accountant
Westwood, Massachusetts
October 12, 2018

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus
Statement of Financial Position

As of August 31, **2018** **2017**

Assets

Current Assets

Cash and cash equivalents	\$ 32,013	\$ 83,204
Prepaid expenses	14,934	77,989
Investments	38,631	34,999
Other current assets	1,333	1,100
Total current assets	86,911	197,292

Other Assets

Investments, long-term	60,000	50,000
Total other assets	60,000	50,000

Total Assets **\$ 146,911** **\$ 247,292**

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 3,122	\$ 5,451
Deferred revenue	10,000	145,125
Long term debt, current portion	-	9,000
Total current liabilities	13,122	159,576

Net Assets

Without donor restrictions	72,570	36,674
With donor restrictions	61,219	51,042
Total net assets	133,789	87,716

Total Liabilities and Net Assets **\$ 146,911** **\$ 247,292**

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus
Statement of Activities

For the years ended August 31,

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Ticket sales and performance fees	\$ 978,442	-	978,442	\$ 426,165	-	426,165
Grants and contributions	235,890	21,049	256,939	224,064	13,754	237,818
Fundraising events	95,692	-	95,692	69,795	-	69,795
Member dues and fees	46,380	-	46,380	42,707	-	42,707
Other income	11,086	-	11,086	14,247	-	14,247
In-kind income	4,219	-	4,219	20,064	-	20,064
Release of restricted net assets	10,872	(10,872)	-	2,712	(2,712)	-
Investment income	343	-	343	66	-	66
Total revenue and support	<u>1,382,924</u>	<u>10,177</u>	<u>1,393,101</u>	<u>799,820</u>	<u>11,042</u>	<u>810,862</u>
Expenses						
Program services	1,123,667	-	1,123,667	571,631	-	571,631
Administrative	116,204	-	116,204	89,399	-	89,399
Fundraising	107,157	-	107,157	100,306	-	100,306
Total expenses	<u>1,347,028</u>	<u>-</u>	<u>1,347,028</u>	<u>761,336</u>	<u>-</u>	<u>761,336</u>
Change in Net Assets	35,896	10,177	46,073	38,484	11,042	49,526
Net Assets at Beginning of Year	<u>36,674</u>	<u>51,042</u>	<u>87,716</u>	<u>(1,810)</u>	<u>40,000</u>	<u>38,190</u>
Net Assets at End of Year	<u>\$ 72,570</u>	<u>61,219</u>	<u>133,789</u>	<u>\$ 36,674</u>	<u>51,042</u>	<u>87,716</u>

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus
Statement of Functional Expenses

	For the years ended August 31, 2018				2017			
	Program	Administrative	Fund-raising	Total	Program	Administrative	Fund-raising	Total
Salaries	\$ 193,172	29,301	37,239	259,712	\$ 170,088	23,775	33,808	227,671
Payroll taxes	16,066	2,437	3,098	21,601	16,852	2,356	3,350	22,558
Benefits	20,598	3,125	3,971	27,694	14,919	2,085	2,965	19,969
Production costs	651,024	-	-	651,024	128,801	-	-	128,801
Marketing and advertising	84,751	-	-	84,751	105,980	-	-	105,980
Performance Facility and other facility expenses	91,857	2,309	278	94,444	66,199	920	3,040	70,159
Event expenses	-	-	48,033	48,033	-	-	51,595	51,595
Moving and renovation expenses	8,948	17,897	8,948	35,793	-	-	-	-
Dues and fees	20,083	7,428	-	27,511	21,959	7,433	-	29,392
Office rent	4,865	9,730	4,865	19,460	5,548	11,098	5,548	22,194
In-kind expenses	-	4,220	-	4,220	17,734	2,330	-	20,064
Member expenses	25,000	-	-	25,000	15,977	-	-	15,977
Office supplies and other expenses	-	15,218	-	15,218	-	11,440	-	11,440
Professional fees	-	8,570	-	8,570	-	11,223	-	11,223
Travel	4,252	1,256	725	6,233	6,157	3,013	-	9,170
Insurance	-	7,767	-	7,767	-	6,989	-	6,989
Telephone and internet	-	6,657	-	6,657	-	6,250	-	6,250
Professional development	3,051	-	-	3,051	1,417	-	-	1,417
Interest expense	-	289	-	289	-	487	-	487
Total Functional Expenses	\$ 1,123,667	116,204	107,157	1,347,028	\$ 571,631	89,399	100,306	761,336

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus
Statement of Cash Flows

For the years ended August 31,

2018

2017

Cash Flows from Operating Activities

Change in net assets	\$	46,073	\$	49,526
Adjustments to reconcile change in net assets to cash provided by operations				
Depreciation		-		-
Donation of investments		(5,289)		(5,012)
Investment income, reinvested		(343)		66
Accounts receivable		-		-
Prepaid expenses		63,055		(71,904)
Accounts payable and accrued expenses		(2,329)		(3,220)
Deferred revenue		(135,125)		145,125

Net Cash Provided by Operating Activities		<u>(33,958)</u>		<u>114,581</u>
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Cash Flows from Investing Activities

Proceeds from sale of investments		20,289		109,931
Purchase of investments		(18,289)		(137,468)
Net Cash (Used in) Provided by Investing Activities		<u>2,000</u>		<u>(27,537)</u>

Cash Flows from Financing Activities

Endowment investment		(10,000)		(10,000)
Repayment of note payable		(9,000)		(12,000)
Net Cash Provided by (Used in) Financing Activities		<u>(19,000)</u>		<u>(22,000)</u>

Net (Decrease) Increase in Cash and Cash Equivalents		(50,958)		65,044
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Cash and Cash Equivalents - Beginning		<u>83,204</u>		<u>18,160</u>
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Cash and Cash Equivalents - Ending	\$	<u><u>32,246</u></u>	\$	<u><u>83,204</u></u>
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Supplement Disclosure of Cash Flow Information

Cash paid during the year for interest	\$	<u><u>289</u></u>	\$	<u><u>487</u></u>
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Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus

Notes to Financial Statements

1. Nature of the Business

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus ("the Chorus" or the "Organization") was incorporated in 1982 as a Massachusetts non-profit and is tax exempt for federal purposes under the Internal Revenue Code. The Chorus performs publicly and creates musical experiences to inspire change, build community and celebrate differences. Our core values include:

- We're a family with a tradition of excellence
- We provide a safe a welcoming community to be ourselves
- We make music that makes us and our audience proud
- We operate with integrity
- We genuinely care for each other; bringing out the best of each other – we are at our best as a group
- We change hearts and minds through our presence and music
- We are from diverse backgrounds but have a shared passion for music
- We choose to give our time and talents – giving back more than we get
- We have fun!

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the financial statements are in conformity with generally accepted accounting principles in the United States of America ("GAAP") which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified in three categories based on the existence or absence of externally imposed restrictions. Operating revenues consist of those monies received and contributions attributable to the Organization's ongoing efforts. The net assets of the Organization are classified and defined as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are considered unrestricted.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less, when acquired, to be cash equivalents.

Accounts and Grants Receivable

The Organization carries its receivables at their net realizable value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible, and recoveries of previously written off receivables are recorded as revenue when received. As of August 31, 2018 and 2017 management determined that no allowance is required.

Property and Equipment

Property and equipment is stated at cost at the time of acquisition or fair market value at the time of donation. The Organization capitalizes expenditures in excess of \$1,500. Expenditures for maintenance and repairs are charged to expense as incurred; betterments are capitalized. When assets are sold or retired, the related costs and accumulated depreciation are removed from the respective accounts and any resulting gain and loss is credited or charged to operations. Depreciation is recorded on a straight-line basis based on their estimated useful lives.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis amongst its various programs and other activities on a reasonable basis that is consistently applied. All of the Organization's allocated expenditures have been summarized on a functional basis in the statement of activities and in the statement of functional expenses based on direct charges and personnel time estimates of those functional areas benefitted. Directly identifiable expenses are charged to programs and supporting services. Management, general and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization and include those costs related to the internal management and accounting for program services. Fundraising costs include all activities related to maintaining contributor information and other similar projects related to the procurement of funds.

Program Service Revenue Recognition

The Organization earns revenue primarily from ticket sales, chorus member fees and performance fees which are recognized as services are delivered. grants or contracts services related to its educational programs provided to clients. Fees paid in advance are recorded as deferred revenue. Substantially all of the Organization's revenue is derived from its operations in Boston, Massachusetts.

Contributions

Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted revenues in the year received in accordance with the donor requirements. Unconditional promises to give are recorded at fair value when initially pledged. Pledges expected to be collected in one year or more are recorded at the present value of expected future cash flows, net of an allowance for estimated unfulfilled promises to give. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of noncash assets or services are recorded at fair market value upon the date of receipt.

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Donated Goods and Services

Donated goods and services are recorded at the estimated fair value of the items provided to the Organization. Contributed services are recognized for services that require specialized skills and are provided by persons possessing those skills in the period in which they are received in accordance with GAAP.

Investments

Investments are recorded at cost when purchased and at fair market value when donated. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists primarily of interest and dividend income.

Advertising Costs

Advertising costs are charged to operations as incurred. Advertising costs were \$84,751 and \$105,635 for years ended August 31, 2018 and 2017, respectively.

Income Taxes

The Chorus is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is a registered tax exempt entity under Chapter 180 of the Massachusetts General Laws and is generally exempt from federal and state income taxes on related income. Accordingly, no provision for income taxes is included in the financial statements.

Uncertain Tax Positions

The Chorus accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to recognition of tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. The Chorus has determined that it has not taken any uncertain tax positions requiring recognition and is not currently under examination by any taxing jurisdiction. The Organization has filed all known and required tax returns in a timely manner, including as permitted, allowed extensions.

Recent Pronouncements

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications

Certain prior year amounts were reclassified in the current year to conform to the current year presentation.

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus

Notes to the Financial Statements

3. In-Kind Donations

As of the year-ended August 31, 2018 and 2017, in-kind donations consist of following:

Description	As of 08/31/2018	As of 08/31/2017
Law services	\$ 3,250	\$ 575
Advertising	969	16,914
Architect services	-	1,755
Goods	-	820
	\$ 4,219	\$ 20,064

4. Fair Value Measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1	Quoted prices are available in active markets for identical instruments as of the reporting date.
Level 2	Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
Level 3	Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgement or estimation.

The asset's or liability's fair value measurement level 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value. It is reasonably possible that change in the value of these instruments will occur in the near term and that such changes could materially affect amounts reported in the financial statements.

Investments as of August 31, 2018 and 2017 consist of the following:

Description	As of 08/31/2018	As of 08/31/2017
Money market fund	\$ 38,631	\$ 34,999
Certificate of deposit	60,000	50,000
	\$ 98,631	\$ 84,999

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus
Notes to the Financial Statements

5. Line of Credit

The Organization obtained a \$25,000 line of credit with a local financial institution in fiscal 2018. Interest on the line accrues at prime plus 3%. Payments of interest only are due monthly. Any outstanding balances on the loan are to be repaid by the maturity date of September 2019. The line will automatically renew if not in default on the original maturity date. As of August 31, 2018, no amounts were outstanding under the line.

6. Net Assets with Donor Restrictions

As of August 31, 2018 and 2017, net assets with donor restrictions consists of the following:

	As of 08/31/2018	As of 08/31/2017
<u>Specific Purpose:</u>		
Endowment	\$ 60,000	\$ 50,000
Member Assistance Fund	1,219	1,042
	<u>\$ 61,219</u>	<u>\$ 51,042</u>

7. Leases

Facility lease

The Organization had a non-cancelable lease for office space which expired December 2017. Lease payments amounted to \$1,805 per month. In addition to the lease payments, the Organization was required to pay certain normal operating costs.

In fiscal 2018, the Organization entered into a non-cancelable lease for office space commencing December 2017 and terminating June 2021 with an option to extend the lease provided the Organization's lease is in good standing. The lease requires monthly payments of \$1,333 which escalates every July 1. Total rent expense for the years ended August 31, 2018 and 2017 amounted to \$19,460 and \$22,194, respectively.

Equipment lease

The Organization has an equipment lease that requires monthly payments of \$382 and terminates in November 2022.

Future minimum payments under the leases is as follows:

	<u>Facility</u>	<u>Equipment</u>
2019	\$16,374	\$4,591
2020	\$16,700	\$4,591
2021	\$14,150	\$4,591
2022	\$ -	\$4,591
2023	\$ -	\$1,148

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus

Notes to the Financial Statements

8. Endowment

GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). GAAP also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Board of Directors has determined that the Organization's permanently restricted net assets meet the definition of endowment funds under UPMIFA. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors for the Organization has interpreted 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 to the permanent endowment, 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. The remaining portions of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the organization.

In accordance with UPMIFA, the Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its endowment, while also seeking to maintain the long-term purchasing power of the endowment assets. Therefore, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds
- The purposes of the Organization and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization, and
- The investment policies of the Organization.

To meet that objective, the Organization's policies limit the spending of the investment income and appreciation to 5.0% of the average market value of such investments. It has been the Organization's policy to reinvest the endowment funds appreciation unless necessary for current operations.

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus
Notes to the Financial Statements

8. Endowment (continued)

The following is a summary of the Organization's donor-restricted endowment related activities for the years ended August 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, 08/31/2016	\$ -	\$ 40,000	\$40,000
Contributions	-	10,000	10,000
Investment Income	66	-	66
Amounts appropriated for Operations	(66)	-	(66)
Endowment assets, 08/31/2017	-	50,000	50,000
Contributions	-	10,000	10,000
Investment Income	343	-	343
Amounts appropriated for Operations	(343)	-	(343)
Endowment assets, 08/31/2018	\$ -	\$ 60,000	\$60,000

9. Related Party Transactions

Donations

During fiscal 2018 and 2017, Board members and employees donated approximately \$72,500 and \$12,000, respectively. Additionally, during the years-ended August 31, 2018 and 2017, the Organization expended approximately \$18,200 and \$15,800, respectively, for professional services with a vendor who is the Partner of the Executive Director of the Organization.

Related Party Note Payable

The Organization had a note payable due to a member of the Board of Directors in the original amount of \$60,000. The note bore interest at the federal interest rate plus 2% and is payable in monthly installments of \$1,000. The note was fully repaid during the 2018 fiscal year.

10. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

<u>Financial assets at year end:</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 32,013	83,204
Investments	98,631	84,999
 <u>Less amounts not available to be used within one year:</u>		
Net assets with donor restrictions	<u>61,219</u>	<u>51,042</u>
 Financial assets available to meet general expenditures over the next twelve months:	<u>\$ 69,425</u>	<u>\$ 117,161</u>

Bay State Performing Arts, Inc. DBA Boston Gay Men's Chorus

Notes to the Financial Statements

10. Liquidity and Availability (continued)

The organization manages its liquidity following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient financial assets to provide reasonable assurance that long-term obligations will be discharged. The Organization has a policy to target a year-end balance of financial assets of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. Additionally, the Organization has a \$25,000 line of credit available to meet cash flow needs.

11. Subsequent Events

Management has evaluated subsequent events through October 12, 2018, which is the date financial statements were available to be issued.