

**47 PALMER, INC.
DBA PASSIM**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**47 PALMER, INC.
DBA PASSIM**

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**Business Advisors
Certified Public Accountants**

Independent Auditors' Report

To the Board of Directors
47 Palmer, Inc.
DBA Passim
Cambridge, Massachusetts

We have audited the accompanying financial statements of 47 Palmer, Inc., dba Passim (a Massachusetts nonprofit Corporation) which comprise the balance sheet as of June 30, 2014, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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, 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 47 Palmer, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for year then ended in accordance with accounting principles generally accepted in the United States of America.

Paavento, Ratcliffe, Renzi & Co. LLC

Franklin, Massachusetts
September 29, 2014

**47 PALMER, INC.
DBA PASSIM**

BALANCE SHEET – JUNE 30, 2014

ASSETS

CURRENT ASSETS:

Cash	\$210,010
Grants and contributions receivable	68,425
Accounts receivable	14,989
Prepaid expenses and other current assets	11,335
Inventory	3,396
Deposits	<u>2,745</u>

Total current assets 310,900

PROPERTY, PLANT AND EQUIPMENT

164,385

Less - Accumulated depreciation 139,738

24,647

OTHER ASSETS

Deposits 6,500

\$342,047

CURRENT LIABILITIES:

Accounts payable \$ 38,259

Accrued expenses 25,945

Deferred revenue 23,233

Total current liabilities 87,437

NET ASSETS:

Unrestricted 185,957

Temporarily restricted 68,653

254,610

\$342,047

The accompanying notes are an integral part of these financial statements.

**47 PALMER, INC.
DBA PASSIM**

STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Admission, club, and benefits	\$ 762,139	\$ -	\$ 762,139
Tuitions & miscellaneous program revenue	74,996	-	74,996
Grants and donations	235,952	67,250	303,202
Member dues and contributions	100,399	-	100,399
In-kind contributions and donated services	62,650	-	62,650
Other income	13,328	-	13,328
Special events	-	-	-
Assets released from restrictions:			
Restrictions satisfied by payments	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	1,249,464	67,250	1,316,714
EXPENSES:			
Program expenses	972,006	-	972,006
Management and general	167,509	-	167,509
Fundraising expenses	<u>64,775</u>	<u>-</u>	<u>64,775</u>
Total expenses	<u>1,204,290</u>	<u>-</u>	<u>1,204,290</u>
Increase (decrease) in net assets	45,174	67,250	112,424
NET ASSETS, BEGINNING OF YEAR	<u>140,783</u>	<u>1,403</u>	<u>142,186</u>
NET ASSETS, END OF YEAR	<u>\$ 185,957</u>	<u>\$ 68,653</u>	<u>\$ 254,610</u>

The accompanying notes are an integral part of these financial statements.

47 PALMER, INC.
DBA PASSIM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services				Supporting Services			TOTAL
	Club Passim	Educational Programs	Outreach	Total Program Services	Management and General	Fund- raising	Total Supporting Services	
Salaries	\$ 150,460	\$ 29,842	\$ 21,618	\$ 201,920	\$ 60,557	\$ 37,976	\$ 98,533	\$ 300,453
Employee benefits	3,930	1,357	994	6,281	2,775	1,383	4,158	10,439
Payroll taxes	15,726	3,050	2,259	21,035	9,440	3,937	13,377	34,412
Total salaries and related expenses	<u>170,116</u>	<u>34,249</u>	<u>24,871</u>	<u>229,236</u>	<u>72,772</u>	<u>43,296</u>	<u>116,068</u>	<u>345,304</u>
Advertising & promotion	1,414	130	525	2,069	175	125	300	2,369
Artist fees	366,525	6,476	9,025	382,026	980	550	1,530	383,556
Accounting & legal	-	-	-	-	8,063	-	8,063	8,063
Bank & credit card fees	26,656	-	-	26,656	633	-	633	27,289
Conferences, conventions and meetings	-	-	-	-	359	-	359	359
Cost of goods sold	29,506	-	-	29,506	-	-	-	29,506
Depreciation	9,816	935	-	10,751	6,559	-	6,559	17,310
Dues & subscriptions	-	-	-	-	784	-	784	784
Hospitality	10,633	63	164	10,860	1,690	494	2,184	13,044
In-kind artist fees and services	9,000	-	25,250	34,250	-	-	-	34,250
Instructor fees	1,111	37,032	-	38,143	-	-	-	38,143
Insurance	12,185	1,085	-	13,270	5,700	-	5,700	18,970
Licenses & permits	12,022	-	-	12,022	500	-	500	12,522
Miscellaneous	1,482	401	-	1,883	3,826	56	3,882	5,765
Occupancy costs	35,091	16,809	4,202	56,102	10,505	10,505	21,010	77,112
Postage and shipping	49	-	-	49	671	4,153	4,824	4,873
Printing and publications	83	300	2,359	2,742	32	5,105	5,137	7,879
Professional fees & consultants	24,371	-	-	24,371	1,512	-	1,512	25,883
Rental & maintenance of equipment	3,405	-	2,380	5,785	4,848	-	4,848	10,633
Scholarships	-	44,879	-	44,879	-	-	-	44,879
Subcontractor fees	27,125	6,679	6,481	40,285	40,854	-	40,854	81,139
Supplies & small equipment	4,982	167	90	5,239	3,360	47	3,407	8,646
Telephone	1,188	444	-	1,632	2,056	444	2,500	4,132
Travel	250	-	-	250	1,630	-	1,630	1,880
Total operating expenses	<u>576,894</u>	<u>115,400</u>	<u>50,476</u>	<u>742,770</u>	<u>94,737</u>	<u>21,479</u>	<u>116,216</u>	<u>858,986</u>
Total expenses	<u>\$ 747,010</u>	<u>\$ 149,649</u>	<u>\$ 75,347</u>	<u>\$ 972,006</u>	<u>\$ 167,509</u>	<u>\$ 64,775</u>	<u>\$ 232,284</u>	<u>\$ 1,204,290</u>

The accompanying notes are an integral part of these financial statements.

**47 PALMER, INC.
DBA PASSIM**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$112,424
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities-	
Depreciation	17,310
Increase in long-term deposits	-
(Increase) decrease in current assets-	
Grants and contributions receivable	(38,950)
Accounts receivable	(904)
Prepaid expenses	(3,068)
Inventory	871
Deposits	80
Increase (decrease) in current liabilities-	
Accounts payable	26,348
Accrued expenses	1,860
Deferred revenue	<u>(11,866)</u>
Net cash provided (used) by operating activities	104,105
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>
NET INCREASE (DECREASE) IN CASH	104,105
CASH AT BEGINNING OF PERIOD	<u>105,905</u>
CASH AT END OF PERIOD	<u>\$210,010</u>

The accompanying notes are an integral part of these financial statements.

47 PALMER, INC. DBA PASSIM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(1) NATURE OF OPERATIONS

Passim's mission is to create an inspiring and interactive music experience for all, building a vibrant community for artists, students and audience members through its legendary listening venue and school of music. Established as Club 47 in 1958, incorporated as a nonprofit in 1994, and located in the heart of Harvard Square, Passim has been a cornerstone of the arts community of New England for over half a century. Club Passim is one of the few "listening rooms" in the greater Boston/Cambridge area—a place where audience and artist interact with one another in an intimate setting. Our School of Music, founded in 2000, serves more than 700 students in small classes, private lessons, and vibrant ensembles. Passim presents music with a folk aesthetic, where the emphasis is on the relationship between performers and patrons, teachers and students. Our music covers the spectrum of what sounds great in a small venue – Americana, bluegrass, blues, Celtic, country, folk, jazz, Klezmer, old-time, pop/rock, singer-songwriter, a cappella, and world music, among others.

The essence of Passim's mission is to develop artists by providing a close-knit community and musical home base where artists can thrive. Passim does this through the following programs:

- Club Passim—where emerging artists open for well-known ones, play open mics or perform at campfire, which are week-end music festivals. In addition, the Club hosts a monthly evening performance by students at Berklee College of Music and presents week-end concerts for children.
- Educational Programs-
 - Passim School of Music—where those taking ensembles, classes, voice lessons or workshops can actually perform on the Club stage and Club artists provide instruction.
 - Passim Iguana Music Fund—which gives grants to New England-based artists to help develop their career or assist their community-service efforts.
- Outreach—in which Passim presents artists in the community. This includes free outdoor weekly concerts in Harvard Square and Kendall Square as part of Summer Stage, along with stages at the Harvard Square Business Association's Mayfair and Oktoberfest festivals. In addition, Passim holds or cohosts festivals including Passim Bluegrass Festival, Harvard Square Folk Festival, New England Americana Festival, and BCMFest (Boston's Celtic Music Festival). The latter is the premier presenter of Boston-based Irish, Scottish & Cape Breton music. Passim also hosts monthly BCMFest concerts at the Club. The festival encourages collaboration across the Celtic spectrum, along with encouraging both traditional and new interpretations of the music.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of Passim have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**47 PALMER, INC.
DBA PASSIM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Presentation

The Organization is required to report 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.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein may be classified and reported as follows:

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

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either 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 permanently by the Organization.

The presentation for fiscal year ending June 30, 2014 is a single year presentation. As of July 1, 2012, Passim changed from a calendar year reporting-period to a fiscal year ending June 30th. As such, the financial statements for the period ending June 30, 2013 were for an eighteen-month period, which was not comparative to this twelve-month reporting period for fiscal year ending June 30, 2014.

(c) Contributions

Passim recognizes all contributed support when it is received or unconditionally pledged. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fully satisfied in the same time period in which the contribution is received, Passim reports the support as unrestricted.

(d) Promises to Give

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decrease of liabilities or expenses depending on the form of benefit received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

47 PALMER, INC.
DBA PASSIM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(f) Deferred Revenue

Ticket sales and other program revenue received prior to the fiscal year to which they apply are not recognized as revenues until the year earned.

(g) Grants and Contributions Receivable

Receivables for grants and contributions are recorded when the commitment to give is formalized and unconditional. During the year, management periodically reviews the status of receivables and adjustments are made through an allowance for doubtful accounts for those receivables in question. There were no doubtful accounts as of June 30, 2014.

(h) Accounts Receivable

Accounts receivable consists primarily of amounts due from an onsite for-profit food concession (Note 7) in conjunction with a revenue-sharing agreement for performance-related ancillary services. Management does not consider any amounts to be uncollectible.

(i) Inventory

Inventory consists of promotional items and bar beverages on hand. Inventory is stated at the lower of cost or market determined by the first-in, first-out method.

(j) Tax Status

Passim is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. The Organization's federal Exempt Organization Tax Returns for 2011 through 2013 are subject to examination by the IRS. Tax returns are, generally, subject to examination for three years after the filing date.

(k) In-Kind Contributions and Donated Services

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

47 PALMER, INC.
DBA PASSIM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Property and Equipment

Passim capitalizes property and equipment acquisitions in excess of \$1,000. Investments in property and equipment are recorded at cost and include expenditures for improvements, which substantially increase the useful lives of these assets. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Depreciation of property and equipment (including assets acquired by capital lease) is computed using the straight-line method.

(m) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

(n) Advertising

Advertising costs are expensed as incurred.

(3) PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classification as follows:

Leasehold improvements	\$ 70,381
Furniture and equipment	69,268
Website	21,597
Donated equipment	<u>3,139</u>
	164,385
Less- Accumulated depreciation	<u>139,738</u>
	<u>\$ 24,647</u>

Depreciation expense for the year ended June 30, 2014 was \$17,310.

**47 PALMER, INC.
DBA PASSIM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(4) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Restricted as to use	\$ 3,653
Restricted for future periods	<u>65,000</u>
	<u>\$68,653</u>

(5) IN-KIND CONTRIBUTIONS AND DONATED SERVICES

Passim receives a significant amount of donated services from unpaid volunteers who assist in program and fund-raising activities. No amounts have been recognized in the statements of activity for these volunteer services because the criteria for recognition have not been satisfied.

In-kind contributions and donated services that meet the recognitions criteria are recorded in the accompanying statements of activity and include the following:

Artist fees	\$33,000
Building rent (see Commitment Note below)	28,400
Consulting	850
Photos	<u>400</u>
	<u>\$62,650</u>

(6) RELATED PARTY ACTIVITY

Some members of the Board manage artists who perform at Passim. Some members have business relationships with Passim vendors. In all cases, these relationships are properly disclosed in accordance with Passim's Conflict of Interest Policy and, in accordance with this policy, Board members recuse themselves from voting on issues which may directly or indirectly benefit them.

**47 PALMER, INC.
DBA PASSIM**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(7) COMMITMENTS AND CONTINGENCIES

Facility Operating Lease

Passim leases its operating facility on a month-to-month, tenant-at-will basis.

The landlord agreed to a monthly rent of \$9,200 for fiscal year 2014.

Sub-lessee

In order to provide a better experience for patrons and members, Passim shared its plant facility with a for-profit food concession entity. As such, the for-profit entity was a sub-lessee of Passim on its share of the facility. The sub-lessee occupied the same premises and operated its restaurant on a month-to-month tenant-at-will-basis. In addition to base rental payments, an agreed upon factor of sales in excess of a stipulated base amount was to be paid by the sub-tenant. Amounts received as rent and utility reimbursements under this agreement totaled \$69,883 for the year ended June 30, 2014.

Subsequent to fiscal year-end, on August 17, 2014, the sub-lessee ceased operations and Passim assumed responsibility for the food concession.

(8) SUBSEQUENT EVENTS

The Organization evaluated subsequent events through September 29, 2014, which is the date the financial statements were available to be issued.