

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

YEARS ENDED JUNE 30, 2011 AND 2010

Smith  Sullivan
& Company PC

CERTIFIED PUBLIC ACCOUNTANTS

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ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

Vision

*Creativity, the arts and those that create art
are an integral part of livable communities,
a healthy economy, and a rich educational environment.*

Mission Statement

*To support a vibrant arts community by providing
quality direct legal/business services and educational programs
to the artists and arts communities in Massachusetts.*

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

REPORT ON FINANCIAL STATEMENTS


YEARS ENDED JUNE 30, 2011 AND 2010

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Arts & Business Council of Greater Boston, Inc.
Boston, Massachusetts

We have reviewed the accompanying statements of financial position of Arts & Business Council of Greater Boston, Inc. (a Massachusetts nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Company PC

Westborough, Massachusetts
September 29, 2011

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS:</u>		
Cash and Cash Equivalents	\$ 134,124	\$ 146,856
Grants Receivable (Note 9)	91,180	7,485
Contributions Receivable	26,142	37,483
Prepaid Expenses	<u>915</u>	<u>1,785</u>
Total Current Assets	<u>252,361</u>	<u>193,609</u>
 <u>PROPERTY AND EQUIPMENT: (Note 4)</u>		
Leasehold Improvements	10,395	10,395
Computer Equipment	<u>11,464</u>	<u>3,740</u>
Subtotal	21,859	14,135
Less: Accumulated Depreciation	<u>(13,756)</u>	<u>(9,195)</u>
Net Property and Equipment	<u>8,103</u>	<u>4,940</u>
 <u>OTHER ASSETS:</u>		
Intangible Assets, Net of Amortization (Note 3)	12,000	-
Security Deposit on Lease (Note 11)	<u>732</u>	<u>732</u>
Total Other Assets	<u>12,732</u>	<u>732</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 273,196</u>	 <u>\$ 199,281</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable	\$ 2,040	\$ 16,480
Accrued Expenses	5,625	5,653
Accrued Payroll and Related Costs	<u>11,932</u>	<u>9,925</u>
Total Current Liabilities	<u>19,597</u>	<u>32,058</u>
 <u>NET ASSETS:</u>		
Unrestricted Net Assets	163,599	167,223
Temporarily Restricted Net Assets (Note 6)	<u>90,000</u>	<u>-</u>
Total Net Assets	<u>253,599</u>	<u>167,223</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 273,196</u>	 <u>\$ 199,281</u>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(With Summarized Comparative Totals for 2010)

<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2011</u>	<u>TOTAL ACTIVITIES 2010</u>
<i>Public Support:</i>				
Gifts, Grants and Contributions <i>(Note 9)</i>	\$ 47,970	\$ 181,500	\$ 229,470	\$ 99,980
Special Events, Net of Direct Costs <i>(Note 7)</i>	67,150	-	67,150	60,044
Donated Goods, Services and Facilities <i>(Note 8)</i>	590,200	-	590,200	520,670
Total Public Support	<u>705,320</u>	<u>181,500</u>	<u>886,820</u>	<u>680,694</u>
<i>Program Service Revenues:</i>				
Educational/Workshops Fees	115,020	-	115,020	123,283
Legal Representation Fees	12,780	-	12,780	10,935
Referral Fees	10	-	10	100
Application Fees	11,880	-	11,880	13,024
Total Program Service Revenue	<u>139,690</u>	<u>-</u>	<u>139,690</u>	<u>147,342</u>
<i>Other Revenues:</i>				
Holiday Card Sales, Net of Costs	5,526	-	5,526	2,391
Interest Income	120	-	120	150
Miscellaneous Revenue	517	-	517	993
Total Other Revenues	<u>6,163</u>	<u>-</u>	<u>6,163</u>	<u>3,534</u>
<i>Reclassification of Net Assets:</i>				
Satisfaction of Donor Restrictions <i>(Note 6)</i>	91,500	(91,500)	-	-
 <u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	 <u>942,673</u>	 <u>90,000</u>	 <u>1,032,673</u>	 <u>831,570</u>
 <u>FUNCTIONAL EXPENSES:</u>				
Program Services	800,908	-	800,908	758,781
<i>Supporting Services:</i>				
Administrative	94,247	-	94,247	83,443
Fund Raising	51,142	-	51,142	57,715
 <u>TOTAL FUNCTIONAL EXPENSES</u>	 <u>946,297</u>	 <u>-</u>	 <u>946,297</u>	 <u>899,939</u>
 <u>CHANGE IN NET ASSETS</u>	 (3,624)	 90,000	 86,376	 (68,369)
 <u>NET ASSETS - BEGINNING OF YEAR</u>	 <u>167,223</u>	 <u>-</u>	 <u>167,223</u>	 <u>235,592</u>
 <u>NET ASSETS - END OF YEAR</u>	 <u>\$ 163,599</u>	 <u>\$ 90,000</u>	 <u>\$ 253,599</u>	 <u>\$ 167,223</u>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
(With Summarized Comparative Totals for 2010)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2011</u>	<u>2010</u>
Salaries and Wages	\$ 161,488	\$ 32,445	\$ 29,579	\$ 223,512	\$ 241,532
Payroll Taxes	13,642	2,741	2,498	18,881	20,089
Fringe Benefits	7,495	1,506	1,373	10,374	14,601
Rent and Utilities <i>(Notes 8 and 11)</i>	14,540	797	610	15,947	15,426
Program and Marketing Supplies	2,156	-	24	2,180	2,259
Liability Insurance	-	3,594	-	3,594	2,624
Telephone and Communications	4,189	524	524	5,237	3,899
Website Design/Maintenance	1,015	1,015	-	2,030	945
Travel	2,362	3,091	-	5,453	1,817
Professional Fees	-	20,279	2,500	22,779	28,042
In-Kind Professional Fees <i>(Note 8)</i>	563,007	12,334	7,909	583,250	504,950
Speaker Fees, Program Consultants	17,738	-	-	17,738	26,681
Meals	-	3,917	-	3,917	2,799
Event Supplies and Production	4,060	-	193	4,253	5,814
Office Supplies and Equipment <i>(Note 8)</i>	-	4,729	-	4,729	11,005
Printing <i>(Note 8)</i>	2,951	832	5,584	9,367	6,658
Postage and Delivery	-	960	-	960	121
Bank Charges and Other Fees	-	2,230	-	2,230	2,075
Dues and Subscriptions	-	2,279	-	2,279	2,934
Depreciation and Amortization Expense <i>(Notes 3 and 4)</i>	6,265	348	348	6,961	4,669
Miscellaneous	-	626	-	626	999
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional Expenses	<u>\$ 800,908</u>	<u>\$ 94,247</u>	<u>\$ 51,142</u>	<u>\$ 946,297</u>	<u>\$ 899,939</u>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 86,376	\$ (68,369)
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Depreciation and Amortization Expense	6,961	4,669
<i>(Increase) Decrease in Current Assets:</i>		
Grants Receivable	(83,695)	79,315
Contributions Receivable	11,341	10,761
Prepaid Expenses	870	3,837
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	(14,440)	(3,187)
Accrued Expenses	(28)	(672)
Accrued Payroll and Related Costs	2,007	(23,400)
<i>(Increase) Decrease in Other Assets:</i>		
Cash Outlay for Intangible Assets	(14,400)	-
Net Adjustment	<u>(91,384)</u>	<u>71,323</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>(5,008)</u>	<u>2,954</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Computer Equipment	<u>(7,724)</u>	<u>(1,619)</u>
Net Cash Flows from Investing Activities	<u>(7,724)</u>	<u>(1,619)</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>(12,732)</u>	<u>1,335</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>146,856</u>	<u>145,521</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 134,124</u>	<u>\$ 146,856</u>
 <i>Supplemental Disclosures :</i>		
Interest Paid	<u>\$ -</u>	<u>\$ -</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 ORGANIZATION AND AFFILIATIONS

Arts & Business Council of Greater Boston, Inc. (“A&BC/Boston” or the “Organization”) was incorporated in May 2000 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. Arts & Business Council of Greater Boston, Inc. is not classified as a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

In 1989, a dedicated group of foundations, lawyers and business leaders started Volunteer Lawyers for the Arts of Massachusetts, Inc. (“VLA”). For more than twenty years, VLA has provided pro bono legal services and educational programs to individual artists and arts organizations throughout Massachusetts. In 2000, a small group of Boston business leaders established Arts & Business Council of Greater Boston, Inc. (A&BC/Boston). They understood the critical importance of professional and creative development for their own employees and they realized that such opportunities would bolster Boston's cultural and economic well-being. A&BC/Boston became the fifteenth affiliate in the nationwide network of Arts & Business Councils. In 2005, the national office merged with Americans for the Arts, a national public sector advocacy organization.

Effective August 1, 2008, A&BC/Boston merged with VLA. Pursuant to the plan of merger, VLA, as the terminating corporation, was merged with A&BC/Boston, the surviving corporation, while preserving the identity and integrity of each organization's programs and mission.

NOTE 2 PROGRAM SERVICES

Arts & Business Council of Greater Boston, Inc. is dedicated to leveraging the strengths and resources of the business and legal communities in support of the individual artists and arts and cultural organizations in our region. Its goals are:

To provide quality legal services to the artists and arts organizations that could otherwise not afford it;

To provide innovative and relevant professional development programs that address the complex needs of artists and arts and cultural organizations; and

To invest in and support arts and cultural organizations' boards with qualified business/legal professionals, ongoing trainings and strategic planning services.

A&BC/Boston's investment in the arts is divided into three areas:

Direct Service: Volunteer Lawyers for the Arts (VLA) provides pro bono and reduced cost legal services and educational seminars to artists and arts and cultural organizations in Massachusetts. In addition to in house legal services, the VLA accomplishes its mission through the work of a panel of nearly 450 attorneys who volunteer their time and services to provide legal counsel, education, and organizational support to the Massachusetts arts community.

Board Development: Business on Board trains qualified and diverse candidates from the business and legal communities and places them on the boards of arts and cultural organizations. Strengthening Your Organization provides in-depth training on board development and management to arts and cultural organizations.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 2 *(Continued)*

Professional Development: Essential Training for the Arts (ETA) provides entrepreneurial skills and training which empower self-employed artists to master the business challenges of being an artist while making a living. The core service, Artist's Professional Toolbox (APT), teaches a select group of artists to learn and practice marketing, networking, and business skills with the additional benefits of peer group interaction, mentorship, and feedback. The APT Fellows program continues to empower, support and create a rich community for the graduates of APT.

Since the creation of the VLA and A&BC/Boston, the programs have:

Assisted more than 500 arts and cultural organizations from 60 cities and towns;

Trained 375 business professionals from 160 companies to become board members of arts and cultural organizations;

Delivered more than \$10.5 million of pro bono legal services to more than 4,300 artists and arts organizations;

Provided intensive professional development education and continuing services to more than 135 visual artists; and

Presented more than 350 seminars on a variety of arts-related legal and business topics.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. 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; however, adherence to generally accepted accounting principles has, in the management's opinion, resulted in reliable and consistent financial reporting by the Organization. The following policies should be read in conjunction with the accompanying notes to the financial statements.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Fair Value of Financial Instruments:

As required by the *FASB Accounting Standards Codification*TM, the Organization adopted the provisions of Fair Value Measurements, and has applied its provisions to assets and liabilities that are recognized or disclosed at fair value on a recurring or nonrecurring basis (at least annually).

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 3 *(Continued)*

Fair value measurement defines fair value, establishes a framework for measuring fair value, establishes a three-level fair value hierarchy based on the quality of inputs used to measure fair value and enhances the disclosure requirements for fair value measurements.

The three levels of the fair value hierarchy are as follows:

- Level 1 - inputs to the valuation methodology are quoted market prices for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3 - inputs to the valuation methodology are based on prices or valuation techniques that are unobservable.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classifications are related to the existence or absence of donor-imposed restrictions as presented below:

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for operations and programs. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization includes funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the years presented, the Organization did not have any assets of this nature.

Reclassifications:

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Specifically, the revenue from the donated event revenue has been reclassified from *Donated Goods, Services and Facilities* to *Special Events, Net of Direct Costs*.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 3 *(Continued)*

Cash and Cash Equivalents:

For the purpose of these financial statements, cash and cash equivalents are defined as cash balances maintained in checking and money market accounts.

Grants Receivable:

Grants Receivable reflects the balance due on grant commitments which management considers to be fully collectible, and therefore, has not established a reserve for uncollectible grants. The Organization did not experience any loss on uncollectible grants for the years presented. The portion of grants receivable which is scheduled for payment in the coming fiscal year is classified as current, while commitments that extend beyond one year are classified as long-term. As of June 30, 2011 and 2010, all *Grants Receivable* are classified as current.

Contributions Receivable:

Contributions Receivable consists primarily of auction proceeds, sponsorships and ticket sales arising from the special fund raising events held *(See Note 7)*. The majority of these amounts were received shortly after the event, and the outstanding amounts are considered fully collectible; therefore, a provision for uncollectible contributions was not deemed necessary. The Organization did not experience any loss on uncollectible contributions for the years presented.

Property and Equipment:

Property, equipment, furnishings and improvement purchases in excess of \$500 are capitalized at cost, if purchased, or at fair value on the date of receipt, if donated. Expenditures for repairs and maintenance are treated as current period expenses when incurred, whereas major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged against current activities over the estimated useful lives of the assets, as expressed in terms of years. Property and equipment acquired in the merger with VLA have been recorded at the net book value at the time of the merger and became subject to depreciation over the estimated remaining useful lives.

Intangible Assets:

Intangible Assets consist of the design and development of the Organization's website in FY 2011 to provide a more dynamic visual presentation and improved usability. The cost of the website development totaled \$14,400, which is subject to amortization over a three-year period and is reported net of the accumulated amortization. *Amortization Expense* for the year ended June 30, 2011 was \$2,400.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues, and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 3 *(Continued)*

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Goods, Services and Facilities:

As required by the *FASB Accounting Standards Codification*TM, Arts & Business Council of Greater Boston, Inc. maintains a policy whereby contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, 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. These donations are recognized as revenue on the Statement of Activities and listed as expenses on the Statement of Functional Expenses. While material in amount, these donations do not have an impact on the change in net assets.

Functional Expenses:

As required by the *FASB Accounting Standards Codification*TM, the Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated using formulas derived from the nature of related time. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Arts & Business Council of Greater Boston, Inc.'s internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, direct and indirect costs of fund raising events, distribution of materials and other similar projects related to the procurement of funds. For the years presented, total fund raising expenses were \$74,732 and \$81,563, respectively, which includes the direct costs of fund raising events, indirect event costs and general fund raising expenses.

Tax Position:

The *FASB Accounting Standards Codification*TM provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an organization's financial statements. The Organization adopted the provisions of this standard on July 1, 2009. The implementation of this standard did not have any impact on the financial position or net assets of the Organization.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 3 *(Continued)*

The primary tax positions made by the Organization are the existence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation. All tax periods prior to FY 2007 are no longer subject to examination by tax authorities.

NOTE 4 PROPERTY AND EQUIPMENT

As of June 30, 2011, A&BC/Boston's property and equipment consisted of the following:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accum. Depreciation</u>	<u>Net Book Value</u>	
				<u>2011</u>	<u>2010</u>
Leasehold Improvements	3	\$10,395	\$10,395	\$ -	\$3,465
Computer Equipment	2	<u>11,464</u>	<u>3,361</u>	<u>8,103</u>	<u>1,475</u>
Total		<u>\$21,859</u>	<u>\$13,756</u>	<u>\$8,103</u>	<u>\$4,940</u>

Depreciation Expense for the years ended June 30, 2011 and 2010 was \$4,561 and \$4,669, respectively.

NOTE 5 LINE-OF-CREDIT

A&BC/Boston previously held a working capital line-of-credit with Sovereign Bank with a borrowing limit of \$25,000, pursuant to a promissory note agreement dated September 27, 2007. The line was closed by the Organization on March 2, 2011. The debt covenants required the Organization to maintain a zero balance for 30 consecutive days per year, and the agreement was subject to an annual review process. During FY 2011 and FY 2010, the line-of-credit was not utilized.

NOTE 6 RESTRICTED NET ASSETS

As of June 30, 2011 and 2010, temporarily restricted net assets consisted of the following donor restricted balances:

<u>Nature of Restriction</u>	<u>2011</u>	<u>2010</u>
Artist's Professional Toolbox	\$35,000	\$ -
Creative Workforce	40,000	-
Arts Service Center	<u>15,000</u>	-
Total	<u>\$90,000</u>	<u>\$ -</u>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 6 *(Continued)*

For the years presented, net assets were released from restrictions for the following purposes:

<u>Nature of Restriction</u>	<u>2011</u>	<u>2010</u>
Artist's Professional Toolbox	\$50,000	\$ 70,000
Arts Service Center	25,000	-
VLA Legal Referral Program	-	11,000
Technical Assistance Program	-	12,500
Direct Legal/Education Services	7,500	-
Holiday Art and Art Law Program	<u>9,000</u>	<u>9,000</u>
Total	<u>\$91,500</u>	<u>\$102,500</u>

NOTE 7 SPECIAL FUND RAISING EVENTS

The revenue from special events is reflected on the Statement of Activities net of the direct costs of the event, while the indirect event costs and costs associated with the direct mail campaigns and annual appeal letters are reported as fund raising expenses on the Statement of Functional Expenses. An art auction fund raising event was held during each of the years presented and is summarized in the following table:

"Martinis and Masterpieces"

	<u>2011</u>	<u>2010</u>
Gross Proceeds:		
Sponsorships/Contributions	\$ 64,105	\$ 51,625
Ticket Sales	12,400	18,417
Art Auction	7,985	6,750
Donated Event Venue	6,250	6,250
Advertising/Program Book	-	850
Gross Event Proceeds	<u>90,740</u>	<u>83,892</u>
Less: Direct Event Costs*	<u>(23,590)</u>	<u>(23,848)</u>
Gross Proceeds, Net of Direct Event Costs	<u>\$ 67,150</u>	<u>\$ 60,044</u>

(*) Includes \$6,250 of donated venue costs in FY 2011 and FY 2010

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 8 DONATED GOODS, SERVICES AND FACILITIES

For the years presented, the Organization recognized the following donated goods, services and facilities:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Professional Fees:		
Legal Services for Arts Organizations (*)	\$412,250	\$414,000
Business Consultants for Arts Organizations (*)	3,600	5,400
Program Speakers	4,800	4,200
Legal Interns (Direct Assistance)	158,175	79,250
Financial Management Services	<u>4,425</u>	<u>2,100</u>
Total In-Kind Professional Fees	583,250	504,950
Office Space	3,750	3,220
Office Expenses and Supplies	-	9,000
Event Invitations	<u>3,200</u>	<u>3,500</u>
Total	<u>\$590,200</u>	<u>\$520,670</u>

(*) The Organization estimates that they have referred 121 cases to attorneys in FY 2011 and 207 in FY 2010 for a variety of matters, for which pro bono legal assistance is provided to arts organizations. For valuation purposes, an average rate of \$225 per hour for smaller cases and \$325 per hour for larger cases was assumed for FY 2011 and \$200 per hour has been assumed for FY 2010. In addition, in FY 2011, two pro bono business consultant placements were valued at \$150 per hour and three placements in FY 2010.

NOTE 9 CONCENTRATIONS

During FY 2011, Arts & Business Council of Greater Boston, Inc. received a two-year grant commitment totaling \$125,000 to fund its Artist's Professional Toolbox and Arts Service Center programs. As of June 30, 2011, \$75,000 had been received and \$50,000 was included in *Grants Receivable*. For the year ended June 30, 2011, this grant represents 55% of total *Grants Receivable*.

During FY 2011, a second two-year grant commitment was received to fund the "Investing in the Creative Workforce" project. The funding for this project amounted to \$40,000, which is outstanding at year end, and represents 44% of total *Grants Receivable*.

As discussed in Note 8, the Organization receives a significant amount of donated goods, services and facilities, primarily in the form of donated legal services. These amounts account for 58% and 64% of total support and revenues for the years ended June 30, 2011 and 2010, respectively.

NOTE 10 TAX-DEFERRED ANNUITY PLAN

During FY 2010, the Organization established a tax-deferred annuity plan, qualified under section 403(b) of the Internal Revenue Code. The plan allows qualified employees of the Organization to defer a percentage of their earnings from current taxation, by investing in annuities.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE 11 LEASE OBLIGATIONS

As part of the merger with VLA, the Organization assumed the remaining term on a three-year lease which expired on October 31, 2010. In October 2010, the Organization extended the lease agreement for a further three years, through October 31, 2013. The lease provides program space for the direct legal assistance program in South Boston. A security deposit of \$732 was also transferred to A&BC/Boston as part of the merger. Rent Expense for the years ended June 30, 2011 and 2010 under this lease arrangement was \$10,980 and \$10,736, respectively. As of June 30, 2011, the future minimum lease obligation arising from this commitment is scheduled below:

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2012	\$10,980
June 30, 2013	11,468
June 30, 2014	<u>3,904</u>
Total	<u>\$26,352</u>

NOTE 12 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through September 29, 2011, the date which the financial statements were available for issue, and noted no events which met the criteria.