

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

YEARS ENDED JUNE 30, 2010 AND 2009

Smith  Sullivan
& Company PC

CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200, Westborough, Massachusetts 01581
Tel: 508.871.7178 Fax: 508.871.7179 www.smithsullivancpa.com

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

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, 2010 AND 2009

C O N T E N T S

	<i>Pages</i>
Independent Accountants' Review Report.....	1
Statements of Financial Position as of June 30, 2010 and 2009.....	2
Statement of Activities for the Year Ended June 30, 2010..... <i>(With Summarized Comparative Totals for 2009)</i>	3
Statement of Functional Expenses for the Year Ended June 30, 2010..... <i>(With Summarized Comparative Totals for 2009)</i>	4
Statements of Cash Flows for the Years Ended June 30, 2010 and 2009.....	5
Notes to Financial Statements.....	6 - 13

Smith Sullivan & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581
Tel: 508.871.7178 Fax: 508.871.7179 www.smithsullivancpa.com

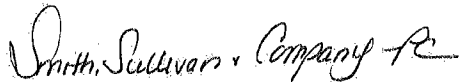
INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Arts & Business Council of Greater Boston, Inc.

A review consists principally of inquiries of the Organization's personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, 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.

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 generally accepted accounting principles.



Westborough, Massachusetts
August 9, 2010

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2010 AND 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
<u>CURRENT ASSETS:</u>		
Cash and Cash Equivalents	\$146,856	\$145,521
Grants Receivable (Note 7)	7,485	86,800
Contributions Receivable	37,483	48,244
Prepaid Expenses	<u>1,785</u>	<u>5,622</u>
Total Current Assets	<u>193,609</u>	<u>286,187</u>
<u>PROPERTY AND EQUIPMENT:</u> (Note 4)		
Leasehold Improvements	10,395	10,395
Computer Equipment	<u>3,740</u>	<u>2,121</u>
Subtotal	14,135	12,516
Less: Accumulated Depreciation	<u>(9,195)</u>	<u>(4,526)</u>
Net Property and Equipment	<u>4,940</u>	<u>7,990</u>
<u>OTHER ASSETS:</u>		
Security Deposit on Lease (Note 10)	<u>732</u>	<u>732</u>
<u>TOTAL ASSETS</u>	<u>\$199,281</u>	<u>\$294,909</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Line-of-Credit (Note 5)	\$ -	\$ -
Accounts Payable	16,480	19,667
Accrued Expenses	5,653	6,325
Accrued Payroll and Related Costs	<u>9,925</u>	<u>33,325</u>
Total Current Liabilities	<u>32,058</u>	<u>59,317</u>
<u>NET ASSETS:</u> (Notes 1 and 6)		
Unrestricted Net Assets	167,223	153,092
Temporarily Restricted Net Assets	<u>-</u>	<u>82,500</u>
Total Net Assets	<u>167,223</u>	<u>235,592</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$199,281</u>	<u>\$294,909</u>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(With Summarized Comparative Totals for 2009)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>	
			<u>2010</u>	<u>2009</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Public Support:</i>				
Gifts, Grants and Contributions <i>(Notes 7 and 8)</i>	\$ 79,980	\$ 20,000	\$ 99,980	\$ 260,467
Special Events, Net of Direct Costs <i>(Note 9)</i>	53,794	-	53,794	75,643
Donated Goods, Services and Facilities <i>(Note 8)</i>	<u>526,920</u>	<u>-</u>	<u>526,920</u>	<u>520,071</u>
Total Public Support	<u>660,694</u>	<u>20,000</u>	<u>680,694</u>	<u>856,181</u>
<i>Program Service Revenue:</i>				
Educational/Workshops Fees	123,283	-	123,283	76,660
Legal Representation Fees	10,935	-	10,935	19,742
Referral Fees	100	-	100	28,700
Application Fees	<u>13,024</u>	<u>-</u>	<u>13,024</u>	<u>7,293</u>
Total Program Service Revenue	<u>147,342</u>	<u>-</u>	<u>147,342</u>	<u>132,395</u>
<i>Other Revenue:</i>				
Holiday Card Sales, Net of Costs	2,391	-	2,391	4,317
Interest Income	150	-	150	967
Miscellaneous Revenue	<u>993</u>	<u>-</u>	<u>993</u>	<u>700</u>
Total Other Revenue	<u>3,534</u>	<u>-</u>	<u>3,534</u>	<u>5,984</u>
<i>Reclassification of Net Assets: (Note 6)</i>				
Satisfaction of Donor Restrictions	<u>102,500</u>	<u>(102,500)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>914,070</u>	<u>(82,500)</u>	<u>831,570</u>	<u>994,560</u>
<u>FUNCTIONAL EXPENSES:</u>				
Program Services	758,781	-	758,781	796,102
<i>Supporting Services:</i>				
Administrative	83,443	-	83,443	115,297
Fund Raising	<u>57,715</u>	<u>-</u>	<u>57,715</u>	<u>96,342</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>899,939</u>	<u>-</u>	<u>899,939</u>	<u>1,007,741</u>
<u>CHANGE IN NET ASSETS FROM CURRENT ACTIVITIES</u>	14,131	(82,500)	(68,369)	(13,181)
<u>OTHER CHANGES IN NET ASSETS:</u>				
Net Assets Acquired in Merger <i>(Note 1)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,333</u>
<u>TOTAL CHANGE IN NET ASSETS</u>	14,131	(82,500)	(68,369)	36,152
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>153,092</u>	<u>82,500</u>	<u>235,592</u>	<u>199,440</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$167,223</u>	<u>\$ -</u>	<u>\$167,223</u>	<u>\$ 235,592</u>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

(With Summarized Comparative Totals for 2009)

	<u>PROGRAM</u>	<u>ADMINI-</u>	<u>FUND</u>	<u>TOTAL</u>	
	<u>SERVICES</u>	<u>STRATIVE</u>	<u>RAISING</u>	<u>FUNCTIONAL EXPENSES</u>	
				<u>2010</u>	<u>2009</u>
Salaries and Wages	\$171,892	\$38,663	\$30,977	\$241,532	\$ 314,938
Payroll Taxes	14,297	3,216	2,576	20,089	26,940
Fringe Benefits	10,390	2,338	1,873	14,601	11,587
Rent and Utilities <i>(Notes 8 and 11)</i>	13,078	1,093	1,255	15,426	14,328
Program and Marketing Supplies	1,759	-	500	2,259	4,987
Liability Insurance	-	2,624	-	2,624	3,628
Telephone and Communications	3,119	390	390	3,899	3,351
Equipment Repairs and Maintenance	10	-	-	10	4,062
Website Design/Maintenance	757	94	94	945	3,730
Travel	1,296	521	-	1,817	2,458
Professional Fees	2,750	17,092	8,200	28,042	37,928
In-Kind Professional Fees <i>(Note 8)</i>	494,924	6,063	3,963	504,950	506,851
Speaker Fees, Program Consultants	26,681	-	-	26,681	26,683
Meals	2,383	216	200	2,799	5,905
Event Supplies and Production	5,223	-	591	5,814	7,081
Office Supplies and Equipment <i>(Note 8)</i>	4,950	3,805	2,250	11,005	11,926
Printing <i>(Note 8)</i>	594	1,451	4,613	6,658	9,927
Postage and Delivery	-	121	-	121	699
Bank Charges and Other Fees	-	2,075	-	2,075	2,405
Dues and Subscriptions	475	2,459	-	2,934	2,597
Depreciation Expense <i>(Note 4)</i>	4,203	233	233	4,669	4,526
Miscellaneous	-	989	-	989	1,204
Total Functional Expenses	<u>\$758,781</u>	<u>\$83,443</u>	<u>\$57,715</u>	<u>\$899,939</u>	<u>\$1,007,741</u>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (68,369)	\$ 36,152
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Net Assets Acquired in Merger	-	(49,333)
Depreciation Expense	4,669	4,526
<i>(Increase) Decrease in Current Assets:</i>		
Grants Receivable	79,315	(86,800)
Contributions Receivable	10,761	12,424
Prepaid Expenses	3,837	(5,233)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	(3,187)	(42,255)
Accrued Expenses	(672)	6,325
Accrued Payroll and Related Costs	(23,400)	33,325
Deferred Revenue	-	(2,000)
Net Adjustment	<u>71,323</u>	<u>(129,021)</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>2,954</u>	<u>(92,869)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Net Cash Proceeds in Merger	-	36,335
Purchase of Computer Equipment	<u>(1,619)</u>	<u>-</u>
Total Cash Flows from Investing Activities	<u>(1,619)</u>	<u>36,335</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>1,335</u>	<u>(56,534)</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>145,521</u>	<u>202,055</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$146,856</u>	<u>\$ 145,521</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, 2010

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. As part of the merger, A&BC/Boston assumed the assets and liabilities of VLA, with a net asset value of \$49,333 as of August 1, 2008.

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. Business Volunteers for the Arts (BVA) places experienced business professionals as pro bono consultants, mentors and committee members with small to mid-sized arts and cultural organizations.

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, 2010

(Continued)

NOTE 2 *(Continued)*

Professional Development: Artist's Professional Toolbox (APT) provides entrepreneurial skills and training which empower self-employed visual artists to master the business challenges of being an artist. Toolbox 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 325 business professionals from 160 companies to become board members of arts and cultural organizations;

Delivered more than \$10 million of pro bono legal services to more than 4,200 artists and arts organizations;

Provided intensive professional development education and continuing services to more than 100 visual arts; and

Presented more than 300 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:

In accordance with generally accepted accounting principles, 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). 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.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE 3 (Continued)

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:

In accordance with generally accepted accounting principles, 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. These financial statements do not report any assets of this nature.

Cash and Cash Equivalents:

For the purpose of these financial statements, cash and cash equivalents are defined as cash balances maintained in checking, savings and cash reserve/money market accounts and certificates of deposit with original maturities of less than ninety days. Fair value approximates carrying value due to the short maturities of those instruments and are classified within Level 1 of the fair value hierarchy.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE 3 *(Continued)*

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, 2010 and 2009, 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 9*). 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 market 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.

Contributions, Gifts and Grants:

In accordance with generally accepted accounting principles, 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.

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.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE 3 *(Continued)*

Donated Goods, Services and Facilities:

Arts & Business Council of Greater Boston, Inc. maintains a policy to record certain in-kind transactions in accordance with generally accepted accounting principles. 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 market values in the period received. These donations are recognized as revenue and functional expenses 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:

In accordance with generally accepted accounting principles, 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 \$81,563 and \$109,840, respectively, which includes the direct costs of fund raising events, indirect event costs and general fund raising expenses.

Tax Position:

Accounting Standards for Income Taxes provide 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.

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 2006 are no longer subject to examination by tax authorities.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE 4 PROPERTY AND EQUIPMENT

As of June 30, 2010, 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>2010</u>	<u>2009</u>
Leasehold Improvements	3	\$10,395	\$6,930	\$3,465	\$6,930
Computer Equipment	2	<u>3,740</u>	<u>2,265</u>	<u>1,475</u>	<u>1,060</u>
Total		<u>\$14,135</u>	<u>\$9,195</u>	<u>\$4,940</u>	<u>\$7,990</u>

NOTE 5 LINE-OF-CREDIT

A&BC/Boston has 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. Amounts borrowed under the line-of-credit bear interest at the Sovereign Bank Prime Rate, which was 4.75% as of June 30, 2010 (4.24% as of June 30, 2009). The debt covenants require the Organization to maintain a zero balance for 30 consecutive days per year, and the agreement is subject to an annual review process. During FY 2010 and FY 2009, the line-of-credit was not used, and carried a zero balance at year end.

NOTE 6 RECLASSIFICATIONS AND RESTRICTIONS OF NET ASSETS

As of June 30, 2010 and 2009, temporarily restricted net assets consisted of the following donor restricted balances:

<u>Nature of Restriction</u>	<u>2010</u>	<u>2009</u>
Artist's Professional Toolbox	\$ -	\$70,000
Technical Assistance Program	-	<u>12,500</u>
Total	<u>\$ -</u>	<u>\$82,500</u>

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

<u>Nature of Restriction</u>	<u>2010</u>	<u>2009</u>
Merger/Transition	\$ -	\$137,058
Artist's Professional Toolbox	70,000	55,000
VLA Legal Referral Program	11,000	12,625
Technical Assistance Program	12,500	12,500
Direct Legal/Education Services	-	10,000
Americans for the Arts Program	-	7,500
Holiday Art and Art Law Program	<u>9,000</u>	-
Total	<u>\$102,500</u>	<u>\$234,683</u>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE 7 MAJOR GRANTS

As reported on the FY 2009 Statement of Activities, Arts & Business Council of Greater Boston, Inc. received a two-year grant commitment totaling \$100,000 to fund its Artist's Professional Toolbox program. As of June 30, 2009, \$50,000 had been received, and the balance was received in FY 2010. For the year ended June 30, 2009, this grant represents 38% of total *Gifts, Grants and Contributions*, and 58% of total *Grants Receivable*.

NOTE 8 DONATED GOODS, SERVICES AND FACILITIES

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

<u>Description</u>	<u>2010</u>	<u>2009</u>
Professional Fees:		
Legal Services for Arts Organizations (*)	\$414,000	\$400,000
Business Consultants for Arts Organizations (*)	5,400	95,000
Program Speakers	4,200	4,500
Legal Interns (Direct Assistance)	79,250	3,751
Financial Management Services	2,100	3,600
Total In-Kind Professional Fees	<u>504,950</u>	<u>506,851</u>
Office Space	3,220	3,220
Office Expenses and Supplies	9,000	10,000
Special Fund Raising Event Venue	6,250	-
Event Invitations	3,500	-
Total	<u>\$526,920</u>	<u>\$520,071</u>

(*) The Organization estimates that they have referred 207 cases to attorneys in FY 2010 and 200 in FY 2009 for a variety of matters, for which pro-bono legal assistance is provided to arts organizations. For valuation purposes, an average rate of \$200 per hour has been assumed. In addition, in FY 2010, three pro-bono business consultant placements were valued at \$150 per hour and ten placements in FY 2009.

NOTE 9 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.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE 9 (Continued)

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>2010</u>	<u>2009</u>
Gross Proceeds:		
Sponsorships/Contributions	\$ 51,625	\$ 55,020
Ticket Sales	18,417	22,090
Art Auction	6,750	7,731
Advertising/Program Book	<u>850</u>	<u>4,300</u>
Gross Event Proceeds	77,642	89,141
Less: Direct Event Costs*	<u>(23,848)</u>	<u>(13,498)</u>
Gross Proceeds, Net of Direct Event Costs	<u>\$ 53,794</u>	<u>\$ 75,643</u>

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

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.

NOTE 11 LEASE OBLIGATIONS

As part of the merger with VLA, the Organization assumed the remaining term on a three-year lease which will expire on October 31, 2010. 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, 2010 and 2009, under this lease arrangement was \$10,736 and \$9,394, respectively. As of June 30, 2010, the future minimum lease obligation arising from this commitment is scheduled below:

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2011	<u>\$3,660</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 August 9, 2010, the date which the financial statements were available for issue, and noted no events which met the criteria.