

**ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.**

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

**YEARS ENDED JUNE 30, 2013 AND 2012**

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](http://www.smithsullivancpa.com)

**ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.**

**REPORT ON FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2013 AND 2012**

**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, 2013 AND 2012

C O N T E N T S

	<i>Pages</i>
Independent Accountants' Review Report.....	1
Statements of Financial Position as of June 30, 2013 and 2012.....	2
Statement of Activities for the Year Ended June 30, 2013..... <i>(With Summarized Comparative Totals for 2012)</i>	3
Statement of Functional Expenses for the Year Ended June 30, 2013..... <i>(With Summarized Comparative Totals for 2012)</i>	4
Statements of Cash Flows for the Years Ended June 30, 2013 and 2012.....	5
Notes to Financial Statements.....	6 - 16

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, 2013 and 2012, 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, P.C.*

Westborough, Massachusetts  
October 29, 2013

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2013 AND 2012

**ASSETS**

	<u>2013</u>	<u>2012</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash	\$ 189,998	\$ 148,590
Restricted Cash	37,228	21,211
Grants Receivable	57,500	20,000
Accounts Receivable, Program Services	9,500	20,205
Contributions Receivable	15,754	11,620
Prepaid Expenses	3,961	6,042
Total Current Assets	<u>313,941</u>	<u>227,668</u>
<b><u>PROPERTY AND EQUIPMENT:</u></b>		
Leasehold Improvements	23,020	10,395
Computer Equipment	11,464	11,464
Subtotal	<u>34,484</u>	<u>21,859</u>
Less: Accumulated Depreciation	<u>(17,493)</u>	<u>(16,048)</u>
Net Property and Equipment	<u>16,991</u>	<u>5,811</u>
<b><u>OTHER ASSETS:</u></b>		
Intangible Assets, Net of Amortization	2,400	7,200
Security Deposit on Lease	10,732	732
Total Other Assets	<u>13,132</u>	<u>7,932</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 344,064</u></b>	<b><u>\$ 241,411</u></b>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES:</u></b>		
Accounts Payable	\$ 7,816	\$ 1,866
Accrued Expenses	5,650	5,809
Accrued Payroll and Related Costs	10,438	4,160
Deferred Revenue	27,500	10,000
Total Current Liabilities	<u>51,404</u>	<u>21,835</u>
<b><u>NET ASSETS:</u></b>		
Unrestricted Net Assets	197,932	178,365
Temporarily Restricted Net Assets	94,728	41,211
Total Net Assets	<u>292,660</u>	<u>219,576</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 344,064</u></b>	<b><u>\$ 241,411</u></b>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013  
*(With Summarized Comparative Totals for 2012)*

<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES 2013</u>	<u>2012</u>
<i>Public Support:</i>				
Gifts, Grants and Contributions	\$ 42,848	\$ 212,596	\$ 255,444	\$ 104,455
Special Events, Net of Direct Costs	53,385	-	53,385	59,263
Donated Goods, Services and Facilities	733,300	-	733,300	897,900
Total Public Support	<u>829,533</u>	<u>212,596</u>	<u>1,042,129</u>	<u>1,061,618</u>
<i>Program Service Revenues:</i>				
Educational/Workshops Fees	85,685	-	85,685	85,231
Legal Representation Fees	7,205	-	7,205	26,715
Referral Fees	-	-	-	1,400
Application Fees	7,874	-	7,874	10,650
Government Grants	15,500	-	15,500	8,000
Total Program Service Revenues	<u>116,264</u>	<u>-</u>	<u>116,264</u>	<u>131,996</u>
<i>Other Revenues:</i>				
Holiday Card Sales, Net of Costs	3,680	-	3,680	5,235
Rental Income	7,700	-	7,700	1,400
Interest Income	474	-	474	50
Total Other Revenues	<u>11,854</u>	<u>-</u>	<u>11,854</u>	<u>6,685</u>
<i>Reclassification of Net Assets:</i>				
Satisfaction of Donor Restrictions	159,079	(159,079)	-	-
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>1,116,730</u></b>	<b><u>53,517</u></b>	<b><u>1,170,247</u></b>	<b><u>1,200,299</u></b>
<b><u>FUNCTIONAL EXPENSES:</u></b>				
Program Services	918,116	-	918,116	1,084,746
Fiscally Sponsored Projects	50,382	-	50,382	1,289
<i>Supporting Services:</i>				
Administrative	85,356	-	85,356	97,382
Fund Raising	43,309	-	43,309	50,905
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<b><u>1,097,163</u></b>	<b><u>-</u></b>	<b><u>1,097,163</u></b>	<b><u>1,234,322</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b><u>19,567</u></b>	<b><u>53,517</u></b>	<b><u>73,084</u></b>	<b><u>(34,023)</u></b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>178,365</u></b>	<b><u>41,211</u></b>	<b><u>219,576</u></b>	<b><u>253,599</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 197,932</u></b>	<b><u>\$ 94,728</u></b>	<b><u>\$ 292,660</u></b>	<b><u>\$ 219,576</u></b>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

*(With Summarized Comparative Totals for 2012)*

	<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>2013</u>	<u>2012</u>
Salaries and Wages	\$ 127,701	\$ 24,256	\$ 27,041	\$ 178,998	\$ 210,053
Payroll Taxes	11,784	2,238	2,495	16,517	17,272
Fringe Benefits	1,087	207	230	1,524	7,533
Rent and Utilities	15,028	823	610	16,461	15,193
Program and Marketing Supplies	1,530	-	-	1,530	3,410
Liability Insurance	-	2,792	-	2,792	4,048
Telephone and Communications	8,398	1,050	1,050	10,498	4,752
In-Kind Professional Fees	705,350	9,351	9,350	724,051	894,649
Professional Fees	-	22,840	1,538	24,378	14,502
Website Design/Maintenance	1,823	1,823	-	3,646	1,620
Travel	235	6,003	-	6,238	2,056
Speaker Fees, Program Consultants	32,816	-	-	32,816	19,755
Meals	-	2,910	-	2,910	2,765
Event Supplies and Production	4,408	-	118	4,526	8,343
Office Supplies and Equipment	-	2,138	-	2,138	5,537
Printing	2,334	790	375	3,499	6,953
Postage and Delivery	-	1,741	191	1,932	763
Bank Charges and Other Fees	-	3,780	-	3,780	2,712
Dues and Subscriptions	-	1,483	-	1,483	2,461
Depreciation and Amortization Expense	5,622	312	311	6,245	7,092
Miscellaneous	-	819	-	819	1,564
<b>Total Arts &amp; Business Council of Greater Boston, Inc. Functional Expenses</b>	<b>918,116</b>	<b>85,356</b>	<b>43,309</b>	<b>1,046,781</b>	<b>1,233,033</b>
Fiscally Sponsored Projects	50,382	-	-	50,382	1,289
<b>Total Functional Expenses</b>	<b><u>\$ 968,498</u></b>	<b><u>\$ 85,356</u></b>	<b><u>\$ 43,309</u></b>	<b><u>\$ 1,097,163</u></b>	<b><u>\$ 1,234,322</u></b>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	\$ 73,084	\$ (34,023)
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Depreciation and Amortization Expense	6,245	7,092
<i>(Increase) Decrease in Current Assets:</i>		
Restricted Cash	(16,017)	(21,211)
Grants Receivable	(37,500)	71,180
Accounts Receivable, Program Services	10,705	(18,998)
Contributions Receivable	(4,134)	13,315
Prepaid Expenses	2,081	(5,127)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	5,950	(174)
Accrued Expenses	(159)	184
Accrued Payroll and Related Costs	6,278	(7,772)
Deferred Revenue	17,500	10,000
<i>(Increase) Decrease in Other Assets:</i>		
Cash Outlay for Security Deposit	(10,000)	-
Net Adjustment	(19,051)	48,489
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<b><u>54,033</u></b>	<b><u>14,466</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of Leasehold Improvements	(12,625)	-
Net Cash Flows from Investing Activities	(12,625)	-
<b><u>NET INCREASE IN CASH BALANCES</u></b>	<b><u>41,408</u></b>	<b><u>14,466</u></b>
<b><u>CASH - BEGINNING OF YEAR</u></b>	<b><u>148,590</u></b>	<b><u>134,124</u></b>
<b><u>CASH - END OF YEAR</u></b>	<b><u>\$ 189,998</u></b>	<b><u>\$ 148,590</u></b>
 <i>Supplemental Disclosures :</i>		
Interest Paid	\$ -	\$ -
Income Taxes Paid	\$ -	\$ -



ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 & HR 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
- 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 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 600 attorneys who volunteer their time and services to provide legal counsel, education, and organizational support to the Massachusetts arts community. The VLA's Teen Art Law program provides inner-city high school students with an understanding of copyright, trademark and patent law through fun and lively presentations by VLA faculty.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

*(Continued)*

NOTE 2 *(Continued)*

Our Corporate Art Lending program for businesses seeks to forge greater connections among business and arts communities by bringing extraordinary, original artwork by local artists into Boston's workplaces. This program is an outgrowth of our commitment to the professional development of artists and grounded in our philosophy of investing in artists. True to our mission, we share program revenue with the lending artists. The loan of artworks also provides opportunities for works to be purchased outright by our clients. Artwork is loaned for a one-year period from the date of placement.

Investing in the Creative Workforce is a human resources program that addresses the needs of cultural organizations and their employees by providing increased HR compliance through direct legal and HR consulting, increased access to employment benefits, and education on timely HR issues.

The Artist Investment Fund is a partnership with the Bentley Microfinance Group of Bentley University - a primarily student-run 501(c)3 non-profit organization. This program provides micro-loans to local artists and creative entrepreneurs in the Greater Boston area who have found the traditional means of accessing capital closed to them.

The A&BC/Boston also provides legal and tax-exempt status through its Fiscal Sponsorship Program to artists and arts groups engaged in activities related to the Organization's mission. For organizations interested in incorporating as a 501(c)3, the A&BC/Boston provides non-profit incorporation educational seminars, as well as direct assistance.

**Professional Development:**

The A&BC's Essential Training for the Arts (ETA) programs provide entrepreneurial skills and training that empower self-employed artists and local arts organizations to master business challenges. Now in its ninth year, the Artist's Professional Toolbox program (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. The Organization has a similar program for musicians, training 15 participants on business skills over three months.

The Organization's professional development offerings include individual workshops and speaking engagements for member organizations and the creative community at large, human resources education for arts organizations (see Investing in the Creative Workforce above), and webinars on a range of topics that help artists and organizations flourish. Last year, A&BC/Boston conducted over 50 such seminars.

**Board Development:**

The Organization's comprehensive Business on Board program ("BOB") trains qualified and diverse candidates from the business and legal communities and facilitates their placement on the boards of arts and cultural organizations. BOB also includes consulting services for non-profit arts services boards.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 2 (Continued)

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 over 400 business professionals from more than 160 companies to become board members of arts and cultural organizations
- Delivered more than \$12 million of *pro bono* legal services to more than 5,000 artists and arts organizations
- Provided intensive professional development education and continuing services to more than 400 individual artists, including musicians, performers, and visual artists
- Presented more than 500 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:**

The Organization reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 3 (Continued)

The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

For the years presented, the Organization did not have any assets that require re-measurement on a recurring basis, which would be required to be classified under the fair value hierarchy.

**Financial Statement Presentation:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, 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.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

*(Continued)*

NOTE 3      *(Continued)*

The accompanying financial statements include certain prior-year summarized comparative information. With respect to the Statement of Activities, such prior year information is not presented by net asset class and, on the Statement of Functional Expenses, FY 2012 expenses by line item are in total, rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

**Grants Receivable and Accounts Receivable, Program Services:**

*Grants Receivable* reflects the balance due on grant commitments. *Accounts Receivable, Program Services* represents amounts due from organizations for educational and workshop fees, legal representation fees and application fees. *Grants Receivable* and *Accounts Receivable, Program Services* are stated at the amount management expects to collect from outstanding balances. Collectability of receivables is reviewed by management annually. Management considers all receivables to be fully collectible as of June 30, 2013 and 2012, and therefore, has not established a reserve for uncollectible amounts. The Organization did not experience any loss on uncollectible grants or uncollectible accounts receivable, program services for the years presented. Therefore, if accounts or grants receivable become uncollectible, they will be charged to activities when that determination is made.

The portion of receivables which is scheduled for payment in the coming fiscal year is classified as current, while amounts that extend beyond one year are classified as long-term. As of June 30, 2013 and 2012, all *Grants Receivable* and *Accounts Receivable, Program Services* are classified as current.

**Contributions Receivable:**

*Contributions Receivable* consists primarily of auction proceeds, sponsorships and ticket sales arising from the special fund raising event held in each of the years presented (*See Note 6*). 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.

**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* was \$4,800 for the years ended June 30, 2013 and 2012.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

*(Continued)*

NOTE 3      *(Continued)*

**Revenue Recognition:**

Program service revenue consists primarily of educational/workshop and legal representation fees. Revenue is recognized when the services are rendered. Revenues and sponsorships collected in advance for workshops and special events are treated as unearned revenue and as such, these deferred amounts are reported as a current liability, and will be recognized as revenue when earned. For the year ended June 30, 2013 and 2012, the revenues which were attributable to future periods amounted to \$27,500 and \$10,000, respectively.

**Contributions, Gifts and Grants:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, 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.

**Donated Goods, Services and Facilities:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, 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*<sup>TM</sup>, 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.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 3 (Continued)

*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 ended June 30, 2013 and 2012, total fund raising expenses were \$66,959 and \$74,357, respectively, which includes the direct costs of fund raising events, indirect event costs and general fund raising expenses.

**Tax Position:**

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. 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. 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 2010 are no longer subject to examination by tax authorities.

**Reclassifications:**

Certain amounts in the prior year comparative information have been reclassified to conform to the current year presentation. Reclassifications made to the prior year information have no impact on total net assets or changes in net assets.

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2013 and 2012:

<u>Asset Category</u>	<u>Est.</u> <u>Life</u>	<u>Cost</u>	<u>Accum.</u> <u>Depreciation</u>	<u>Net Book Value</u>	
				<u>2013</u>	<u>2012</u>
Leasehold Improvements	3	\$23,020	\$10,395	\$12,625	\$ -
Computer Equipment	2	<u>11,464</u>	<u>7,098</u>	<u>4,366</u>	<u>5,811</u>
Total		<u>\$34,484</u>	<u>\$17,493</u>	<u>\$16,991</u>	<u>\$5,811</u>

As of June 30, 2013, Leasehold Improvements includes \$12,625 in deposits for construction of the newly rented space to be occupied in FY 2014. In FY 2014, when the Organization relocates, fully depreciated leasehold improvements with an original cost of \$10,395 will be disposed of and the new leasehold improvements will be placed in service.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(Continued)

NOTE 5     RESTRICTED NET ASSETS

As of June 30, 2013 and 2012, temporarily restricted net assets consisted of the following donor restricted balances:

<u>Nature of Restriction</u>	<u>2013</u>	<u>2012</u>
Time Restriction	\$57,500	\$ -
Creative Workforce	-	20,000
Fiscal Sponsorship - Katherine Jones	14,769	21,211
Fiscal Sponsorship - Boston Sculptors	10,803	-
Fiscal Sponsorship - Art in the Park Worcester	11,003	-
Fiscal Sponsorship - Sneaker Museum	<u>653</u>	<u>-</u>
Total	<u>\$94,728</u>	<u>\$41,211</u>

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

<u>Nature of Restriction</u>	<u>2013</u>	<u>2012</u>
Creative Workforce	\$ 20,000	\$20,000
Fiscal Sponsorship - Katherine Jones	6,442	3,789
Fiscal Sponsorship - Boston Sculptors	30,097	-
Fiscal Sponsorship - Urbano Project	16,139	-
Fiscal Sponsorship - Art in the Park Worcester	2,162	-
Fiscal Sponsorship - Sneaker Museum	489	-
Artist's Professional Toolbox	-	35,000
Arts Service Center	-	15,000
Direct Legal/Education Services	10,000	10,000
Volunteer Lawyers for the Arts of MA Artists Toolbox	25,000	-
Arts Service Center for Greater Boston	10,000	-
Library of Webinars	22,500	-
Consulting	5,000	-
Holiday Art and Art Law Program	<u>11,250</u>	<u>9,000</u>
Total	<u>\$159,079</u>	<u>\$92,789</u>

NOTE 6     SPECIAL FUND RAISING EVENT

The revenue from the special event 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, 2013

(Continued)

NOTE 6 (Continued)

A silent auction fund raising event and an art auction were held during the FY 2013 and FY 2012 events, respectively, and is summarized in the following table:

***“Martinis and Masterpieces”***

	<u>2013</u>	<u>2012</u>
Gross Proceeds:		
Sponsorships/Contributions	\$ 56,800	\$ 59,585
Ticket Sales	8,925	9,900
Auction	5,060	6,980
Donated Event Venue	<u>6,250</u>	<u>6,250</u>
Gross Event Proceeds	77,035	82,715
Less: Direct Event Costs*	<u>(23,650)</u>	<u>(23,452)</u>
Gross Proceeds, Net of Direct Event Costs	<u>\$ 53,385</u>	<u>\$ 59,263</u>

(\*) Includes \$6,250 of donated venue costs in FY 2013 and FY 2012

NOTE 7 DONATED GOODS, SERVICES AND FACILITIES

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

<u>Description</u>	<u>2013</u>	<u>2012</u>
Professional Fees:		
Legal Services for Arts Organizations (*)	\$530,750	\$633,500
Business Consultants for Arts Organizations (*)	2,250	1,800
Program Speakers	4,050	4,950
Legal Interns (Direct Assistance)	187,000	243,899
Legal Services	5,000	-
Financial Management Services	<u>-</u>	<u>10,500</u>
Total In-Kind Professional Fees	729,050	894,649
Office Space	<u>4,250</u>	<u>3,251</u>
Total	<u>\$733,300</u>	<u>\$897,900</u>

(\*) The Organization estimates that they have referred 99 cases to attorneys in FY 2013 and 182 in FY 2012 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 2013 and FY 2012. In addition, for the years presented, one pro bono business consultant placement was valued at \$150 per hour.

NOTE 8 FISCAL SPONSORSHIP

During FY 2013 and FY 2012, the Organization acted as a fiscal sponsor for multiple projects. Grants and contributions made for these projects through A&BC/Boston are recognized as temporarily restricted support in the A&BC/Boston financial statements in the year received. Funds collected and held for distribution related to these projects are released from *Temporarily Restricted Net Assets* as eligible costs are incurred.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

*(Continued)*

NOTE 8      *(Continued)*

These funds were distributed upon the request of the artists, at which time, net assets were released from restriction and related program expenses were recognized. A&BC/Boston retains a fee to cover administrative costs of 5% - 10%. The balance was transferred to the sponsored projects and reported as *Fiscally Sponsored Projects* in the accompanying Statement of Functional Expenses.

NOTE 9      CONCENTRATIONS

**Grants Receivable:**

During FY 2013, Arts & Business Council of Greater Boston, Inc. received a two-year grant commitment totaling \$120,000 to fund several programs. As of June 30, 2013, \$62,500 had been received and \$57,500 was included in *Grants Receivable*, representing 100% of total *Grants Receivable*.

**Accounts Receivable, Program Services:**

As of June 30, 2013, 100% of the Organization's *Accounts Receivable, Program Services* was due from one organization. As of June 30, 2012, 71% of the Organization's *Accounts Receivable, Program Services* was due from two organizations.

**Contributions Receivable:**

As of June 30, 2013, 63% of the Organization's *Contributions Receivable* was due from one contributor. As of June 30, 2012, 86% of the Organization's *Contributions Receivable* was due from three contributors.

**Donated Goods, Services and Facilities:**

As discussed in Note 7, the Organization receives a significant amount of donated goods, services and facilities, primarily in the form of donated legal services. These amounts account for 63% and 75% of total support and revenues for the years ended June 30, 2013 and 2012, respectively.

NOTE 10      TAX-DEFERRED ANNUITY PLAN

The Organization maintains a tax-deferred annuity plan, which qualifies 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 tax-deferred annuities. All contributions to this plan are from employees, and as there is no provision for employer matching, these financial statements do not reflect an employee benefit plan expense.

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, 2013 and 2012 under this lease arrangement was \$11,346 and \$10,980, respectively. In August 2012, a verbal sublease agreement was made to sublease this space and the rental income has been recorded in the Statement of Activities as *Rental Income*. This space will be occupied until November 2013 when the move into the newly leased space occurs.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

*(Continued)*

NOTE 11 *(Continued)*

In June 2013, the Organization entered into a lease agreement for approximately 2,750 square feet of commercial space at 15 Channel Center Street, Boston, Massachusetts. The lease provides program space, most of which is shared common space, and required a \$10,000 security deposit. The lease term commences August 1, 2013, and is five years with an option to extend for one five-year term. The first two years of base rent and fixed common area maintenance charges were set at \$43,010 with yearly increases of 3% during years three through five.

The Organization is able to sublease part of this space under the lease agreement up to 50% or 1,375 square feet to other charitable organizations that seek to promote the arts community and artistic endeavors and to individual artists and/or arts groups for use as artist studios. The lease agreement requires the Organization to pay the landlord 50% of the excess amount of rent collected under subleases over the amount paid in rent, after deducting reasonable costs in connection with the subleases.

In June 2013, the Organization entered into a sublease agreement for a five-year term for shared office space with one office designated for this tenant. Annual rent for the first two years of this sublease will be \$16,500, with yearly increases of 3% during years three through five.

In August 2013, the Organization entered into a sublease agreement for a five-year term for shared office space with one office of approximately 550 square feet designated for this tenant. Annual rent for the first two years of this sublease will be \$16,500, with yearly increases of 3% during years three through five.

As of June 30, 2013, the future minimum lease obligation arising from these commitments are scheduled below:

<u>Fiscal Year Ending</u>	<u>Gross Rent</u>	<u>Sublease</u>	<u>Net Cost</u>
June 30, 2014	\$ 46,914	\$ 33,000	\$13,914
June 30, 2015	43,010	33,000	10,010
June 30, 2016	44,300	34,000	10,300
June 30, 2017	45,629	35,100	10,529
June 30, 2018	<u>46,998</u>	<u>36,300</u>	<u>10,698</u>
Total	<u>\$226,851</u>	<u>\$171,400</u>	<u>\$55,451</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 October 29, 2013, the date which the financial statements were available for issue, and noted no events, other than the sublease as discussed in Note 11 above, which met the criteria.