

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

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

**YEARS ENDED JUNE 30, 2014 AND 2013**

Smith  Sullivan  
& Brown PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

**REPORT ON FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2014 AND 2013**

**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, 2014 AND 2013

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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, 2014 and 2013, 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 & Brown, P.C.*

Westborough, Massachusetts  
October 27, 2014

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS:</u>		
Operating Cash	\$ 111,181	\$ 189,998
Cash Held for Fiscally Sponsored Projects	88,238	37,228
Grants Receivable	53,500	57,500
Accounts Receivable, Program Services	10,860	9,500
Contributions Receivable, Current	36,795	15,754
Prepaid Expenses	8,287	3,961
Total Current Assets	<u>308,861</u>	<u>313,941</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>25,596</u>	<u>16,991</u>
<u>OTHER ASSETS:</u>		
Board Designated Cash Reserve	100,000	-
Walter Feldman Fellowship Fund Investments	586,909	-
Contributions Receivable, Non-Current	13,500	-
Intangible Assets, Net of Amortization	-	2,400
Security Deposits	10,000	10,732
Total Other Assets	<u>710,409</u>	<u>13,132</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,044,866</u>	<u>\$ 344,064</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable	\$ 24,080	\$ 7,816
Accrued Expenses	5,625	5,650
Accrued Payroll and Related Costs	16,913	10,438
Deferred Revenue	1,720	27,500
Total Current Liabilities	<u>48,338</u>	<u>51,404</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets:		
Undesignated Net Assets	140,038	197,932
Board Designated Reserve	100,000	-
Total Unrestricted Net Assets	<u>240,038</u>	<u>197,932</u>
Temporarily Restricted Net Assets	756,490	94,728
Total Net Assets	<u>996,528</u>	<u>292,660</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,044,866</u>	<u>\$ 344,064</u>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014  
*(With Summarized Comparative Totals for 2013)*

<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES 2014</u>	<u>2013</u>
<i>Public Support:</i>				
Gifts, Grants and Contributions	\$ 76,633	\$ 817,897	\$ 894,530	\$ 255,444
Special Events, Net of Direct Costs	52,625	-	52,625	53,385
Donated Services and Facilities	720,600	-	720,600	733,300
Total Public Support	<u>849,858</u>	<u>817,897</u>	<u>1,667,755</u>	<u>1,042,129</u>
<i>Program Service Revenues:</i>				
Educational/Workshops Fees	86,607	-	86,607	85,685
Legal Representation Fees	38,095	-	38,095	7,205
Art Lending Fees	15,800	-	15,800	-
Referral Fees	2,173	-	2,173	-
Application Fees	9,503	-	9,503	7,874
Government Grants	-	-	-	15,500
Total Program Service Revenues	<u>152,178</u>	<u>-</u>	<u>152,178</u>	<u>116,264</u>
<i>Other Revenues:</i>				
Holiday Card Sales, Net of Costs	6,845	-	6,845	3,680
Rental Income	30,072	-	30,072	7,700
Investment Income	535	28,847	29,382	474
Total Other Revenues	<u>37,452</u>	<u>28,847</u>	<u>66,299</u>	<u>11,854</u>
<i>Reclassification of Net Assets:</i>				
Satisfaction of Donor Restrictions	184,982	(184,982)	-	-
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>1,224,470</u></b>	<b><u>661,762</u></b>	<b><u>1,886,232</u></b>	<b><u>1,170,247</u></b>
<b><u>FUNCTIONAL EXPENSES:</u></b>				
Program Services	961,548	-	961,548	918,116
Fiscally Sponsored Projects	81,974	-	81,974	50,382
<i>Supporting Services:</i>				
Administrative	90,709	-	90,709	85,356
Fund Raising	48,133	-	48,133	43,309
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<b><u>1,182,364</u></b>	<b><u>-</u></b>	<b><u>1,182,364</u></b>	<b><u>1,097,163</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b><u>42,106</u></b>	<b><u>661,762</u></b>	<b><u>703,868</u></b>	<b><u>73,084</u></b>
<b><u>NET ASSETS - BEGINNING 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>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 240,038</u></b>	<b><u>\$ 756,490</u></b>	<b><u>\$ 996,528</u></b>	<b><u>\$ 292,660</u></b>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

*(With Summarized Comparative Totals for 2013)*

	<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>2014</u>	<u>2013</u>
Salaries and Wages	\$ 134,948	\$ 25,271	\$ 28,372	\$ 188,591	\$ 178,998
Payroll Taxes	9,397	1,760	1,976	13,133	16,517
Fringe Benefits	1,249	234	263	1,746	1,524
Rent and Utilities	43,854	2,424	2,212	48,490	16,461
Program and Marketing Supplies	4,015	-	-	4,015	1,530
Liability Insurance	-	4,429	-	4,429	2,792
Telephone and Communications	10,483	1,310	1,310	13,103	10,498
In-Kind Professional Fees	698,864	8,743	8,743	716,350	724,051
Professional Fees	-	18,610	1,738	20,348	24,378
Website Design/Maintenance	608	607	-	1,215	3,646
Travel	1,401	3,810	-	5,211	6,238
Speaker Fees, Program Consultants	40,751	-	-	40,751	32,816
Meals	-	2,649	-	2,649	2,910
Event Supplies and Production	1,583	-	-	1,583	4,526
Office Supplies and Equipment	-	5,424	-	5,424	2,138
Printing	6,882	343	3,103	10,328	3,499
Postage and Delivery	-	680	-	680	1,932
Bank Charges and Other Fees	-	4,068	-	4,068	3,780
Dues and Subscriptions	-	1,864	-	1,864	1,483
Depreciation and Amortization Expense	7,513	416	416	8,345	6,245
Relocation Expenses	-	4,799	-	4,799	-
Miscellaneous	-	3,268	-	3,268	819
<b>Total Arts &amp; Business Council of Greater Boston, Inc. Functional Expenses</b>	<b>961,548</b>	<b>90,709</b>	<b>48,133</b>	<b>1,100,390</b>	<b>1,046,781</b>
Fiscally Sponsored Projects	81,974	-	-	81,974	50,382
<b>Total Functional Expenses</b>	<b><u>\$ 1,043,522</u></b>	<b><u>\$ 90,709</u></b>	<b><u>\$ 48,133</u></b>	<b><u>\$ 1,182,364</u></b>	<b><u>\$ 1,097,163</u></b>

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	\$ 703,868	\$ 73,084
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Depreciation and Amortization Expense	8,345	6,245
Net Investment Revenue	(29,382)	-
Donated Investments - Walter Feldman Fellowship Fund	(557,527)	-
<i>(Increase) Decrease in Current Assets:</i>		
Cash Held for Fiscally Sponsored Projects	(51,010)	(16,017)
Grants Receivable	4,000	(37,500)
Accounts Receivable, Program Services	(1,360)	10,705
Contributions Receivable	(21,041)	(4,134)
Prepaid Expenses	(4,326)	2,081
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	16,264	5,950
Accrued Expenses	(25)	(159)
Accrued Payroll and Related Costs	6,475	6,278
Deferred Revenue	(25,780)	17,500
<i>(Increase) Decrease in Other Assets:</i>		
Contributions Receivable	(13,500)	-
Security Deposits	732	(10,000)
Net Adjustment	<u>(668,135)</u>	<u>(19,051)</u>
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<b><u>35,733</u></b>	<b><u>54,033</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Reclassification of Board Designated Cash	(100,000)	-
Purchase of Leasehold Improvements	<u>(14,550)</u>	<u>(12,625)</u>
Net Cash Flows from Investing Activities	<u>(114,550)</u>	<u>(12,625)</u>
<b><u>NET INCREASE IN CASH BALANCES</u></b>	<b><u>(78,817)</u></b>	<b><u>41,408</u></b>
<b><u>CASH - BEGINNING OF YEAR</u></b>	<b><u>189,998</u></b>	<b><u>148,590</u></b>
<b><u>CASH - END OF YEAR</u></b>	<b><u>\$ 111,181</u></b>	<b><u>\$ 189,998</u></b>



ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 direct services to the creative professionals and arts and cultural organizations that could otherwise not afford it. These currently include legal & human resource (“HR”) services, art lending, fiscal sponsorship, microlending and technological solutions.
- 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.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

*(Continued)*

NOTE 2      *(Continued)*

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. In specialized programming, the VLA has partnered with the Boston Patent Lawyers' Association to launch a Pro Bono Patent program for the creative community and with the Joan Mitchell Foundation to develop greater estate planning resources for artists and their attorneys. 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.

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.

In the Fall of 2014, the A&BC launched SpaceFinder Mass, a free online platform that enables artists and creative spaces to connect with one another. SpaceFinder's advanced search function enables venues to promote their space based on technical specifications, pricing, availability, the type of events suitable for their space and more. These filter capabilities assure that organizations receive inquiries from renters serious and educated about what their space has to offer, and it enables artists to find spaces suitable to their creative needs. Created by Fractured Atlas and established in numerous cities nationwide, the A&BC is bringing this service to our area with the support of the Massachusetts Cultural Council and in collaboration with StageSource and Boston Dance Alliance.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 2 (Continued)

**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 40 such seminars. We brought these programs to community partners including the North Bennet Street School, New England Foundation for the Arts, and more.

**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.

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

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

*(Continued)*

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.

The three levels of inputs used to measure fair value are defined 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.

The primary use of fair value measures in the Organization's financial statements is the recurring measurement of its investments. There have been no changes to this valuation methodology.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

*(Continued)*

NOTE 3 *(Continued)*

**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.

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 2013 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, 2013, from which the summarized information was derived.

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

*Grants Receivable* and *Contributions Receivable* reflect the balances due on multi-year grant commitments and other promises to give. *Accounts Receivable, Program Services* represents amounts due from organizations for educational and workshop fees, legal representation fees and application fees. Receivables are stated at the amount management expects to collect from outstanding balances.

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, 2014 and 2013, all *Grants Receivable* and *Accounts Receivable, Program Services* are classified as current. The Organization's non-current *Contributions Receivable* are expected to be paid in FY 2016.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 3 (Continued)

Collectability of receivables is reviewed by management annually. Management considers all receivables to be fully collectible as of June 30, 2014 and 2013, and therefore, has not established a reserve for uncollectible amounts. The Organization did not experience any loss on uncollectible receivables for the years presented. Therefore, if receivables become uncollectible, they will be charged to activities when that determination is made.

**Investments:**

The Organization maintains an investment portfolio which consists of cash, equity securities, mutual funds and exchange traded funds. The investments of the Organization are reported at fair value. As required by FASB Accounting Standards Codification™, the Organization reports the investments' net realized and unrealized gains and losses at each reporting date in the Organization's Statement of Activities. Purchases and sales of securities are recorded on the trade date. In determining the gains (losses) realized on the sales of securities, the cost of the securities sold has been determined on a specific identification basis. All investments included in the accompanying financial statements are valued with level 1 inputs. Cash held in brokerage accounts is reported as investments for purposes of these financial statements. Investments are classified as either short-term or long-term depending on the underlying intentions.

**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 \$2,400 and \$4,800 for the years ended June 30, 2014 and 2013, respectively.

**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.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

*(Continued)*

NOTE 3    *(Continued)*

**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 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.

*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, 2014 and 2013, total fund raising expenses were \$74,809 and \$66,959, respectively, which includes the direct costs of fund raising events, indirect event costs and general fund raising expenses.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 3 (Continued)

**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 2011 are no longer subject to examination by tax authorities.

**Reclassifications:**

In order to more accurately reflect the Organization's intentions, cash balances of \$100,000 as of June 30, 2014 have been reclassified as a *Board Designated Cash Reserve*. This reclassification has no effect on the net assets or the change in net assets for the years presented.

NOTE 4 CASH AND INVESTMENTS

As of June 30, 2014, investment costs and unrealized gains and losses consisted of the following components:

<u>Investment Type</u>	<u>June 30, 2014</u>			
	<u>Cost Basis</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Money Market Funds	\$280,389	\$ -	\$ -	\$280,389
Equity Securities	22,367	821	-	23,188
Mutual Funds	158,760	5,304	-	164,064
Exchange Traded Funds	<u>98,092</u>	<u>21,176</u>	<u>-</u>	<u>119,268</u>
Total	<u>\$559,608</u>	<u>\$27,301</u>	<u>\$ -</u>	<u>\$586,909</u>

The Organization uses the following ways to determine the fair value of its investments:

Money Market Funds: Determined by the published net asset value ("NAV") per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

Equity securities traded on national securities exchanges: Determined by the closing price on the last business day of the fiscal year.

Mutual Funds: Determined at the published NAV per unit at the end of the last trading day of the fiscal year, which is the basis for the transactions at that date. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares held by the Organization at year end. NAV is quoted in an active market.

Exchange Traded Funds: Determined by the published closing prices on the last business day of the calendar year.



ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 4 (Continued)

<u>Composition of Investment Return</u>	<u>2014</u>
Interest and Dividend Income	\$ 2,081
Unrealized Gain on Investments	<u>27,301</u>
Net Investment Return	<u>\$29,382</u>

The entirety of the Organization's investment portfolio is restricted to the Walter Feldman Fellowship Fund, which provides support and financial assistance to artists seeking to establish a career in art. For each of the next five years, the Fellowship will award two fellowships of \$11,250 each to artists to establish and maintain a solo exhibition at the A&BC/Boston's Walter Feldman Gallery. After the initial five years of the fellowship program, the remaining balance in the Walter Feldman Fellowship Fund can be used at the Board's discretion.

As of June 30, 2014 and 2013, the Organization's cash balances are presented as follows:

<u>Financial Statement Classification</u>	<u>2014</u>	<u>2013</u>
Operating Cash	\$111,181	\$189,998
Cash Held For Fiscally Sponsored Projects	88,238	37,225
Board Designated Cash Reserve	<u>100,000</u>	-
Total	<u>\$299,419</u>	<u>\$227,226</u>

NOTE 5 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2014 and 2013:

<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>2014</u>	<u>2013</u>
Leasehold Improvements	3	\$27,175	\$ 4,076	\$23,099	\$12,625
Computer Equipment	2	<u>11,464</u>	<u>8,967</u>	<u>2,497</u>	<u>4,366</u>
Total		<u>\$38,639</u>	<u>\$13,043</u>	<u>\$25,596</u>	<u>\$16,991</u>

Depreciation Expense was \$5,945 and \$1,445, respectively, for the years ended June 30, 2014 and 2013. During FY 2014, the Organization disposed of fully depreciated leasehold improvements with an original cost of \$10,395. The disposal of this equipment had no impact on the change in net assets for the year ended June 30, 2014.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

*(Continued)*

NOTE 6     RESTRICTED NET ASSETS

As of June 30, 2014 and 2013, temporarily restricted net assets consisted of the following donor restricted balances:

<u>Nature of Restriction</u>	<u>2014</u>	<u>2013</u>
Time Restriction	\$ -	\$57,500
Creative Workforce	50,000	-
Peter Urban Legacy Initiative	27,000	-
Walter Feldman Fellowship	591,252	-
Fiscally Sponsored Projects	<u>88,238</u>	<u>37,228</u>
Total	<u>\$756,490</u>	<u>\$94,728</u>

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

<u>Nature of Restriction</u>	<u>2014</u>	<u>2013</u>
Creative Workforce	\$ -	\$ 20,000
Direct Legal/Education Services	10,000	10,000
Volunteer Lawyers for the Arts of MA Artists Toolbox	25,000	25,000
Arts Service Center for Greater Boston	10,000	10,000
Library of Webinars	22,500	22,500
Consulting	-	5,000
Holiday Art and Art Law Program	11,000	11,250
Peter Urban Legacy Initiative	13,725	-
Fiscally Sponsored Projects	<u>92,757</u>	<u>55,329</u>
Total	<u>\$184,982</u>	<u>\$159,079</u>

NOTE 7     SPECIAL FUND RAISING EVENT

In each of the years presented, a special fund raising event (“Martinis and Masterpieces”) was held by the Organization. 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.

The following table summarizes the fund raising event:

<i>“Martinis and Masterpieces”</i>		
	<u>2014</u>	<u>2013</u>
Gross Proceeds:		
Sponsorships/Contributions	\$ 48,250	\$ 56,800
Ticket Sales	14,115	8,925
Auction	6,936	5,060
Donated Event Venue	<u>10,000</u>	<u>6,250</u>
Gross Event Proceeds	79,301	77,035
Less: Direct Event Costs*	<u>(26,676)</u>	<u>(23,650)</u>
Gross Proceeds, Net of Direct Event Costs	<u>\$ 52,625</u>	<u>\$ 53,385</u>

(\*) Includes \$10,000 and \$6,250 of donated venue costs in FY 2014 and FY 2013, respectively.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

*(Continued)*

NOTE 8     DONATED SERVICES AND FACILITIES

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

<u>Description</u>	<u>2014</u>	<u>2013</u>
Professional Fees:		
Legal Services for Arts Organizations (*)	\$537,750	\$530,750
Business Consultants for Arts Organizations (*)	-	2,250
Program Speakers	3,750	4,050
Legal Interns (Direct Assistance)	174,850	187,000
Legal Services	<u>-</u>	<u>5,000</u>
Total In-Kind Professional Fees	716,350	729,050
Office Space	<u>4,250</u>	<u>4,250</u>
Total	<u>\$720,600</u>	<u>\$733,300</u>

(\*) The Organization estimates that they have referred 85 cases to attorneys in FY 2014 and 99 in FY 2013 for a variety of matters, for which pro bono legal assistance is provided to arts organizations. For valuation purposes, an average rate of \$275 per hour for smaller cases and \$375 per hour for larger cases was assumed for FY 2014. In FY 2013, an average rate of \$225 per hour for smaller cases and \$325 per hour for larger cases was assumed. In addition, for the year ended June 30, 2013, one pro bono business consultant placement was valued at \$150 per hour.

NOTE 9     FISCAL SPONSORSHIP

During FY 2014 and FY 2013, 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.

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 10     CONCENTRATIONS

**Cash:**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of uninsured cash deposits held at one financial institution. Cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. As of June 30, 2014, cash balances in excess of the FDIC coverage were \$45,836. There were no balances in excess of FDIC coverage for the year ended June 30, 2013. The Organization has not experienced any losses on uninsured cash balances.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

NOTE 10 (Continued)

**Investments:**

Investments are primarily held at one brokerage firm and are invested in a balanced portfolio of various types of marketable securities. These investments are exposed to interest rate, market, credit and other risks depending on the nature of the investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Organization's investments; however, the Organization's investment portfolio is reviewed by the Board of Directors on a periodic basis and the Organization's portfolio is widely diversified among issuers.

**Grants Receivable:**

During FY 2014, Arts & Business Council of Greater Boston, Inc. received a two-year grant commitment totaling \$50,000 to fund the Creative Entrepreneur Fellowship program. As of June 30, 2014, the full amount of this grant was included in *Grants Receivable*, representing 93% of total *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, 2014, 74% of the Organization's *Accounts Receivable, Program Services* was due from two organizations. As of June 30, 2013, 100% of the Organization's *Accounts Receivable, Program Services* was due from one organization.

**Contributions Receivable:**

As of June 30, 2014 and 2013, 54% and 63%, respectively, of the Organization's *Contributions Receivable* was due from one contributor.

**Revenue:**

For the year ended June 30, 2014, 63% of the Organization's *Gift, Grants and Contributions* was received from one donor.

**Donated Services and Facilities:**

As discussed in Note 8, the Organization receives a significant amount of donated services and facilities, primarily in the form of donated legal services. These amounts account for 38% and 63% of total support and revenues for the years ended June 30, 2014 and 2013, respectively.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

*(Continued)*

NOTE 11    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 12    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 provided 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, 2014 and 2013 under this lease arrangement was \$4,017 and \$11,346, 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 was occupied through October 2013.

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 commenced 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. Rent Expense for the year ended June 30, 2014 under this lease arrangement was \$39,424.

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.

Commencing in FY 2014, the Organization entered into three separate sublease agreements. Two agreements signed in June and August of 2013, had five-year terms, with annual rent in the first two years of \$16,500 and yearly rental increases of 3%.

In January 2014, the Organization entered into a one-year sublease agreement. Annual rent for this sublease is \$4,243, which included a minimal fee to prepare the office for the tenant.

ARTS & BUSINESS COUNCIL OF GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

*(Continued)*

NOTE 12 *(Continued)*

As of June 30, 2014, 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, 2015	\$ 43,010	\$ 35,070	\$ 7,940
June 30, 2016	44,300	34,000	10,300
June 30, 2017	45,629	35,100	10,529
June 30, 2018	46,998	36,300	10,698
June 30, 2019	<u>48,510</u>	<u>-</u>	<u>48,510</u>
Total	<u>\$228,447</u>	<u>\$140,470</u>	<u>\$87,977</u>

NOTE 13 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 27, 2014, the date which the financial statements were available for issue, and noted no events which met the criteria.