



**FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

ARTS/BOSTON, INC.
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AUGUST 31, 2014 AND 2013

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CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

Where Every Client Is A Valued Client

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Arts/Boston, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Arts/Boston, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of August 31, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arts/Boston, Inc. as of August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Aronson, Finning & Co., P.C.

Boston, Massachusetts
December 11, 2014

ARTS/BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2014 AND 2013

<u>ASSETS</u>	2014			2013		
	TEMPORARILY			TEMPORARILY		
	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
CURRENT ASSETS:						
Cash and cash equivalents	\$ 470,972	\$ 10,228	\$ 481,200	\$ 431,013	\$ 58,803	\$ 489,816
Accounts receivable	57,514	-	57,514	32,289	-	32,289
Grants receivable	6,000	29,000	35,000	-	141,400	141,400
Prepaid expenses	13,538	-	13,538	12,820	-	12,820
Total current assets	<u>548,024</u>	<u>39,228</u>	<u>587,252</u>	<u>476,122</u>	<u>200,203</u>	<u>676,325</u>
PROPERTY AND EQUIPMENT:						
BosTix building and improvements - Faneuil Hall	452,065	-	452,065	452,065	-	452,065
BosTix building and improvements - Copley	251,765	-	251,765	251,765	-	251,765
Ticketing and other software, equipment and furniture	264,262	-	264,262	251,597	-	251,597
	<u>968,092</u>	<u>-</u>	<u>968,092</u>	<u>955,427</u>	<u>-</u>	<u>955,427</u>
Less - accumulated depreciation	521,091	-	521,091	472,008	-	472,008
Net property and equipment	<u>447,001</u>	<u>-</u>	<u>447,001</u>	<u>483,419</u>	<u>-</u>	<u>483,419</u>
Total assets	<u>\$ 995,025</u>	<u>\$ 39,228</u>	<u>\$ 1,034,253</u>	<u>\$ 959,541</u>	<u>\$ 200,203</u>	<u>\$ 1,159,744</u>
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES:						
Accounts payable - vendors	\$ 26,201	\$ -	\$ 26,201	\$ 33,948	\$ -	\$ 33,948
Accounts payable - member reimbursement	45,280	-	45,280	15,604	-	15,604
Accrued expenses	35,574	-	35,574	52,078	-	52,078
Deferred revenue	151,495	-	151,495	135,573	-	135,573
Total current liabilities	<u>258,550</u>	<u>-</u>	<u>258,550</u>	<u>237,203</u>	<u>-</u>	<u>237,203</u>
NET ASSETS:						
Unrestricted:						
Operating	289,474	-	289,474	259,919	-	259,919
Property and equipment	447,001	-	447,001	462,419	-	462,419
Total unrestricted	<u>736,475</u>	<u>-</u>	<u>736,475</u>	<u>722,338</u>	<u>-</u>	<u>722,338</u>
Temporarily restricted	-	39,228	39,228	-	200,203	200,203
Total net assets	<u>736,475</u>	<u>39,228</u>	<u>775,703</u>	<u>722,338</u>	<u>200,203</u>	<u>922,541</u>
Total liabilities and net assets	<u>\$ 995,025</u>	<u>\$ 39,228</u>	<u>\$ 1,034,253</u>	<u>\$ 959,541</u>	<u>\$ 200,203</u>	<u>\$ 1,159,744</u>

The accompanying notes are an integral part of these statements.

ARTS/BOSTON, INC.

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2014**
(With Summarized Comparative Totals for the Year Ended August 31, 2013)

	2014					2013
	OPERATING	UNRESTRICTED		TEMPORARILY RESTRICTED	TOTAL	TOTAL
		PROPERTY AND EQUIPMENT	TOTAL			
PUBLIC SUPPORT AND EARNED REVENUE:						
Public support:						
In-kind revenue	\$ 524,509	\$ -	\$ 524,509	\$ -	\$ 524,509	\$ 359,142
Contributions and private grants	99,509	-	99,509	39,228	138,737	173,714
Government grants	64,500	-	64,500	-	64,500	43,000
Net assets released from purpose restrictions	51,619	-	51,619	(51,619)	-	-
Net assets released from time restrictions	141,400	-	141,400	(141,400)	-	-
Total public support	881,537	-	881,537	(153,791)	727,746	575,856
Earned revenue:						
Marketing - trade	688,537	-	688,537	-	688,537	677,059
BosTix.org service charges	380,100	-	380,100	-	380,100	332,223
Advertising sales and sponsorships	331,463	-	331,463	-	331,463	255,708
BosTix booth service charges	205,443	-	205,443	-	205,443	238,681
Member services and Audience Initiative	126,209	-	126,209	-	126,209	107,059
Interest and other	8,505	-	8,505	-	8,505	17,301
Total earned revenue	1,740,257	-	1,740,257	-	1,740,257	1,628,031
Member ticket activity:						
Member ticket sales	1,593,478	-	1,593,478	-	1,593,478	2,008,027
Member ticket reimbursements	(1,593,478)	-	(1,593,478)	-	(1,593,478)	(2,008,027)
Net member ticket activity	-	-	-	-	-	-
Total public support and earned revenue	2,621,794	-	2,621,794	(153,791)	2,468,003	2,203,887
EXPENSES:						
Program services:						
BosTix.Org	1,277,128	3,777	1,280,905	-	1,280,905	863,943
BosTix Booths	377,437	36,355	413,792	-	413,792	435,602
Member services	216,219	1,176	217,395	-	217,395	160,392
ArtsBoston.Org	298,238	4,755	302,993	-	302,993	574,632
Total program services	2,169,022	46,063	2,215,085	-	2,215,085	2,034,569
Supporting services:						
General and Administrative	209,865	1,510	211,375	-	211,375	244,908
Fundraising	186,871	1,510	188,381	-	188,381	180,844
Total supporting services	396,736	3,020	399,756	-	399,756	425,752
Total expenses	2,565,758	49,083	2,614,841	-	2,614,841	2,460,321
Changes in net assets from operations	56,036	(49,083)	6,953	(153,791)	(146,838)	(256,434)
NON-OPERATING REVENUES (EXPENSES):						
Net assets released from capital restrictions	-	7,184	7,184	(7,184)	-	-
Capital grants	-	-	-	-	-	50,000
Loss on disposal of property and equipment	-	-	-	-	-	(8,047)
Total non-operating revenues (expenses)	-	7,184	7,184	(7,184)	-	41,953
Changes in net assets	56,036	(41,899)	14,137	(160,975)	(146,838)	(214,481)
NET ASSETS, beginning of year	259,919	462,419	722,338	200,203	922,541	1,137,022
Transfer of net assets	(26,481)	26,481	-	-	-	-
NET ASSETS, end of year	\$ 289,474	\$ 447,001	\$ 736,475	\$ 39,228	\$ 775,703	\$ 922,541

The accompanying notes are an integral part of these statements.

ARTS/BOSTON, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2013

	UNRESTRICTED			TEMPORARILY RESTRICTED	TOTAL
	OPERATING	PROPERTY AND EQUIPMENT	TOTAL		
PUBLIC SUPPORT AND EARNED REVENUE:					
Public support:					
In-kind revenue	\$ 359,142	\$ -	\$ 359,142	\$ -	\$ 359,142
Contributions and private grants	103,673	-	103,673	70,041	173,714
Government grants	43,000	-	43,000	-	43,000
Net assets released from purpose restrictions	50,099	-	50,099	(50,099)	-
Net assets released from time restrictions	125,000	-	125,000	(125,000)	-
Total public support	680,914	-	680,914	(105,058)	575,856
Earned revenue:					
Marketing - trade	677,059	-	677,059	-	677,059
BosTix.org service charges	332,223	-	332,223	-	332,223
Advertising sales and sponsorships	255,708	-	255,708	-	255,708
BosTix booth service charges	238,681	-	238,681	-	238,681
Member services	107,059	-	107,059	-	107,059
Interest and other	17,301	-	17,301	-	17,301
Total earned revenue	1,628,031	-	1,628,031	-	1,628,031
Member ticket activity:					
Member ticket sales	2,008,027	-	2,008,027	-	2,008,027
Member ticket reimbursements	(2,008,027)	-	(2,008,027)	-	(2,008,027)
Net member ticket activity	-	-	-	-	-
Total public support and earned revenue	2,308,945	-	2,308,945	(105,058)	2,203,887
EXPENSES:					
Program services:					
BosTix.Org	858,813	5,130	863,943	-	863,943
BosTix Booths	401,278	34,324	435,602	-	435,602
ArtsBoston Audience Initiative	159,548	844	160,392	-	160,392
ArtsBoston.Org	566,731	7,901	574,632	-	574,632
Total program services	1,986,370	48,199	2,034,569	-	2,034,569
Supporting services:					
General and Administrative	243,822	1,086	244,908	-	244,908
Fundraising	179,758	1,086	180,844	-	180,844
Total supporting services	423,580	2,172	425,752	-	425,752
Total expenses	2,409,950	50,371	2,460,321	-	2,460,321
Changes in net assets from operations	(101,005)	(50,371)	(151,376)	(105,058)	(256,434)
NON-OPERATING REVENUES (EXPENSES):					
Capital grants	-	41,197	41,197	8,803	50,000
Loss on disposal of property and equipment	-	(8,047)	(8,047)	-	(8,047)
Total non-operating revenues (expenses)	-	33,150	33,150	8,803	41,953
Changes in net assets	(101,005)	(17,221)	(118,226)	(96,255)	(214,481)
NET ASSETS, beginning of year	350,563	490,001	840,564	296,458	1,137,022
Transfer of net assets	10,361	(10,361)	-	-	-
NET ASSETS, end of year	\$ 259,919	\$ 462,419	\$ 722,338	\$ 200,203	\$ 922,541

The accompanying notes are an integral part of these statements.

ARTS/BOSTON, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (146,838)	\$ (214,481)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Capital grants	-	(50,000)
Depreciation	49,083	50,371
Loss on disposal of property and equipment	-	8,047
Changes in operating assets and liabilities:		
Accounts receivable	(25,225)	28,421
Grants receivable	106,400	134,959
Prepaid expenses	(718)	23,513
Accounts payable - vendors	13,253	(2,574)
Accounts payable - member reimbursement	29,676	(69,290)
Accrued expenses	(16,504)	(3,754)
Deferred revenue	15,922	12,520
	25,049	(82,268)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(33,665)	(30,836)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital grants	-	50,000
	-	50,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,616)	(63,104)
CASH AND CASH EQUIVALENTS, beginning of year	489,816	552,920
	489,816	552,920
CASH AND CASH EQUIVALENTS, end of year	\$ 481,200	\$ 489,816
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Cost basis of disposed property and equipment	\$ -	\$ 60,679
	-	60,679
Property and equipment additions included in accounts payable - vendors	\$ -	\$ 21,000
	-	21,000

The accompanying notes are an integral part of these statements.

ARTS/BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2014

(With Summarized Comparative Totals for the Year Ended August 31, 2013)

	2014					2013				
	PROGRAM SERVICES				TOTAL PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL EXPENSES	
	BOSTIX .ORG	BOSTIX BOOTHES	MEMBER SERVICES	ARTSBOSTON .ORG		GENERAL AND ADMINIS- TRATIVE	FUND- RAISING	TOTAL SUPPORTING SERVICES		TOTAL EXPENSES
PERSONNEL AND RELATED:										
Salaries	\$ 100,106	\$ 158,468	\$ 79,051	\$ 65,117	\$ 402,742	\$ 115,351	\$ 101,605	\$ 216,956	\$ 619,698	\$ 700,114
Employee benefits	10,436	17,269	8,007	6,533	42,245	7,800	10,798	18,598	60,843	104,306
Contracted services	9,991	9,991	7,888	9,991	37,861	8,410	6,309	14,719	52,580	52,525
Payroll taxes	7,349	11,726	5,809	4,792	29,676	8,145	7,472	15,617	45,293	51,092
Total personnel and related	127,882	197,454	100,755	86,433	512,524	139,706	126,184	265,890	778,414	908,037
OTHER EXPENSES:										
Marketing - trade	453,811	54,600	2,500	177,626	688,537	-	-	-	688,537	677,059
Marketing - in-kind	513,834	6,500	-	-	520,334	-	-	-	520,334	356,537
Occupancy	23,614	41,741	12,066	12,937	90,358	15,745	15,553	31,298	121,656	114,388
Marketing	59,604	23,132	2,073	60	84,869	-	-	-	84,869	79,767
Professional fees	-	-	11,330	-	11,330	15,200	38,166	53,366	64,696	56,243
Ticketing systems	34,893	25,827	741	942	62,403	787	591	1,378	63,781	49,503
The Arts Factor	-	-	51,814	-	51,814	-	-	-	51,814	-
Miscellaneous	13,563	5,727	14,229	1,869	35,388	11,289	1,439	12,728	48,116	39,402
Credit card and bank charges	39,816	247	702	-	40,765	592	-	592	41,357	39,549
Technology	2,833	9,270	2,106	3,352	17,561	3,469	1,681	5,150	22,711	23,664
Telephone and equipment	3,271	5,634	2,361	2,755	14,021	2,783	2,476	5,259	19,280	20,611
Strategic planning	-	-	-	-	-	19,248	-	19,248	19,248	-
Conferences and meetings	2,767	3,864	10,380	25	17,036	-	-	-	17,036	15,051
License fees	-	750	-	11,000	11,750	-	-	-	11,750	12,000
Office expense	1,240	2,691	987	1,239	6,157	1,046	781	1,827	7,984	8,782
Program - in-kind	-	-	4,175	-	4,175	-	-	-	4,175	2,605
Events	-	-	-	-	-	-	-	-	-	4,252
Market research	-	-	-	-	-	-	-	-	-	2,500
Total other	1,149,246	179,983	115,464	211,805	1,656,498	70,159	60,687	130,846	1,787,344	1,501,913
Total expenses before depreciation	1,277,128	377,437	216,219	298,238	2,169,022	209,865	186,871	396,736	2,565,758	2,409,950
DEPRECIATION	3,777	36,355	1,176	4,755	46,063	1,510	1,510	3,020	49,083	50,371
Total expenses	\$ 1,280,905	\$ 413,792	\$ 217,395	\$ 302,993	\$ 2,215,085	\$ 211,375	\$ 188,381	\$ 399,756	\$ 2,614,841	\$ 2,460,321

The accompanying notes are an integral part of these statements.

ARTS/BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2013

	PROGRAM SERVICES					SUPPORTING SERVICES			
	BOSTIX _ORG	BOSTIX BOOTHES	MEMBER SERVICES	ARTSBOSTON _ORG	TOTAL PROGRAM SERVICES	GENERAL AND ADMINIS- TRATIVE	FUND- RAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
PERSONNEL AND RELATED:									
Salaries	\$ 119,538	\$ 187,763	\$ 82,441	\$ 75,858	\$ 465,600	\$ 146,833	\$ 87,681	\$ 234,514	\$ 700,114
Employee benefits	20,417	19,278	15,988	13,049	68,732	22,472	13,102	35,574	104,306
Contracted services	9,802	9,802	7,738	9,802	37,144	9,191	6,190	15,381	52,525
Payroll taxes	8,876	13,972	6,093	5,624	34,565	10,492	6,035	16,527	51,092
Total personnel and related	158,633	230,815	112,260	104,333	606,041	188,988	113,008	301,996	908,037
OTHER EXPENSES:									
Marketing - trade	429,109	49,600	-	198,350	677,059	-	-	-	677,059
Marketing - in-kind	120,638	11,552	-	224,347	356,537	-	-	-	356,537
Occupancy	22,609	37,076	11,721	12,559	83,965	15,346	15,077	30,423	114,388
Marketing	58,009	17,081	1,215	3,462	79,767	-	-	-	79,767
Professional fees	-	-	-	-	-	14,400	41,843	56,243	56,243
Ticketing systems	17,359	28,333	919	1,170	47,781	980	742	1,722	49,503
Miscellaneous	4,331	3,446	11,077	2,988	21,842	14,830	2,730	17,560	39,402
Credit card and bank charges	37,950	242	782	-	38,974	575	-	575	39,549
Technology	3,431	9,247	2,660	3,373	18,711	2,831	2,122	4,953	23,664
Telephone and equipment	3,467	5,926	2,500	2,914	14,807	3,177	2,627	5,804	20,611
Conferences and meetings	2,042	2,012	8,582	-	12,636	1,660	755	2,415	15,051
License fees	-	-	-	12,000	12,000	-	-	-	12,000
Office expense	1,235	3,448	975	1,235	6,893	1,035	854	1,889	8,782
Program - in-kind	-	-	2,605	-	2,605	-	-	-	2,605
Events	-	-	4,252	-	4,252	-	-	-	4,252
Market research	-	2,500	-	-	2,500	-	-	-	2,500
Total other	700,180	170,463	47,288	462,398	1,380,329	54,834	66,750	121,584	1,501,913
Total expenses before depreciation	858,813	401,278	159,548	566,731	1,986,370	243,822	179,758	423,580	2,409,950
DEPRECIATION	5,130	34,324	844	7,901	48,199	1,086	1,086	2,172	50,371
Total expenses	\$ 863,943	\$ 435,602	\$ 160,392	\$ 574,632	\$ 2,034,569	\$ 244,908	\$ 180,844	\$ 425,752	\$ 2,460,321

The accompanying notes are an integral part of these statements.

ARTS/BOSTON, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Arts/Boston, Inc. (the Agency) is a nonprofit service organization that builds the marketing and audience development capacity of the Greater Boston cultural sector to connect residents and visitors with the arts. Founded in 1975, the Agency sponsors innovative collaborative programs and services that build participation, share knowledge, and raise awareness of cultural organizations of all sizes and working in all disciplines. It also serves as a catalyst that leads the cultural community in embracing new and dynamic approaches to existing and emerging challenges and opportunities.

Signature programs include:

Member Services: Contains the following initiatives:

ArtsBoston Audience Initiative: Helps arts groups apply actionable market research to their efforts to understand, retain, and grow audiences through marketing and outreach by using a powerful database of 1.5 million arts-going households, combined with in-depth training, technical assistance, and shared learning.

The Arts Factor: Presents cultural impact research that strengthens the sector's ability to build a unified, data-driven case about the cross-cutting importance of arts and culture to the region.

BosTix: Guides organizations to use strategic discounting through sales online at BosTix.org and at cultural information booths at Faneuil Hall and Copley Square.

ArtsBoston.org: Provides broad visibility for the arts through Boston's most comprehensive online cultural calendar and information resource.

ArtsBoston also provides cost-saving marketing through unique online, outdoor, and print advertising platforms; social media connectivity; and collaborative promotional campaigns such as Mayor's Holiday and Get ARTventurous.

The Agency is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within the requirements of the IRC and related regulations.

SIGNIFICANT ACCOUNTING POLICIES

The Agency prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification (ASC).

ARTS/BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Agency reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Restricted grants received and earned during the same year are included in unrestricted contributions and grants. Unrestricted contributions and grants are recognized when received or when unconditionally pledged. Government grants are recognized over the period covered by the grant as services are provided and costs are incurred.

The Agency sells tickets and other services on behalf of participating arts and cultural organizations. BosTix.org and BosTix booth and service charges are recognized as tickets are sold. The Agency collected on behalf of and remitted to participating members \$1,593,478 and \$2,008,027 for the years ended August 31, 2014 and 2013, respectively. Accounts payable - member reimbursement of \$45,280 and \$15,604 as of August 31, 2014 and 2013, respectively, represent proceeds collected by the Agency to be remitted to the respective members. Member services and Audience Initiative revenues are recognized as earned.

The Agency engages in trades of marketing services whereby the Agency's programs are promoted in various formats by media and other companies. In exchange, the Agency provides the media and other companies with promotional advertising in Agency promotional channels. The value of these services of \$688,537 and \$677,059 for the years ended August 31, 2014 and 2013, respectively, is reflected as marketing - trade revenue and marketing - trade expense in the accompanying financial statements. All other revenue is recognized as earned.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and money market accounts. These are all considered to be cash and cash equivalents for the purpose of the statements of cash flows.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amounts and do not bear interest. The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any. There was no allowance for doubtful accounts deemed necessary as of August 31, 2014 and 2013.

Grants Receivable

Grants receivable consists of unconditional promises to give and are all expected to be collected in the following fiscal year.

ARTS/BOSTON, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013
(Continued)**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. The Agency has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value; therefore, the disclosure requirements do not currently apply.

Net Assets

Unrestricted net assets include operating and property and equipment resources available for supporting the Agency's operations net of related liabilities. Unrestricted net assets bear no external donor restrictions. Temporarily restricted net assets are resources designated by donors for specific costs or program activities which have not yet been expended for those programs. Temporarily restricted net assets also include those resources that are restricted for a specific period of time.

Temporarily restricted net assets are restricted for the following at August 31:

	<u>2014</u>	<u>2013</u>
Audience Initiative	\$29,000	\$ -
Gateway to the Arts	10,228	-
Time	-	141,400
Arts Sector Research Report and Event	-	50,000
Capital	-	8,803
	<u>\$39,228</u>	<u>\$200,203</u>

In-Kind Goods and Services

During the years ended August 31, 2014 and 2013, the Agency received goods and services in various aspects of its programs and operations. The value of these goods and services, as determined by donors and management, are reflected as in-kind revenue and related expenses in the accompanying statements of activities and changes in net assets and functional expenses and consist of the following:

	<u>2014</u>	<u>2013</u>
Advertisements	\$520,334	\$356,537
Workshops	3,500	1,605
Memberships	675	-
Fall Social & Arts Preview	-	1,000
	<u>\$524,509</u>	<u>\$359,142</u>

In-kind advertisements include promotion of the Agency and its programs by various media companies.

ARTS/BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair market value on the date received, if donated. Renewals and betterments are capitalized as additions to the related asset accounts while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

BosTix building and improvements - Faneuil Hall	5 - 20 years
BosTix building and improvements - Copley	5 - 15 years
Ticketing and other software, equipment and furniture	3 - 5 years

Deferred Revenue

Deferred revenue consists of member services/fees paid in advance of the membership year, prepaid content syndication, advertising, and unused gift certificates. These are recognized as revenue as member services are provided, posters and advertising are displayed, and as gift certificates are redeemed.

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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.

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at August 31, 2014 and 2013. The Agency's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Subsequent Events

Subsequent events have been evaluated through December 11, 2014, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

ARTS/BOSTON, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

(Continued)

(2) LETTERS OF CREDIT

As security for the use of the Ticketmaster ticket service, the Agency maintains a letter of credit for \$20,000. This letter of credit bears an annual service fee of 1.5% and renews annually in October, subject to bank approval.

In lieu of a security deposit on its facility lease (see Note 3), the Agency maintains a letter of credit for \$17,313. This letter of credit renews annually in October, subject to bank approval.

(3) LEASE COMMITMENTS

The Agency leases office space with monthly payments between \$6,255 and \$6,695, including electricity costs through June, 2016. Total rent expense, which is included in occupancy expense in the accompanying statements of functional expenses for the years ended August 31, 2014 and 2013, was \$82,079 and \$79,595 (including accrued rent, see below), respectively. Future minimum lease payments for the remaining life of this lease are as follows:

Fiscal Year

2015	\$80,328
2016	\$66,940

The Agency is also responsible for certain operating costs as defined in the lease agreement.

In accordance with U.S. GAAP, the Agency records rent expense for the operating lease on a straight-line basis over the respective term of the lease regardless of actual cash payments. The Agency has accrued \$9,664 and \$12,622 of rent expense under this agreement as of August 31, 2014 and 2013, respectively, which is included in accrued expenses in the accompanying statements of financial position.

Rent expense for leased equipment under leases that expire through August, 2017 is included in telephone and equipment in the accompanying statements of functional expenses and totaled \$7,683 and \$8,275 in fiscal years 2014 and 2013, respectively. Future minimum lease payments for the remaining life of this lease are as follows:

Fiscal Year

2015	\$5,352
2016	\$5,352
2017	\$2,040

(4) LICENSE AGREEMENT

The Agency has a license agreement for certain property at Copley Square Park for their BosTix booth that expires on July 31, 2016, unless earlier terminated in accordance with the terms of the agreement.

ARTS/BOSTON, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

(Continued)

(5) LINE OF CREDIT

At August 31, 2014 and 2013, the Agency had a \$187,000 revolving line of credit with a bank, which is secured by all business assets. The total available amount of the line of credit is reduced by the balances of the letters of credit referred to in Note 2. Interest on borrowings is payable monthly at the prime rate as published in the *Wall Street Journal* (3.25% at August 31, 2014 and 2013), plus 1%. Principal is due on demand. The line of credit renews annually in October, subject to bank approval. There was no outstanding balance as of August 31, 2014 and 2013.

(6) CONCENTRATION OF CREDIT RISK

The Agency maintains its cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on its cash and cash equivalents.

(7) RELATED PARTY TRANSACTIONS

A member of the Agency's Board of Directors is the President and CEO of an organization who uses the Agency for the sale of discounted tickets to their shows and events as well as advertising for the organization's events. The Agency sold \$6,746 and \$6,597 of tickets for the organization during fiscal years 2014 and 2013, respectively. The organization also paid the Agency \$18,500 and \$21,000 for advertising during fiscal years 2014 and 2013, respectively.

A Board Member is the Executive Vice President of an advertising agency that provided \$8,300 of advertising services to the Agency during fiscal year 2014.

(8) COMMITMENTS

The Agency has entered into an agreement with a nonprofit arts and cultural corporation to obtain a license for the software of a new website calendar. The agreement is through September, 2015 when the Agency can renew the agreement for two additional one-year terms at the then-current market rate. The fees for the licensing were \$11,750 and \$12,000 for the years ended August 31, 2014 and 2013, respectively, which are included in license fees in the accompanying statements of functional expenses.

(9) RETIREMENT PLAN

The Agency maintains a qualified IRC Section 401(k) plan, which covers substantially all employees who have completed one year of service and are at least 21 years of age. Employees may make contributions to the 401(k) plan up to the maximum allowed by law. The Agency's Board of Directors may elect to make a discretionary matching contribution, determined annually. The Agency's contributions to this plan were \$1,832 and \$18,349 for the years ended August 31, 2014 and 2013, respectively. These costs are included in employee benefits in the accompanying statements of functional expenses.

ARTS/BOSTON, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

(Continued)

(10) CONDITIONAL GRANTS

The Agency has launched a fundraising campaign to support planning and feasibility studies prior to a potential capital campaign for facilities renovation to increase capacity of its Copley Square booth. In July, 2013, the Massachusetts Cultural Facilities Fund approved a \$30,000 Feasibility and Technical Assistance Grant to the Agency as part of this effort. The grant is conditional upon entering into a satisfactory grant agreement by December 13, 2014, raising \$30,000 of matching funds by June 13, 2014, and other requirements specified in the grant approval letter. The Agency did not meet the matching requirement by the designated date and therefore requested an extension. In July, 2014, the Massachusetts Cultural Facilities Fund approved a one-year extension of the matching requirement to July, 2015. The matching requirements have not been met as of August 31, 2014, and as such, the grant was not recognized in fiscal year 2014.

(11) RECLASSIFICATION

Certain amounts in the fiscal year 2013 financial statements have been reclassified to conform with the fiscal year 2014 presentation.