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2013
AUDIT

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ARTSBOSTON

FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

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2013

ARTS/BOSTON, INC.
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AUGUST 31, 2013 AND 2012

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Where Every Client Is A Valued Client

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

21 East Main Street, Westborough, MA 01581-1461 (508) 366-9100
Boston, MA (617) 205-9100 Wellesley, MA (781) 965-9100
www.aafcpa.com FAX (508) 366-9789 info@aafcpa.com

010627
2013
AUDIT

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, 2013 and 2012, 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, 2013 and 2012, 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 12, 2013

ARTS/BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2013 AND 2012

ASSETS	2013			2012		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
CURRENT ASSETS:						
Cash and cash equivalents	\$ 431,013	\$ 58,803	\$ 489,816	\$ 532,821	\$ 20,099	\$ 552,920
Accounts receivable	32,289	-	32,289	60,710	-	60,710
Current portion of grants receivable	-	141,400	141,400	-	155,000	155,000
Prepaid expenses	12,820	-	12,820	36,333	-	36,333
Total current assets	<u>476,122</u>	<u>200,203</u>	<u>676,325</u>	<u>629,864</u>	<u>175,099</u>	<u>804,963</u>
GRANTS RECEIVABLE, net of current portion and discount	-	-	-	-	121,359	121,359
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	251,597	-	251,597	260,440	-	260,440
	955,427	-	955,427	964,270	-	964,270
Less - accumulated depreciation	472,008	-	472,008	474,269	-	474,269
Net property and equipment	<u>483,419</u>	<u>-</u>	<u>483,419</u>	<u>490,001</u>	<u>-</u>	<u>490,001</u>
Total assets	<u>\$ 959,541</u>	<u>\$ 200,203</u>	<u>\$ 1,159,744</u>	<u>\$ 1,119,865</u>	<u>\$ 296,458</u>	<u>\$ 1,416,323</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable - vendors	\$ 33,948	\$ -	\$ 33,948	\$ 15,522	\$ -	\$ 15,522
Accounts payable - member reimbursement	15,604	-	15,604	84,894	-	84,894
Accrued expenses	52,078	-	52,078	55,832	-	55,832
Deferred revenue	135,573	-	135,573	123,053	-	123,053
Total current liabilities	<u>237,203</u>	<u>-</u>	<u>237,203</u>	<u>279,301</u>	<u>-</u>	<u>279,301</u>
NET ASSETS:						
Unrestricted:						
Operating	259,919	-	259,919	350,563	-	350,563
Property and equipment	462,419	-	462,419	490,001	-	490,001
Total unrestricted	<u>722,338</u>	<u>-</u>	<u>722,338</u>	<u>840,564</u>	<u>-</u>	<u>840,564</u>
Temporarily restricted	-	200,203	200,203	-	296,458	296,458
Total net assets	<u>722,338</u>	<u>200,203</u>	<u>922,541</u>	<u>840,564</u>	<u>296,458</u>	<u>1,137,022</u>
Total liabilities and net assets	<u>\$ 959,541</u>	<u>\$ 200,203</u>	<u>\$ 1,159,744</u>	<u>\$ 1,119,865</u>	<u>\$ 296,458</u>	<u>\$ 1,416,323</u>

The accompanying notes are an integral part of these statements.

ARTS/BOSTON, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	2013			2012		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
PUBLIC SUPPORT AND EARNED REVENUE:						
Public support:						
In-kind revenue	\$ 359,142	\$ -	\$ 359,142	\$ 439,421	\$ -	\$ 439,421
Contributions and private grants	103,673	70,041	173,714	200,394	57,275	257,669
Government grants	43,000	-	43,000	53,003	-	53,003
Net assets released from purpose restrictions	50,099	(50,099)	-	-	-	-
Net assets released from time restrictions	125,000	(125,000)	-	125,000	(125,000)	-
Total public support	680,914	(105,058)	575,856	817,818	(67,725)	750,093
Earned revenue:						
Marketing - trade	677,059	-	677,059	566,479	-	566,479
BosTix.org service charges	332,223	-	332,223	357,939	-	357,939
Advertising sales and sponsorships	255,708	-	255,708	288,005	-	288,005
BosTix booth service charges	238,681	-	238,681	301,132	-	301,132
Member services and Audience Initiative	107,059	-	107,059	123,844	-	123,844
Interest and other	17,301	-	17,301	22,138	-	22,138
Total earned revenue	1,628,031	-	1,628,031	1,659,537	-	1,659,537
Member ticket activity:						
Member ticket sales	2,008,027	-	2,008,027	2,493,121	-	2,493,121
Member ticket reimbursements	(2,008,027)	-	(2,008,027)	(2,493,121)	-	(2,493,121)
Net member ticket activity	-	-	-	-	-	-
Total public support and earned revenue	2,308,945	(105,058)	2,203,887	2,477,355	(67,725)	2,409,630
EXPENSES:						
Program services:						
BosTix Booths	401,278	-	401,278	517,614	-	517,614
BosTix.Org	858,813	-	858,813	826,913	-	826,913
Member Services and Audience Initiative	159,548	-	159,548	177,040	-	177,040
ArtsBoston.Org	566,731	-	566,731	487,171	-	487,171
Total program services	1,986,370	-	1,986,370	2,008,738	-	2,008,738
Supporting services:						
General and Administrative	243,822	-	243,822	255,381	-	255,381
Fundraising	179,758	-	179,758	154,914	-	154,914
Total supporting services	423,580	-	423,580	410,295	-	410,295
Total expenses before depreciation	2,409,950	-	2,409,950	2,419,033	-	2,419,033
Changes in net assets from operations before depreciation	(101,005)	(105,058)	(206,063)	58,322	(67,725)	(9,403)
Depreciation	50,371	-	50,371	47,963	-	47,963
Changes in net assets from operations	(151,376)	(105,058)	(256,434)	10,359	(67,725)	(57,366)
NON-OPERATING ACTIVITIES:						
Capital grants	41,197	8,803	50,000	-	-	-
Loss on disposal of property and equipment	(8,047)	-	(8,047)	(13,346)	-	(13,346)
Changes in net assets	(118,226)	(96,255)	(214,481)	(2,987)	(67,725)	(70,712)
NET ASSETS, beginning of year	840,564	296,458	1,137,022	843,551	364,183	1,207,734
NET ASSETS, end of year	\$ 722,338	\$ 200,203	\$ 922,541	\$ 840,564	\$ 296,458	\$ 1,137,022

The accompanying notes are an integral part of these statements.

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ARTS/BOSTON, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (214,481)	\$ (70,712)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Capital grants	(50,000)	-
Depreciation	50,371	47,963
Loss on disposal of property and equipment	8,047	13,346
Changes in operating assets and liabilities:		
Accounts receivable	28,421	(39,733)
Grants receivable	134,959	134,324
Prepaid expenses	23,513	1,818
Accounts payable - vendors	(2,574)	(25,642)
Accounts payable - member reimbursement	(69,290)	44,062
Accrued expenses	(3,754)	(2,792)
Deferred revenue	<u>12,520</u>	<u>(17,795)</u>
Net cash provided by (used in) operating activities	(82,268)	84,839
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(30,836)	(19,219)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital grants	<u>50,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(63,104)	65,620
CASH AND CASH EQUIVALENTS, beginning of year	<u>552,920</u>	<u>487,300</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 489,816</u>	<u>\$ 552,920</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Cost basis of disposed property and equipment	<u>\$ 60,679</u>	<u>\$ 20,588</u>
Property and equipment additions included in accounts payable - vendors	<u>\$ 21,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

ARTS/BOSTON, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2013**
(With Summarized Comparative Totals for the Year Ended August 31, 2012)

	2013					2012				
	PROGRAM SERVICES				TOTAL PROGRAM SERVICES	SUPPORTING SERVICES				
	BOSTIX BOOTHHS	BOSTIX _ORG	MEMBER SERVICES AND AUDIENCE INITIATIVE	ARTSBOSTON _ORG		GENERAL AND ADMINIS- TRATIVE	FUND- RAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES	TOTAL EXPENSES
PERSONNEL AND RELATED:										
Salaries	\$ 187,763	\$ 119,538	\$ 82,441	\$ 75,858	\$ 465,600	\$ 146,833	\$ 87,681	\$ 234,514	\$ 700,114	\$ 704,388
Employee benefits	19,278	20,417	15,988	13,049	68,732	22,472	13,102	35,574	104,306	98,254
Contracted services	9,802	9,802	7,738	9,802	37,144	9,191	6,190	15,381	52,525	55,627
Payroll taxes	13,972	8,876	6,093	5,624	34,565	10,492	6,035	16,527	51,092	51,806
Total personnel and related	230,815	158,633	112,260	104,333	606,041	188,988	113,008	301,996	908,037	910,075
OTHER EXPENSES:										
Marketing - trade	49,600	429,109	-	198,350	677,059	-	-	-	677,059	566,479
Marketing - in-kind	11,552	120,638	-	224,347	356,537	-	-	-	356,537	430,523
Occupancy	37,076	22,609	11,721	12,559	83,965	15,346	15,077	30,423	114,388	118,077
Marketing	17,081	58,009	1,215	3,462	79,767	-	-	-	79,767	87,454
Professional fees	-	-	-	-	-	14,400	41,843	56,243	56,243	53,278
Ticketing systems	28,333	17,359	919	1,170	47,781	980	742	1,722	49,503	57,202
Credit card and bank charges	242	37,950	782	-	38,974	575	-	575	39,549	47,386
Miscellaneous	3,446	4,331	11,077	2,988	21,842	14,830	2,730	17,560	39,402	42,933
Technology	9,247	3,431	2,660	3,373	18,711	2,831	2,122	4,953	23,664	24,447
Telephone and equipment	5,926	3,467	2,500	2,914	14,807	3,177	2,627	5,804	20,611	21,184
Conferences and meetings	2,012	2,042	8,582	-	12,636	1,660	755	2,415	15,051	21,617
License fees	-	-	-	12,000	12,000	-	-	-	12,000	12,000
Office expense	3,448	1,235	975	1,235	6,893	1,035	854	1,889	8,782	8,622
Events	-	-	4,252	-	4,252	-	-	-	4,252	6,448
Program - in-kind	-	-	2,605	-	2,605	-	-	-	2,605	8,898
Market research	2,500	-	-	-	2,500	-	-	-	2,500	-
Evaluation	-	-	-	-	-	-	-	-	-	2,410
Total expenses before depreciation	401,278	858,813	159,548	566,731	1,986,370	243,822	179,758	423,580	2,409,950	2,419,033
DEPRECIATION	34,324	5,130	844	7,901	48,199	1,086	1,086	2,172	50,371	47,963
Total expenses	\$ 435,602	\$ 863,943	\$ 160,392	\$ 574,632	\$ 2,034,569	\$ 244,908	\$ 180,844	\$ 425,752	\$ 2,460,321	\$ 2,466,996

The accompanying notes are an integral part of these statements.

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ARTS/BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2012

	PROGRAM SERVICES				SUPPORTING SERVICES				TOTAL EXPENSES
	BOSTIX BOOTHES	BOSTIX .ORG	MEMBER SERVICES AND AUDIENCE INITIATIVE	ARTSBOSTON .ORG	TOTAL PROGRAM SERVICES	GENERAL AND ADMINIS-TRATIVE	FUND-RAISING	TOTAL SUPPORTING SERVICES	
PERSONNEL AND RELATED:									
Salaries	\$ 212,391	\$ 119,034	\$ 76,698	\$ 71,414	\$ 479,537	\$ 151,307	\$ 73,544	\$ 224,851	\$ 704,388
Employee benefits	16,294	17,109	14,388	13,448	61,239	28,240	8,775	37,015	98,254
Contracted services	10,569	10,569	8,345	10,569	40,052	8,897	6,678	15,575	55,627
Payroll taxes	15,984	9,085	5,754	5,402	36,225	10,631	4,950	15,581	51,806
Total personnel and related	255,238	155,797	105,185	100,833	617,053	199,075	93,947	293,022	910,075
OTHER EXPENSES:									
Marketing - trade	55,050	331,879	-	179,550	566,479	-	-	-	566,479
Marketing - in-kind	78,665	204,929	-	146,929	430,523	-	-	-	430,523
Occupancy	41,967	23,009	13,895	12,256	91,127	13,899	13,051	26,950	118,077
Marketing	20,519	41,813	4,948	19,093	86,373	1,081	-	1,081	87,454
Professional fees	-	-	-	-	-	15,220	38,058	53,278	53,278
Ticketing systems	38,140	11,766	1,762	2,238	53,906	1,879	1,417	3,296	57,202
Credit card and bank charges	2,546	43,766	561	-	46,873	513	-	513	47,386
Miscellaneous	6,152	3,266	13,956	2,654	26,028	14,345	2,560	16,905	42,933
Technology	9,414	3,535	2,783	3,535	19,267	2,950	2,230	5,180	24,447
Telephone and equipment	4,961	3,988	3,108	3,176	15,233	3,184	2,767	5,951	21,184
Conferences and meetings	2,024	1,810	14,427	1,142	19,403	2,184	30	2,214	21,617
License fees	-	-	-	12,000	12,000	-	-	-	12,000
Office expense	2,938	1,355	1,069	1,355	6,717	1,051	854	1,905	8,622
Events	-	-	6,448	-	6,448	-	-	-	6,448
Program - in-kind	-	-	8,898	-	8,898	-	-	-	8,898
Evaluation	-	-	-	2,410	2,410	-	-	-	2,410
Total expenses before depreciation	517,614	826,913	177,040	487,171	2,008,738	255,381	154,914	410,295	2,419,033
DEPRECIATION	33,587	4,752	684	7,608	46,631	684	648	1,332	47,963
Total expenses	<u>\$ 551,201</u>	<u>\$ 831,665</u>	<u>\$ 177,724</u>	<u>\$ 494,779</u>	<u>\$ 2,055,369</u>	<u>\$ 256,065</u>	<u>\$ 155,562</u>	<u>\$ 411,627</u>	<u>\$ 2,466,996</u>

The accompanying notes are an integral part of these statements.

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ARTS/BOSTON, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

(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 opportunities.

Signature programs include:

ArtsBoston Audience Initiative: Helps arts groups apply actionable market research to their marketing and outreach through a powerful database of 1.3 million arts-going households, combined with in-depth training, technical assistance, and shared learning

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

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 Spectacular 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. The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within the requirements of the Internal Revenue Code 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.

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.

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ARTS/BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Agency sells tickets and other services on behalf of participating arts and cultural organizations. BosTix.org, BosTix booth and other fees are recognized as tickets are sold. The Agency collected on behalf of and remitted to participating members \$2,008,027 and \$2,493,121 for the years ended August 31, 2013 and 2012, respectively. Accounts payable - member reimbursement of \$15,604 and \$84,894 as of August 31, 2013 and 2012, 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 \$677,059 and \$566,479 for the years ended August 31, 2013 and 2012, 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, 2013 and 2012.

Grants Receivable

Grants receivable consists of unconditional promises to give. These grants are shown net of a present value discount for grants receivable that are due in greater than one year (see Note 2).

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ARTS/BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Agency follows the *Fair Value Measurements and Disclosures* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and mandate disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The Agency values its qualifying assets and liabilities using Level 1 inputs. Level 1 inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

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 are restricted for the following at August 31:

	<u>2013</u>	<u>2012</u>
Time	\$141,400	\$246,359
Arts Sector Research Report and Event	50,000	-
Capital	8,803	-
Audience Initiative	-	30,000
Wiring the Arts program	<u>-</u>	<u>20,099</u>
	<u>\$200,203</u>	<u>\$296,458</u>

In-Kind Goods and Services

During the years ended August 31, 2013 and 2012, 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>2013</u>	<u>2012</u>
Advertisements	\$356,537	\$430,523
Fall Social & Arts Preview	1,605	4,723
Workshops	<u>1,000</u>	<u>4,175</u>
	<u>\$359,142</u>	<u>\$439,421</u>

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

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ARTS/BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012
(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.

Uncertain Tax Positions

The Agency follows U.S. GAAP standards for *Accounting for Uncertainty in Income Taxes*, which requires the Agency to report any uncertain tax positions and to adjust its financial statements for the impact thereof. As of August 31, 2013, the Agency determined that it had no material unrecognized tax benefits to report. The Agency files information returns in the United States Federal and Massachusetts state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

Subsequent Events

Subsequent events have been evaluated through December 12, 2013, 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.

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ARTS/BOSTON, INC.

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012
(Continued)**

(2) GRANTS RECEIVABLE

Grants receivable are due as follows as of August 31:

	<u>2013</u>	<u>2012</u>
Amount due within one year	\$141,400	\$155,000
Amount due within two to five years	-	<u>125,000</u>
	<u>141,400</u>	280,000
Less - discount	-	3,641
	<u>141,400</u>	<u>276,359</u>
Less - current portion	<u>141,400</u>	<u>155,000</u>
Long-term grants receivable, net	<u>\$ -</u>	<u>\$121,359</u>

(3) 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 4), the Agency maintains a letter of credit for \$17,313. This letter of credit renews annually in October, subject to bank approval.

(4) 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, 2013 and 2012, was \$79,595 and \$77,573 (including accrued rent, see below), respectively. Future minimum lease payments for the remaining life of this lease are as follows:

<u>Fiscal Year</u>	
2014	\$78,018
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 \$12,622 and \$12,818 of rent expense under this agreement as of August 31, 2013 and 2012, respectively, which is included in accrued expenses in the accompanying statements of financial position.

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ARTS/BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012
(Continued)

(4) **LEASE COMMITMENTS** (Continued)

Rent expense for leased equipment is included in telephone and equipment in the accompanying statements of functional expenses and totaled \$8,275 and \$7,536 in fiscal years 2013 and 2012, respectively. Future minimum lease payments for the remaining life of this lease are as follows:

<u>Fiscal Year</u>	
2014	\$5,352
2015	\$5,352
2016	\$5,352
2017	\$2,040

(5) **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.

(6) **LINE OF CREDIT**

At August 31, 2013, the Agency has a \$187,000 (\$135,000 at August 31, 2012) 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 3. Interest on borrowings is payable monthly at the prime rate as published in the *Wall Street Journal* (3.25% at August 31, 2013 and 2012), 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, 2013 and 2012.

(7) **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.

(8) **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 \$22,912 of tickets for the organization during fiscal year 2013. The organization also paid the Agency \$22,000 for advertising during fiscal year 2013.

(9) **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, 2014 when the Agency can renew the agreement for two additional one-year terms at the then-current market rate. The fees for the licensing are \$12,000 per year, which are included in license fees in the accompanying statements of functional expenses.

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ARTS/BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012
(Continued)

(10) **RETIREMENT PLAN**

The Agency maintains a qualified Internal Revenue Code 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 \$18,349 and \$18,599 for the years ended August 31, 2013 and 2012, respectively. These costs are included in employee benefits in the accompanying statements of functional expenses.

(11) **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 matching requirements have not been met as of August 31, 2013 and as such, the grant was not recognized in fiscal year 2013.

In August, 2013, the Massachusetts Cultural Council's (MCC) Adams Arts Program approved a grant to the Agency towards the collaborative arts revenue program and promotion, Mayor's Holiday Spectacular. The grant of \$37,500 is conditional upon raising \$37,500 of matching funds by June, 30, 2014. Subsequent to year-end, the Agency met the match and recognized the grant in fiscal year 2014.

(12) **RECLASSIFICATION**

Certain amounts in the fiscal year 2012 financial statements have been reclassified to conform with the fiscal year 2013 presentation.