



**FINANCIAL STATEMENTS**  
**AUGUST 31, 2015 AND 2014**

**ARTS/BOSTON, INC.**

Contents  
August 31, 2015 and 2014

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	<u>Pages</u>
<b>Independent Auditor’s Report</b> .....	1
<b>Financial Statements:</b>	
Statements of Financial Position .....	2
Statements of Activities and Changes in Net Assets .....	3 - 4
Statements of Cash Flows .....	5
Statements of Functional Expenses .....	6 - 7
Notes to Financial Statements .....	8 - 14



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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, 2015 and 2014, 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, 2015 and 2014, 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, Acorn, Pinning & Co., P.C.*

Boston, Massachusetts  
December 10, 2015

**ARTS/BOSTON, INC.**

 Statements of Financial Position  
 August 31, 2015 and 2014

<b>Assets</b>	<b>2015</b>			<b>2014</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 549,626	\$ 154,128	\$ 703,754	\$ 470,972	\$ 10,228	\$ 481,200
Accounts receivable	91,816	-	91,816	57,514	-	57,514
Grants receivable	-	-	-	6,000	29,000	35,000
Prepaid expenses	14,090	-	14,090	13,538	-	13,538
Total current assets	<u>655,532</u>	<u>154,128</u>	<u>809,660</u>	<u>548,024</u>	<u>39,228</u>	<u>587,252</u>
<b>Property and Equipment:</b>						
BosTix building and improvements - Faneuil Hall	452,065	-	452,065	452,065	-	452,065
BosTix building and improvements - Copley	253,721	-	253,721	251,765	-	251,765
Ticketing and other software, equipment and furniture	266,986	-	266,986	264,262	-	264,262
	972,772	-	972,772	968,092	-	968,092
Less - accumulated depreciation	542,971	-	542,971	521,091	-	521,091
Net property and equipment	<u>429,801</u>	<u>-</u>	<u>429,801</u>	<u>447,001</u>	<u>-</u>	<u>447,001</u>
Total assets	<u>\$ 1,085,333</u>	<u>\$ 154,128</u>	<u>\$ 1,239,461</u>	<u>\$ 995,025</u>	<u>\$ 39,228</u>	<u>\$ 1,034,253</u>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities:</b>						
Accounts payable - vendors	\$ 52,185	\$ -	\$ 52,185	\$ 26,201	\$ -	\$ 26,201
Accounts payable - member reimbursement	61,627	-	61,627	45,280	-	45,280
Accrued expenses	45,043	-	45,043	35,574	-	35,574
Deferred revenue	184,105	-	184,105	151,495	-	151,495
Total current liabilities	<u>342,960</u>	<u>-</u>	<u>342,960</u>	<u>258,550</u>	<u>-</u>	<u>258,550</u>
<b>Net Assets:</b>						
<b>Unrestricted:</b>						
Operating	312,572	-	312,572	289,474	-	289,474
Property and equipment	429,801	-	429,801	447,001	-	447,001
Total unrestricted	<u>742,373</u>	<u>-</u>	<u>742,373</u>	<u>736,475</u>	<u>-</u>	<u>736,475</u>
Temporarily restricted	-	154,128	154,128	-	39,228	39,228
Total net assets	<u>742,373</u>	<u>154,128</u>	<u>896,501</u>	<u>736,475</u>	<u>39,228</u>	<u>775,703</u>
Total liabilities and net assets	<u>\$ 1,085,333</u>	<u>\$ 154,128</u>	<u>\$ 1,239,461</u>	<u>\$ 995,025</u>	<u>\$ 39,228</u>	<u>\$ 1,034,253</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, 2015  
 (With Summarized Comparative Totals for the Year Ended August 31, 2014)

	2015				2014	
	Operating	Unrestricted	Total	Temporarily Restricted	Total	Total
		Property and Equipment				
<b>Public Support and Earned Revenue:</b>						
Public support:						
Contributions and private grants	\$ 342,492	\$ -	\$ 342,492	\$ 154,128	\$ 496,620	\$ 138,737
In-kind revenue	414,444	-	414,444	-	414,444	524,509
Government grants	56,100	-	56,100	-	56,100	64,500
Net assets released from purpose restrictions	39,228	-	39,228	(39,228)	-	-
Total public support	852,264	-	852,264	114,900	967,164	727,746
Earned revenue:						
Marketing - trade	664,745	-	664,745	-	664,745	688,537
BosTix.org service charges	346,769	-	346,769	-	346,769	380,100
Advertising sales and sponsorships	250,259	-	250,259	-	250,259	331,463
BosTix booth service charges	193,286	-	193,286	-	193,286	205,443
Member services and Audience Initiative	97,500	-	97,500	-	97,500	126,209
Interest and other	10,313	-	10,313	-	10,313	8,505
Total earned revenue	1,562,872	-	1,562,872	-	1,562,872	1,740,257
Member ticket activity:						
Member ticket sales	1,495,542	-	1,495,542	-	1,495,542	1,593,478
Member ticket reimbursements	(1,495,542)	-	(1,495,542)	-	(1,495,542)	(1,593,478)
Net member ticket activity	-	-	-	-	-	-
Total public support and earned revenue	2,415,136	-	2,415,136	114,900	2,530,036	2,468,003
<b>Expenses:</b>						
Program services:						
BosTix.Org	1,065,260	2,664	1,067,924	-	1,067,924	1,280,905
BosTix Booths	361,888	39,132	401,020	-	401,020	413,792
Member services	211,733	1,416	213,149	-	213,149	217,395
ArtsBoston.Org	368,858	1,164	370,022	-	370,022	302,993
Total program services	2,007,739	44,376	2,052,115	-	2,052,115	2,215,085
Supporting services:						
General and Administrative	175,528	1,164	176,692	-	176,692	211,375
Fundraising	179,015	1,416	180,431	-	180,431	188,381
Total supporting services	354,543	2,580	357,123	-	357,123	399,756
Total expenses	2,362,282	46,956	2,409,238	-	2,409,238	2,614,841
Changes in net assets	52,854	(46,956)	5,898	114,900	120,798	(146,838)
<b>Net Assets - beginning of year</b>	289,474	447,001	736,475	39,228	775,703	922,541
Transfer of net assets	(29,756)	29,756	-	-	-	-
<b>Net Assets - end of year</b>	<u>\$ 312,572</u>	<u>\$ 429,801</u>	<u>\$ 742,373</u>	<u>\$ 154,128</u>	<u>\$ 896,501</u>	<u>\$ 775,703</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

	Unrestricted			Temporarily Restricted	Total
	Operating	Property and Equipment	Total		
<b>Public Support and Earned Revenue:</b>					
Public support:					
Contributions and private grants	\$ 99,509	\$ -	\$ 99,509	\$ 39,228	\$ 138,737
In-kind revenue	524,509	-	524,509	-	524,509
Government grants	64,500	-	64,500	-	64,500
Net assets released from purpose restrictions	51,619	-	51,619	(51,619)	-
Net assets released from time restrictions	141,400	-	141,400	(141,400)	-
<b>Total public support</b>	<b>881,537</b>	<b>-</b>	<b>881,537</b>	<b>(153,791)</b>	<b>727,746</b>
Earned revenue:					
Marketing - trade	688,537	-	688,537	-	688,537
BosTix.org service charges	380,100	-	380,100	-	380,100
Advertising sales and sponsorships	331,463	-	331,463	-	331,463
BosTix booth service charges	205,443	-	205,443	-	205,443
Member services	126,209	-	126,209	-	126,209
Interest and other	8,505	-	8,505	-	8,505
<b>Total earned revenue</b>	<b>1,740,257</b>	<b>-</b>	<b>1,740,257</b>	<b>-</b>	<b>1,740,257</b>
Member ticket activity:					
Member ticket sales	1,593,478	-	1,593,478	-	1,593,478
Member ticket reimbursements	(1,593,478)	-	(1,593,478)	-	(1,593,478)
<b>Net member ticket activity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total public support and earned revenue</b>	<b>2,621,794</b>	<b>-</b>	<b>2,621,794</b>	<b>(153,791)</b>	<b>2,468,003</b>
<b>Expenses:</b>					
Program services:					
BosTix.Org	1,277,128	3,777	1,280,905	-	1,280,905
BosTix Booths	377,437	36,355	413,792	-	413,792
Member services	216,219	1,176	217,395	-	217,395
ArtsBoston.Org	298,238	4,755	302,993	-	302,993
<b>Total program services</b>	<b>2,169,022</b>	<b>46,063</b>	<b>2,215,085</b>	<b>-</b>	<b>2,215,085</b>
Supporting services:					
General and Administrative	209,865	1,510	211,375	-	211,375
Fundraising	186,871	1,510	188,381	-	188,381
<b>Total supporting services</b>	<b>396,736</b>	<b>3,020</b>	<b>399,756</b>	<b>-</b>	<b>399,756</b>
<b>Total expenses</b>	<b>2,565,758</b>	<b>49,083</b>	<b>2,614,841</b>	<b>-</b>	<b>2,614,841</b>
Changes in net assets from operations	56,036	(49,083)	6,953	(153,791)	(146,838)
<b>Net Assets Released From Capital Restrictions</b>	<b>-</b>	<b>7,184</b>	<b>7,184</b>	<b>(7,184)</b>	<b>-</b>
Changes in net assets	56,036	(41,899)	14,137	(160,975)	(146,838)
<b>Net Assets - Beginning of year</b>	<b>259,919</b>	<b>462,419</b>	<b>722,338</b>	<b>200,203</b>	<b>922,541</b>
Transfer of net assets	(26,481)	26,481	-	-	-
<b>Net Assets - End of year</b>	<b>\$ 289,474</b>	<b>\$ 447,001</b>	<b>\$ 736,475</b>	<b>\$ 39,228</b>	<b>\$ 775,703</b>

The accompanying notes are an integral part of these statements.

**ARTS/BOSTON, INC.**Statements of Cash Flows  
For the Years Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 120,798	\$ (146,838)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	46,956	49,083
Changes in operating assets and liabilities:		
Accounts receivable	(34,302)	(25,225)
Grants receivable	35,000	106,400
Prepaid expenses	(552)	(718)
Accounts payable - vendors	25,984	13,253
Accounts payable - member reimbursement	16,347	29,676
Accrued expenses	9,469	(16,504)
Deferred revenue	32,610	15,922
	<u>252,310</u>	<u>25,049</u>
<b>Net cash provided by operating activities</b>	<b>252,310</b>	<b>25,049</b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(29,756)	(33,665)
	<u>(29,756)</u>	<u>(33,665)</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>222,554</b>	<b>(8,616)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	481,200	489,816
	<u>481,200</u>	<u>489,816</u>
End of year	<u>\$ 703,754</u>	<u>\$ 481,200</u>

The accompanying notes are an integral part of these statements.

**ARTS/BOSTON, INC.**

## Statement of Functional Expenses

For the Year Ended August 31, 2015

(With Summarized Comparative Totals for the Year Ended August 31, 2014)

	2015					2014				
	Program Services				Total Program Services	Supporting Services		Total Expenses	Total Expenses	
Bostix .org	Bostix Booths	Member Services	ArtsBoston .org	General and Adminis- trative		Fund- raising	Total Supporting Services			
<b>Personnel and Related:</b>										
Salaries	\$ 97,907	\$ 156,801	\$ 97,517	\$ 64,305	\$ 416,530	\$ 93,571	\$ 86,821	\$ 180,392	\$ 596,922	\$ 619,698
Contracted services	10,358	10,358	8,177	10,358	39,251	8,721	6,541	15,262	54,513	52,580
Employee benefits	8,247	13,347	8,713	5,368	35,675	10,971	7,393	18,364	54,039	60,843
Payroll taxes	7,196	11,595	7,174	4,746	30,711	6,696	6,392	13,088	43,799	45,293
<b>Total personnel and related</b>	<b>123,708</b>	<b>192,101</b>	<b>121,581</b>	<b>84,777</b>	<b>522,167</b>	<b>119,959</b>	<b>107,147</b>	<b>227,106</b>	<b>749,273</b>	<b>778,414</b>
<b>Other Expenses:</b>										
Marketing - trade	460,037	54,600	-	150,108	664,745	-	-	-	664,745	688,537
Marketing - in-kind	311,683	5,200	-	95,561	412,444	-	-	-	412,444	520,334
Occupancy	23,169	42,571	14,950	12,306	92,996	12,306	14,962	27,268	120,264	121,656
Professional fees	3,500	3,500	5,939	3,500	16,439	18,900	48,549	67,449	83,888	64,696
Marketing	56,787	18,689	1,487	-	76,963	-	-	-	76,963	84,869
Ticketing systems	30,306	20,781	722	917	52,726	765	574	1,339	54,065	63,781
Miscellaneous	6,616	3,625	17,866	2,164	30,271	14,142	1,815	15,957	46,228	48,116
Credit card and bank charges	41,674	1,991	1,315	15	44,995	635	-	635	45,630	41,357
Market research	-	-	30,000	-	30,000	-	-	-	30,000	-
Technology	2,720	9,911	2,140	2,816	17,587	4,458	1,692	6,150	23,737	22,711
Telephone and equipment	3,423	5,760	2,827	3,248	15,258	2,564	2,611	5,175	20,433	19,280
License fees	-	750	-	12,000	12,750	-	-	-	12,750	11,750
Conferences and meetings	174	64	9,754	34	10,026	-	774	774	10,800	17,036
Office expense	1,463	2,345	1,152	1,412	6,372	1,175	891	2,066	8,438	7,984
Program - in-kind	-	-	2,000	-	2,000	-	-	-	2,000	4,175
Strategic planning	-	-	-	-	-	624	-	624	624	19,248
The Arts Factor	-	-	-	-	-	-	-	-	-	51,814
<b>Total other</b>	<b>941,552</b>	<b>169,787</b>	<b>90,152</b>	<b>284,081</b>	<b>1,485,572</b>	<b>55,569</b>	<b>71,868</b>	<b>127,437</b>	<b>1,613,009</b>	<b>1,787,344</b>
<b>Total expenses before depreciation</b>	<b>1,065,260</b>	<b>361,888</b>	<b>211,733</b>	<b>368,858</b>	<b>2,007,739</b>	<b>175,528</b>	<b>179,015</b>	<b>354,543</b>	<b>2,362,282</b>	<b>2,565,758</b>
<b>Depreciation</b>	<b>2,664</b>	<b>39,132</b>	<b>1,416</b>	<b>1,164</b>	<b>44,376</b>	<b>1,164</b>	<b>1,416</b>	<b>2,580</b>	<b>46,956</b>	<b>49,083</b>
<b>Total expenses</b>	<b>\$ 1,067,924</b>	<b>\$ 401,020</b>	<b>\$ 213,149</b>	<b>\$ 370,022</b>	<b>\$ 2,052,115</b>	<b>\$ 176,692</b>	<b>\$ 180,431</b>	<b>\$ 357,123</b>	<b>\$ 2,409,238</b>	<b>\$ 2,614,841</b>

The accompanying notes are an integral part of these statements.



**ARTS/BOSTON, INC.**

 Statement of Functional Expenses  
 For the Year Ended August 31, 2014

	Program Services				Supporting Services				Total Expenses
	Bostix .org	Bostix Booths	Member Services	ArtsBoston .org	Total Program Services	General and Administrative	Fund-raising	Total Supporting Services	
<b>Personnel and Related:</b>									
Salaries	\$ 100,106	\$ 158,468	\$ 79,051	\$ 65,117	\$ 402,742	\$ 115,351	\$ 101,605	\$ 216,956	\$ 619,698
Contracted services	9,991	9,991	7,888	9,991	37,861	8,410	6,309	14,719	52,580
Employee benefits	10,436	17,269	8,007	6,533	42,245	7,800	10,798	18,598	60,843
Payroll taxes	7,349	11,726	5,809	4,792	29,676	8,145	7,472	15,617	45,293
<b>Total personnel and related</b>	<b>127,882</b>	<b>197,454</b>	<b>100,755</b>	<b>86,433</b>	<b>512,524</b>	<b>139,706</b>	<b>126,184</b>	<b>265,890</b>	<b>778,414</b>
<b>Other Expenses:</b>									
Marketing - trade	453,811	54,600	2,500	177,626	688,537	-	-	-	688,537
Marketing - in-kind	513,834	6,500	-	-	520,334	-	-	-	520,334
Occupancy	23,614	41,741	12,066	12,937	90,358	15,745	15,553	31,298	121,656
Professional fees	-	-	11,330	-	11,330	15,200	38,166	53,366	64,696
Marketing	59,604	23,132	2,073	60	84,869	-	-	-	84,869
Ticketing systems	34,893	25,827	741	942	62,403	787	591	1,378	63,781
Miscellaneous	13,563	5,727	14,229	1,869	35,388	11,289	1,439	12,728	48,116
Credit card and bank charges	39,816	247	702	-	40,765	592	-	592	41,357
Technology	2,833	9,270	2,106	3,352	17,561	3,469	1,681	5,150	22,711
Telephone and equipment	3,271	5,634	2,361	2,755	14,021	2,783	2,476	5,259	19,280
License fees	-	750	-	11,000	11,750	-	-	-	11,750
Conferences and meetings	2,767	3,864	10,380	25	17,036	-	-	-	17,036
Office Expense	1,240	2,691	987	1,239	6,157	1,046	781	1,827	7,984
Program - in-kind	-	-	4,175	-	4,175	-	-	-	4,175
Strategic Planning	-	-	-	-	-	19,248	-	19,248	19,248
The Arts Factor	-	-	51,814	-	51,814	-	-	-	51,814
<b>Total other</b>	<b>1,149,246</b>	<b>179,983</b>	<b>115,464</b>	<b>211,805</b>	<b>1,656,498</b>	<b>70,159</b>	<b>60,687</b>	<b>130,846</b>	<b>1,787,344</b>
<b>Total expenses before depreciation</b>	<b>1,277,128</b>	<b>377,437</b>	<b>216,219</b>	<b>298,238</b>	<b>2,169,022</b>	<b>209,865</b>	<b>186,871</b>	<b>396,736</b>	<b>2,565,758</b>
<b>Depreciation</b>	<b>3,777</b>	<b>36,355</b>	<b>1,176</b>	<b>4,755</b>	<b>46,063</b>	<b>1,510</b>	<b>1,510</b>	<b>3,020</b>	<b>49,083</b>
<b>Total expenses</b>	<b>\$1,280,905</b>	<b>\$ 413,792</b>	<b>\$ 217,395</b>	<b>\$ 302,993</b>	<b>\$ 2,215,085</b>	<b>\$ 211,375</b>	<b>\$ 188,381</b>	<b>\$ 399,756</b>	<b>\$ 2,614,841</b>

The accompanying notes are an integral part of these statements.

## **ARTS/BOSTON, INC.**

Notes to Financial Statements  
August 31, 2015 and 2014

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### **1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

#### **OPERATIONS AND NONPROFIT STATUS**

Arts/Boston, Inc. (the Agency) is a nonprofit service organization with a mission to support and grow the arts and cultural sector of Greater Boston. Founded in 1975, the Agency is a leading force behind Greater Boston's arts and cultural sector. 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 notes are to the FASB Accounting Standards Codification (ASC).

## **ARTS/BOSTON, INC.**

Notes to Financial Statements  
August 31, 2015 and 2014

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### **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 service charges are recognized as tickets are sold. The Agency collected on behalf of and remitted to participating members \$1,495,542 and \$1,593,478 for the years ended August 31, 2015 and 2014, respectively. Accounts payable – member reimbursement of \$61,627 and \$45,280 as of August 31, 2015 and 2014, 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 \$664,745 and \$688,537 for the years ended August 31, 2015 and 2014, 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.

##### **Advertising Costs**

The Agency expenses advertising costs as they are incurred. Advertising expense for the years ended August 31, 2015 and 2014 was approximately \$61,000 and \$71,000, respectively.

##### **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, 2015 and 2014.

## ARTS/BOSTON, INC.

Notes to Financial Statements  
August 31, 2015 and 2014

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Grants Receivable

Grants receivable consisted of unconditional promises to give as of August 31, 2014 and were collected in the following fiscal year.

##### Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An 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. All of the Agency's qualifying assets and liabilities are valued using Level 1 inputs.

##### 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.

## ARTS/BOSTON, INC.

Notes to Financial Statements  
August 31, 2015 and 2014

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Net Assets (Continued)

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

	<u>2015</u>	<u>2014</u>
Audience Diversification Project	\$ 154,128	\$ -
Audience Initiative	-	29,000
Gateway to the Arts	-	10,228
	<u>\$ 154,128</u>	<u>\$ 39,228</u>

##### In-Kind Goods and Services

During the years ended August 31, 2015 and 2014, 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>2015</u>	<u>2014</u>
Advertisements	\$ 412,444	\$ 520,334
Workshops	2,000	3,500
Memberships	-	675
	<u>\$ 414,444</u>	<u>\$ 524,509</u>

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

##### 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.

## ARTS/BOSTON, INC.

Notes to Financial Statements  
August 31, 2015 and 2014

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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 statements 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, 2015 and 2014. 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 10, 2015, 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.

### 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, 2015 and 2014, was \$83,761 and \$82,079 (including accrued rent, see below), respectively. The future minimum lease payment for the remaining life of this lease is \$66,940 to be paid during fiscal year 2016.

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 \$4,396 and \$9,664 of rent expense under this agreement as of August 31, 2015 and 2014, respectively, which is included in accrued expenses in the accompanying statements of financial position.

## ARTS/BOSTON, INC.

Notes to Financial Statements  
August 31, 2015 and 2014

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### 3. LEASE COMMITMENTS (Continued)

Rent expense for leased equipment under leases that expire through January 2018 is included in telephone and equipment in the accompanying statements of functional expenses and totaled \$7,235 and \$7,683 in fiscal years 2015 and 2014, respectively. Future minimum lease payments for the remaining life of this lease are as follows:

<u>Fiscal Year</u>	
2016	\$ 8,749
2017	\$ 5,437
2018	\$ 1,415

### 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.

### 5. LINE OF CREDIT

At August 31, 2015 and 2014, 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, 2015 and 2014), 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, 2015 and 2014.

### 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

Two members of the Agency's Board of Directors are key executives of organizations who use 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 \$36,033 and \$16,370 of tickets for the organizations during fiscal years 2015 and 2014, respectively. One of the organizations also paid the Agency \$3,000 and \$18,500 for advertising during fiscal years 2015 and 2014, 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. This agency did not provide services during fiscal year 2015.

## **ARTS/BOSTON, INC.**

Notes to Financial Statements  
August 31, 2015 and 2014

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### **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 one additional one-year term at the then-current market rate. The Agency is in the process of exercising the additional one year term. The fees for the licensing were \$12,750 and \$11,750 for the years ended August 31, 2015 and 2014, 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 contribution to this plan was \$1,832 for the year ended August 31, 2014. The Agency did not make any contributions to this plan during fiscal year 2015. These costs are included in employee benefits in the accompanying statements of functional expenses.

### **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. The Massachusetts Cultural Facilities Fund approved an additional one-year extension of the matching requirement to July 2016. The matching requirements have not been met as of August 31, 2015, and as such, the grant was not recognized in fiscal year 2015.

During fiscal year 2015, the Agency was granted a \$250,000 two year conditional grant from an Organization. These funds are designed to provide unrestricted general operating support on an annual basis. There were no conditions to receive the first year of funding. The second year of funding is contingent upon meeting certain program requirements, such as completing a training program and securing matching funds. As of August 31, 2015, the Agency has not met the requirements for the second portion of the grant, and as such, this amount was not recognized during fiscal year 2015.