



ARTSBOSTON

**FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

ARTS/BOSTON, INC.

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August 31, 2016 and 2015

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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, 2016 and 2015, 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

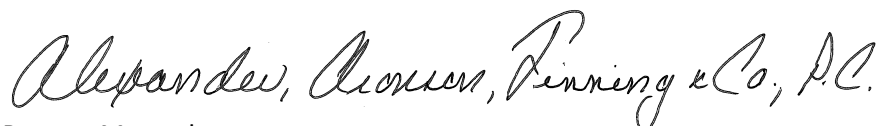
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2016 and 2015, 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.



Boston, Massachusetts
December 8, 2016

ARTS/BOSTON, INC.

Statements of Financial Position
August 31, 2016 and 2015

Assets	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets:						
Cash and cash equivalents	\$ 473,304	\$ 15,000	\$ 488,304	\$ 549,626	\$ 154,128	\$ 703,754
Accounts receivable	138,596	30,000	168,596	91,816	-	91,816
Prepaid expenses	20,297	-	20,297	14,090	-	14,090
Total current assets	<u>632,197</u>	<u>45,000</u>	<u>677,197</u>	<u>655,532</u>	<u>154,128</u>	<u>809,660</u>
Property and Equipment:						
BosTix building and improvements - Faneuil Hall	452,065	-	452,065	452,065	-	452,065
BosTix building and improvements - Copley	253,721	-	253,721	253,721	-	253,721
Ticketing and other software, equipment and furniture	241,427	-	241,427	266,986	-	266,986
	947,213	-	947,213	972,772	-	972,772
Less - accumulated depreciation	543,010	-	543,010	542,971	-	542,971
Net property and equipment	<u>404,203</u>	<u>-</u>	<u>404,203</u>	<u>429,801</u>	<u>-</u>	<u>429,801</u>
Total assets	<u>\$ 1,036,400</u>	<u>\$ 45,000</u>	<u>\$ 1,081,400</u>	<u>\$ 1,085,333</u>	<u>\$ 154,128</u>	<u>\$ 1,239,461</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable - vendors	\$ 21,371	\$ -	\$ 21,371	\$ 52,185	\$ -	\$ 52,185
Accounts payable - member reimbursement	51,334	-	51,334	61,627	-	61,627
Accrued expenses	48,430	-	48,430	45,043	-	45,043
Deferred revenue	160,864	-	160,864	184,105	-	184,105
Total current liabilities	<u>281,999</u>	<u>-</u>	<u>281,999</u>	<u>342,960</u>	<u>-</u>	<u>342,960</u>
Net Assets:						
Unrestricted:						
Operating	350,198	-	350,198	312,572	-	312,572
Property and equipment	404,203	-	404,203	429,801	-	429,801
Total unrestricted	<u>754,401</u>	<u>-</u>	<u>754,401</u>	<u>742,373</u>	<u>-</u>	<u>742,373</u>
Temporarily restricted	-	45,000	45,000	-	154,128	154,128
Total net assets	<u>754,401</u>	<u>45,000</u>	<u>799,401</u>	<u>742,373</u>	<u>154,128</u>	<u>896,501</u>
Total liabilities and net assets	<u>\$ 1,036,400</u>	<u>\$ 45,000</u>	<u>\$ 1,081,400</u>	<u>\$ 1,085,333</u>	<u>\$ 154,128</u>	<u>\$ 1,239,461</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, 2016
 (With Summarized Comparative Totals for the Year Ended August 31, 2015)

	2016				2015	
	Operating	Unrestricted Property and Equipment	Total	Temporarily Restricted	Total	Total
Public Support and Earned Revenue:						
Public support:						
In-kind revenue	\$ 410,976	\$ -	\$ 410,976	\$ -	\$ 410,976	\$ 414,444
Contributions and private grants	306,397	-	306,397	10,000	316,397	496,620
Government grants	86,200	-	86,200	35,000	121,200	56,100
Net assets released from purpose restrictions	154,128	-	154,128	(154,128)	-	-
Total public support	957,701	-	957,701	(109,128)	848,573	967,164
Earned revenue:						
Marketing - trade	544,722	-	544,722	-	544,722	664,745
BosTix - online and in-person service charges	471,928	-	471,928	-	471,928	540,055
Advertising sales and sponsorships	266,308	-	266,308	-	266,308	250,259
Capacity building / member services	136,648	-	136,648	-	136,648	97,500
Interest and other	6,459	-	6,459	-	6,459	10,313
Total earned revenue	1,426,065	-	1,426,065	-	1,426,065	1,562,872
Member ticket activity:						
Member ticket sales	1,547,521	-	1,547,521	-	1,547,521	1,495,542
Member ticket reimbursements	(1,547,521)	-	(1,547,521)	-	(1,547,521)	(1,495,542)
Net member ticket activity	-	-	-	-	-	-
Total public support and earned revenue	2,383,766	-	2,383,766	(109,128)	2,274,638	2,530,036
Expenses:						
Program services:						
Ticketing	1,485,577	38,619	1,524,196	-	1,524,196	1,717,629
Advertising	147,297	1,034	148,331	-	148,331	121,337
Capacity building / member services	353,418	3,092	356,510	-	356,510	213,149
Total program services	1,986,292	42,745	2,029,037	-	2,029,037	2,052,115
Supporting services:						
General and Administrative	171,680	2,060	173,740	-	173,740	176,692
Fundraising	167,410	1,551	168,961	-	168,961	180,431
Total supporting services	339,090	3,611	342,701	-	342,701	357,123
Total expenses	2,325,382	46,356	2,371,738	-	2,371,738	2,409,238
Changes in net assets	58,384	(46,356)	12,028	(109,128)	(97,100)	120,798
Net Assets - beginning of year	312,572	429,801	742,373	154,128	896,501	775,703
Transfer of net assets	(20,758)	20,758	-	-	-	-
Net Assets - end of year	<u>\$ 350,198</u>	<u>\$ 404,203</u>	<u>\$ 754,401</u>	<u>\$ 45,000</u>	<u>\$ 799,401</u>	<u>\$ 896,501</u>

ARTS/BOSTON, INC.

 Statement of Activities and Changes in Net Assets
 For the Year Ended August 31, 2015

	Unrestricted				
	Operating	Property and Equipment	Total	Temporarily Restricted	Total
Public Support and Earned Revenue:					
Public support:					
In-kind revenue	\$ 414,444	\$ -	\$ 414,444	\$ -	\$ 414,444
Contributions and private grants	342,492	-	342,492	154,128	496,620
Government grants	56,100	-	56,100	-	56,100
Net assets released from purpose restrictions	39,228	-	39,228	(39,228)	-
Total public support	852,264	-	852,264	114,900	967,164
Earned revenue:					
Marketing - trade	664,745	-	664,745	-	664,745
BosTix - online and in-person service charges	540,055	-	540,055	-	540,055
Advertising sales and sponsorships	250,259	-	250,259	-	250,259
Capacity building / member services	97,500	-	97,500	-	97,500
Interest and other	10,313	-	10,313	-	10,313
Total earned revenue	1,562,872	-	1,562,872	-	1,562,872
Member ticket activity:					
Member ticket sales	1,495,542	-	1,495,542	-	1,495,542
Member ticket reimbursements	(1,495,542)	-	(1,495,542)	-	(1,495,542)
Net member ticket activity	-	-	-	-	-
Total public support and earned revenue	2,415,136	-	2,415,136	114,900	2,530,036
Expenses:					
Program services:					
Ticketing	1,675,404	42,225	1,717,629	-	1,717,629
Advertising	120,602	735	121,337	-	121,337
Capacity building / member services	211,733	1,416	213,149	-	213,149
Total program services	2,007,739	44,376	2,052,115	-	2,052,115
Supporting services:					
General and Administrative	175,528	1,164	176,692	-	176,692
Fundraising	179,015	1,416	180,431	-	180,431
Total supporting services	354,543	2,580	357,123	-	357,123
Total expenses	2,362,282	46,956	2,409,238	-	2,409,238
Changes in net assets	52,854	(46,956)	5,898	114,900	120,798
Net Assets - Beginning of year	289,474	447,001	736,475	39,228	775,703
Transfer of net assets	(29,756)	29,756	-	-	-
Net Assets - End of year	\$ 312,572	\$ 429,801	\$ 742,373	\$ 154,128	\$ 896,501

ARTS/BOSTON, INC.Statements of Cash Flows
For the Years Ended August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (97,100)	\$ 120,798
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	46,356	46,956
Changes in operating assets and liabilities:		
Accounts receivable	(76,780)	(34,302)
Grants receivable	-	35,000
Prepaid expenses	(6,207)	(552)
Accounts payable - vendors	(30,814)	25,984
Accounts payable - member reimbursement	(10,293)	16,347
Accrued expenses	3,387	9,469
Deferred revenue	(23,241)	32,610
	<u>(194,692)</u>	<u>252,310</u>
Net cash provided by (used in) operating activities		
	(194,692)	252,310
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(20,758)	(29,756)
	<u>(20,758)</u>	<u>(29,756)</u>
Net Change in Cash and Cash Equivalents	(215,450)	222,554
Cash and Cash Equivalents:		
Beginning of year	703,754	481,200
	<u>703,754</u>	<u>481,200</u>
End of year	<u>\$ 488,304</u>	<u>\$ 703,754</u>

ARTS/BOSTON, INC.

Statement of Functional Expenses
For the Year Ended August 31, 2016

(With Summarized Comparative Totals for the Year Ended August 31, 2015)

	2016							2015	
	Program Services			Supporting Services				Total Expenses	Total Expenses
	Ticketing	Advertising	Capacity Building / Member Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Personnel and Related:									
Salaries	\$ 205,185	\$ 97,925	\$ 144,887	\$ 447,997	\$ 96,809	\$ 91,143	\$ 187,952	\$ 635,949	\$ 596,922
Employee benefits	28,469	13,331	18,083	59,883	10,882	12,222	23,104	82,987	54,039
Contracted services	21,709	4,342	13,026	39,077	8,683	6,514	15,197	54,274	54,513
Payroll taxes	15,521	7,424	10,922	33,867	5,918	6,919	12,837	46,704	43,799
Total personnel and related	270,884	123,022	186,918	580,824	122,292	116,798	239,090	819,914	749,273
Other Expenses:									
Marketing - trade	544,722	-	-	544,722	-	-	-	544,722	664,745
Marketing - in-kind	402,476	-	-	402,476	-	-	-	402,476	407,244
Occupancy	64,041	7,109	21,327	92,477	14,491	10,658	25,149	117,626	120,261
Marketing	55,107	11,908	4,241	71,256	-	-	-	71,256	76,964
Credit card and bank charges	53,934	14	1,475	55,423	449	-	449	55,872	45,630
Professional fees	1,272	-	5,325	6,597	15,700	33,254	48,954	55,551	83,688
Market research	-	-	45,463	45,463	-	-	-	45,463	30,000
Ticketing systems	40,002	494	1,484	41,980	689	744	1,433	43,413	54,065
Miscellaneous	6,531	635	17,958	25,124	11,394	1,250	12,644	37,768	46,229
AAI TRG fees	-	-	26,500	26,500	-	-	-	26,500	-
Technology	13,983	2,160	3,576	19,719	2,691	1,784	4,475	24,194	23,738
Telephone and equipment	10,267	1,454	4,357	16,078	2,907	2,174	5,081	21,159	20,434
Conferences and meetings	640	-	12,769	13,409	69	-	69	13,478	10,800
License fees	12,000	-	-	12,000	-	-	-	12,000	12,750
Strategic planning	-	-	9,426	9,426	-	-	-	9,426	624
Special events	-	-	9,093	9,093	-	-	-	9,093	-
Program - in-kind	6,500	-	2,000	8,500	-	-	-	8,500	7,200
Office expense	3,218	501	1,506	5,225	998	748	1,746	6,971	8,437
Legal	-	-	-	-	-	-	-	-	200
Total other	1,214,693	24,275	166,500	1,405,468	49,388	50,612	100,000	1,505,468	1,613,009
Total expenses before depreciation	1,485,577	147,297	353,418	1,986,292	171,680	167,410	339,090	2,325,382	2,362,282
Depreciation	38,619	1,034	3,092	42,745	2,060	1,551	3,611	46,356	46,956
Total expenses	\$ 1,524,196	\$ 148,331	\$ 356,510	\$ 2,029,037	\$ 173,740	\$ 168,961	\$ 342,701	\$ 2,371,738	\$ 2,409,238

The accompanying notes are an integral part of these statements.

ARTS/BOSTON, INC.

Statement of Functional Expenses
For the Year Ended August 31, 2015

	Program Services				Supporting Services			Total Expenses
	Ticketing	Advertising	Capacity Building / Member Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Personnel and Related:								
Salaries	\$ 238,730	\$ 80,283	\$ 97,517	\$ 416,530	\$ 93,571	\$ 86,821	\$ 180,392	\$ 596,922
Employee benefits	19,737	7,225	8,713	35,675	10,971	7,393	18,364	54,039
Contracted services	28,893	2,181	8,177	39,251	8,721	6,541	15,262	54,513
Payroll taxes	17,652	5,885	7,174	30,711	6,696	6,392	13,088	43,799
Total personnel and related	305,012	95,574	121,581	522,167	119,959	107,147	227,106	749,273
Other Expenses:								
Marketing - trade	664,745	-	-	664,745	-	-	-	664,745
Marketing - in-kind	407,244	-	-	407,244	-	-	-	407,244
Occupancy	71,010	7,033	14,950	92,993	12,306	14,962	27,268	120,261
Marketing	63,295	12,182	1,487	76,964	-	-	-	76,964
Credit card and bank charges	43,680	-	1,315	44,995	635	-	635	45,630
Professional fees	10,500	-	5,939	16,439	18,700	48,549	67,249	83,688
Market research	-	-	30,000	30,000	-	-	-	30,000
Ticketing systems	51,592	412	722	52,726	765	574	1,339	54,065
Miscellaneous	11,214	1,192	17,866	30,272	14,142	1,815	15,957	46,229
Technology	13,549	1,899	2,140	17,588	4,458	1,692	6,150	23,738
Telephone and equipment	10,797	1,635	2,827	15,259	2,564	2,611	5,175	20,434
Conferences and meetings	272	-	9,754	10,026	-	774	774	10,800
License fees	12,750	-	-	12,750	-	-	-	12,750
Strategic planning	-	-	-	-	624	-	624	624
Program - in-kind	5,200	-	2,000	7,200	-	-	-	7,200
Office expense	4,544	675	1,152	6,371	1,175	891	2,066	8,437
Legal	-	-	-	-	200	-	200	200
Total other	1,370,392	25,028	90,152	1,485,572	55,569	71,868	127,437	1,613,009
Total expenses before depreciation	1,675,404	120,602	211,733	2,007,739	175,528	179,015	354,543	2,362,282
Depreciation	42,225	735	1,416	44,376	1,164	1,416	2,580	46,956
Total expenses	\$ 1,717,629	\$ 121,337	\$ 213,149	\$ 2,052,115	\$ 176,692	\$ 180,431	\$ 357,123	\$ 2,409,238

The accompanying notes are an integral part of these statements.

ARTS/BOSTON, INC.

Notes to Financial Statements
August 31, 2016 and 2015

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.

Core programs/operational areas include:

Ticketing: ArtsBoston's BosTix discount ticketing program offers half-price tickets to performances and cultural events online through the ArtsBoston Calendar and at cultural information booths located at Faneuil Hall Marketplace and Copley Square in downtown Boston.

Advertising: ArtsBoston provides platforms for affordable advertising that arts groups and other organizations can use to promote their events. This includes social media, co-operative print advertising, online platforms such as the ArtsBoston Calendar and community emails, and outdoor poster displays (digital and large-format print) at its booths at Faneuil Hall and Copley Square.

Capacity Building/Member Services: ArtsBoston offers an array of programs that build the capacity of arts organizations and support the professional development of those working in the cultural field. These include 1) the ArtsBoston Audience Initiative, which leverages a powerful database of 1.5 million arts-going households, combined with in-depth training, technical assistance, and shared learning, to engage and retain new audiences; 2) The Audience Lab (piloted in 2015-16 as the Audience Diversification Pilot Project), a cohort-based initiative to diversify arts audiences using predictive modeling; and 3) workshops, training programs, and networking events on a range of subjects, including media and marketing, pricing, and diversity, equity, and inclusion in the arts, among others.

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).

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.

ARTS/BOSTON, INC.

Notes to Financial Statements
August 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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 \$1,547,521 and \$1,495,542 for the years ended August 31, 2016 and 2015, respectively. Accounts payable – member reimbursement of \$51,334 and \$61,627 as of August 31, 2016 and 2015, 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 \$544,722 and \$664,745 for the years ended August 31, 2016 and 2015, 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, 2016 and 2015, was approximately \$61,000.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and money market accounts. These accounts 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, 2016 and 2015.

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.

ARTS/BOSTON, INC.

Notes to Financial Statements
August 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

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

	<u>2016</u>	<u>2015</u>
Marketing	\$ 20,000	\$ -
Audience Initiative	15,000	-
Pathways	10,000	-
Audience Diversification Project	<u>-</u>	<u>154,128</u>
	<u>\$ 45,000</u>	<u>\$ 154,128</u>

ARTS/BOSTON, INC.

Notes to Financial Statements
August 31, 2016 and 2015

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Goods and Services

During the years ended August 31, 2016 and 2015, 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, is reflected as in-kind revenue and related expenses in the accompanying statements of activities and changes in net assets and functional expenses and consists of the following:

	<u>2016</u>	<u>2015</u>
Advertisements	\$ 402,476	\$ 407,244
Telecharge	6,500	5,200
Workshops	<u>2,000</u>	<u>2,000</u>
	<u>\$ 410,976</u>	<u>\$ 414,444</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 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.

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, 2016 and 2015. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

ARTS/BOSTON, INC.

Notes to Financial Statements
August 31, 2016 and 2015

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.

Subsequent Events

Subsequent events have been evaluated through December 8, 2016, 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 bears an annual service fee of 1.5% and renews annually in October, subject to bank approval.

3. LEASE COMMITMENTS

The Agency leases office space with monthly payments between \$7,156 and \$7,618, including electricity costs through June 2019. Total rent expense, which is included in occupancy in the accompanying statements of functional expenses for the years ended August 31, 2016 and 2015, was \$84,718 and \$83,761, respectively. Future minimum lease payments for the remaining life of this lease are as follows:

Fiscal Year

2017	\$ 86,796
2018	\$ 91,416
2019	\$ 76,180

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

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 \$7,395 and \$7,235 in fiscal years 2016 and 2015, respectively. Future minimum lease payments for the remaining life of this lease are as follows:

Fiscal Year

2017	\$ 5,437
2018	\$ 1,415

ARTS/BOSTON, INC.

Notes to Financial Statements
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4. LICENSE AGREEMENT

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

5. LINE OF CREDIT

At August 31, 2016 and 2015, 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* (3.50% and 3.25% at August 31, 2016 and 2015, respectively), 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, 2016 and 2015. The line of credit agreement contains various covenants. The Agency was in compliance with these covenants as of August 31, 2016 and 2015.

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 \$21,549 and \$36,033 of tickets for the organizations during fiscal years 2016 and 2015, respectively. These members abstain from voting on matters relating to their respective employers.

8. 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 \$15,035 for the year ended August 31, 2016. The Agency did not make any contributions to this plan during fiscal year 2015. These costs are included in employee benefits in the fiscal year 2016 accompanying statements of functional expenses.

9. RECLASSIFICATION

Certain amounts in the fiscal year 2015 financial statements have been reclassified to conform with the fiscal year 2016 presentation.