



ARTSBOSTON

**FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016**

ARTS/BOSTON, INC.

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August 31, 2017 and 2016

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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, 2017 and 2016, 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

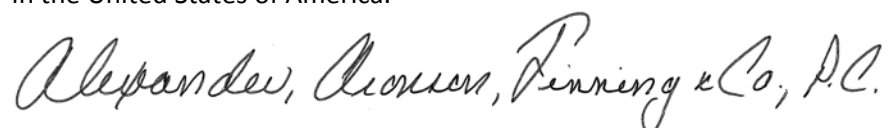
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2017 and 2016, 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 7, 2017

ARTS/BOSTON, INC.

Statements of Financial Position
August 31, 2017 and 2016

Assets	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets:						
Cash and cash equivalents	\$ 548,666	\$ 494,256	\$ 1,042,922	\$ 473,304	\$ 15,000	\$ 488,304
Accounts receivable	129,845	55,000	184,845	138,596	30,000	168,596
Prepaid expenses	21,063	-	21,063	20,297	-	20,297
Total current assets	<u>699,574</u>	<u>549,256</u>	<u>1,248,830</u>	<u>632,197</u>	<u>45,000</u>	<u>677,197</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	240,154	-	240,154	241,427	-	241,427
	<u>945,940</u>	<u>-</u>	<u>945,940</u>	<u>947,213</u>	<u>-</u>	<u>947,213</u>
Less - accumulated depreciation	584,056	-	584,056	543,010	-	543,010
Net property and equipment	<u>361,884</u>	<u>-</u>	<u>361,884</u>	<u>404,203</u>	<u>-</u>	<u>404,203</u>
Total assets	<u>\$ 1,061,458</u>	<u>\$ 549,256</u>	<u>\$ 1,610,714</u>	<u>\$ 1,036,400</u>	<u>\$ 45,000</u>	<u>\$ 1,081,400</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable - vendors	\$ 12,891	\$ -	\$ 12,891	\$ 21,371	\$ -	\$ 21,371
Accounts payable - member reimbursement	39,431	-	39,431	51,334	-	51,334
Accrued expenses	64,384	-	64,384	48,430	-	48,430
Deferred revenue	173,194	-	173,194	160,864	-	160,864
Total current liabilities	<u>289,900</u>	<u>-</u>	<u>289,900</u>	<u>281,999</u>	<u>-</u>	<u>281,999</u>
Net Assets:						
Unrestricted:						
Operating	409,674	-	409,674	350,198	-	350,198
Property and equipment	361,884	-	361,884	404,203	-	404,203
Total unrestricted	<u>771,558</u>	<u>-</u>	<u>771,558</u>	<u>754,401</u>	<u>-</u>	<u>754,401</u>
Temporarily restricted	-	549,256	549,256	-	45,000	45,000
Total net assets	<u>771,558</u>	<u>549,256</u>	<u>1,320,814</u>	<u>754,401</u>	<u>45,000</u>	<u>799,401</u>
Total liabilities and net assets	<u>\$ 1,061,458</u>	<u>\$ 549,256</u>	<u>\$ 1,610,714</u>	<u>\$ 1,036,400</u>	<u>\$ 45,000</u>	<u>\$ 1,081,400</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, 2017
 (With Summarized Comparative Totals for the Year Ended August 31, 2016)

	2017				2016	
	Unrestricted		Total	Temporarily Restricted	Total	Total
	Operating	Property and Equipment				
Public Support and Earned Revenue:						
Public support:						
In-kind revenue	\$ 329,047	\$ -	\$ 329,047	\$ -	\$ 329,047	\$ 410,976
Contributions and private grants	324,848	-	324,848	514,256	839,104	316,397
Government grants	57,500	-	57,500	35,000	92,500	121,200
Net assets released from purpose restrictions	45,000	-	45,000	(45,000)	-	-
Total public support	756,395	-	756,395	504,256	1,260,651	848,573
Earned revenue:						
BosTix - online and in-person service charges	469,114	-	469,114	-	469,114	471,928
Marketing - trade	453,372	-	453,372	-	453,372	544,722
Advertising sales and sponsorships	298,418	-	298,418	-	298,418	266,308
Capacity building / member services	134,073	-	134,073	-	134,073	136,648
Interest and other	5,382	-	5,382	-	5,382	6,459
Total earned revenue	1,360,359	-	1,360,359	-	1,360,359	1,426,065
Member ticket activity:						
Member ticket sales	1,670,217	-	1,670,217	-	1,670,217	1,632,182
Member ticket reimbursements	(1,670,217)	-	(1,670,217)	-	(1,670,217)	(1,632,182)
Net member ticket activity	-	-	-	-	-	-
Total public support and earned revenue	2,116,754	-	2,116,754	504,256	2,621,010	2,274,638
Expenses:						
Program services:						
Ticketing	1,306,055	34,055	1,340,110	-	1,340,110	1,524,196
Advertising	147,698	2,331	150,029	-	150,029	148,331
Capacity building / member services	283,453	3,996	287,449	-	287,449	356,510
Total program services	1,737,206	40,382	1,777,588	-	1,777,588	2,029,037
Supporting services:						
General and Administrative	131,633	2,663	134,296	-	134,296	173,740
Fundraising	185,715	1,998	187,713	-	187,713	168,961
Total supporting services	317,348	4,661	322,009	-	322,009	342,701
Total expenses	2,054,554	45,043	2,099,597	-	2,099,597	2,371,738
Changes in net assets	62,200	(45,043)	17,157	504,256	521,413	(97,100)
Net Assets - beginning of year	350,198	404,203	754,401	45,000	799,401	896,501
Transfer of net assets	(2,724)	2,724	-	-	-	-
Net Assets - end of year	\$ 409,674	\$ 361,884	\$ 771,558	\$ 549,256	\$ 1,320,814	\$ 799,401

ARTS/BOSTON, INC.

 Statement of Activities and Changes in Net Assets
 For the Year Ended August 31, 2016

	Unrestricted			Temporarily Restricted	Total
	Operating	Property and Equipment	Total		
Public Support and Earned Revenue:					
Public support:					
In-kind revenue	\$ 410,976	\$ -	\$ 410,976	\$ -	\$ 410,976
Contributions and private grants	306,397	-	306,397	10,000	316,397
Government grants	86,200	-	86,200	35,000	121,200
Net assets released from purpose restrictions	154,128	-	154,128	(154,128)	-
Total public support	957,701	-	957,701	(109,128)	848,573
Earned revenue:					
BosTix - online and in-person service charges	471,928	-	471,928	-	471,928
Marketing - trade	544,722	-	544,722	-	544,722
Advertising sales and sponsorships	266,308	-	266,308	-	266,308
Capacity building / member services	136,648	-	136,648	-	136,648
Interest and other	6,459	-	6,459	-	6,459
Total earned revenue	1,426,065	-	1,426,065	-	1,426,065
Member ticket activity:					
Member ticket sales	1,632,182	-	1,632,182	-	1,632,182
Member ticket reimbursements	(1,632,182)	-	(1,632,182)	-	(1,632,182)
Net member ticket activity	-	-	-	-	-
Total public support and earned revenue	2,383,766	-	2,383,766	(109,128)	2,274,638
Expenses:					
Program services:					
Ticketing	1,485,577	38,619	1,524,196	-	1,524,196
Advertising	147,297	1,034	148,331	-	148,331
Capacity building / member services	353,418	3,092	356,510	-	356,510
Total program services	1,986,292	42,745	2,029,037	-	2,029,037
Supporting services:					
General and Administrative	171,680	2,060	173,740	-	173,740
Fundraising	167,410	1,551	168,961	-	168,961
Total supporting services	339,090	3,611	342,701	-	342,701
Total expenses	2,325,382	46,356	2,371,738	-	2,371,738
Changes in net assets	58,384	(46,356)	12,028	(109,128)	(97,100)
Net Assets - Beginning of year	312,572	429,801	742,373	154,128	896,501
Transfer of net assets	(20,758)	20,758	-	-	-
Net Assets - End of year	\$ 350,198	\$ 404,203	\$ 754,401	\$ 45,000	\$ 799,401

ARTS/BOSTON, INC.Statements of Cash Flows
For the Years Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 521,413	\$ (97,100)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	45,043	46,356
Changes in operating assets and liabilities:		
Accounts receivable	(16,249)	(76,780)
Prepaid expenses	(766)	(6,207)
Accounts payable - vendors	(8,480)	(30,814)
Accounts payable - member reimbursement	(11,903)	(10,293)
Accrued expenses	15,954	3,387
Deferred revenue	12,330	(23,241)
Net cash provided by (used in) operating activities	557,342	(194,692)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(2,724)	(20,758)
Net Change in Cash and Cash Equivalents	554,618	(215,450)
Cash and Cash Equivalents:		
Beginning of year	488,304	703,754
End of year	<u>\$ 1,042,922</u>	<u>\$ 488,304</u>

ARTS/BOSTON, INC.

 Statement of Functional Expenses
 For the Year Ended August 31, 2017

(With Summarized Comparative Totals for the Year Ended August 31, 2016)

	2017							2016	
	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	\$ 206,340	\$ 90,668	\$ 102,601	\$ 399,609	\$ 54,188	\$ 102,459	\$ 156,647	\$ 556,256	\$ 635,949
Employee benefits	31,611	12,055	15,721	59,387	9,481	17,999	27,480	86,867	82,987
Contracted services	28,924	5,459	5,459	39,842	8,187	6,546	14,733	54,575	54,274
Payroll taxes	15,072	6,638	7,512	29,222	3,956	7,475	11,431	40,653	46,704
Total personnel and related	281,947	114,820	131,293	528,060	75,812	134,479	210,291	738,351	819,914
Other Expenses:									
Marketing - trade	453,372	-	-	453,372	-	-	-	453,372	544,722
Marketing - in-kind	317,247	-	-	317,247	-	-	-	317,247	402,476
Occupancy	70,784	13,978	23,970	108,732	15,979	11,988	27,967	136,699	117,626
Marketing	41,194	9,973	6,711	57,878	-	-	-	57,878	71,256
Credit card and bank charges	50,858	373	1,677	52,908	347	-	347	53,255	55,872
Professional fees	-	-	935	935	18,365	32,254	50,619	51,554	55,551
Miscellaneous	3,435	1,384	33,990	38,809	10,349	1,143	11,492	50,301	36,852
Ticketing systems	39,597	1,063	1,821	42,481	1,214	911	2,125	44,606	43,413
Program supplies/Audience Lab	445	343	27,000	27,788	-	-	-	27,788	-
AAI TRG fees	-	-	26,500	26,500	-	-	-	26,500	26,500
Technology	14,033	1,831	3,304	19,168	2,897	1,573	4,470	23,638	24,194
Telephone and equipment	8,740	2,326	3,981	15,047	2,648	1,993	4,641	19,688	21,159
Office expense	4,781	1,607	2,750	9,138	3,873	1,374	5,247	14,385	6,971
License fees	12,000	-	-	12,000	-	-	-	12,000	12,000
Program - in-kind	6,500	-	5,300	11,800	-	-	-	11,800	8,500
Conferences and meetings	1,122	-	8,036	9,158	149	-	149	9,307	13,478
Evaluation	-	-	6,185	6,185	-	-	-	6,185	-
Strategic planning	-	-	-	-	-	-	-	-	9,426
Special events	-	-	-	-	-	-	-	-	9,093
Market research	-	-	-	-	-	-	-	-	45,463
Total other	1,024,108	32,878	152,160	1,209,146	55,821	51,236	107,057	1,316,203	1,504,552
Total expenses before depreciation	1,306,055	147,698	283,453	1,737,206	131,633	185,715	317,348	2,054,554	2,324,466
Depreciation	34,055	2,331	3,996	40,382	2,663	1,998	4,661	45,043	46,356
Total expenses	\$ 1,340,110	\$ 150,029	\$ 287,449	\$ 1,777,588	\$ 134,296	\$ 187,713	\$ 322,009	\$ 2,099,597	\$ 2,370,822

The accompanying notes are an integral part of these statements.

ARTS/BOSTON, INC.

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

	Program Services				Supporting Services			
	Ticketing	Advertising	Capacity Building / Member Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Personnel and Related:								
Salaries	\$ 205,185	\$ 97,925	\$ 144,887	\$ 447,997	\$ 96,809	\$ 91,143	\$ 187,952	\$ 635,949
Employee benefits	28,469	13,331	18,083	59,883	10,882	12,222	23,104	82,987
Contracted services	21,709	4,342	13,026	39,077	8,683	6,514	15,197	54,274
Payroll taxes	15,521	7,424	10,922	33,867	5,918	6,919	12,837	46,704
Total personnel and related	270,884	123,022	186,918	580,824	122,292	116,798	239,090	819,914
Other Expenses:								
Marketing - trade	544,722	-	-	544,722	-	-	-	544,722
Marketing - in-kind	402,476	-	-	402,476	-	-	-	402,476
Occupancy	64,041	7,109	21,327	92,477	14,491	10,658	25,149	117,626
Marketing	55,107	11,908	4,241	71,256	-	-	-	71,256
Credit card and bank charges	53,934	14	1,475	55,423	449	-	449	55,872
Professional fees	1,272	-	5,325	6,597	15,700	33,254	48,954	55,551
Miscellaneous	5,615	635	17,958	24,208	11,394	1,250	12,644	36,852
Ticketing systems	40,002	494	1,484	41,980	689	744	1,433	43,413
Program supplies/Audience Lab	916	-	-	916	-	-	-	916
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
Telephone and equipment	10,267	1,454	4,357	16,078	2,907	2,174	5,081	21,159
Office expense	3,218	501	1,506	5,225	998	748	1,746	6,971
License fees	12,000	-	-	12,000	-	-	-	12,000
Program - in-kind	6,500	-	2,000	8,500	-	-	-	8,500
Conferences and meetings	640	-	12,769	13,409	69	-	69	13,478
Strategic planning	-	-	9,426	9,426	-	-	-	9,426
Special events	-	-	9,093	9,093	-	-	-	9,093
Market research	-	-	45,463	45,463	-	-	-	45,463
Total other	1,214,693	24,275	166,500	1,405,468	49,388	50,612	100,000	1,505,468
Total expenses before depreciation	1,485,577	147,297	353,418	1,986,292	171,680	167,410	339,090	2,325,382
Depreciation	38,619	1,034	3,092	42,745	2,060	1,551	3,611	46,356
Total expenses	\$ 1,524,196	\$ 148,331	\$ 356,510	\$ 2,029,037	\$ 173,740	\$ 168,961	\$ 342,701	\$ 2,371,738

The accompanying notes are an integral part of these statements.

ARTS/BOSTON, INC.

Notes to Financial Statements
August 31, 2017 and 2016

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 leads 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: The Agency's BosTix discount ticketing program offers discounted 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: The Agency 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 at its booths at Faneuil Hall and Copley Square.

Capacity Building/Member Services: The Agency 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, a cohort-based initiative to diversify arts audiences using predictive modeling; and 3) workshops, training programs, and networking events on a range of subjects, with a particular focus on equity, diversity, and inclusion in the arts as well as media and marketing. The Network for Arts Administrators of Color (NAAC Boston) is a major new initiative in this focus area.

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 (U.S. GAAP) 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, 2017 and 2016

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Unrestricted contributions and private 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 online and in-person service charges are recognized as tickets are sold. The Agency collected on behalf of and remitted to participating members \$1,670,217 and \$1,632,182 for the years ended August 31, 2017 and 2016, respectively. Accounts payable – member reimbursement of \$39,431 and \$51,334 as of August 31, 2017 and 2016, 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 \$453,372 and \$544,722 for the years ended August 31, 2017 and 2016, 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, which is included in marketing in the accompanying statements of functional expenses for the years ended August 31, 2017 and 2016, was approximately \$52,000 and \$61,000, respectively.

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, 2017 and 2016.

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, 2017 and 2016

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>2017</u>	<u>2016</u>
The Audience Lab	\$ 494,256	\$ 15,000
Diversity and Inclusion Initiative	35,000	-
ArtsBoston Gateways	20,000	-
Marketing	-	20,000
Pathways	-	10,000
	<u>\$ 549,256</u>	<u>\$ 45,000</u>

ARTS/BOSTON, INC.

Notes to Financial Statements
August 31, 2017 and 2016

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Goods and Services

During the years ended August 31, 2017 and 2016, 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>2017</u>	<u>2016</u>
Advertisements	\$ 317,247	\$ 402,476
Telecharge	6,500	6,500
Workshops	<u>5,300</u>	<u>2,000</u>
	<u>\$ 329,047</u>	<u>\$ 410,976</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 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, 2017 and 2016. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

ARTS/BOSTON, INC.

Notes to Financial Statements
August 31, 2017 and 2016

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 7, 2017, 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, 2017 and 2016, was \$95,730 and \$84,718 respectively. Future minimum lease payments for the remaining life of this lease are as follows:

Fiscal Year

2018	\$ 91,416
2019	\$ 83,798

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 August of 2020 is included in telephone and equipment in the accompanying statements of functional expenses and totaled \$7,807 and \$7,395 in fiscal years 2017 and 2016, respectively. Future minimum lease payments for the remaining life of this lease are as follows:

Fiscal Year

2018	\$ 2,495
2019	\$ 1,080
2020	\$ 1,080

ARTS/BOSTON, INC.

Notes to Financial Statements
August 31, 2017 and 2016

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, 2018, unless earlier terminated in accordance with the terms of the agreement.

5. LINE OF CREDIT

At August 31, 2017 and 2016, the Agency had an \$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* (4.25% and 3.50% at August 31, 2017 and 2016, 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, 2017 and 2016. The line of credit agreement contains various covenants. The Agency was in compliance with these covenants as of August 31, 2017 and 2016.

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 \$30,663 and \$21,549 of tickets for the organizations during fiscal years 2017 and 2016, 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 contributions to this plan were \$14,530 and \$15,035 for the years ended August 31, 2017 and 2016, respectively. These costs are included in employee benefits in the accompanying statements of functional expenses in fiscal years 2017 and 2016, respectively.

9. RECLASSIFICATION

Certain amounts in the fiscal year 2016 financial statements have been reclassified to conform with the fiscal year 2017 presentation.