



**FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

THE CELEBRITY SERIES OF BOSTON, INC.

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JUNE 30, 2014 AND 2013**

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
The Celebrity Series of Boston, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of The Celebrity Series of Boston, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows 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 The Celebrity Series of Boston, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Boston, Massachusetts
September 16, 2014

THE CELEBRITY SERIES OF BOSTON, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013**

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,564,892	\$ 2,074,718
Pledges and other receivables, net	337,115	447,289
Prepaid expenses and other	215,029	338,782
Short-term investments	<u>250,000</u>	<u>550,000</u>
Total current assets	2,367,036	3,410,789
INVESTMENTS	6,597,005	5,967,397
PROPERTY AND EQUIPMENT, net	<u>117,871</u>	<u>130,645</u>
Total assets	<u>\$ 9,081,912</u>	<u>\$ 9,508,831</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 76,885	\$ 108,653
Advance ticket subscriptions	<u>1,642,810</u>	<u>1,775,691</u>
Total current liabilities	<u>1,719,695</u>	<u>1,884,344</u>
 NET ASSETS:		
Unrestricted:		
Available for operations	449,914	609,330
Property and equipment	<u>117,871</u>	<u>130,645</u>
Total unrestricted	567,785	739,975
Temporarily restricted	2,539,617	2,629,697
Permanently restricted	<u>4,254,815</u>	<u>4,254,815</u>
Total net assets	<u>7,362,217</u>	<u>7,624,487</u>
Total liabilities and net assets	<u>\$ 9,081,912</u>	<u>\$ 9,508,831</u>

The accompanying notes are an integral part of these statements.

THE CELEBRITY SERIES OF BOSTON, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014					2013						
	UNRESTRICTED			TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED			TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
	OPERATING	BOARD DESIGNATED	TOTAL				OPERATING	BOARD DESIGNATED	TOTAL			
OPERATING REVENUE AND SUPPORT:												
Operating revenue:												
Ticket sales, net	\$ 3,785,521	\$ -	\$ 3,785,521	\$ -	\$ -	\$ 3,785,521	\$ 3,362,687	\$ -	\$ 3,362,687	\$ -	\$ -	\$ 3,362,687
Stabilization and management fees	131,064	-	131,064	-	-	131,064	115,019	-	115,019	-	-	115,019
Processing fees	86,260	-	86,260	-	-	86,260	76,538	-	76,538	-	-	76,538
Advertising	12,324	-	12,324	-	-	12,324	5,100	-	5,100	-	-	5,100
Total operating revenue	<u>4,015,169</u>	<u>-</u>	<u>4,015,169</u>	<u>-</u>	<u>-</u>	<u>4,015,169</u>	<u>3,559,344</u>	<u>-</u>	<u>3,559,344</u>	<u>-</u>	<u>-</u>	<u>3,559,344</u>
Operating support:												
Grants and contributions	734,420	-	734,420	599,648	-	1,334,068	1,105,891	-	1,105,891	1,869,420	-	2,975,311
Special events, net	376,671	-	376,671	-	-	376,671	116,596	-	116,596	-	-	116,596
Investment return designated for current operations	280,000	-	280,000	-	-	280,000	270,000	-	270,000	-	-	270,000
Interest and other	4,806	-	4,806	-	-	4,806	1,471	-	1,471	-	-	1,471
Net assets released from restrictions	1,331,402	-	1,331,402	(1,331,402)	-	-	494,011	-	494,011	(494,011)	-	-
Total operating support	<u>2,727,299</u>	<u>-</u>	<u>2,727,299</u>	<u>(731,754)</u>	<u>-</u>	<u>1,995,545</u>	<u>1,987,969</u>	<u>-</u>	<u>1,987,969</u>	<u>1,375,409</u>	<u>-</u>	<u>3,363,378</u>
Total operating revenue and support	<u>6,742,468</u>	<u>-</u>	<u>6,742,468</u>	<u>(731,754)</u>	<u>-</u>	<u>6,010,714</u>	<u>5,547,313</u>	<u>-</u>	<u>5,547,313</u>	<u>1,375,409</u>	<u>-</u>	<u>6,922,722</u>
OPERATING EXPENSES:												
Performance and education	5,852,320	100,000	5,952,320	-	-	5,952,320	4,769,921	81,500	4,851,421	-	-	4,851,421
Management and general	681,879	-	681,879	-	-	681,879	650,240	-	650,240	-	-	650,240
Fundraising	494,931	-	494,931	-	-	494,931	397,140	-	397,140	-	-	397,140
Total operating expenses	<u>7,029,130</u>	<u>100,000</u>	<u>7,129,130</u>	<u>-</u>	<u>-</u>	<u>7,129,130</u>	<u>5,817,301</u>	<u>81,500</u>	<u>5,898,801</u>	<u>-</u>	<u>-</u>	<u>5,898,801</u>
Changes in net assets from operations	<u>(286,662)</u>	<u>(100,000)</u>	<u>(386,662)</u>	<u>(731,754)</u>	<u>-</u>	<u>(1,118,416)</u>	<u>(269,988)</u>	<u>(81,500)</u>	<u>(351,488)</u>	<u>1,375,409</u>	<u>-</u>	<u>1,023,921</u>
NON-OPERATING REVENUE (EXPENSE):												
Investment income (loss), net of fees	152,986	87,463	240,449	895,697	-	1,136,146	(11,175)	87,480	76,305	727,516	-	803,821
Investment return designated for current operations	-	(25,977)	(25,977)	(254,023)	-	(280,000)	-	(39,429)	(39,429)	(230,571)	-	(270,000)
Total non-operating revenue (expense)	<u>152,986</u>	<u>61,486</u>	<u>214,472</u>	<u>641,674</u>	<u>-</u>	<u>856,146</u>	<u>(11,175)</u>	<u>48,051</u>	<u>36,876</u>	<u>496,945</u>	<u>-</u>	<u>533,821</u>
Changes in net assets	<u>(133,676)</u>	<u>(38,514)</u>	<u>(172,190)</u>	<u>(90,080)</u>	<u>-</u>	<u>(262,270)</u>	<u>(281,163)</u>	<u>(33,449)</u>	<u>(314,612)</u>	<u>1,872,354</u>	<u>-</u>	<u>1,557,742</u>
NET ASSETS, beginning of year	<u>227,127</u>	<u>512,848</u>	<u>739,975</u>	<u>2,629,697</u>	<u>4,254,815</u>	<u>7,624,487</u>	<u>508,290</u>	<u>546,297</u>	<u>1,054,587</u>	<u>757,343</u>	<u>4,254,815</u>	<u>6,066,745</u>
NET ASSETS, end of year	<u>\$ 93,451</u>	<u>\$ 474,334</u>	<u>\$ 567,785</u>	<u>\$ 2,539,617</u>	<u>\$ 4,254,815</u>	<u>\$ 7,362,217</u>	<u>\$ 227,127</u>	<u>\$ 512,848</u>	<u>\$ 739,975</u>	<u>\$ 2,629,697</u>	<u>\$ 4,254,815</u>	<u>\$ 7,624,487</u>

The accompanying notes are an integral part of these statements.

THE CELEBRITY SERIES OF BOSTON, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (262,270)	\$ 1,557,742
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	54,913	57,351
Net realized and unrealized gains on investments	(934,292)	(638,600)
Donated stock	-	(1,113,840)
Changes in operating assets and liabilities:		
Pledges and other receivables	110,174	(120,829)
Prepaid expenses and other	123,753	(88,488)
Accounts payable and accrued expenses	(31,768)	72,084
Deferred compensation	-	(30,491)
Advance ticket subscriptions	(132,881)	330,640
	<u>(1,072,371)</u>	<u>25,569</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(42,139)	(13,445)
Purchases of investments	(552,443)	(1,166,853)
Proceeds from sale of investments	1,157,127	1,495,831
	<u>562,545</u>	<u>315,533</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(509,826)	341,102
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,074,718</u>	<u>1,733,616</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,564,892</u>	<u>\$ 2,074,718</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Unrealized gains on investments	<u>\$ 580,318</u>	<u>\$ 532,480</u>
Donated stock	<u>\$ -</u>	<u>\$ 1,113,840</u>

The accompanying notes are an integral part of these statements.

THE CELEBRITY SERIES OF BOSTON, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

The Celebrity Series of Boston, Inc. (the Organization) is a nonprofit agency founded in 1938 to present the world's best performing artists in Boston, Massachusetts. Its mission is to present world-class artists who inspire and enrich the community. It offers a wide range of education and community-based programming that seek to introduce young audiences and their families to live performance through in-school, after-school and community-based performances. The Organization's events and performances are primarily held in the Boston, Massachusetts area.

The Organization 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 Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within the IRC requirements.

SIGNIFICANT ACCOUNTING POLICIES

The Organization 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).

Cash and Cash Equivalents

For the purpose of the statements of cash flows, management considers all highly liquid investments with initial maturities of three months or less to be cash equivalents, other than the money market portion of the Organization's investment account.

Cash and cash equivalents are maintained in two banks in Massachusetts and are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At times, cash and cash equivalents exceeded the insured limits. The Organization has not experienced any losses in these accounts. The Organization's management believes the Organization is not exposed to any significant credit risk on its operating cash.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred (see Note 4).

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Computer equipment	3 years
Office furniture and equipment	3 - 7 years
Leasehold improvements	Term of lease
Software	3 years

THE CELEBRITY SERIES OF BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.
- Level 2 – Inputs other than quoted prices in active markets 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.

Investments and Spending Policy

The Organization records its investments at fair value using Level 1 inputs (see above). Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the year (see Note 5).

The Organization adheres to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Subject to the intent of a donor, an institution may appropriate for expenditure or accumulate so much of a permanently restricted endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the permanently restricted endowment fund is established. The assets in a permanently restricted endowment fund are donor-restricted assets until appropriated for expenditure by the Organization.

The Organization has adopted investment and spending policies for endowment assets and Board designated net assets (see Note 2) that aim to provide a level of support for the Organization and its programs, while maintaining or enhancing the purchasing power of the endowment in accordance with UPMIFA. Under the investment policy, the endowment assets are invested to provide a competitive total rate of return commensurate with prudent diversification and moderate risk. Risk and diversification parameters have been established and the endowment is maintained and rebalanced accordingly, if necessary. The Organization relies on a total rate of return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). While it is understood that the endowment assets are to be managed with a long-term focus, a benchmark hypothetical portfolio has been established to monitor performance on a quarterly basis.

THE CELEBRITY SERIES OF BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(Continued)

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

(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Spending Policy (Continued)

The Organization has a policy of appropriating for operations each year 5% of the rolling average of the prior twelve quarter-end fair values ending March of the fiscal year in which the distribution is planned (see Note 3). In establishing this policy, the Organization considered the expected returns plus an adjustment for inflation. This is consistent with the stated goal of enhancing the purchasing power of the endowment over time, while providing necessary funds for operations. In the event of a significant market decline, the Organization will consider all factors relevant to the stated goal in determining any change to the appropriation as allowed by UPMIFA.

Revenue Recognition

Ticket sales and related revenue are recognized in the period in which the related performances are given. The receipt of subscription fees and sales of tickets for the following year's performances are recorded as advance ticket subscriptions as a current liability in the accompanying statements of financial position. Unrestricted grants and contributions are recognized when unconditionally pledged or received. All other revenue is recorded when earned.

Gifts of cash and other assets are reported as temporarily or permanently restricted support and net assets, 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 accompanying statements of activities and changes in net assets as net assets released from restrictions. Donor restricted grants and contributions received and satisfied in the same period are included in unrestricted net assets.

In-Kind Contributions

The Organization receives services of many volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements, since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the criteria for recognition of *Accounting for Contributions Received and Contributions Made* standards.

Expense Allocations

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate.

Advertising

Generally, advertising costs are expensed in the years of the related performances. The Organization incurred approximately \$570,000 and \$475,000 of advertising costs in fiscal years 2014 and 2013, respectively.

THE CELEBRITY SERIES OF BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Events

Special events are reported net of direct costs of \$249,647 and \$78,257 for the years ended June 30, 2014 and 2013, respectively, in the accompanying financial statements.

Ticket Sales

Ticket sales are reported net of direct costs (credit card charges and restoration fees) of \$275,078 and \$222,439 for the years ended June 30, 2014 and 2013, respectively, in the accompanying financial statements.

Allowance for Doubtful Pledges and Other Receivables

Allowance for doubtful pledges and other receivables is recorded based on management's review of pledges and other receivables and their estimate of amounts that may become uncollectible in accordance with the Organization's policy. Amounts are written off as they are determined to be uncollectible. There was no allowance for doubtful pledges or other receivables or discount on pledges deemed necessary at June 30, 2014 and 2013.

Use of 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 disclosures 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 Organization 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 Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2014 and 2013. The Organization's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income in both the Federal and Massachusetts jurisdictions. There was no taxable net income from these activities for the years ended June 30, 2014 and 2013.

Subsequent Events

Subsequent events have been evaluated through September 16, 2014, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements as of June 30, 2014.

THE CELEBRITY SERIES OF BOSTON, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(2) NET ASSETS

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its unrestricted net assets into the following categories:

- **Available for operations** - which represents amounts that bear no external restrictions and are currently available for operations. This includes two Board-designated funds totaling \$474,334 and \$512,848 as of June 30, 2014 and 2013, respectively, which are designated as follows:
 - **Board designated** - represents funds set aside for specific purposes. The net proceeds from a special event held for the former Executive Director were set aside to be used for purposes as approved by the Board of Directors (Innovation Fund). During fiscal years 2014 and 2013, the Board approved the use of \$100,000 and \$81,500, respectively, of this Fund.
 - **Board designated working capital reserve** - represents funds set aside by the Board of Directors to be used for working capital with Board approval.
- **Property and equipment** - represent the net book value of the Organization's property and equipment.

The Organization appropriated \$25,977 and \$39,429 of Board designated funds during fiscal years 2014 and 2013, respectively, to be used for operations in accordance with its investments and spending policy (see Note 1).

Temporarily Restricted Net Assets

The Organization receives contributions and grants which are designated by donors for specific time periods or purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes or as time restrictions expire. Temporarily restricted net assets also include unspent appreciation on permanently restricted net assets in accordance with the Organization's spending policy.

Temporarily restricted net assets consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Accumulated unspent appreciation on permanently restricted funds	\$1,401,951	\$ 760,277
Time restricted	<u>1,137,666</u>	<u>1,869,420</u>
	<u>\$2,539,617</u>	<u>\$2,629,697</u>

Temporarily restricted net assets released from restrictions of \$1,331,402 and \$494,011 during fiscal years 2014 and 2013, respectively, were based on the satisfaction of time restrictions for future seasons.

THE CELEBRITY SERIES OF BOSTON, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(2) **NET ASSETS** (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets consist of funds that are restricted by donors against any expenditures of principal.

Permanently restricted net assets are restricted for the following purposes at June 30, 2014 and 2013:

General endowment	\$3,533,403
Education endowment	600,000
Scholarship endowment	<u>121,412</u>
	<u>\$4,254,815</u>

(3) **ENDOWMENTS**

A reconciliation of endowment activity for fiscal years 2014 and 2013 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2012	\$ 263,332	\$4,254,815	\$4,518,147
Investment activity:			
Net unrealized gains on investments	501,009	-	501,009
Net realized gains on investments	92,104	-	92,104
Interest and dividends	179,253	-	179,253
Investment management fees	<u>(44,850)</u>	<u>-</u>	<u>(44,850)</u>
Total investment activity	<u>727,516</u>	<u>-</u>	<u>727,516</u>
Investment return designated for current Operations	<u>(230,571)</u>	<u>-</u>	<u>(230,571)</u>
Endowment net assets, June 30, 2013	<u>760,277</u>	<u>4,254,815</u>	<u>5,015,092</u>
Investment activity:			
Net unrealized gains on investments	458,945	-	458,945
Net realized gains on investments	276,414	-	276,414
Interest and dividends	197,069	-	197,069
Investment management fees	<u>(36,731)</u>	<u>-</u>	<u>(36,731)</u>
Total investment activity	<u>895,697</u>	<u>-</u>	<u>895,697</u>
Investment return designated for current Operations	<u>(254,023)</u>	<u>-</u>	<u>(254,023)</u>
Endowment net assets, June 30, 2014	<u>\$1,401,951</u>	<u>\$4,254,815</u>	<u>\$5,656,766</u>

THE CELEBRITY SERIES OF BOSTON, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(3) ENDOWMENTS (Continued)

From time-to-time, the fair value of assets associated with the donor restricted endowment fund may fall below the level that the donors require the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, losses on investments of a donor restricted endowment reduce temporarily restricted net assets to the extent of net accumulated appreciation on these funds. Any remaining losses reduce unrestricted net assets. Future gains, if any, that restore the assets of the endowment fund to the original level will increase unrestricted net assets.

The Organization appropriated \$254,023 and \$230,571 of temporarily restricted appreciation on permanently restricted net assets during fiscal years 2014 and 2013, respectively, to be used for operations in accordance with its investments and spending policy (see Note 1).

(4) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Computer equipment	\$336,579	\$333,660
Office furniture and equipment	155,947	127,360
Leasehold improvements	83,475	73,650
Software	<u>28,662</u>	<u>27,854</u>
	604,663	562,524
Less - accumulated depreciation	<u>486,792</u>	<u>431,879</u>
Net property and equipment	<u>\$117,871</u>	<u>\$130,645</u>

Depreciation expense for the years ended June 30, 2014 and 2013, was \$54,913 and \$57,351, respectively, and is included in management and general expenses in the accompanying statements of activities and changes in net assets.

(5) INVESTMENTS

The following is a summary of the investment portfolio as of June 30:

	<u>2014</u>	<u>2013</u>
Money market	\$ 76,886	\$ 459,447
Equities:		
Domestic common stock	4,445,774	4,258,999
Preferred stock	472,955	427,666
Fixed income:		
Corporate bonds	1,162,315	796,076
Mutual funds:		
International mutual funds	<u>689,075</u>	<u>575,209</u>
	<u>\$6,847,005</u>	<u>\$6,517,397</u>

THE CELEBRITY SERIES OF BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)

(5) **INVESTMENTS** (Continued)

Investment income consists of the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Net unrealized gains on investments	\$ 580,318	\$532,480
Net realized gains on investments	353,974	106,120
Interest and dividends	248,448	204,328
Investment management fees	<u>(46,594)</u>	<u>(39,107)</u>
	<u>\$1,136,146</u>	<u>\$803,821</u>

Investments are not insured and are subject to ongoing market fluctuations.

Subsequent to June 30, 2014 and 2013, management liquidated and used \$250,000 and \$550,000, respectively, of investments. These investments are classified as short-term investments in the accompanying statements of financial position. The other investments at June 30, 2014 and 2013, are classified as long-term due to management's intent to hold these investments for long-term purposes.

(6) **FUNDING CONCENTRATIONS**

Approximately 61% and 65% of pledges and other receivables were due from three donors as of June 30, 2014 and 2013, respectively.

Sixteen percent of total operating revenue and support for the year ended June 30, 2013, is from one donor.

For the years ended June 30, 2014 and 2013, approximately 15% and 18%, respectively, of the Organization's net ticket sales were for the Alvin Ailey American Dance Theater performances.

(7) **LEASE AGREEMENTS**

The Organization leases space under an operating lease agreement that was to expire on August 31, 2013. In March, 2013, the Organization extended this lease effective as of September, 2013, through August, 2018. The lease contains an extension option. Under the revised lease agreement, the Organization pays monthly rent of \$11,172, which will increase annually as defined in the lease agreement.

The lease requires the Organization to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses.

The Organization paid monthly lease payments that ranged from \$10,283 to \$13,275 per month during fiscal years 2014 and 2013. Rent expense under the facility lease was \$132,286 and \$154,374 for the years ended June 30, 2014 and 2013, respectively.

The Organization also leases office equipment under operating lease agreements that expire at various dates through January 31, 2019. Total equipment rent expense under these lease agreements was approximately \$12,000 for each of the years ended June 30, 2014 and 2013.

THE CELEBRITY SERIES OF BOSTON, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(7) LEASE AGREEMENTS

Remaining minimum lease payments for office space and equipment are as follows:

2015	\$153,878
2016	\$166,538
2017	\$172,758
2018	\$180,376
2019	\$ 37,804

(8) EMPLOYEE BENEFIT PLANS

The Organization has a defined contribution retirement plan (the Plan) covering all eligible employees under IRC Section 403(b). Employees become eligible upon completing one year of employment and having worked at least 1,000 hours. The Organization has the right to make discretionary contributions to the Plan, which are 100% vested immediately. The Organization elected not to make discretionary contributions to the Plan during fiscal years 2014 and 2013.

(9) BANK CREDIT FACILITY

The Organization had a one-year \$500,000 revolving credit agreement with a bank, with a maturity date of June 30, 2014. In June, 2014, the revolving credit was extended through June 30, 2015. Borrowings under the agreement are due at maturity and interest is payable monthly at the bank's prime rate (3.25% at June 30, 2014 and 2013). There was no outstanding balance at June 30, 2014 and 2013. The revolving credit facility is secured by the Organization's personal property. This facility also has certain covenants with which the Organization must comply. The Organization was in compliance with these covenants as of June 30, 2014 and 2013.

(10) CONDITIONAL PROMISES TO GIVE

Donors have notified the Organization of bequests totaling \$630,000, to which the Organization will be entitled upon the donors' deaths. Since these gifts are conditional, the Organization has not recorded these amounts in the accompanying financial statements.