



FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

THE CELEBRITY SERIES OF BOSTON, INC.

Contents
June 30, 2017 and 2016

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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, 2017 and 2016, 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

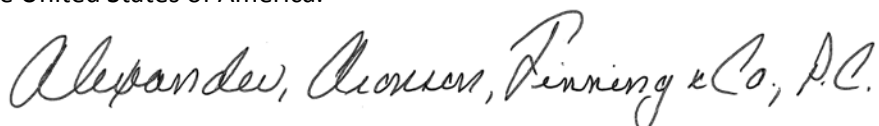
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 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
September 26, 2017

THE CELEBRITY SERIES OF BOSTON, INC.Statements of Financial Position
June 30, 2017 and 2016

Assets	2017	2016
Current Assets:		
Cash and cash equivalents	\$ 2,043,250	\$ 1,944,386
Current portion of pledges and other receivables	671,581	1,055,836
Prepaid expenses and other	177,460	139,394
Total current assets	2,892,291	3,139,616
Investments	9,439,618	5,648,459
Pledges and Other Receivables, net of current portion and discount	2,707,585	-
Property and Equipment, net	71,348	59,213
Total assets	<u>\$ 15,110,842</u>	<u>\$ 8,847,288</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 201,155	\$ 245,435
Advance ticket subscriptions and other	1,948,882	1,484,581
Total current liabilities	2,150,037	1,730,016
Net Assets:		
Unrestricted	203,417	382,556
Temporarily restricted	5,673,220	2,479,901
Permanently restricted	7,084,168	4,254,815
Total net assets	12,960,805	7,117,272
Total liabilities and net assets	<u>\$ 15,110,842</u>	<u>\$ 8,847,288</u>

THE CELEBRITY SERIES OF BOSTON, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2017 and 2016

	2017						2016					
	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	\$ 3,387,081	\$ -	\$ 3,387,081	\$ -	\$ -	\$ 3,387,081	\$ 3,660,731	\$ -	\$ 3,660,731	\$ -	\$ -	\$ 3,660,731
Processing fees	108,160	-	108,160	-	-	108,160	105,553	-	105,553	-	-	105,553
Stabilization and management fees	102,434	-	102,434	-	-	102,434	119,616	-	119,616	-	-	119,616
Advertising	10,250	-	10,250	-	-	10,250	4,100	-	4,100	-	-	4,100
Total operating revenue	3,607,925	-	3,607,925	-	-	3,607,925	3,890,000	-	3,890,000	-	-	3,890,000
Operating support:												
Grants and contributions	1,144,620	-	1,144,620	4,277,097	-	5,421,717	959,191	-	959,191	1,304,766	-	2,263,957
Investment return designated for current operations	290,000	-	290,000	-	-	290,000	292,000	-	292,000	-	-	292,000
Special events, net	147,200	-	147,200	120,000	-	267,200	270,065	-	270,065	104,800	-	374,865
Interest and other	3,197	-	3,197	-	-	3,197	1,412	-	1,412	-	-	1,412
Net assets released from restrictions:												
Time - future years	1,304,766	-	1,304,766	(1,304,766)	-	-	1,277,690	-	1,277,690	(1,277,690)	-	-
Time - special events	104,800	-	104,800	(104,800)	-	-	-	-	-	-	-	-
Total operating support	2,994,583	-	2,994,583	2,987,531	-	5,982,114	2,800,358	-	2,800,358	131,876	-	2,932,234
Total operating revenue and support	6,602,508	-	6,602,508	2,987,531	-	9,590,039	6,690,358	-	6,690,358	131,876	-	6,822,234
Operating Expenses:												
Performance and education	5,337,184	29,625	5,366,809	-	-	5,366,809	5,515,851	50,000	5,565,851	-	-	5,565,851
Management and general	654,457	29,625	684,082	-	-	684,082	687,931	-	687,931	-	-	687,931
Fundraising	599,577	62,805	662,382	-	-	662,382	593,733	-	593,733	-	-	593,733
Total operating expenses	6,591,218	122,055	6,713,273	-	-	6,713,273	6,797,515	50,000	6,847,515	-	-	6,847,515
Changes in net assets from operations	11,290	(122,055)	(110,765)	2,987,531	-	2,876,766	(107,157)	(50,000)	(157,157)	131,876	-	(25,281)
Non-Operating Revenue (Expenses):												
Endowment contributions	-	-	-	-	2,829,353	2,829,353	-	-	-	-	-	-
Investment return, net of fees	-	27,102	27,102	480,603	-	507,705	-	9,828	9,828	220,797	-	230,625
Capital campaign feasibility contributions	-	-	-	79,000	-	79,000	-	-	-	61,000	-	61,000
Net assets released from restrictions - capital campaign feasibility	79,000	-	79,000	(79,000)	-	-	61,000	-	61,000	(61,000)	-	-
Capital campaign costs	(79,000)	(80,291)	(159,291)	-	-	(159,291)	(61,000)	-	(61,000)	-	-	(61,000)
Investment return designated for current operations	-	(15,185)	(15,185)	(274,815)	-	(290,000)	-	(15,289)	(15,289)	(276,711)	-	(292,000)
Total non-operating revenue (expenses)	-	(68,374)	(68,374)	205,788	2,829,353	2,966,767	-	(5,461)	(5,461)	(55,914)	-	(61,375)
Changes in net assets	11,290	(190,429)	(179,139)	3,193,319	2,829,353	5,843,533	(107,157)	(55,461)	(162,618)	75,962	-	(86,656)
Net Assets:												
Beginning of year	88,320	294,236	382,556	2,479,901	4,254,815	7,117,272	195,477	349,697	545,174	2,403,939	4,254,815	7,203,928
End of year	\$ 99,610	\$ 103,807	\$ 203,417	\$ 5,673,220	\$ 7,084,168	\$ 12,960,805	\$ 88,320	\$ 294,236	\$ 382,556	\$ 2,479,901	\$ 4,254,815	\$ 7,117,272

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 5,843,533	\$ (86,656)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Endowment contributions	(2,829,353)	-
Depreciation	19,420	43,387
Change in discount on operating pledges and other receivables	1,210	-
Net realized and unrealized gains on investments	(382,891)	(102,256)
Changes in operating assets and liabilities:		
Operating pledges and other receivables	178,255	(475,996)
Prepaid expenses and other	(38,066)	(11,647)
Accounts payable and accrued expenses	(44,280)	55,457
Advance ticket subscriptions and other	464,301	(64,953)
Net cash provided by (used in) operating activities	<u>3,212,129</u>	<u>(642,664)</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(31,555)	(15,778)
Purchases of investments	(3,702,548)	(148,719)
Proceeds from sale of investments	294,280	703,863
Net cash provided by (used in) investing activities	<u>(3,439,823)</u>	<u>539,366</u>
Cash Flows from Financing Activities:		
Capital campaign contributions received	326,558	-
Net Change in Cash and Cash Equivalents	98,864	(103,298)
Cash and Cash Equivalents:		
Beginning of year	<u>1,944,386</u>	<u>2,047,684</u>
End of year	<u>\$ 2,043,250</u>	<u>\$ 1,944,386</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gains (losses) on investments	<u>\$ 167,303</u>	<u>\$ (188,423)</u>

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2017 and 2016

1. OPERATIONS AND NONPROFIT STATUS

The Celebrity Series of Boston, Inc. (the Organization) is a nonprofit corporation 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.

2. 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).

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.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, management considers all highly liquid instruments 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 such 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 6).

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
Website	5 years

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2017 and 2016

2. 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. All qualifying assets and liabilities are valued using Level 1 inputs.

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 7).

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 3) 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, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Spending Policy (Continued)

The Organization has a policy of appropriating for operations each year a percentage 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 4). The spending policy allows for an appropriation percentage of up to 7%. The appropriation percentage applied in fiscal years 2017 and 2016 was 5% in each year. 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.

Management plans to establish a separate investment and spending policy for the Innovation Fund (see Note 5), which will be presented to the Board of Directors for approval in fiscal year 2018.

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.

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 function are distributed to that function, while other expenses are allocated to functions based upon management's estimate.

Advertising

Generally, event advertising costs are expensed in the year of the related performances. The Organization incurred approximately \$541,000 and \$516,000 of event advertising costs in fiscal years 2017 and 2016, respectively.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of the Organization's operations are reported as either operating revenue and support or operating expenses in the accompanying statements of activities and changes in net assets. See also Note 5.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Events

Special events are reported net of direct costs of \$321,797 and \$307,239 for the years ended June 30, 2017 and 2016, respectively, in the accompanying financial statements.

Net special events revenues are as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Net special events revenue raised and earned in the current fiscal year	\$ 147,200	\$ 270,065
Net special events revenue raised in prior fiscal years for the current fiscal year (reflected as net assets released from restrictions - time - special events)	<u>104,800</u>	<u>-</u>
Total for the current fiscal year	252,000	270,065
Net special events revenue raised in the current fiscal year for future fiscal years	<u>120,000</u>	<u>104,800</u>
	<u>\$ 372,000</u>	<u>\$ 375,865</u>

Ticket Sales

Ticket sales of \$3,387,081 and \$3,660,731 are reported net of direct costs (credit card charges and restoration fees) of \$223,938 and \$279,199 for the years ended June 30, 2017 and 2016, 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 and other receivables deemed necessary at June 30, 2017 and 2016.

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, 2017 and 2016. However, the Organization's information returns are subject to examination by the appropriate jurisdictions.

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, 2017 and 2016.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through September 26, 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 as of June 30, 2017.

3. 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. This includes two Board-designated funds totaling \$103,807 and \$294,236 as of June 30, 2017 and 2016, 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. During fiscal year 2016, the Board approved the use of \$50,000 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. During fiscal year 2017, the Board of Directors approved the use of \$202,346 of this fund for capital campaign expenses (see Note 5).

Under its investment and spending policy (see Note 2), the Organization appropriated \$15,185 and \$15,289 of Board designated funds to be used for operations during fiscal years 2017 and 2016, respectively.

Temporarily Restricted Net Assets

The Organization receives contributions and grants that 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>2017</u>	<u>2016</u>
Purpose restricted - Innovation Fund, including any unspent appreciation (losses) (see Note 5)	\$ 3,288,467	\$ -
Accumulated unspent appreciation on permanently restricted funds	1,286,446	1,070,335
Time restricted – future years	978,307	1,304,766
Time restricted - special events	<u>120,000</u>	<u>104,800</u>
	<u>\$ 5,673,220</u>	<u>\$ 2,479,901</u>

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2017 and 2016

3. 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:

	<u>2017</u>	<u>2016</u>
General endowment	\$ 6,362,756	\$ 3,533,403
Education endowment	600,000	600,000
Scholarship endowment	<u>121,412</u>	<u>121,412</u>
	<u>\$ 7,084,168</u>	<u>\$ 4,254,815</u>

4. ENDOWMENTS

A reconciliation of endowment activity for fiscal years 2017 and 2016 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2015	<u>\$ 1,126,249</u>	<u>\$ 4,254,815</u>	<u>\$ 5,381,064</u>
Investment activity:			
Net realized gains on investments	274,021	-	274,021
Interest and dividends	159,278	-	159,278
Investment management fees	(38,172)	-	(38,172)
Net unrealized losses on investments	<u>(174,330)</u>	<u>-</u>	<u>(174,330)</u>
Total investment activity	<u>220,797</u>	<u>-</u>	<u>220,797</u>
Investment return designated for current operations	<u>(276,711)</u>	<u>-</u>	<u>(276,711)</u>
Endowment net assets, June 30, 2016	<u>1,070,335</u>	<u>4,254,815</u>	<u>5,325,150</u>
Endowment contributions	<u>-</u>	<u>2,829,353</u>	<u>2,829,353</u>
Investment activity:			
Net realized gains on investments	204,562	-	204,562
Net unrealized gains on investments	167,637	-	167,637
Interest and dividends	156,834	-	156,834
Investment management fees	<u>(38,107)</u>	<u>-</u>	<u>(38,107)</u>
Total investment activity	<u>490,926</u>	<u>-</u>	<u>490,926</u>
Investment return designated for current operations	<u>(274,815)</u>	<u>-</u>	<u>(274,815)</u>
Endowment net assets, June 30, 2017	<u>\$ 1,286,446</u>	<u>\$ 7,084,168</u>	<u>\$ 8,370,614</u>

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2017 and 2016

4. ENDOWMENTS (Continued)

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 allocated \$274,815 and \$276,711 of temporarily restricted appreciation on permanently restricted net assets during fiscal years 2017 and 2016, respectively, to be used for operations in accordance with its investments and spending policy (see Note 2).

5. PLEDGES AND OTHER RECEIVABLES

Capital Campaign

During fiscal year 2017, the Organization completed its exploration of the feasibility of a capital campaign. The Board of Directors approved the launch of a capital campaign with the purpose to raise both Endowment Funds (“Permanently Restricted”) and Innovation Funds (“Temporarily Restricted - Purpose”). See also Notes 3 and 4. The campaign remains in the “quiet phase” as of June 30, 2017, and expects to go public with the final comprehensive campaign goals during fiscal year 2018.

Expenses for the campaign include ongoing fees for consultants, staffing for the campaign, campaign materials, and events. These costs are reflected as capital campaign costs of \$159,291 and \$61,000 in the accompanying statements of activities and changes in net assets for fiscal years 2017 and 2016, respectively. In addition, \$122,055 of operating costs were allocated to the campaign in fiscal year 2017.

During fiscal years 2017 and 2016, \$79,000 and \$61,000, respectively, of the above campaign costs were funded by donor gifts in the same amount, which are reflected as capital campaign feasibility contributions in the accompanying statements of activities and changes in net assets. The remaining costs of the campaign in fiscal year 2017 were funded by Board designated net assets (see Note 3).

The Organization has capital campaign pledges receivable, which are due as follows at June 30, 2017:

Due in less than one year	\$ 580,000
Due in one to five years	<u>1,980,000</u>
	2,560,000
Less - discount to present value of future cash flows	<u>57,205</u>
	\$ <u>2,502,795</u>

The entirety of the Organization’s capital campaign pledges receivable intended for endowment funds are reflected as long-term assets as they will be converted into long-term endowment and investments upon collection and expenditure of the funds in accordance with the donors’ restrictions.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2017 and 2016

5. PLEDGES AND OTHER RECEIVABLES (Continued)

Operating

The Organization has operating pledges and other receivables, which are due as follows at June 30:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 671,581	\$ 1,055,836
Due in one to five years	<u>206,000</u>	<u>-</u>
	877,581	1,055,836
Less - discount to present value of future cash flows	1,210	-
Less - current portion	<u>671,581</u>	<u>1,055,836</u>
	<u>\$ 204,790</u>	<u>\$ -</u>

Long-term capital campaign and operating pledges receivable have been discounted using a discount factor of 1.24%, which is based on the U.S. Treasury note rates. See Note 8 for pledges and other receivables concentrations.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 359,296	\$ 356,450
Office furniture and equipment	156,986	156,986
Leasehold improvements	83,475	83,475
Software	39,256	39,257
Website	<u>28,710</u>	<u>-</u>
	667,723	636,168
Less - accumulated depreciation	<u>596,375</u>	<u>576,955</u>
Net property and equipment	<u>\$ 71,348</u>	<u>\$ 59,213</u>

Depreciation expense for the years ended June 30, 2017 and 2016, was \$19,420 and \$43,387, respectively, and is included in management and general expenses in the accompanying statements of activities and changes in net assets.

THE CELEBRITY SERIES OF BOSTON, INC.

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7. INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Money market	\$ 264,807	\$ 48,579
Equities:		
Domestic common stock	6,455,700	3,428,333
Preferred stock	444,990	509,395
Fixed income:		
Corporate bonds	1,100,882	1,081,777
Mutual funds:		
International equity mutual funds	713,902	580,375
Domestic mutual funds – real estate investment trusts	<u>459,337</u>	<u>-</u>
	<u>\$ 9,439,618</u>	<u>\$ 5,648,459</u>

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

	<u>2017</u>	<u>2016</u>
Net realized gains on investments	\$ 215,588	\$ 290,679
Net unrealized gains (losses) on investments	167,303	(188,423)
Interest and dividends	165,585	168,837
Investment management fees	<u>(40,771)</u>	<u>(40,468)</u>
	<u>\$ 507,705</u>	<u>\$ 230,625</u>

Investments are not insured and are subject to ongoing market fluctuations. See also Note 2.

All investments at June 30, 2017 and 2016, are classified as long-term due to management's intent to hold these investments for long-term purposes.

8. FUNDING CONCENTRATIONS

Of the \$3,379,166 of pledges and other receivables (from 31 donors) at June 30, 2017, 87% of the balance is from Board members. Two donors make up 66% of the total pledges and other receivables at June 30, 2017.

Of the \$1,055,836 of pledges and other receivables (from 28 donors) at June 30, 2016, 76% of the balance is from Board members. Two donors make up 53% of the total pledges and other receivables at June 30, 2016.

Due to the timing of the launch of the capital campaign quiet phase in fiscal year 2017 (see Note 5), there were concentrations of funding from the Board of Directors for the fiscal year. For the year ended June 30, 2017, approximately 37% of the Organization's total operating revenue and support, encompassing unrestricted and temporarily restricted revenue, is from one donor, who is also a Board member. For the year ended June 30, 2017, approximately 71% of the Organization's endowment contributions are from two donors, who are also Board members.

For the years ended June 30, 2017 and 2016, approximately 19% and 18%, respectively, of the Organization's net ticket sales in each year were for the Alvin Ailey American Dance Theater performances.

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9. LEASE AGREEMENTS

The Organization leases space under an operating lease agreement that will expire in August 2018. Under the lease agreement, the Organization pays monthly rent of \$13,396, which increases 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 \$12,701 to \$14,090 per month during fiscal years 2017 and 2016. Rent expense under the facility lease was \$162,692 and \$154,362 for the years ended June 30, 2017 and 2016, respectively.

The Organization also leases office equipment under operating lease agreements that expire at various dates through November 30, 2021. Total equipment rent expense under these lease agreements was approximately \$19,000 and \$12,000 for the years ended June 30, 2017 and 2016, respectively.

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

<u>Fiscal Year</u>	
2018	\$ 191,224
2019	\$ 45,337
2020	\$ 10,848
2021	\$ 10,848
2022	\$ 4,520

10. EMPLOYEE BENEFIT PLANS

IRC Section 403(b) Retirement Plan

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 2017 and 2016.

IRC Section 457(b) Deferred Compensation Plan

The Organization has an IRC Section 457(b) deferred compensation plan (the 457(b) Plan) for one of its key executives. The key executive is able to defer compensation into the plan in accordance with IRC limits. Under the terms of the 457(b) Plan, monies deposited by the Organization, as well as reinvested investment return, remains the property of the Organization. The assets of the 457(b) Plan as of June 30, 2017 and 2016, were \$20,381 and \$20,001, respectively. These assets are included in investments in the accompanying statements of financial position as of June 30, 2017 and 2016. The related liability is included in accounts payable and accrued expenses in the accompanying statements of financial position as of June 30, 2017 and 2016.

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11. BANK CREDIT FACILITY

The Organization had a one-year \$500,000 revolving credit agreement with a bank, with a maturity date of June 30, 2017. In June 2017, the revolving credit agreement was extended to June 30, 2018. Borrowings under the agreement are due at maturity and interest is payable monthly at the bank's prime rate (4.25% and 3.5% at June 30, 2017 and 2016, respectively). There was no outstanding balance at June 30, 2017 and 2016. 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, 2017 and 2016.

12. CONDITIONAL PROMISES TO GIVE

Donors have notified the Organization of bequests totaling \$605,000, 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.

During fiscal year 2017, a foundation awarded the Organization a three-year grant of \$600,000 based on the Organization meeting certain criteria in accordance with the grant agreement. The Organization received \$200,000 of this grant in fiscal year 2017. The remaining \$400,000 of the grant is conditional on meeting certain benchmarks and thus is not reflected in the accompanying financial statements as of June 30, 2017.