



FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

THE CELEBRITY SERIES OF BOSTON, INC.

Contents
June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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, Crossen, Pinning & Co., P.C.

Westborough, Massachusetts
September 25, 2018

THE CELEBRITY SERIES OF BOSTON, INC.Statements of Financial Position
June 30, 2018 and 2017

Assets	2018	2017
Current Assets:		
Cash and cash equivalents	\$ 2,071,313	\$ 2,043,250
Current portion of pledges and other receivables	563,266	671,581
Prepaid expenses and other	253,065	177,460
Total current assets	2,887,644	2,892,291
Restricted Cash	113,904	-
Investments	11,246,762	9,439,618
Pledges and Other Receivables, net of current portion and discount	3,960,380	2,707,585
Property and Equipment, net	266,220	71,348
Total assets	<u>\$ 18,474,910</u>	<u>\$ 15,110,842</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 288,534	\$ 201,155
Advance ticket subscriptions and other	1,778,941	1,948,882
Total current liabilities	2,067,475	2,150,037
Net Assets:		
Unrestricted	131,457	203,417
Temporarily restricted	6,766,682	5,673,220
Permanently restricted	9,509,296	7,084,168
Total net assets	16,407,435	12,960,805
Total liabilities and net assets	<u>\$ 18,474,910</u>	<u>\$ 15,110,842</u>

The accompanying notes are an integral part of these statements.

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THE CELEBRITY SERIES OF BOSTON, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2018 and 2017

	2018					2017						
	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	Unrestricted		Temporarily Restricted	Permanently Restricted	Total		
	Operating	Board Designated				Operating	Board Designated					
Operating Revenue and Support:												
Operating revenue:												
Ticket sales, net	\$ 4,017,392	\$ -	\$ 4,017,392	\$ -	\$ -	\$ 4,017,392	\$ 3,387,081	\$ -	\$ 3,387,081	\$ -	\$ -	\$ 3,387,081
Stabilization and management fees	126,622	-	126,622	-	-	126,622	102,434	-	102,434	-	-	102,434
Processing fees	112,428	-	112,428	-	-	112,428	108,160	-	108,160	-	-	108,160
Advertising	6,975	-	6,975	-	-	6,975	10,250	-	10,250	-	-	10,250
Total operating revenue	4,263,417	-	4,263,417	-	-	4,263,417	3,607,925	-	3,607,925	-	-	3,607,925
Operating support:												
Grants and contributions	1,662,365	-	1,662,365	1,997,306	-	3,659,671	1,144,620	-	1,144,620	4,277,097	-	5,421,717
Investment return designated for current operations	299,000	-	299,000	-	-	299,000	290,000	-	290,000	-	-	290,000
Special events, net	76,386	-	76,386	46,000	-	122,386	147,200	-	147,200	120,000	-	267,200
Interest and other	1,002	-	1,002	-	-	1,002	3,197	-	3,197	-	-	3,197
Net assets released from restrictions:												
Time - future years	843,307	-	843,307	(843,307)	-	-	1,304,766	-	1,304,766	(1,304,766)	-	-
Time - special events	89,000	-	89,000	(89,000)	-	-	104,800	-	104,800	(104,800)	-	-
Purpose	213,727	-	213,727	(213,727)	-	-	-	-	-	-	-	-
Total operating support	3,184,787	-	3,184,787	897,272	-	4,082,059	2,994,583	-	2,994,583	2,987,531	-	5,982,114
Total operating revenue and support	7,448,204	-	7,448,204	897,272	-	8,345,476	6,602,508	-	6,602,508	2,987,531	-	9,590,039
Operating Expenses:												
Performance and education	6,106,715	30,364	6,137,079	-	-	6,137,079	5,337,184	29,625	5,366,809	-	-	5,366,809
Management and general	667,923	26,892	694,815	-	-	694,815	654,457	29,625	684,082	-	-	684,082
Fundraising	641,719	56,540	698,259	-	-	698,259	599,577	62,805	662,382	-	-	662,382
Total operating expenses	7,416,357	113,796	7,530,153	-	-	7,530,153	6,591,218	122,055	6,713,273	-	-	6,713,273
Changes in net assets from operations	31,847	(113,796)	(81,949)	897,272	-	815,323	11,290	(122,055)	(110,765)	2,987,531	-	2,876,766
Non-Operating Revenue (Expenses):												
Endowment contributions	-	-	-	199,600	2,425,128	2,624,728	-	-	-	-	2,829,353	2,829,353
Investment return, net of fees	-	9,989	9,989	601,493	-	611,482	-	27,102	27,102	480,603	-	507,705
Capital campaign feasibility contributions	-	-	-	-	-	-	-	-	-	79,000	-	79,000
Net assets released from restrictions - capital campaign feasibility and capital campaign costs	305,903	-	305,903	(305,903)	-	-	79,000	-	79,000	(79,000)	-	-
Investment return designated for current operations	-	-	-	(299,000)	-	(299,000)	-	(15,185)	(15,185)	(274,815)	-	(290,000)
Capital campaign costs	(305,903)	-	(305,903)	-	-	(305,903)	(79,000)	(80,291)	(159,291)	-	-	(159,291)
Total non-operating revenue (expenses)	-	9,989	9,989	196,190	2,425,128	2,631,307	-	(68,374)	(68,374)	205,788	2,829,353	2,966,767
Changes in net assets	31,847	(103,807)	(71,960)	1,093,462	2,425,128	3,446,630	11,290	(190,429)	(179,139)	3,193,319	2,829,353	5,843,533
Net Assets:												
Beginning 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
End of year	\$ 131,457	\$ -	\$ 131,457	\$ 6,766,682	\$ 9,509,296	\$ 16,407,435	\$ 99,610	\$ 103,807	\$ 203,417	\$ 5,673,220	\$ 7,084,168	\$ 12,960,805

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 3,446,630	\$ 5,843,533
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Endowment contributions	(2,624,728)	(2,829,353)
Depreciation	30,671	19,420
Change in discount on operating pledges and other receivables	7,558	1,210
Net realized and unrealized gains on investments	(364,416)	(382,891)
Changes in operating assets and liabilities:		
Operating pledges and other receivables	174,315	178,255
Prepaid expenses and other	(75,605)	(38,066)
Accounts payable and accrued expenses	87,379	(44,280)
Advance ticket subscriptions and other	(169,941)	464,301
	<u>511,863</u>	<u>3,212,129</u>
Cash Flows from Investing Activities:		
Net increase in restricted cash	(113,904)	-
Acquisition of property and equipment	(225,543)	(31,555)
Purchases of investments	(2,786,286)	(3,702,548)
Proceeds from sale of investments	1,343,558	294,280
	<u>(1,782,175)</u>	<u>(3,439,823)</u>
Cash Flows from Financing Activities:		
Capital campaign contributions received	1,298,375	326,558
Net Change in Cash and Cash Equivalents	28,063	98,864
Cash and Cash Equivalents:		
Beginning of year	2,043,250	1,944,386
End of year	<u>\$ 2,071,313</u>	<u>\$ 2,043,250</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gains on investments	<u>\$ 143,061</u>	<u>\$ 167,303</u>

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS

The Celebrity of Series of Boston, Inc. (the Organization) is a nonprofit corporation whose mission is to present performing artists who inspire and enrich the community and whose vision incorporates a belief in the power of excellence and innovation in the performing arts to enrich life experience, transform lives, and build better communities. The Organization envisions a community of Greater Boston where the performing arts are a valued, lifelong, shared experience – on stages, in neighborhoods, on streets – everywhere – and offers a wide range of community-based programming to introduce young audiences and their families to the value of live performance. The Organization's events and performances are held in the Greater 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 and restricted cash (see Note 5).

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.

Prepaid Expenses

Prepaid expenses include costs incurred relating to productions to be performed during the next fiscal year. These costs are expensed at the time of the related productions.

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).

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

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

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 CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Spending Policy (Continued)

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 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 2018 and 2017 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.

The Organization's capital campaign (see Note 5) has resulted in the creation of a new Innovation Fund (see Note 3) for which a separate investment and spending policy was approved by the Board of Directors in fiscal year 2018. The overall goal of the Innovation Fund is to enable innovative performances not previously presented by the Organization, accelerate initiatives that enhance community engagement, and support investment in infrastructure and personnel to improve patrons' experience of live performance. Its primary investment objective is to maximize dividend income and capital appreciation while providing funding for an annual spend, if approved by the Board. During fiscal year 2018, an initial release of \$150,000 was made from the Innovation Fund.

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.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Generally, event advertising costs are expensed in the year of the related performances. The Organization incurred approximately \$524,000 and \$541,000 of event advertising costs in fiscal years 2018 and 2017, 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.

Special Events

Special events are reported net of direct costs of \$301,747 and \$321,797 for the years ended June 30, 2018 and 2017, respectively, in the accompanying financial statements.

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

	<u>2018</u>	<u>2017</u>
Net special events revenue raised and earned in the current fiscal year	\$ 76,386	\$ 147,200
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>89,000</u>	<u>104,800</u>
Total for the current fiscal year	165,386	252,000
Net special events revenue raised in the current fiscal year for future fiscal years	<u>46,000</u>	<u>120,000</u>
	<u>\$ 211,386</u>	<u>\$ 372,000</u>

Ticket Sales

Ticket sales of \$4,017,392 and \$3,387,081 are reported net of direct costs (credit card charges and restoration fees) of \$274,867 and \$223,938 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 and 2017. 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, 2018 and 2017.

Subsequent Events

Subsequent events have been evaluated through September 25, 2018, 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, 2018.

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 as of June 30, 2017, which were designated as follows:

- **Board designated** - represented 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 2018, the Board approved the use of the \$3,472 remaining in this fund. No amounts were used during fiscal year 2017.
- **Board designated working capital reserve** - represented funds set aside by the Board of Directors to be used for working capital with Board approval. During fiscal years 2018 and 2017, the Board of Directors approved the use of \$110,324 and \$202,346, respectively, of this fund for capital campaign expenses (see Note 5).

There was no balance in Board designated net assets as of June 30, 2018, following a conscious decision to use the remaining balance.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

3. NET ASSETS (Continued)

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 consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Purpose restricted - Innovation Fund, including any unspent appreciation (losses) (see Note 5)	\$ 4,567,667	\$ 3,288,467
Accumulated unspent appreciation on permanently restricted funds	1,293,580	1,286,446
Time restricted - future years	828,435	978,307
Time restricted - special events	<u>77,000</u>	<u>120,000</u>
	<u>\$ 6,766,682</u>	<u>\$ 5,673,220</u>

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>2018</u>	<u>2017</u>
General endowment	\$ 8,787,884	\$ 6,362,756
Education endowment	600,000	600,000
Scholarship endowment	<u>121,412</u>	<u>121,412</u>
	<u>\$ 9,509,296</u>	<u>\$ 7,084,168</u>

THE CELEBRITY SERIES OF BOSTON, INC.Notes to Financial Statements
June 30, 2018 and 2017**4. ENDOWMENTS**

A reconciliation of endowment activity for fiscal years 2018 and 2017 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2016	\$ 1,070,335	\$ 4,254,815	\$ 5,325,150
Endowment contributions	-	2,829,353	2,829,353
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	(38,107)	-	(38,107)
Total investment activity	490,926	-	490,926
Investment return designated for current operations	(274,815)	-	(274,815)
Endowment net assets, June 30, 2017	1,286,446	7,084,168	8,370,614
Endowment contributions	199,600	2,425,128	2,624,728
Investment activity:			
Net realized gains on investments	207,925	-	207,925
Interest and dividends	178,104	-	178,104
Investment management fees	(38,275)	-	(38,275)
Net unrealized losses on investments	(41,620)	-	(41,620)
Total investment activity	306,134	-	306,134
Investment return designated for current operations	(299,000)	-	(299,000)
Net assets released from restrictions - capital campaign costs	(199,600)	-	(199,600)
Endowment net assets, June 30, 2018	\$ 1,293,580	\$ 9,509,296	\$ 10,802,876

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 \$299,000 and \$274,815 of temporarily restricted appreciation on permanently restricted net assets during fiscal years 2018 and 2017, respectively, to be used for operations in accordance with its investments and spending policy (see Note 2).

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

5. PLEDGES AND OTHER RECEIVABLES

Capital Campaign

In February 2018, the Organization announced the public launch of its \$23 million **LIVE PERFORMANCE! Arts For All** capital campaign. The funds raised will be dedicated to deliver greater artistic impact, grow community programs that introduce the joy of live performance to new audiences, and build a stronger infrastructure that will capitalize on state-of-the-art technology.

The \$23 million campaign is divided across three separate funds:

- **Endowment Fund** - goal is to raise \$10 million above the already existing endowment in capital to improve the long-term stability and growth for the Organization as a whole (see Notes 3 and 4).
- **Innovation Fund** - goal is to raise \$5 million in capital to enable new artists, programs and/or a combination of the both, accelerate initiatives that enhance our community engagement work, and support investment in infrastructure and personnel to improve our patrons' experience of live performance. This will be a draw-down fund, which will be applied to the annual budget over a period of up to fifteen years (see Notes 1 and 3).
- **Annual Fund** - goal is to raise at least \$8 million over three years in annual support. The Annual Fund provides unrestricted operating revenue to the Organization on an annual basis and supports world-class performances, emerging artists, commissioning of new work, and community programs.

The costs of the campaign are funded by a combination of campaign donations, purpose restricted donations, and Board designated funds (see Note 3). The campaign allows for certain amounts raised to cover costs and these have been reflected in temporarily restricted net assets as temporary restricted endowment contributions. Management currently projects that total campaign costs will not exceed 10 percent of the total campaign funds raised.

The Organization has capital campaign pledges receivable intended for the endowment fund, which are due as follows at June 30:

	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 894,000	\$ 580,000
Due in one to five years	2,810,800	1,980,000
Due in six to nine years	<u>400,000</u>	<u>-</u>
	4,104,800	2,560,000
Less - discount to present value of future cash flows	<u>275,652</u>	<u>57,205</u>
	<u>\$ 3,829,148</u>	<u>\$ 2,502,795</u>

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2018 and 2017

5. PLEDGES AND OTHER RECEIVABLES (Continued)

Capital Campaign (Continued)

The entirety of the Organization's capital campaign pledges receivable intended for the endowment fund 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 cash received for the endowment fund and not yet in the endowment investment account is reflected as restricted cash at June 30, 2018. There was no such restricted cash at June 30, 2017.

Operating

The Organization has operating pledges and other receivables, including pledges intended for the Innovation Fund, which are due as follows at June 30:

	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 563,266	\$ 671,581
Due in one to five years	<u>140,000</u>	<u>206,000</u>
	703,266	877,581
Less - discount to present value of future cash flows	8,768	1,210
Less - current portion	<u>563,266</u>	<u>671,581</u>
	<u>\$ 131,232</u>	<u>\$ 204,790</u>

Long-term capital campaign and operating pledges receivable have been discounted using discount factors ranging from 1.24% to 2.25%, which are 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>2018</u>	<u>2017</u>
Computer equipment	\$ 410,649	\$ 359,296
Website	202,900	28,710
Office furniture and equipment	156,986	156,986
Leasehold improvements	83,475	83,475
Software	<u>39,256</u>	<u>39,256</u>
	893,266	667,723
Less - accumulated depreciation	<u>627,046</u>	<u>596,375</u>
Net property and equipment	<u>\$ 266,220</u>	<u>\$ 71,348</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$30,671 and \$19,420, respectively, and is included in management and general expenses in the accompanying statements of activities and changes in net assets.

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7. INVESTMENTS

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

	<u>2018</u>	<u>2017</u>
Money market	\$ 356,682	\$ 264,807
Equities:		
Domestic common stock	7,380,153	6,455,700
Preferred stock	361,220	444,990
Fixed income:		
Corporate bonds	1,643,764	1,100,882
Mutual funds:		
International equity mutual funds	754,125	713,902
Real estate investment trusts	<u>750,818</u>	<u>459,337</u>
	<u>\$ 11,246,762</u>	<u>\$ 9,439,618</u>

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

	<u>2018</u>	<u>2017</u>
Net realized gains on investments	\$ 221,355	\$ 215,588
Net unrealized gains on investments	143,061	167,303
Interest and dividends	309,924	165,585
Investment management fees	<u>(62,858)</u>	<u>(40,771)</u>
	<u>\$ 611,482</u>	<u>\$ 507,705</u>

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

All investments at June 30, 2018 and 2017, are classified as long-term due to management's intent to hold these investments for long-term purposes.

8. FUNDING CONCENTRATIONS

Due to the timing of the capital campaign in fiscal years 2018 and 2017 (see Note 5), when solicitations were almost entirely directed to members of the Board of Directors, there were concentrations of funding from the Board of Directors for those fiscal years.

Of the \$4,523,646 of pledges and other receivables (from 33 donors) to the capital campaign and annual fund at June 30, 2018, approximately 90% of the balance is from members of the Board of Directors. Eighty-one percent of the total pledges and other receivables at June 30, 2018, are owed by four members of the Board of Directors.

Of the \$3,379,166 of pledges and other receivables (from 31 donors) to the capital campaign and annual fund at June 30, 2017, 87% of the balance is from members of the Board of Directors. Sixty-six percent of the total pledges and other receivables at June 30, 2017, are owed by two members of the Board of Directors.

For the years ended June 30, 2018 and 2017, approximately 18% and 37%, respectively, of the Organization's total operating revenue and support, encompassing unrestricted and temporarily restricted revenue, was from one donor, who was also a Board member. For the year ended June 30, 2018, approximately 76% of the Organization's endowment contributions are from two donors, who are also Board members. For the year ended June 30, 2017, approximately 71% of the Organization's endowment contributions are from two other donors, who are also Board members.

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Notes to Financial Statements
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8. FUNDING CONCENTRATIONS (Continued)

For the years ended June 30, 2018 and 2017, approximately 18% and 19%, respectively, of the Organization's net ticket sales in each year were for the Alvin Ailey American Dance Theater performances.

9. LEASE AGREEMENTS

The Organization leases space under an operating lease agreement that will expire in August 2023. 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 \$14,090 to \$14,924 per month during fiscal years 2018 and 2017. Rent expense under the facility lease was \$177,420 and \$162,692 for the years ended June 30, 2018 and 2017, 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 \$10,800 and \$19,000 for the years ended June 30, 2018 and 2017, respectively.

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

<u>Fiscal Year</u>	
2019	\$ 207,446
2020	\$ 216,506
2021	\$ 223,176
2022	\$ 223,518
2023	\$ 225,668
2024	\$ 37,797

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). Full-time employees become eligible upon employment. The Organization has the right to make discretionary contributions to the Plan, which are 100% vested immediately. During fiscal year 2018, the Organization elected to make a contribution to the Plan of \$17,739. The Organization elected not to make a discretionary contribution to the Plan during fiscal year 2017.

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, 2018 and 2017, were \$65,844 and \$20,381, respectively. These assets are included in investments in the accompanying statements of financial position as of June 30, 2018 and 2017. The related liability is included in accounts payable and accrued expenses in the accompanying statements of financial position as of June 30, 2018 and 2017.

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Notes to Financial Statements
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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, 2018. In June 2018, the revolving credit agreement was extended to June 30, 2019. Borrowings under the agreement are due at maturity and interest is payable monthly at the bank's prime rate (5.00% and 4.25% at June 30, 2018 and 2017, respectively). There was no outstanding balance at June 30, 2018 and 2017. 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, 2018 and 2017.

12. CONDITIONAL PROMISES TO GIVE

Donors have notified the Organization of bequests totaling at least \$650,000, 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 each of fiscal years 2018 and 2017. The remaining \$200,000 of the grant is conditional on meeting certain benchmarks and thus is not reflected in the accompanying financial statements as of June 30, 2018.