Celebrity Series of Boston

FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

THE CELEBRITY SERIES OF BOSTON, INC.

Contents
June 30, 2024 and 2023

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Celebrity Series of Boston, Inc. (a Massachusetts corporation, not for profit) (the Organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Celebrity Series of Boston, Inc. as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPAs, Inc.

Westborough, Massachusetts
September 25, 2024

THE CELEBRITY SERIES OF BOSTON, INC.

Statements of Financial Position
June 30, 2024 and 2023

Assets	**2024**	**2023**
Current Assets:		
Cash and cash equivalents	$ 582,387	$ 1,220,458
Short-term investments	1,540,509	1,104,476
Current portion of pledges and other receivables	1,130,239	1,130,658
Prepaid expenses and other	279,414	204,654
Total current assets	3,532,549	3,660,246
Investments	17,573,210	16,359,915
Pledges and Other Receivables, net of current portion and discount	410,345	611,705
Property and Equipment, net	192,611	93,563
Right-of-Use Asset - Operating	436,085	39,895
Right-of-Use Asset - Financing	11,106	22,213
Total assets	$ 22,155,906	$ 20,787,537
Liabilities and Net Assets		
Current Liabilities:		
Current portion of operating lease liability	$ 133,966	$ 36,560
Current portion of finance lease liability	10,371	11,364
Accounts payable and accrued expenses	697,333	624,690
Advance ticket subscriptions and other	1,450,542	1,217,738
Total current liabilities	2,292,212	1,890,352
Operating Lease Liability, net of current portion	315,781	-
Finance Lease Liability, net of current portion	-	10,225
Total liabilities	2,607,993	1,900,577
Net Assets:		
Without donor restrictions	348,424	649,518
With donor restrictions:		
Purpose or time restricted	8,380,147	7,419,740
Perpetually restricted	10,819,342	10,817,702
Total with donor restrictions	19,199,489	18,237,442
Total net assets	19,547,913	18,886,960
Total liabilities and net assets	$ 22,155,906	$ 20,787,537

The accompanying notes are an integral part of these statements.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Operating revenue:						
Ticket sales, net	$ 3,758,593	$ -	$ 3,758,593	$ 3,209,102	$ -	$ 3,209,102
Processing fees	127,562	-	127,562	124,989	-	124,989
Stabilization fees	101,158	-	101,158	98,514	-	98,514
Total operating revenue	3,987,313	-	3,987,313	3,432,605	-	3,432,605
Operating support:						
Grants and contributions	1,585,346	1,916,644	3,501,990	1,804,522	1,359,128	3,163,650
Investment return designated for current operations	570,847	-	570,847	544,789	-	544,789
Interest and other	50,939	-	50,939	19,078	-	19,078
Net assets released from restrictions:						
Time - future years	1,452,690	(1,452,690)	-	1,478,125	(1,478,125)	-
Time - special events	-	-	-	10,000	(10,000)	-
Purpose	1,250,358	(1,250,358)	-	1,600,000	(1,600,000)	-
Total operating support	4,910,180	(786,404)	4,123,776	5,456,514	(1,728,997)	3,727,517
Special events revenue	687,548	-	687,548	579,650	-	579,650
Less - special events expense	(401,401)	-	(401,401)	(400,983)	-	(400,983)
Special events, net	286,147	-	286,147	178,667	-	178,667
Total operating revenue and support	9,183,640	(786,404)	8,397,236	9,067,786	(1,728,997)	7,338,789
Operating Expenses:						
Performance and education	7,571,631	-	7,571,631	7,586,044	-	7,586,044
Management and general	794,996	-	794,996	930,306	-	930,306
Fundraising	1,118,107	-	1,118,107	1,120,920	-	1,120,920
Total operating expenses	9,484,734	-	9,484,734	9,637,270	-	9,637,270
Changes in net assets from operations	(301,094)	(786,404)	(1,087,498)	(569,484)	(1,728,997)	(2,298,481)
Non-Operating Revenue (Expenses):						
Investment return, net of fees	-	2,317,658	2,317,658	-	1,951,609	1,951,609
Endowment contributions	-	1,640	1,640	-	4,761	4,761
Investment return designated for current operations	-	(570,847)	(570,847)	-	(544,789)	(544,789)
Total non-operating revenue (expenses)	-	1,748,451	1,748,451	-	1,411,581	1,411,581
Changes in net assets	(301,094)	962,047	660,953	(569,484)	(317,416)	(886,900)
Net Assets:						
Beginning of year	649,518	18,237,442	18,886,960	1,219,002	18,554,858	19,773,860
End of year	$ 348,424	$ 19,199,489	$ 19,547,913	$ 649,518	$ 18,237,442	$ 18,886,960

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, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities:		
Changes in net assets	$ 660,953	$ (886,900)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Endowment contributions	(1,640)	(4,761)
Bad debts	5,150	46,659
Depreciation and amortization	58,062	82,585
Non-cash lease expense	17,143	417
Change in discount on operating pledges and other receivables	(1,216)	662
Net realized and unrealized gains on investments	(2,066,500)	(1,664,486)
Changes in operating assets and liabilities:		
Pledges and other receivables	8,985	742,204
Prepaid expenses and other	(74,760)	(21,564)
Accounts payable and accrued expenses	72,643	(19,638)
Advance ticket subscriptions and other	232,804	340,291
Net cash used in operating activities	(1,088,376)	(1,384,531)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(146,003)	(27,334)
Purchases of investments	(2,341,707)	(1,999,560)
Proceeds from sale of investments	2,758,879	2,149,265
Net cash provided by investing activities	271,169	122,371
Cash Flows from Financing Activities:		
Endowment contributions received	190,500	303,200
Payments on finance lease obligation	(11,364)	(15,482)
Net cash provided by financing activities	179,136	287,718
Net Change in Cash and Cash Equivalents	(638,071)	(974,442)
Cash and Cash Equivalents:		
Beginning of year	1,220,458	2,194,900
End of year	$ 582,387	$ 1,220,458
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gains on investments	$ 1,401,941	$ 2,129,790
Cash paid for interest	$ 146	$ 246

The accompanying notes are an integral part of these statements.

THE CELEBRITY SERIES OF BOSTON, INC.

Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	2024				2023			
	Performance and Education	Management and General	Fundraising	Total	Performance and Education	Management and General	Fundraising	Total
Payroll and Related:								
Salaries	$ 1,825,696	$ 478,480	$ 650,811	$ 2,954,987	$ 1,767,354	$ 487,283	$ 624,025	$ 2,878,662
Payroll taxes and benefits	358,069	94,081	127,854	580,004	381,661	106,842	136,014	624,517
Total payroll and related	2,183,765	572,561	778,665	3,534,991	2,149,015	594,125	760,039	3,503,179
Operating Expenses:								
Direct performance costs	2,233,582	-	-	2,233,582	2,275,876	13,954	5,819	2,295,649
Artist fees	2,006,302	-	-	2,006,302	2,127,927	-	3,880	2,131,807
Occupancy	162,587	42,719	58,054	263,360	190,070	52,970	68,550	311,590
Contracted services	152,843	9,625	71,642	234,110	124,266	21,632	59,773	205,671
Printing and postage	157,779	305	62,968	221,052	151,558	82	61,015	212,655
Advertising	203,838	-	-	203,838	146,342	-	-	146,342
Service agreements	149,416	3,085	-	152,501	172,997	2,343	-	175,340
Travel and entertainment	104,859	6,756	14,630	126,245	98,390	11,508	26,562	136,460
Professional fees	22,873	75,198	-	98,071	-	96,001	-	96,001
Equipment leases and maintenance	51,546	13,542	18,401	83,489	52,431	14,612	18,910	85,953
Dues and subscriptions	58,185	21,828	1,676	81,689	31,960	20,723	5,119	57,802
Miscellaneous	32,275	3,109	26,684	62,068	-	46,301	17,768	64,069
Depreciation and amortization	35,847	9,418	12,797	58,062	43,602	23,258	15,725	82,585
Donor event	-	-	55,838	55,838	-	-	63,741	63,741
Insurance	-	30,211	-	30,211	-	24,948	-	24,948
Board expenses	-	-	15,159	15,159	-	-	11,472	11,472
Supplies	4,834	6,639	1,593	13,066	7,610	7,849	2,547	18,006
Design	11,100	-	-	11,100	14,000	-	-	14,000
Subtotal	7,571,631	794,996	1,118,107	9,484,734	7,586,044	930,306	1,120,920	9,637,270
Special events expense	-	-	401,401	401,401	-	-	400,983	400,983
Total expenses	7,571,631	794,996	1,519,508	9,886,135	7,586,044	930,306	1,521,903	10,038,253
Less - special events expense	-	-	(401,401)	(401,401)	-	-	(400,983)	(400,983)
Total expenses included in the statements of activities and changes in net assets	$ 7,571,631	$ 794,996	$ 1,118,107	$ 9,484,734	$ 7,586,044	$ 930,306	$ 1,120,920	$ 9,637,270

The accompanying notes are an integral part of these statements.

1. OPERATIONS AND NONPROFIT STATUS

The Celebrity Series of Boston, Inc. (the Organization) is a multi-disciplinary, non-profit, performing arts presenter. The Organization's mission is to enrich and inspire the community through exceptional live performances. They envision a community of Greater Boston where the performing arts are valued, life-long, shared experience – on stages, on streets, in neighborhoods – everywhere. 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).

Accounting Standard Adoption

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, including trade receivables, loans, and other financial instruments to extend credit held by a reporting entity at each reporting date. The amendments require an entity to replace the incurred loss impairment methodology in current GAAP with a methodology that reflects current expected credit losses (CECL) and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Organization adopted the provisions of ASC Topic 326 on July 1, 2023, using the modified retrospective method. The adoption of this standard did not have a material effect on the Organization's fiscal year 2023 financial statements or results of operations.

Lease Accounting

The Organization determines whether an arrangement is a lease at the lease's inception. A contract is determined to be or contain a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. The Organization's lease agreements generally do not contain any material residual value guarantees or material restrictive covenants. The Organization determines lease classification as operating or finance at the lease commencement date.

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) lease assets and lease liabilities. The Organization has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Accounting (Continued)

Leases result in the recognition of ROU lease assets and lease liabilities on the statements of financial position. ROU lease assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. ROU assets are amortized on a straight-line basis over each lease period.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU lease asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Unless the Organization's leases provide an implicit interest rate within the lease contract, the Organization uses the practical expedient allowing for the use of the risk-free borrowing rate rather than the incremental borrowing rate, at the commencement date of the lease for determining the present value of lease payments.

In determining lease terms, leases which include options to extend the lease are considered in the determination of the ROU asset and lease liability when it is reasonably certain that the Organization will exercise that option.

The Organization has elected not to record leases with an initial term of twelve months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

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 (see Note 7).

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).

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
Software	3 years
Website	5 years

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. 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 Massachusetts adopted version of 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 donor restricted endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the donor restricted endowment fund is established. The assets in a donor 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 (see Notes 3 and 4) 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.

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 endowment investments for 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 Board of Directors pre-approves this expenditure via the annual approval of the operating budget. Final approval of this expense will be made by the Finance Committee before the fiscal year end and cannot exceed the dollar amount pre-approved by the Board of Directors. During fiscal years 2024 and 2023, $570,847 and $544,789, respectively, were appropriated, which represents a 5% appropriation. 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 an Innovation Fund (see Note 5) 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 expenditure, if approved by the Board. During fiscal years 2024 and 2023, the Board of Directors approved releases of $1,075,000 and $1,600,000, respectively, from the Innovation Fund, which are included in net assets released from restrictions - purpose in the accompanying statements of activities and changes in net assets.

Revenue Recognition

In accordance with ASC Subtopic 958-605, *Not-for-Profit Entities - Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome, and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and they should be reported as conditional grant advance liabilities until such conditions are met. See Note 12 for conditional grants at June 30, 2024 and 2023.

Grants and contributions without donor restrictions are recognized when unconditionally pledged or received. Special event revenues represent contributions raised for the general support of the Organization and are not tied to nor conditional on the special events taking place.

Gifts of cash and other assets are reported as donor restricted 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, the donation is recognized as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

In accordance with ASC Topic 606, ticket sales revenue and stabilization fees are recognized as productions are performed. The performance obligations of delivering the performance are simultaneously received and consumed by the recipients; therefore, the revenue is recognized as productions are performed. The receipt of subscription fees and sales of tickets for performances in the following year are recorded as advance ticket subscriptions in the accompanying statements of financial position. The following table represents advance ticket subscriptions and other balances as of:

July 1, 2022	June 30, 2023	June 30, 2024
$ 877,447	$ 1,217,738	$ 1,450,542

Interest and other revenue is recorded when earned.

In-Kind Contributions

The Organization receives the 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 in the financial statements.

Advertising

Generally, event advertising costs are expensed in the year of the related performances.

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 of percentage attributable to each function. The financial statements contain certain categories of expenses that are attributable to both program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are payroll taxes and benefits, occupancy, and depreciation and amortization, which are allocated on the basis of estimates of time and effort spent and square footage used by the Organization's programs and supporting functions.

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.

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. Non-operating revenue (expenses) primarily includes investment and endowment activity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Events

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

	2024	2023
Without donor restrictions:		
Net special events revenue raised and earned in the current fiscal year	$ 286,147	$ 178,667
Net special events revenue released from restrictions	-	10,000
	286,147	188,667
With donor restrictions:		
Net special events revenue released from restrictions	-	(10,000)
Total special events	$ 286,147	$ 178,667

Ticket Sales

Ticket sales of $3,758,593 and $3,209,102 are reported net of direct costs (credit card charges and restoration fees) of $245,733 and $244,177 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023.

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, 2024 and 2023. 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, 2024 and 2023.

Subsequent Events

Subsequent events have been evaluated through September 25, 2024, which is the date the financial statements were available to be issued. See Note 11 for an event which met the criteria for disclosure in the financial statements.

3. NET ASSETS

Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization.

With Donor Restrictions

The Organization receives contributions and grants that are designated by donors for specific time periods or purposes. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes or as time restrictions expire. Net assets with donor restrictions also include amounts received from donors with the stipulation that the principal will be held in perpetuity and unspent appreciation on those funds. In accordance with Massachusetts law, all earnings and appreciation of a donor restricted endowment are restricted until appropriated by the Organization's spending policy (see Notes 2 and 4).

Net assets with donor restrictions are restricted as follows at June 30:

	2024	2023
Subject to expenditure for specified purpose:		
Innovation Fund, including any unspent appreciation (see Note 5)	$ 4,387,236	$ 4,638,563
Program restricted	164,500	-
	4,551,736	4,638,563
Subject to the passage of time:		
Future years	1,463,819	1,428,439
Subject to the Organization's endowment spending policy and appropriation:		
Investment in perpetuity (including amounts above the original gift amounts of $10,819,342 and $10,817,702 as of June 30, 2024 and 2023, respectively)	13,183,934	12,170,440
Total net assets with donor restrictions	$ 19,199,489	$ 18,237,442

Investment in perpetuity - original gift amounts are restricted for the following purposes at June 30:

	2024	2023
General endowment	$ 10,097,930	$ 10,096,290
Education endowment	600,000	600,000
Scholarship endowment	121,412	121,412
Total perpetually restricted	$ 10,819,342	$ 10,817,702

4. ENDOWMENT

Changes in endowment net assets (see Note 3) for the years ended June 30, 2024 and 2023, are as follows:

	2024	2023
Endowment net assets, beginning of year	$ 12,170,440	$ 11,493,344
Endowment contributions	1,640	4,761
Investment activity:		
Net unrealized gains on investments	1,365,613	1,251,400
Interest and dividends	235,285	227,096
Net realized gains (losses) on investments	18,382	(229,232)
Investment management fees	(36,579)	(32,140)
Total investment activity	1,582,701	1,217,124
Investment return designated for current operations	(570,847)	(544,789)
Endowment net assets, end of year	$ 13,183,934	$ 12,170,440

In accordance with U.S. GAAP, losses on investments of a donor restricted endowment reduce net assets with donor restrictions to the extent of net accumulated appreciation on these funds. Any remaining losses reduce net assets without donor restrictions. Future gains, if any, that restore the assets of the endowment fund to the original level will increase net assets without donor restrictions.

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.

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 –*** to increase the capital of the existing endowment to improve the long-term stability and growth for the Organization as a whole (see Notes 3 and 4).

- ***Innovation Fund –*** to provide funds to enable new artists, programs and/or a combination of 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 2 and 3).

- ***Annual Fund –*** the campaign included annual fund donations from its fiscal years beginning June 30, 2017 through June 30, 2024. The Annual Fund provides operating revenue without donor restrictions to the Organization on an annual basis and supports world-class performances, emerging artists, commissioning of new work, and community programs.

5. PLEDGES AND OTHER RECEIVABLES (Continued)

Capital Campaign (Continued)

The Organization achieved its goal of securing $23 million in campaign gifts, pledges and commitments. The Endowment, Innovation and Annual Fund gifts and pledges are reflected as grants and contributions with or without donor restrictions or endowment contributions in the accompanying financial statements and notes as appropriate. The campaign also generated several planned giving pledges (see Note 12) not reflected in the accompanying statements of financial position.

The costs of the campaign are funded by a combination of campaign donations and purpose restricted donations (see Note 3). The campaign allows for certain amounts raised to cover costs and have been reflected in net assets with donor restrictions as endowment contributions. Management currently projects that total campaign costs will not exceed ten percent of the total of Endowment and Innovation funds raised.

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

	2024	2023
Due in less than one year	$ 217,500	$ 295,500
Due in one to five years	200,000	312,500
	417,500	608,000
Less - discount to present value of future cash flows	7,155	8,795
Total pledges and other receivables, net of current portion and discount	$ 410,345	$ 599,205

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.

Operating

The Organization has operating pledges and other receivables, including pledges intended for the Innovation Fund (see Note 3), which are due as follows at June 30:

	2024	2023
Due in less than one year	$ 1,130,314	$ 1,130,658
Due in one to five years	-	13,791
	1,130,314	1,144,449
Less - discount to present value of future cash flows	75	1,291
Less - current portion	1,130,239	1,130,658
Total operating pledges and other receivables	$ -	$ 12,500

Long-term capital campaign and operating pledges receivable have been discounted using discount factors 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:

	2024	2023
Computer equipment	$ 137,380	$ 135,157
Website	212,900	212,900
Office furniture and equipment	147,843	49,057
Software	8,116	3,863
	506,239	400,977
Less - accumulated depreciation	313,628	307,414
Net property and equipment	$ 192,611	$ 93,563

7. INVESTMENTS

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

	2024	2023
Money market	$ 1,968,786	$ 1,504,160
Equities:		
Domestic common stock	7,723,333	7,242,489
Fixed income:		
Corporate bonds	1,371,187	1,674,662
U.S. Treasuries	415,537	148,852
Agency securities	1,126,983	627,753
Municipal bonds and other	57,769	61,055
Mutual funds:		
Domestic equity mutual funds	6,293,634	6,014,561
Real estate investment trust	156,490	190,859
Total investments	$ 19,113,719	$ 17,464,391

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

	2024	2023
Net unrealized gains on investments	$ 1,401,941	$ 2,129,790
Interest and dividends	300,211	333,354
Net realized gains (losses) on investments	664,559	(465,304)
Investment management fees	(49,053)	(46,231)
Total investment return, net of fees	$ 2,317,658	$ 1,951,609

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

Certain reserve funds that are deemed available for operations are shown as short-term investments. All other investments at June 30, 2024 and 2023, are classified as long-term due to management's intent to hold these investments for long-term purposes.

8. FUNDING CONCENTRATIONS

Of the $1,540,584 of pledges and other receivables to the capital campaign and annual fund at June 30, 2024 (see Note 5), approximately 54% of the balance is from members of the Board of Directors. Twenty-four percent of total pledges and other receivables at June 30, 2024, is owed by one member of the Board of Directors. Of the $1,742,363 of pledges and other receivables to the capital campaign and annual fund at June 30, 2023 (see Note 5), approximately 61% of the balance is from members of the Board of Directors. Twenty-one percent of total pledges and other receivables at June 30, 2023, is owed by one member of the Board of Directors.

For the year ended June 30, 2024, approximately 15% of the Organization's net ticket sales were attributed to the Alvin Ailey performances. For the year ended June 30, 2023, approximately 16% of the Organization's net ticket sales were attributed to the Alvin Ailey performances.

9. LEASE AGREEMENTS

The Organization leases space under an operating lease agreement, of which a lease amendment was signed in July 2023 replacing its prior space with a smaller space. The amendment extended the lease term through August 31, 2027. The Organization pays monthly rent, 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 $11,787 to $12,221 per month during fiscal years 2024 and 2023. Rent expense under the facility lease was $163,916 and $225,668 for the years ended June 30, 2024 and 2023, respectively, and is included in occupancy in the accompanying statements of functional expenses. As of June 30, 2024 and 2023, the total operating lease liability for this lease was $449,747 and $36,560, respectively, and the related ROU operating lease asset was $436,085 and $39,895, respectively.

The Organization also leases office equipment under a finance lease agreement that expires in April 2025. Total equipment rent expense under this lease agreement was approximately $11,000 for the years ended June 30, 2024 and 2023, and is included in equipment leases and maintenance in the accompanying statements of functional expenses. As of June 30, 2024 and 2023, the total finance lease liability for this lease was $10,371 and $21,589, respectively, and the related ROU asset - financing was $11,106 and $22,213, respectively.

The future minimum payments for the operating and financing leases as of June 30, 2024, were as follows:

Fiscal Year	**Operating**	**Financing**
2024	$ 150,122	$ 10,417
2025	151,240	-
2026	153,227	-
2027	25,653	-
Total future undiscounted lease payments	480,242	10,417
Less - present value discount and interest	30,495	46
Less - current portion	133,966	10,371
Lease liability, net of current portion	$ 315,781	$ -

9. LEASE AGREEMENTS (Continued)

The following summarizes the lease expense, which is included in occupancy in the accompanying statements of functional expenses for the years ended June 30:

	2024	2023
Operating lease cost	$ 122,784	$ 213,440
Finance lease costs:		
Amortization of lease asset	11,107	11,107
Interest on finance lease liability	146	246
Total finance lease costs	11,253	11,353
Total lease costs	$ 134,037	$ 224,793

The following summarizes cash flow information related to leases for the years ended June 30:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating lease	$ 109,122	$ 225,668
Operating cash flows from finance lease	$ 146	$ 246
Financing cash flows from finance lease	$ 11,364	$ 15,482
ROU assets obtained in exchange for lease obligations	$ 541,250	$ -

The following summarizes the weighted-average remaining lease term and discount rate as of June 30:

	2024	2023
Weighted-Average Remaining Lease Term (in years):		
Operating lease	3.09	0.17
Finance lease	1.00	2.00
Weighted Average Discount Rate:		
Operating lease	4.29%	2.74%
Finance lease	0.89%	0.89%

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 years 2024 and 2023, the Organization elected to make contributions to the Plan of $89,523 and $86,643, respectively, which are included in payroll taxes and benefits in the accompanying statements of functional expenses.

10. EMPLOYEE BENEFIT PLANS (Continued)

IRC Section 457 Deferred Compensation Plans

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, remain the property of the Organization. The assets of the 457(b) Plan as of June 30, 2024 and 2023, were $158,544 and $144,375, respectively. These assets are included in investments in the accompanying statements of financial position as of June 30, 2024 and 2023. The related liability is included in accounts payable and accrued expenses in the accompanying statements of financial position as of June 30, 2024 and 2023.

The Organization has a deferred compensation plan pursuant to IRC Section 457(f), which covers one of its key executives. Annual contributions of $50,000 (over a five year period) and related earnings (based on prime rate, as defined in the agreement) vest over a five-year period. Vesting of the plan is contingent on certain requirements of the key executive that includes no separation from the Organization before the end of the five-year period. The plan was effective July 1, 2021, and the assets of the plan as of June 30, 2024 and 2023, were $175,412 and $112,098, respectively. These assets are included in investments and accounts payable and accrued expenses in the accompanying statements of financial position.

11. BANK CREDIT FACILITY

The Organization has a $500,000 revolving credit agreement with a bank, with a maturity date of June 30, 2024. Borrowings under the agreement are due at maturity and interest is payable monthly at the bank's prime rate (8.5% and 8.25% at June 30, 2024 and 2023, respectively). There were no outstanding borrowings on the line of credit at June 30, 2024 and 2023. 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, 2024 and 2023. Subsequent to year end, the Organization entered into a new $750,000 credit agreement with a bank, with a maturity date of September 5, 2025. Borrowings under this agreement will be due at maturity and interest is payable monthly at the adjusted Secured Overnight Financing Rate (SOFR) and at the rate of 3.00% per annum.

12. CONDITIONAL CONTRIBUTIONS

As of June 30, 2024 and 2023, donors have notified the Organization of bequests totaling approximately $2,540,000, 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.

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year from the statements of financial position date for general operating expenses are as follows as of June 30:

	2024	2023
Cash and cash equivalents	$ 582,387	$ 1,220,458
Short-term investments	1,540,509	1,104,476
Pledges and other receivables	1,130,239	1,130,658
Total financial assets	3,253,135	3,455,592
Donor-imposed restrictions	(9,381)	(417,819)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,243,754	$ 3,037,773

The Organization holds adequate funds to meet daily operating needs, donor-restricted fund requirements and operating reserves in cash and short-term investments. The Endowment and Innovation funds (donor-restricted funds, see Note 3) and any additional general funds without donor restrictions are invested conservatively in the stock and bond markets. As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, in the event of an unanticipated liquidity need, management could draw upon the $750,000 line of credit agreement as discussed in Note 11.