



**FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

THE CELEBRITY SERIES OF BOSTON, INC.

Contents
June 30, 2020 and 2019

	<u>Pages</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6 - 19



50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

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, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Celebrity Series of Boston, Inc. as of June 30, 2020 and 2019, 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.

AAFCPAs, Inc.

Westborough, Massachusetts
September 23, 2020

THE CELEBRITY SERIES OF BOSTON, INC.Statements of Financial Position
June 30, 2020 and 2019

Assets	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 1,938,745	\$ 1,929,279
Current portion of pledges and other receivables	883,589	1,020,132
Prepaid expenses and other	275,132	348,461
Total current assets	3,097,466	3,297,872
Restricted Cash	409,542	-
Investments	12,205,537	12,862,472
Pledges and Other Receivables, net of current portion and discount	4,399,410	5,251,439
Property and Equipment, net	191,368	255,992
Total assets	<u>\$ 20,303,323</u>	<u>\$ 21,667,775</u>
Liabilities and Net Assets		
Current Liabilities:		
Line of credit	\$ 500,000	\$ -
Current portion of note payable	383,023	-
Accounts payable and accrued expenses	340,224	253,314
Advance ticket subscriptions and other	503,191	1,728,200
Total current liabilities	1,726,438	1,981,514
Note Payable, net of current portion	487,877	-
Total liabilities	<u>2,214,315</u>	<u>1,981,514</u>
Net Assets:		
Without donor restrictions	(71,088)	144,829
With donor restrictions	18,160,096	19,541,432
Total net assets	<u>18,089,008</u>	<u>19,686,261</u>
Total liabilities and net assets	<u>\$ 20,303,323</u>	<u>\$ 21,667,775</u>

The accompanying notes are an integral part of these statements.

Page 2

THE CELEBRITY SERIES OF BOSTON, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Operating revenue:						
Ticket sales, net	\$ 2,050,729	\$ -	\$ 2,050,729	\$ 3,680,083	\$ -	\$ 3,680,083
Stabilization and management fees	55,356	-	55,356	118,996	-	118,996
Processing fees	53,379	-	53,379	87,829	-	87,829
Advertising	-	-	-	6,077	-	6,077
Total operating revenue	<u>2,159,464</u>	<u>-</u>	<u>2,159,464</u>	<u>3,892,985</u>	<u>-</u>	<u>3,892,985</u>
Operating support:						
Grants and contributions	1,956,557	1,505,529	3,462,086	1,516,397	3,086,090	4,602,487
Investment return designated for current operations	373,867	-	373,867	328,000	-	328,000
Interest and other	14,665	-	14,665	11,659	-	11,659
Net assets released from restrictions:						
Time - future years	1,282,950	(1,282,950)	-	761,935	(761,935)	-
Time - special events	-	-	-	77,000	(77,000)	-
Purpose	665,000	(665,000)	-	786,090	(786,090)	-
Total operating support	<u>4,293,039</u>	<u>(442,421)</u>	<u>3,850,618</u>	<u>3,481,081</u>	<u>1,461,065</u>	<u>4,942,146</u>
Special events revenue	5,859	284,900	290,759	471,748	67,000	538,748
Less - special events expense	(60,899)	-	(60,899)	(294,871)	-	(294,871)
Special events, net	<u>(55,040)</u>	<u>284,900</u>	<u>229,860</u>	<u>176,877</u>	<u>67,000</u>	<u>243,877</u>
Total operating revenue and support	<u>6,397,463</u>	<u>(157,521)</u>	<u>6,239,942</u>	<u>7,550,943</u>	<u>1,528,065</u>	<u>9,079,008</u>
Operating Expenses:						
Performance and education	4,920,751	-	4,920,751	6,068,993	-	6,068,993
Management and general	708,015	-	708,015	689,183	-	689,183
Fundraising	790,725	-	790,725	779,936	-	779,936
Total operating expenses	<u>6,419,491</u>	<u>-</u>	<u>6,419,491</u>	<u>7,538,112</u>	<u>-</u>	<u>7,538,112</u>
Changes in net assets from operations	<u>(22,028)</u>	<u>(157,521)</u>	<u>(179,549)</u>	<u>12,831</u>	<u>1,528,065</u>	<u>1,540,896</u>
Non-Operating Revenue (Expenses):						
Endowment contributions	-	802,381	802,381	-	1,441,759	1,441,759
Endowment pledge write-off	-	(600,000)	(600,000)	-	-	-
Net assets released from restrictions - capital campaign costs	186,811	(186,811)	-	351,665	(351,665)	-
Capital campaign costs	(186,811)	-	(186,811)	(351,665)	-	(351,665)
Due diligence costs	(193,638)	-	(193,638)	-	-	-
Investment return designated for current operations	-	(373,867)	(373,867)	-	(328,000)	(328,000)
Investment return (loss), net of fees	(251)	(865,518)	(865,769)	541	975,295	975,836
Total non-operating revenue (expenses)	<u>(193,889)</u>	<u>(1,223,815)</u>	<u>(1,417,704)</u>	<u>541</u>	<u>1,737,389</u>	<u>1,737,930</u>
Changes in net assets	<u>(215,917)</u>	<u>(1,381,336)</u>	<u>(1,597,253)</u>	<u>13,372</u>	<u>3,265,454</u>	<u>3,278,826</u>
Net Assets:						
Beginning of year	<u>144,829</u>	<u>19,541,432</u>	<u>19,686,261</u>	<u>131,457</u>	<u>16,275,978</u>	<u>16,407,435</u>
End of year	<u>\$ (71,088)</u>	<u>\$ 18,160,096</u>	<u>\$ 18,089,008</u>	<u>\$ 144,829</u>	<u>\$ 19,541,432</u>	<u>\$ 19,686,261</u>

The accompanying notes are an integral part of these statements.

THE CELEBRITY SERIES OF BOSTON, INC.

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (1,597,253)	\$ 3,278,826
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Endowment contributions	(802,381)	(1,441,759)
Endowment pledge write-off	600,000	-
Depreciation	73,928	73,104
Change in discount on operating pledges and other receivables	(87,899)	85,178
Net realized and unrealized (gains) losses on investments	1,164,522	(643,768)
Changes in operating assets and liabilities:		
Operating pledges and other receivables	126,093	(1,762,786)
Prepaid expenses and other	73,329	(95,396)
Accounts payable and accrued expenses	86,910	(35,220)
Advance ticket subscriptions and other	(1,225,009)	(50,741)
Net cash used in operating activities	<u>(1,587,760)</u>	<u>(592,562)</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(9,304)	(62,876)
Purchases of investments	(1,566,273)	(2,190,513)
Proceeds from sale of investments	1,058,686	1,218,571
Net cash used in investing activities	<u>(516,891)</u>	<u>(1,034,818)</u>
Cash Flows from Financing Activities:		
Proceeds from line of credit	500,000	-
Proceeds from note payable	870,900	-
Endowment contributions received	1,152,759	1,371,442
Net cash provided by financing activities	<u>2,523,659</u>	<u>1,371,442</u>
Net Change in Cash and Restricted Cash	419,008	(255,938)
Cash and Restricted Cash:		
Beginning of year	<u>1,929,279</u>	<u>2,185,217</u>
End of year	<u>\$ 2,348,287</u>	<u>\$ 1,929,279</u>
Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:		
Cash	\$ 1,938,745	\$ 1,929,279
Restricted cash	409,542	-
Total cash and restricted cash	<u>\$ 2,348,287</u>	<u>\$ 1,929,279</u>

The accompanying notes are an integral part of these statements.

Page 4

THE CELEBRITY SERIES OF BOSTON, INC.

Statements of Functional Expenses
For the Years Ended June 30, 2020 and 2019

	2020				2019			
	Performance and Education	Management and General	Fundraising	Total	Performance and Education	Management and General	Fundraising	Total
Payroll and Related:								
Salaries	\$ 1,381,835	\$ 382,134	\$ 367,573	\$ 2,131,542	\$ 1,242,580	\$ 389,690	\$ 392,025	\$ 2,024,295
Payroll taxes and benefits	220,877	55,392	58,472	334,741	215,335	63,707	68,199	347,241
Total payroll and related	1,602,712	437,526	426,045	2,466,283	1,457,915	453,397	460,224	2,371,536
Operating Expenses:								
Artist fees	1,287,037	-	-	1,287,037	1,919,225	-	-	1,919,225
Direct performance costs	765,123	-	-	765,123	1,353,326	-	-	1,353,326
Advertising	397,999	-	-	397,999	590,482	-	-	590,482
Printing and postage	234,729	715	81,881	317,325	231,010	975	81,977	313,962
Occupancy	179,268	24,229	67,833	271,330	160,361	31,178	62,357	253,896
Professional fees	74,300	131,169	62,229	267,698	2,217	66,506	-	68,723
Contracted services	89,852	2,720	39,095	131,667	80,494	2,480	35,701	118,675
Service agreements	92,912	1,359	-	94,271	72,425	1,877	-	74,302
Equipment leases and maintenance	60,496	8,176	22,891	91,563	59,813	11,629	23,259	94,701
Travel and entertainment	38,800	28,915	12,558	80,273	44,971	57,913	16,633	119,517
Depreciation	48,845	6,601	18,482	73,928	46,172	8,978	17,954	73,104
Dues and subscriptions	12,993	18,163	5,847	37,003	8,154	11,956	3,802	23,912
Design	30,350	-	-	30,350	39,946	-	-	39,946
Events	-	679	27,236	27,915	-	966	60,149	61,115
Insurance	-	26,520	-	26,520	-	24,426	-	24,426
Miscellaneous	132	3,263	16,675	20,070	1,586	156	8,152	9,894
Board expenses	-	8,090	9,348	17,438	-	4,321	9,420	13,741
Supplies	5,203	9,890	605	15,698	896	12,425	308	13,629
Subtotal	4,920,751	708,015	790,725	6,419,491	6,068,993	689,183	779,936	7,538,112
Endowment pledge write-off	-	600,000	-	600,000	-	-	-	-
Due diligence costs	-	193,638	-	193,638	-	-	-	-
Capital campaign costs	-	-	186,811	186,811	-	-	351,665	351,665
Special events expense	-	-	60,899	60,899	-	-	294,871	294,871
Total expenses	4,920,751	1,501,653	1,038,435	7,460,839	6,068,993	689,183	1,426,472	8,184,648
Less - endowment pledge write-off	-	(600,000)	-	(600,000)	-	-	-	-
Less - due diligence costs	-	(193,638)	-	(193,638)	-	-	-	-
Less - capital campaign costs	-	-	(186,811)	(186,811)	-	-	(351,665)	(351,665)
Less - special events expense	-	-	(60,899)	(60,899)	-	-	(294,871)	(294,871)
Total expenses included in the statements of activities and changes in net assets	<u>\$ 4,920,751</u>	<u>\$ 708,015</u>	<u>\$ 790,725</u>	<u>\$ 6,419,491</u>	<u>\$ 6,068,993</u>	<u>\$ 689,183</u>	<u>\$ 779,936</u>	<u>\$ 7,538,112</u>

The accompanying notes are an integral part of these statements.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

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. During fiscal year 2020, the Organization's current and future operations were impacted by the COVID-19 pandemic (see Note 15).

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).

Recently Adopted Accounting Pronouncements

On July 1, 2019, the Organization adopted FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Organization adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019.

During fiscal year 2020, the Organization adopted FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statements of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statements of cash flows. This ASU has been applied retrospectively to all periods presented.

The adoption of ASU 2016-18 resulted in the following changes to the Organization's cash flow classification for the year ended June 30, 2019:

<u>Statement of Cash Flows</u>	<u>2019 As Previously Reported</u>	<u>Effect of Adoption</u>	<u>2019 As Adjusted</u>
Operating activities	\$ (592,562)	\$ -	\$ (592,562)
Investing activities	(920,914)	(113,904)	(1,034,818)
Financing activities	<u>1,371,442</u>	<u>-</u>	<u>1,371,442</u>
Net change in cash and restricted cash	<u>\$ (142,034)</u>	<u>\$ (113,904)</u>	<u>\$ (255,938)</u>

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Restricted Cash

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). Restricted cash at June 30, 2020, represents unspent Paycheck Protection Program loan proceeds (see Note 12).

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
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.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Spending Policy

The Organization records its investments at fair value using Level 1 inputs (see page 7). 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 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.

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 appropriation percentage applied in fiscal years 2020 and 2019 was 5% in each year (see Note 4). 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 years 2020 and 2019, the Board of Directors approved releases of \$590,000 and \$500,000, 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.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

In accordance with ASC Subtopic 958-605, *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 13 for conditional grants at June 30, 2020. For contributions that have been recognized prior to adoption of Topic 958, the standard is not required to be retrospectively applied.

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, a current liability in the accompanying statements of financial position. Grants and contributions without donor restrictions are recognized when unconditionally pledged or received. Special events revenue is recognized in the period in which the events occur.

Gifts of cash and other assets are reported as support and net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

All other revenue is recorded when earned.

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 in the financial statements.

Advertising

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

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.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, which are allocated on the basis of estimates of time and effort.

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 capital and endowment activity and due diligence costs.

Due diligence costs relate to expenditures in fiscal year 2020 for consulting fees and other expert analysis to determine the financial and operational impact of a potential new performing arts facility in the Seaport area of Boston. Including from conceptual theatrical design, projected operating costs, construction costs, operating business models and fundraising feasibility, the work will inform the organization and its Board of Directors in assessing the potential value and risks of such an endeavor. Funds were approved for use by the Board of Directors from the Innovation Fund.

Special Events

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

	<u>2020</u>	<u>2019</u>
Net special events revenue raised and earned in the current fiscal year	\$ (55,040)	\$ 176,877
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>-</u>	<u>77,000</u>
Total for the current fiscal year	(55,040)	253,877
Net special events revenue raised in the current fiscal year for future fiscal years	<u>284,900</u>	<u>67,000</u>
	<u>\$ 229,860</u>	<u>\$ 320,877</u>

Ticket Sales

Ticket sales of \$2,050,729 and \$3,680,083 are reported net of direct costs (credit card charges and restoration fees) of \$100,937 and \$261,618 for the years ended June 30, 2020 and 2019, respectively, in the accompanying financial statements.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019.

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, 2020 and 2019. 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, 2020 and 2019.

Subsequent Events

Subsequent events have been evaluated through September 23, 2020, 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.

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).

THE CELEBRITY SERIES OF BOSTON, INC.Notes to Financial Statements
June 30, 2020 and 2019

3. NET ASSETS (Continued)

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Innovation Fund, including any unspent appreciation (see Note 5)	\$ 4,786,398	\$ 5,838,793
Geo mapping and brand assessment	<u>-</u>	<u>75,000</u>
	<u>4,786,398</u>	<u>5,913,793</u>
Subject to the passage of time:		
Future years	1,497,480	1,451,800
Special events	<u>351,900</u>	<u>67,000</u>
	<u>1,849,380</u>	<u>1,518,800</u>
Subject to the Organization's endowment spending policy and appropriation:		
Investment in perpetuity (including amounts above the original gift amounts of \$10,741,154 and \$10,632,178 as of June 30, 2020 and 2019, respectively)	<u>11,524,318</u>	<u>12,108,839</u>
	<u>\$ 18,160,096</u>	<u>\$ 19,541,432</u>

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

	<u>2020</u>	<u>2019</u>
General endowment	\$ 10,019,742	\$ 9,910,766
Education endowment	600,000	600,000
Scholarship endowment	<u>121,412</u>	<u>121,412</u>
	<u>\$ 10,741,154</u>	<u>\$ 10,632,178</u>

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

4. ENDOWMENT

Changes in endowment net assets (see Note 3) for the years ended June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ <u>12,108,839</u>	\$ <u>10,802,876</u>
Endowment contributions	<u>802,381</u>	<u>1,441,759</u>
Endowment pledge write-off	<u>(600,000)</u>	<u>-</u>
Investment activity:		
Net unrealized gains (losses) on investments	(855,961)	272,827
Interest and dividends	218,176	240,264
Net realized gains on investments	366,154	40,596
Investment management fees	<u>(47,999)</u>	<u>(42,606)</u>
Total investment activity	<u>(319,630)</u>	<u>511,081</u>
Investment return designated for current operations	<u>(373,867)</u>	<u>(328,000)</u>
Net assets released from restrictions - capital campaign costs	<u>(93,405)</u>	<u>(318,877)</u>
Endowment net assets, end of year	\$ <u>11,524,318</u>	\$ <u>12,108,839</u>

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.

The Organization allocated \$373,867 and \$328,000 of net assets with donor restrictions during fiscal years 2020 and 2019, respectively, to be used for operations in accordance with its investments and spending policy (see Note 2).

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).

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

5. PLEDGES AND OTHER RECEIVABLES (Continued)

Capital Campaign (Continued)

- **Innovation Fund** – to provide funds 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 2 and 3).
- **Annual Fund** – the campaign included annual fund donations from its fiscal years ended June 30, 2020, 2019, 2018 and 2017. 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.

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 13) 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.

During fiscal year 2020, the Organization wrote off an endowment pledge from a single donor as that donor was in a situation where they were unable to fulfill that pledge payment. New pledges more than offset that pledge write off and management does not believe there will be any other write-offs from the campaign.

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

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 1,034,438	\$ 1,148,398
Due in one to five years	1,724,870	2,641,663
Due in six to nine years	<u>200,000</u>	<u>300,000</u>
	2,959,308	4,090,061
Less - discount to present value of future cash flows	<u>10,221</u>	<u>190,596</u>
	<u>\$ 2,949,087</u>	<u>\$ 3,899,465</u>

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 CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

5. PLEDGES AND OTHER RECEIVABLES (Continued)

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:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 883,589	\$ 1,020,132
Due in one to five years	<u>1,456,370</u>	<u>1,445,920</u>
	2,339,959	2,466,052
Less - discount to present value of future cash flows	6,047	93,946
Less - current portion	<u>883,589</u>	<u>1,020,132</u>
	<u>\$ 1,450,323</u>	<u>\$ 1,351,974</u>

Long-term capital campaign and operating pledges receivable have been discounted using discount factors ranging from 0.16% to 1.94%, 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>2020</u>	<u>2019</u>
Computer equipment	\$ 438,865	\$ 430,706
Website	212,900	212,900
Office furniture and equipment	176,888	175,743
Leasehold improvements	83,475	83,475
Software	<u>53,318</u>	<u>53,318</u>
	965,446	956,142
Less - accumulated depreciation	<u>774,078</u>	<u>700,150</u>
Net property and equipment	<u>\$ 191,368</u>	<u>\$ 255,992</u>

7. INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Money market	\$ 579,166	\$ 375,185
Equities:		
Domestic common stock	6,876,670	8,348,266
Preferred stock	410,245	639,935
Fixed income:		
Corporate bonds	3,179,064	1,963,154
Mutual funds:		
International equity mutual funds	679,812	748,180
Domestic equity mutual funds	<u>480,580</u>	<u>787,752</u>
	<u>\$ 12,205,537</u>	<u>\$ 12,862,472</u>

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

7. INVESTMENTS (Continued)

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

	<u>2020</u>	<u>2019</u>
Net unrealized gains (losses) on investments	\$ (1,214,926)	\$ 579,564
Interest and dividends	371,777	400,339
Net realized gains on investments	50,404	64,204
Investment management fees	<u>(73,024)</u>	<u>(68,271)</u>
	<u>\$ (865,769)</u>	<u>\$ 975,836</u>

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

All investments at June 30, 2020 and 2019, are classified as long-term due to management's intent to hold these investments for long-term purposes.

8. FUNDING CONCENTRATIONS

Of the \$5,282,999 of pledges and other receivables (from 76 donors) to the capital campaign and annual fund at June 30, 2020 (see Note 5), approximately 66% of the balance is from members of the Board of Directors. Thirty-four percent of total pledges and other receivables at June 30, 2020, are owed by two members of the Board of Directors.

Of the \$6,271,571 of pledges and other receivables (from 74 donors) to the capital campaign and annual fund at June 30, 2019, approximately 72% of the balance is from members of the Board of Directors. Twenty-eight percent of the total pledges and other receivables at June 30, 2019, are owed by two members of the Board of Directors.

For the year ended June 30, 2020, there were no reportable concentrations of the Organization's total operating revenue and support, encompassing revenue with and without donor restrictions. For the year ended June 30, 2019, approximately 11% of the Organization's total operating revenue and support was from one donor, who is also a Board member.

For the year ended June 30, 2020, approximately 75% of the Organization's current year endowment contributions are from one donor, who is a Board member. For the year ended June 30, 2019, approximately 40% of the Organization's endowment contributions are from two donors, who are Board members.

For the year ended June 30, 2020, approximately 22% of the Organization's net ticket sales were attributed to the Los Angeles Philharmonic and Academy of St. Martin in the Fields performances. For the year ended June 30, 2019, approximately 17% of the Organization's net ticket sales 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, 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 \$16,675 to \$17,231 per month during fiscal years 2020 and 2019. Rent expense under the facility lease was \$205,658 and \$196,598 for the years ended June 30, 2020 and 2019, respectively, and is included in occupancy in the accompanying statements of functional expenses.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

9. LEASE AGREEMENTS (Continued)

The Organization also leases office equipment under an operating lease agreement that expires in April 2025. Total equipment rent expense under these lease agreements was approximately \$11,000 for the years ended June 30, 2020 and 2019, and is included in equipment leases and maintenance in the accompanying statements of functional expenses.

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

<u>Fiscal Year</u>	
2021	\$ 223,692
2022	230,362
2023	237,032
2024	49,161
2025	<u>9,470</u>
	<u>\$ 749,717</u>

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 2020 and 2019, the Organization elected to make contributions to the Plan of \$25,107 and \$20,712, respectively, which are included in payroll taxes and benefits in the accompanying statements of functional expenses.

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, 2020 and 2019, were \$107,710 and \$92,083, respectively. These assets are included in investments in the accompanying statements of financial position as of June 30, 2020 and 2019. The related liability is included in accounts payable and accrued expenses in the accompanying statements of financial position as of June 30, 2020 and 2019.

11. BANK CREDIT FACILITY

The Organization has a \$500,000 revolving credit agreement with a bank, with a maturity date of July 31, 2021. Borrowings under the agreement are due at maturity and interest is payable monthly at the bank's prime rate (3.25% and 5.50% at June 30, 2020 and 2019, respectively). Outstanding borrowings on the line of credit were \$500,000 at June 30, 2020. There were no outstanding borrowings on the line of credit at June 30, 2019. 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, 2020 and 2019.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

12. NOTE PAYABLE

The Organization applied for and was awarded a forgivable loan of \$870,900 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds will be used to pay certain payroll costs, including benefits, as well as rent and utilities during a twenty-four-week period (the covered period) as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until November 23, 2020, when the note, plus interest, will be due in equal monthly payments through April 23, 2022. There are no covenants to comply with and the note is not secured by any collateral as of June 30, 2020. There was no accrued interest on the note payable as of June 30, 2020, as it would be immaterial to the overall financial statements.

13. CONDITIONAL CONTRIBUTIONS

Donors have notified the Organization of bequests totaling at least \$2,279,475 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 2020, the Organization was awarded two contributions from third party organizations (Massachusetts Cultural Council and National Endowment for the Arts) that are conditional based on various criteria, as defined in the agreements. These grants totaling approximately \$265,800 as of June 30, 2020, are conditional upon the Organization overcoming certain barriers such as stipulations that limit discretion by the Organization on the activities conducted with the grant funds, as defined in the grant agreements. These amounts have not been recorded in the accompanying financial statements as the barriers have not yet been overcome. Management expects to recognize these awards during fiscal year 2021.

14. 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,938,745	\$ 1,929,279
Pledges and other receivables	<u>883,589</u>	<u>1,020,132</u>
Total financial assets	2,822,334	2,949,411
Donor-imposed restrictions	<u>(1,712,680)</u>	<u>(1,566,134)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,109,654</u>	<u>\$ 1,383,277</u>

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 restriction 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 \$500,000 revolving credit agreement as discussed in Note 11. As of June 30, 2020, the revolving credit agreement had been fully drawn. As of June 30, 2019, management had \$500,000 available on its revolving credit agreement to meet unanticipated liquidity needs.

THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

15. COVID-19

The impact of COVID-19 on the performing arts in Boston (and worldwide) was immediate and devastating. It entailed the cancellation of more performances from March to June 2020, than in the previous fifty years of performance seasons for the Organization. Despite the severity of the impact, the Organization responded quickly with a multi-pronged strategy: limit the financial impact of sunk costs, provide excellent customer service in making appeals for ticket donations, rally the Organization's key stakeholders for additional contributions, secure emergency support through various Federal and state relief programs, and develop a digital strategy that would allow the Organization to stay connected with audiences, donors and artists. That nimbleness and the loyalty of artists, audiences, donors and staff served the Organization well as the impact of COVID-19 is not an existential one. While the Organization expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.