



**FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**THE CELEBRITY SERIES OF BOSTON, INC.**

Contents  
June 30, 2021 and 2020

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Celebrity Series of Boston, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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 21, 2021

**THE CELEBRITY SERIES OF BOSTON, INC.**Statements of Financial Position  
June 30, 2021 and 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current Assets:		
Cash and cash equivalents	\$ 1,266,100	\$ 2,348,287
Current portion of pledges and other receivables	1,299,572	883,589
Prepaid expenses and other	157,433	275,132
Total current assets	2,723,105	3,507,008
Investments	17,581,226	12,205,537
Pledges and Other Receivables, net of current portion and discount	2,383,276	4,399,410
Property and Equipment, net	160,733	191,368
Total assets	<u>\$ 22,848,340</u>	<u>\$ 20,303,323</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Line of credit	\$ -	\$ 500,000
Accounts payable and accrued expenses	472,267	340,224
Advance ticket subscriptions and other	-	503,191
Total current liabilities	472,267	1,343,415
Note Payable	852,788	870,900
Total liabilities	<u>1,325,055</u>	<u>2,214,315</u>
Net Assets:		
Without donor restrictions	296,401	(71,088)
With donor restrictions:		
Purpose or time restricted	10,420,045	7,418,942
Perpetually restricted	10,806,839	10,741,154
Total with donor restrictions	<u>21,226,884</u>	<u>18,160,096</u>
Total net assets	<u>21,523,285</u>	<u>18,089,008</u>
Total liabilities and net assets	<u>\$ 22,848,340</u>	<u>\$ 20,303,323</u>

The accompanying notes are an integral part of these statements.

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THE CELEBRITY SERIES OF BOSTON, INC.

Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support:</b>						
Operating revenue:						
Ticket sales, net	\$ 108,762	\$ -	\$ 108,762	\$ 2,050,729	\$ -	\$ 2,050,729
Stabilization and management fees	-	-	-	55,356	-	55,356
Processing fees	-	-	-	53,379	-	53,379
Total operating revenue	<u>108,762</u>	<u>-</u>	<u>108,762</u>	<u>2,159,464</u>	<u>-</u>	<u>2,159,464</u>
Operating support:						
Grants and contributions	1,787,548	1,325,606	3,113,154	1,956,557	1,505,529	3,462,086
Forgiveness of debt - PPP	870,900	-	870,900	-	-	-
Investment return designated for current operations	-	-	-	373,867	-	373,867
Employee retention tax credit	340,968	-	340,968	-	-	-
Interest and other	1,142	-	1,142	14,665	-	14,665
Net assets released from restrictions:						
Time - future years	1,368,570	(1,368,570)	-	1,282,950	(1,282,950)	-
Time - special events	603,000	(603,000)	-	-	-	-
Purpose	61,018	(61,018)	-	665,000	(665,000)	-
Total operating support	<u>5,033,146</u>	<u>(706,982)</u>	<u>4,326,164</u>	<u>4,293,039</u>	<u>(442,421)</u>	<u>3,850,618</u>
Special events revenue	89,666	282,100	371,766	5,859	284,900	290,759
Less - special events expense	(319,645)	-	(319,645)	(60,899)	-	(60,899)
Special events, net	<u>(229,979)</u>	<u>282,100</u>	<u>52,121</u>	<u>(55,040)</u>	<u>284,900</u>	<u>229,860</u>
Total operating revenue and support	<u>4,911,929</u>	<u>(424,882)</u>	<u>4,487,047</u>	<u>6,397,463</u>	<u>(157,521)</u>	<u>6,239,942</u>
<b>Operating Expenses:</b>						
Performance and education	2,848,871	-	2,848,871	4,920,751	-	4,920,751
Management and general	692,487	-	692,487	708,015	-	708,015
Fundraising	938,195	-	938,195	790,725	-	790,725
Total operating expenses	<u>4,479,553</u>	<u>-</u>	<u>4,479,553</u>	<u>6,419,491</u>	<u>-</u>	<u>6,419,491</u>
Changes in net assets from operations	<u>432,376</u>	<u>(424,882)</u>	<u>7,494</u>	<u>(22,028)</u>	<u>(157,521)</u>	<u>(179,549)</u>
<b>Non-Operating Revenue (Expenses):</b>						
Endowment contributions	-	65,685	65,685	-	802,381	802,381
Endowment pledge write-off	-	-	-	-	(600,000)	(600,000)
Net assets released from restrictions - capital campaign costs	-	-	-	186,811	(186,811)	-
Capital campaign costs	-	-	-	(186,811)	-	(186,811)
Due diligence costs	(66,823)	-	(66,823)	(193,638)	-	(193,638)
Investment return designated for current operations	-	-	-	-	(373,867)	(373,867)
Investment return (loss), net of fees	1,936	3,425,985	3,427,921	(251)	(865,518)	(865,769)
Total non-operating revenue (expenses)	<u>(64,887)</u>	<u>3,491,670</u>	<u>3,426,783</u>	<u>(193,889)</u>	<u>(1,223,815)</u>	<u>(1,417,704)</u>
Changes in net assets	<u>367,489</u>	<u>3,066,788</u>	<u>3,434,277</u>	<u>(215,917)</u>	<u>(1,381,336)</u>	<u>(1,597,253)</u>
<b>Net Assets:</b>						
Beginning 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>
End of year	<u>\$ 296,401</u>	<u>\$ 21,226,884</u>	<u>\$ 21,523,285</u>	<u>\$ (71,088)</u>	<u>\$ 18,160,096</u>	<u>\$ 18,089,008</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 3,434,277	\$ (1,597,253)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Endowment contributions	(65,685)	(802,381)
Endowment pledge write-off	-	600,000
Depreciation	75,510	73,928
Change in discount on operating pledges and other receivables	(4,166)	(87,899)
Forgiveness of debt - PPP	(870,900)	-
Net realized and unrealized (gains) losses on investments	(3,192,615)	1,164,522
Changes in operating assets and liabilities:		
Operating pledges and other receivables	322,537	126,093
Prepaid expenses and other	117,699	73,329
Accounts payable and accrued expenses	132,043	86,910
Advance ticket subscriptions and other	(503,191)	(1,225,009)
Net cash used in operating activities	<u>(554,491)</u>	<u>(1,587,760)</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(44,875)	(9,304)
Purchases of investments	(2,244,092)	(1,566,273)
Proceeds from sale of investments	61,018	1,058,686
Net cash used in investing activities	<u>(2,227,949)</u>	<u>(516,891)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from (payments on) line of credit	(500,000)	500,000
Proceeds from note payable	852,788	870,900
Endowment contributions received	1,347,465	1,152,759
Net cash provided by financing activities	<u>1,700,253</u>	<u>2,523,659</u>
<b>Net Change in Cash and Restricted Cash</b>	<b>(1,082,187)</b>	<b>419,008</b>
<b>Cash and Restricted Cash:</b>		
Beginning of year	<u>2,348,287</u>	<u>1,929,279</u>
End of year	<u>\$ 1,266,100</u>	<u>\$ 2,348,287</u>

THE CELEBRITY SERIES OF BOSTON, INC.

Statements of Functional Expenses  
For the Years Ended June 30, 2021 and 2020

	2021				2020			
	Performance and Education	Management and General	Fundraising	Total	Performance and Education	Management and General	Fundraising	Total
<b>Payroll and Related:</b>								
Salaries	\$ 1,389,218	\$ 377,030	\$ 578,747	\$ 2,344,995	\$ 1,381,835	\$ 382,134	\$ 367,573	\$ 2,131,542
Payroll taxes and benefits	175,278	45,316	74,028	294,622	220,877	55,392	58,472	334,741
Total payroll and related	1,564,496	422,346	652,775	2,639,617	1,602,712	437,526	426,045	2,466,283
<b>Operating Expenses:</b>								
Artist fees	332,004	-	-	332,004	1,287,037	-	-	1,287,037
Direct performance costs	292,978	-	-	292,978	765,123	-	-	765,123
Occupancy	170,503	33,541	75,468	279,512	179,268	24,229	67,833	271,330
Printing and postage	91,875	334	70,898	163,107	234,729	715	81,881	317,325
Contracted services	73,500	33,410	53,100	160,010	89,852	2,720	39,095	131,667
Equipment leases and maintenance	71,406	14,047	31,606	117,059	60,496	8,176	22,891	91,563
Advertising	83,733	-	2,951	86,684	397,999	-	-	397,999
Service agreements	79,778	2,656	-	82,434	92,912	1,359	-	94,271
Professional fees	1,950	76,395	-	78,345	74,300	131,169	62,229	267,698
Depreciation	46,061	9,061	20,388	75,510	48,845	6,601	18,482	73,928
Dues and subscriptions	11,851	30,505	4,917	47,273	12,993	18,163	5,847	37,003
Miscellaneous	93	27,372	16,732	44,197	132	3,263	16,675	20,070
Insurance	-	28,311	-	28,311	-	26,520	-	26,520
Travel and entertainment	8,631	9,940	8,466	27,037	38,800	28,915	12,558	80,273
Design	16,700	-	-	16,700	30,350	-	-	30,350
Supplies	3,312	4,530	323	8,165	5,203	9,890	605	15,698
Board expenses	-	39	571	610	-	8,090	9,348	17,438
Events	-	-	-	-	-	679	27,236	27,915
Subtotal	2,848,871	692,487	938,195	4,479,553	4,920,751	708,015	790,725	6,419,491
Special events expense	-	-	319,645	319,645	-	-	60,899	60,899
Due diligence costs	-	66,823	-	66,823	-	193,638	-	193,638
Endowment pledge write-off	-	-	-	-	-	600,000	-	600,000
Capital campaign costs	-	-	-	-	-	-	186,811	186,811
Total expenses	2,848,871	759,310	1,257,840	4,866,021	4,920,751	1,501,653	1,038,435	7,460,839
Less - due diligence costs	-	(66,823)	-	(66,823)	-	(193,638)	-	(193,638)
Less - endowment pledge write-off	-	-	-	-	-	(600,000)	-	(600,000)
Less - capital campaign costs	-	-	-	-	-	-	(186,811)	(186,811)
Less - special events expense	-	-	(319,645)	(319,645)	-	-	(60,899)	(60,899)
Total expenses included in the statements of activities and changes in net assets	\$ 2,848,871	\$ 692,487	\$ 938,195	\$ 4,479,553	\$ 4,920,751	\$ 708,015	\$ 790,725	\$ 6,419,491

The accompanying notes are an integral part of these statements.

## THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements  
June 30, 2021 and 2020

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### 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 years 2021 and 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 Pronouncement

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

On July 1, 2020, the Organization adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of July 1, 2020 (the practical expedient elected). Results for reporting periods beginning after July 1, 2020, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Organization's historic accounting under Topic 605. There were no material changes in the timing of recognition of revenue and, therefore, there was no adjustment to the opening balance of net assets as a result of adopting Topic 606.

#### 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.



## THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements  
June 30, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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, 2021 and 2020

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### 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 Board of Directors pre-approves this expenditure via the annual approval of the operating budget. Final approval of this expenditure will be made by the Finance Committee before fiscal year end and cannot exceed the dollar amount pre-approved by the Board of Directors. No appropriation was taken for fiscal year 2021. The appropriation percentage applied in fiscal year 2020 was 5% (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 2021 and 2020, the Board of Directors approved releases of \$61,018 and \$590,000, 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, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 13 for conditional grants at June 30, 2021.

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.

In accordance with Topic 606, ticket sales revenue is 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.

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.

#### 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.

## THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements  
June 30, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 capital and endowment activity and due diligence costs.

Due diligence costs relate to expenditures 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.

#### Special Events

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

	<u>2021</u>	<u>2020</u>
Without donor restrictions:		
Net special events revenue raised and earned in the current fiscal year	\$ (229,979)	\$ (55,040)
Net special events revenue released from restrictions	<u>603,000</u>	<u>-</u>
	<u>373,021</u>	<u>(55,040)</u>
With donor restrictions:		
Net special events revenue raised in the current fiscal year	282,100	284,900
Net special events revenue released from restrictions	<u>(603,000)</u>	<u>-</u>
	<u>(320,900)</u>	<u>284,900</u>
Total special events	<u>\$ 52,121</u>	<u>\$ 229,860</u>

#### Ticket Sales

Ticket sales of \$118,677 and \$2,050,729 are reported net of direct costs (credit card charges and restoration fees) of \$4,560 and \$100,937 for the years ended June 30, 2021 and 2020, respectively, in the accompanying financial statements.

## THE CELEBRITY SERIES OF BOSTON, INC.

Notes to Financial Statements  
June 30, 2021 and 2020

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### 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, 2021 and 2020.

#### 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, 2021 and 2020. 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, 2021 and 2020.

#### Subsequent Events

Subsequent events have been evaluated through September 21, 2021, which is the date the financial statements were available to be issued. See Notes 11 and 13 for events that 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).

**THE CELEBRITY SERIES OF BOSTON, INC.**Notes to Financial Statements  
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**3. NET ASSETS (Continued)****With Donor Restrictions (Continued)**

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

	<u>2021</u>	<u>2020</u>
<b>Subject to expenditure for specified purpose:</b>		
Innovation Fund, including any unspent appreciation (see Note 5)	\$ 6,140,430	\$ 4,786,398
<b>Subject to the passage of time:</b>		
Future years	1,400,350	1,497,480
Special events	<u>31,000</u>	<u>351,900</u>
	<u>1,431,350</u>	<u>1,849,380</u>
<b>Subject to the Organization's endowment spending policy and appropriation:</b>		
Investment in perpetuity (including amounts above the original gift amounts of \$10,806,839 and \$10,741,154 as of June 30, 2021 and 2020, respectively)	<u>13,655,104</u>	<u>11,524,318</u>
	<u>\$ 21,226,884</u>	<u>\$ 18,160,096</u>

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

	<u>2021</u>	<u>2020</u>
General endowment	\$ 10,085,427	\$ 10,019,742
Education endowment	600,000	600,000
Scholarship endowment	<u>121,412</u>	<u>121,412</u>
	<u>\$ 10,806,839</u>	<u>\$ 10,741,154</u>

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### 4. ENDOWMENT

Changes in endowment net assets (see Note 3) for the years ended June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ <u>11,524,318</u>	\$ <u>12,108,839</u>
Endowment contributions	<u>65,685</u>	<u>802,381</u>
Endowment pledge write-off	<u>-</u>	<u>(600,000)</u>
Investment activity:		
Net unrealized gains (losses) on investments	1,853,772	(855,961)
Interest and dividends	193,357	218,176
Net realized gains on investments	72,055	366,154
Investment management fees	<u>(54,083)</u>	<u>(47,999)</u>
Total investment activity	<u>2,065,101</u>	<u>(319,630)</u>
Investment return designated for current operations	<u>-</u>	<u>(373,867)</u>
Net assets released from restrictions - capital campaign costs	<u>-</u>	<u>(93,405)</u>
Endowment net assets, end of year	<u>\$ 13,655,104</u>	<u>\$ 11,524,318</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 of net assets with donor restrictions during fiscal year 2020 to be used for operations in accordance with its investments and spending policy (see Note 2). There was no investment return designated for operations during fiscal year 2021.

### 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).

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### 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, 2021, 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. There were no pledges written off in fiscal year 2021.

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

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 898,643	\$ 1,034,438
Due in one to five years	773,200	1,724,870
Due in six to nine years	<u>-</u>	<u>200,000</u>
	1,671,843	2,959,308
Less - discount to present value of future cash flows	<u>4,536</u>	<u>10,221</u>
	<u>\$ 1,667,307</u>	<u>\$ 2,949,087</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.



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### 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>2021</u>	<u>2020</u>
Due in less than one year	\$ 958,604	\$ 883,589
Due in one to five years	<u>717,850</u>	<u>1,456,370</u>
	1,676,454	2,339,959
Less - discount to present value of future cash flows	1,881	6,047
Less - current portion	<u>958,604</u>	<u>883,589</u>
	<u>\$ 715,969</u>	<u>\$ 1,450,323</u>

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:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 96,467	\$ 438,865
Website	212,900	212,900
Office furniture and equipment	47,916	176,888
Leasehold improvements	1,177	83,475
Software	<u>16,421</u>	<u>53,318</u>
	374,881	965,446
Less - accumulated depreciation	<u>214,148</u>	<u>774,078</u>
Net property and equipment	<u>\$ 160,733</u>	<u>\$ 191,368</u>

### 7. INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Money market	\$ 1,191,525	\$ 579,166
Equities:		
Domestic common stock	13,010,972	6,876,670
Preferred stock	246,430	410,245
Fixed income:		
Corporate bonds	1,808,478	3,179,064
Mutual funds:		
Domestic equity mutual funds	885,176	480,580
International equity mutual funds	<u>438,645</u>	<u>679,812</u>
	<u>\$ 17,581,226</u>	<u>\$ 12,205,537</u>

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### 7. INVESTMENTS (Continued)

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

	<u>2021</u>	<u>2020</u>
Net unrealized gains (losses) on investments	\$ 3,190,921	\$ (1,214,926)
Interest and dividends	313,113	371,777
Net realized gains on investments	1,694	50,404
Investment management fees	<u>(77,807)</u>	<u>(73,024)</u>
	<u>\$ 3,427,921</u>	<u>\$ (865,769)</u>

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

All investments at June 30, 2021 and 2020, are classified as long-term due to management's intent to hold these investments for long-term purposes.

### 8. FUNDING CONCENTRATIONS

Of the \$3,682,848 of pledges and other receivables (from 68 donors) to the capital campaign and annual fund at June 30, 2021 (see Note 5), approximately 53% of the balance is from members of the Board of Directors. Thirty percent of total pledges and other receivables at June 30, 2021, are owed by three members of the Board of Directors.

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

For the years ended June 30, 2021 and 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, 2021, approximately 76% of the Organization's current year endowment contributions are from one donor. For the year ended June 30, 2020, approximately 75% of the Organization's endowment contributions are from one donor, who is a Board member.

For the year ended June 30, 2021, approximately 23% of the Organization's net ticket sales were attributed to the Thile & O'Donovan performances. For the year ended June 30, 2020, approximately 22% of the Organization's net ticket sales were for the Los Angeles Philharmonic and Academy of St. Martin in the Fields 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 \$17,231 to \$17,787 per month during fiscal years 2021 and 2020. Rent expense under the facility lease was \$212,328 and \$205,658 for the years ended June 30, 2021 and 2020, respectively, and is included in occupancy in the accompanying statements of functional expenses.

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### 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, 2021 and 2020, 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>	
2022	\$ 230,362
2023	237,032
2024	49,161
2025	<u>9,470</u>
	<u>\$ 526,025</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 2021 and 2020, the Organization elected to make contributions to the Plan of \$20,155 and \$25,107, 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, 2021 and 2020, were \$146,595 and \$107,710, respectively. These assets are included in investments in the accompanying statements of financial position as of June 30, 2021 and 2020. The related liability is included in accounts payable and accrued expenses in the accompanying statements of financial position as of June 30, 2021 and 2020.

During fiscal year 2021, the Organization set up 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 is effective July 1, 2021, and accordingly, no expenses for benefits related to this plan have been recorded during fiscal year 2021.

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### 11. BANK CREDIT FACILITY

The Organization has a \$500,000 revolving credit agreement with a bank, with a maturity date of July 30, 2021. Subsequent to year end, this agreement was extended through June 30, 2022. Borrowings under the agreement are due at maturity and interest is payable monthly at the bank's prime rate (3.25% at June 30, 2021 and 2020). There were no outstanding borrowings on the line of credit at June 30, 2021. There were outstanding borrowings totaling \$500,000 on the line of credit at June 30, 2020. 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, 2021 and 2020.

### 12. NOTE PAYABLE

During fiscal year 2020, 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) through a bank. The funds will be used to pay certain payroll costs, including benefits, as well as rent and utilities during 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 (or five-year) period with interest at 1%. Any repayment will be deferred until the Small Business Administration (SBA) notifies the lender of the amount of the loan that will be forgiven. The balance of the note which was not forgiven, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. There are no covenants with which to comply and the note is not secured by any collateral. There was no accrued interest on the note payable as of June 30, 2020, as it would be immaterial to the overall financial statements.

The entire balance of the note payable has been classified as long-term in the accompanying statement of financial position as of June 30, 2020, given the expectation that the loan would be forgiven. During fiscal year 2021, the Organization submitted the application for forgiveness and was notified that it had been legally released from the entire obligation, which has been reflected as forgiveness of debt – PPP in the accompanying statement of activities and changes in net assets for the year ended June 30, 2021.

During fiscal year 2021, the Organization applied for and received a second draw PPP loan totaling \$852,788. The second draw PPP loan has the same general loan terms as the first draw PPP loan. 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 (or five-year) period with interest at 1%. There was no accrued interest on the note payable as of June 30, 2021, as it would be immaterial to the overall financial statements.

The entire balance of the note payable has been classified as long-term in the accompanying statement of financial position as of June 30, 2021, given the expectation that the loan would be forgiven.

### 13. CONDITIONAL CONTRIBUTIONS

Donors have notified the Organization of bequests totaling at least \$2,514,631 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.

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### 13. CONDITIONAL CONTRIBUTIONS (Continued)

During fiscal year 2021, 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 \$464,500 as of June 30, 2021, 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 2022.

Subsequent to year-end, the Organization was a recipient of a \$1,153,285 Shuttered Venue Operators Grant from the SBA. This grant is conditional and is to be utilized for operational expenses to aid the Organization due to the effects of the COVID-19 pandemic.

### 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,266,100	\$ 2,348,287
Pledges and other receivables	<u>1,299,572</u>	<u>883,589</u>
Total financial assets	2,565,672	3,231,876
Donor-imposed restrictions	<u>(1,429,369)</u>	<u>(1,712,680)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,136,303</u>	<u>\$ 1,519,196</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 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 \$500,000 revolving credit agreement as discussed in Note 11.

### 15. CONTINGENCY

The impact of COVID-19 on the performing arts in Boston (and worldwide) was immediate and devastating. It entailed the cancellation of more performances during fiscal years 2021 and 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. The related financial impact and duration cannot be reasonably estimated at this time.

## **THE CELEBRITY SERIES OF BOSTON, INC.**

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### **16. EMPLOYEE RETENTION TAX CREDIT**

The Employee Retention Tax Credit (ERTC) established by the CARES Act passed in March 2020 provided a refundable tax against certain employment taxes equal to 50% of the qualified wages an eligible employer paid to employees from March 12, 2020 and December 31, 2020. On December 27, 2020, the Consolidated Appropriations Act (CAA) was signed into law and extended and expanded through ERTC through December 2021, relaxed the eligibility requirements, and retroactively allowed PPP recipients to be eligible for the ERTC in 2020.

The Organization has determined that it is qualified to retroactively apply for the ERTC and believes it is probable that it will receive a refund totaling approximately \$341,000 after filing amended Federal employment tax returns. As of June 30, 2021, the entire refund that the Organization expects to receive is included in the current portion of pledges and other receivables in the accompanying statement of financial position and reflected as employee retention tax credit in the accompanying statement of activities and changes in net assets for the year then ended. Eligibility for the credit and the credit calculations are subject to review and approval by the Federal government. In the opinion of management, the results of such reviews and audit will not have a material effect on the financial position of the Organization as of June 30, 2021, and on the changes in net assets for the year then ended.

### **17. RECLASSIFICATIONS**

Certain amounts in the June 30, 2020 financial statements have been reclassified to conform to the June 30, 2021 presentation.