Celebrity Series of Boston

FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

THE CELEBRITY SERIES OF BOSTON, INC.

Contents
June 30, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Celebrity Series of Boston, Inc. (a Massachusetts corporation, not for profit) (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Celebrity Series of Boston, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

AAFCPAs, Inc.

Westborough, Massachusetts
October 19, 2022

THE CELEBRITY SERIES OF BOSTON, INC.

Statements of Financial Position
June 30, 2022 and 2021

Assets	**2022**	**2021**
Current Assets:		
Cash and cash equivalents	$ 2,194,900	$ 1,266,100
Current portion of pledges and other receivables	1,832,012	1,299,572
Prepaid expenses and other	183,090	157,433
Total current assets	4,210,002	2,723,105
Investments	15,949,610	17,581,226
Pledges and Other Receivables, net of current portion and discount	998,315	2,383,276
Property and Equipment, net	137,708	160,733
Total assets	$ 21,295,635	$ 22,848,340
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 644,328	$ 472,267
Advance ticket subscriptions and other	877,447	-
Total current liabilities	1,521,775	472,267
Note Payable	-	852,788
Total liabilities	1,521,775	1,325,055
Net Assets:		
Without donor restrictions	1,219,002	296,401
With donor restrictions:		
Purpose or time restricted	7,741,917	10,420,045
Perpetually restricted	10,812,941	10,806,839
Total with donor restrictions	18,554,858	21,226,884
Total net assets	19,773,860	21,523,285
Total liabilities and net assets	$ 21,295,635	$ 22,848,340

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Operating revenue:						
Ticket sales, net	$ 1,608,318	$ -	$ 1,608,318	$ 108,762	$ -	$ 108,762
Stabilization and management fees	49,342	-	49,342	-	-	-
Processing fees	53,754	-	53,754	-	-	-
Total operating revenue	1,711,414	-	1,711,414	108,762	-	108,762
Operating support:						
Grants and contributions	3,728,893	1,631,340	5,360,233	1,787,548	1,325,606	3,113,154
Forgiveness of debt - PPP	852,788	-	852,788	870,900	-	870,900
Investment return designated for current operations	505,584	-	505,584	-	-	-
Employee retention tax credit	314,500	-	314,500	340,968	-	340,968
Interest and other	896	-	896	1,142	-	1,142
Net assets released from restrictions:						
Time - future years	1,287,601	(1,287,601)	-	1,368,570	(1,368,570)	-
Time - special events	31,000	(31,000)	-	603,000	(603,000)	-
Purpose	-	-	-	61,018	(61,018)	-
Total operating support	6,721,262	312,739	7,034,001	5,033,146	(706,982)	4,326,164
Special events revenue	511,120	10,000	521,120	89,666	282,100	371,766
Less - special events expense	(362,028)	-	(362,028)	(319,645)	-	(319,645)
Special events, net	149,092	10,000	159,092	(229,979)	282,100	52,121
Total operating revenue and support	8,581,768	322,739	8,904,507	4,911,929	(424,882)	4,487,047
Operating Expenses:						
Performance and education	5,951,665	-	5,951,665	2,848,871	-	2,848,871
Management and general	730,915	-	730,915	692,487	-	692,487
Fundraising	1,005,774	-	1,005,774	938,195	-	938,195
Total operating expenses	7,688,354	-	7,688,354	4,479,553	-	4,479,553
Changes in net assets from operations	893,414	322,739	1,216,153	432,376	(424,882)	7,494
Non-Operating Revenue (Expenses):						
Endowment contributions	-	6,102	6,102	-	65,685	65,685
Due diligence costs	(20,776)	-	(20,776)	(66,823)	-	(66,823)
Investment return designated for current operations	-	(505,584)	(505,584)	-	-	-
Investment return (loss), net of fees	49,963	(2,495,283)	(2,445,320)	1,936	3,425,985	3,427,921
Total non-operating revenue (expenses)	29,187	(2,994,765)	(2,965,578)	(64,887)	3,491,670	3,426,783
Changes in net assets	922,601	(2,672,026)	(1,749,425)	367,489	3,066,788	3,434,277
Net Assets:						
Beginning of year	296,401	21,226,884	21,523,285	(71,088)	18,160,096	18,089,008
End of year	$ 1,219,002	$ 18,554,858	$ 19,773,860	$ 296,401	$ 21,226,884	$ 21,523,285

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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Changes in net assets	$ (1,749,425)	$ 3,434,277
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Endowment contributions	(6,102)	(65,685)
Depreciation	77,442	75,510
Change in discount on operating pledges and other receivables	(1,252)	(4,166)
Forgiveness of debt - PPP	(852,788)	(870,900)
Net realized and unrealized (gains) losses on investments	2,660,019	(3,192,615)
Changes in operating assets and liabilities:		
Operating pledges and other receivables	84,110	322,537
Prepaid expenses and other	(25,657)	117,699
Accounts payable and accrued expenses	172,061	132,043
Advance ticket subscriptions and other	877,447	(503,191)
Net cash provided by (used in) operating activities	1,235,855	(554,491)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(54,417)	(44,875)
Purchases of investments	(15,641,651)	(2,244,092)
Proceeds from sale of investments	14,613,248	61,018
Net cash used in investing activities	(1,082,820)	(2,227,949)
Cash Flows from Financing Activities:		
Payments on line of credit	-	(500,000)
Proceeds from note payable	-	852,788
Endowment contributions received	775,765	1,347,465
Net cash provided by financing activities	775,765	1,700,253
Net Change in Cash and Cash Equivalents	928,800	(1,082,187)
Cash and Cash Equivalents:		
Beginning of year	1,266,100	2,348,287
End of year	$ 2,194,900	$ 1,266,100

Statements of Functional Expenses
For the Years Ended June 30, 2022 and 2021

	2022				2021			
	Performance and Education	Management and General	Fundraising	Total	Performance and Education	Management and General	Fundraising	Total
Payroll and Related:								
Salaries	$ 1,470,817	$ 402,275	$ 559,695	$ 2,432,787	$ 1,389,218	$ 377,030	$ 578,747	$ 2,344,995
Payroll taxes and benefits	270,002	73,895	102,668	446,565	175,278	45,316	74,028	294,622
Total payroll and related	1,740,819	476,170	662,363	2,879,352	1,564,496	422,346	652,775	2,639,617
Operating Expenses:								
Direct performance costs	1,786,585	-	-	1,786,585	292,978	-	-	292,978
Artist fees	1,243,812	-	3,800	1,247,612	332,004	-	-	332,004
Occupancy	193,568	50,771	72,985	317,324	170,503	33,541	75,468	279,512
Professional fees	218,140	64,741	-	282,881	1,950	76,395	-	78,345
Contracted services	159,504	38,086	62,239	259,829	73,500	33,410	53,100	160,010
Printing and postage	131,564	133	46,609	178,306	91,875	334	70,898	163,107
Equipment leases and maintenance	108,079	28,349	40,751	177,179	71,406	14,047	31,606	117,059
Service agreements	123,282	2,041	-	125,323	79,778	2,656	-	82,434
Advertising	120,387	-	-	120,387	83,733	-	2,951	86,684
Depreciation	47,240	12,391	17,811	77,442	46,061	9,061	20,388	75,510
Travel and entertainment	40,488	7,300	17,372	65,160	8,631	9,940	8,466	27,037
Dues and subscriptions	29,513	20,123	6,901	56,537	11,851	30,505	4,917	47,273
Donor event	-	-	45,095	45,095	-	-	-	-
Miscellaneous	777	-	26,511	27,288	93	27,372	16,732	44,197
Insurance	-	24,935	-	24,935	-	28,311	-	28,311
Supplies	3,587	5,099	538	9,224	3,312	4,530	323	8,165
Design	4,320	-	-	4,320	16,700	-	-	16,700
Board expenses	-	776	2,799	3,575	-	39	571	610
Subtotal	5,951,665	730,915	1,005,774	7,688,354	2,848,871	692,487	938,195	4,479,553
Special events expense	-	-	362,028	362,028	-	-	319,645	319,645
Due diligence costs	-	20,776	-	20,776	-	66,823	-	66,823
Total expenses	5,951,665	751,691	1,367,802	8,071,158	2,848,871	759,310	1,257,840	4,866,021
Less - due diligence costs	-	(20,776)	-	(20,776)	-	(66,823)	-	(66,823)
Less - special events expense	-	-	(362,028)	(362,028)	-	-	(319,645)	(319,645)
Total expenses included in the statements of activities and changes in net assets	$ 5,951,665	$ 730,915	$ 1,005,774	$ 7,688,354	$ 2,848,871	$ 692,487	$ 938,195	$ 4,479,553

The accompanying notes are an integral part of these statements.

1. OPERATIONS AND NONPROFIT STATUS

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

The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within the IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Cash and Cash Equivalents

For the purpose of the statements of cash flows, management considers all highly liquid instruments with initial maturities of three months or less to be cash equivalents, other than the money market portion of the Organization's investment account (see Note 7).

Cash and cash equivalents are maintained in two banks in Massachusetts and are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At times, cash and cash equivalents exceeded the insured limits. The Organization has not experienced any losses in such accounts. The Organization's management believes the Organization is not exposed to any significant credit risk on its operating cash.

Prepaid Expenses

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

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred (see Note 6).

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Computer equipment	3 years
Office furniture and equipment	3 - 7 years
Leasehold improvements	Term of lease
Software	3 years
Website	5 years

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.

Level 2 - Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Investments and Spending Policy

The Organization records its investments at fair value using Level 1 inputs. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the year (see Note 7).

The Organization adheres to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Subject to the intent of a donor, an institution may appropriate for expenditure or accumulate so much of a donor restricted endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the donor restricted endowment fund is established. The assets in a donor restricted endowment fund are donor-restricted assets until appropriated for expenditure by the Organization.

The Organization has adopted investment and spending policies for endowment assets (see Notes 3 and 4) that aim to provide a level of support for the Organization and its programs, while maintaining or enhancing the purchasing power of the endowment in accordance with UPMIFA. Under the investment policy, the endowment assets are invested to provide a competitive total rate of return commensurate with prudent diversification and moderate risk. Risk and diversification parameters have been established and the endowment is maintained and rebalanced accordingly, if necessary.

The Organization relies on a total rate of return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). While it is understood that the endowment assets are to be managed with a long-term focus, a benchmark hypothetical portfolio has been established to monitor performance on a quarterly basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Spending Policy (Continued)

The Organization has a policy of appropriating for operations each year a percentage of the rolling average of the endowment investments for the prior twelve quarter-end fair values ending March of the fiscal year in which the distribution is planned (see Note 4). The spending policy allows for an appropriation percentage of up to 7%. The Board of Directors pre-approves this expenditure via the annual approval of the operating budget. Final approval of this 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. During fiscal year 2022, $505,584 was appropriated, which represents a 5% appropriation. No appropriation was taken for fiscal year 2021. In establishing this policy, the Organization considered the expected returns plus an adjustment for inflation. This is consistent with the stated goal of enhancing the purchasing power of the endowment over time, while providing necessary funds for operations. In the event of a significant market decline, the Organization will consider all factors relevant to the stated goal in determining any change to the appropriation as allowed by UPMIFA.

The Organization’s capital campaign (see Note 5) has resulted in the creation of a new Innovation Fund (see Note 3) for which a separate investment and spending policy was approved by the Board of Directors in fiscal year 2018. The overall goal of the Innovation Fund is to enable innovative performances not previously presented by the Organization, accelerate initiatives that enhance community engagement, and support investment in infrastructure and personnel to improve patrons’ experience of live performance. Its primary investment objective is to maximize dividend income and capital appreciation while providing funding for an annual spend, if approved by the Board. During fiscal year 2021, the Board of Directors approved a release of $61,018 from the Innovation Fund, which is reflected as net assets released from restrictions - purpose in the accompanying statements of activities and changes in net assets. There were no releases from the Innovation Fund during fiscal year 2022.

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, 2022.

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

Gifts of cash and other assets are reported as donor restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, the donation is recognized as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

In accordance with 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Events

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

	2022	2021
Without donor restrictions:		
Net special events revenue raised and earned in the current fiscal year	$ 149,092	$ (229,979)
Net special events revenue released from restrictions	31,000	603,000
	180,092	373,021
With donor restrictions:		
Net special events revenue raised in the current fiscal year	10,000	282,100
Net special events revenue released from restrictions	(31,000)	(603,000)
	(21,000)	(320,900)
Total special events	$ 159,092	$ 52,121

Ticket Sales

Ticket sales of $1,608,318 and $108,762 are reported net of direct costs (credit card charges and restoration fees) of $122,104 and $4,560 for the years ended June 30, 2022 and 2021, respectively, in the accompanying financial statements.

Allowance for Doubtful Pledges and Other Receivables

Allowance for doubtful pledges and other receivables is recorded based on management's review of pledges and other receivables and their estimate of amounts that may become uncollectible in accordance with the Organization's policy. Amounts are written off as they are determined to be uncollectible. There was no allowance for doubtful pledges and other receivables deemed necessary at June 30, 2022 and 2021.

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, 2022 and 2021. 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, 2022 and 2021.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through October 19, 2022, which is the date the financial statements were available to be issued. See Note 11, for an event which met the criteria for disclosure in the financial statements.

3. NET ASSETS

Without Donor Restrictions

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

With Donor Restrictions

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

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

	2022	2021
Subject to expenditure for specified purpose:		
Innovation Fund, including any unspent appreciation (see Note 5)	$ 5,504,740	$ 6,140,430
Subject to the passage of time:		
Future years	1,546,774	1,400,350
Special events	10,000	31,000
	1,556,774	1,431,350
Subject to the Organization's endowment spending policy and appropriation:		
Investment in perpetuity (including amounts above the original gift amounts of $10,812,941 and $10,806,839 as of June 30, 2022 and 2021, respectively)	11,493,344	13,655,104
	$ 18,554,858	$ 21,226,884

3. NET ASSETS (Continued)

With Donor Restrictions (Continued)

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

	2022	2021
General endowment	$ 10,091,529	$ 10,085,427
Education endowment	600,000	600,000
Scholarship endowment	121,412	121,412
	$ 10,812,941	$ 10,806,839

4. ENDOWMENT

Changes in endowment net assets (see Note 3) for the years ended June 30, 2022 and 2021, are as follows:

	2022	2021
Endowment net assets, beginning of year	$ 13,655,104	$ 11,524,318
Endowment contributions	6,102	65,685
Investment activity:		
Net unrealized gains (losses) on investments	(3,317,952)	1,853,772
Interest and dividends	200,734	193,357
Net realized gains on investments	1,513,507	72,055
Investment management fees	(58,567)	(54,083)
Total investment activity	(1,662,278)	2,065,101
Investment return designated for current operations	(505,584)	-
Endowment net assets, end of year	$ 11,493,344	$ 13,655,104

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

In the event of a significant market decline, the Organization will consider all factors relevant to the stated goal in determining any change to the appropriation as allowed by UPMIFA.

5. PLEDGES AND OTHER RECEIVABLES

Capital Campaign

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

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

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

- ***Innovation Fund –*** to provide funds to enable new artists, programs and/or a combination of 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, 2022, 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.

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

	2022	2021
Due in less than one year	$ 428,700	$ 898,643
Due in one to five years	472,500	773,200
	901,200	1,671,843
Less - discount to present value of future cash flows	3,556	4,536
	$ 897,644	$ 1,667,307

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.

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:

	2022	2021
Due in less than one year	$ 1,019,770	$ 958,604
Due in one to five years	101,300	717,850
	1,121,070	1,676,454
Less - discount to present value of future cash flows	629	1,881
Less - current portion	1,019,770	958,604
	$ 100,671	$ 715,969

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:

	2022	2021
Computer equipment	$ 150,884	$ 96,467
Website	212,900	212,900
Office furniture and equipment	47,916	47,916
Leasehold improvements	1,177	1,177
Software	16,421	16,421
	429,298	374,881
Less - accumulated depreciation	291,590	214,148
Net property and equipment	$ 137,708	$ 160,733

7. INVESTMENTS

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

	2022	2021
Money market	$ 573,610	$ 1,191,525
Equities:		
Domestic common stock	6,706,673	13,010,972
Preferred stock	-	246,430
Fixed income:		
Corporate bonds	1,992,956	1,808,478
U.S. Treasuries	149,976	-
Agency securities	293,419	-
Municipal bonds and other	64,615	-
Mutual funds:		
Domestic equity mutual funds	5,847,956	885,176
Real estate investment trust	320,405	-
International equity mutual funds	-	438,645
	$ 15,949,610	$ 17,581,226

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

	2022	2021
Net unrealized gains (losses) on investments	$ (5,439,388)	$ 3,190,921
Interest and dividends	301,737	313,113
Net realized gains on investments	2,779,369	1,694
Investment management fees	(87,038)	(77,807)
	$ (2,445,320)	$ 3,427,921

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

All investments at June 30, 2022 and 2021, are classified as long-term due to management's intent to hold these investments for long-term purposes.

8. FUNDING CONCENTRATIONS

Of the $2,830,327 of pledges and other receivables (from 63 donors) to the capital campaign and annual fund at June 30, 2022 (see Note 5), approximately 41% of the balance is from members of the Board of Directors. Twenty percent of total pledges and other receivables at June 30, 2022, are owed by two members of the Board of Directors.

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.

For the year ended June 30, 2021, approximately 76% of the Organization's current year endowment contributions are from one donor. There were no material concentrations of endowment contributions during fiscal year 2022.

8. FUNDING CONCENTRATIONS (Continued)

For the year ended June 30, 2022, approximately 29% and 15% of the Organization's net ticket sales were attributed to the Alvin Ailey and Emanuel Ax performances, respectively. For the year ended June 30, 2021, approximately 23% of the Organization's net ticket sales were attributed to the Thile & O'Donovan 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 $18,342 per month during fiscal years 2022 and 2021. Rent expense under the facility lease was $218,998 and $212,328 for the years ended June 30, 2022 and 2021, respectively, and is included in occupancy in the accompanying statements of functional expenses.

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, 2022 and 2021, 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:

Fiscal Year	
2023	$ 236,946
2024	49,161
2025	9,470
	$ 295,577

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 2022 and 2021, the Organization elected to make contributions to the Plan of $55,346 and $20,155, respectively, which are included in payroll taxes and benefits in the accompanying statements of functional expenses.

IRC Section 457 Deferred Compensation Plans

The Organization has an IRC Section 457(b) deferred compensation plan (the 457(b) Plan) for one of its key executives. The key executive is able to defer compensation into the plan in accordance with IRC limits. Under the terms of the 457(b) Plan, monies deposited by the Organization, as well as reinvested investment return, remains the property of the Organization. The assets of the 457(b) Plan as of June 30, 2022 and 2021, were $132,910 and $146,595, respectively. These assets are included in investments in the accompanying statements of financial position as of June 30, 2022 and 2021. The related liability is included in accounts payable and accrued expenses in the accompanying statements of financial position as of June 30, 2022 and 2021.

10. EMPLOYEE BENEFIT PLANS (Continued)

IRC Section 457 Deferred Compensation Plans (Continued)

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 was effective July 1, 2021, and the assets of the plan as of June 30, 2022 were $52,377. These assets are included in investments in the accompanying statement of financial position as of June 30, 2022.

11. BANK CREDIT FACILITY

The Organization has a $500,000 revolving credit agreement with a bank, with a maturity date of October 19, 2022. Borrowings under the agreement are due at maturity and interest is payable monthly at the bank's prime rate (4.75% and 3.25% at June 30, 2022 and 2021, respectively). There were no outstanding borrowings on the line of credit at June 30, 2022 and 2021. 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, 2022 and 2021. Subsequent to year end, this agreement was extended through October 30, 2022.

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 were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. There are no covenants with which to comply and the note is not secured by any collateral. 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. During fiscal year 2022, 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, 2022.

13. CONDITIONAL CONTRIBUTIONS

Donors have notified the Organization of bequests totaling approximately $1,687,000 to which the Organization will be entitled upon the donors' deaths. Since these gifts are conditional, the Organization has not recorded these amounts in the accompanying financial statements.

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:

	2022	2021
Cash and cash equivalents	$ 2,194,900	$ 1,266,100
Pledges and other receivables	1,832,012	1,299,572
Total financial assets	4,026,912	2,565,672
Donor-imposed restrictions	(1,789,680)	(1,429,369)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,237,232	$ 1,136,303

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. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit (ERTC) was first established by the CARES Act and was extended and expanded by the Consolidated Appropriations Act (CAA) and American Rescue Plan (ARP). ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first $10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first $10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and September 30, 2021 (2021 ERTC). To be eligible, the Organization must meet certain conditions as described in applicable laws and regulations.

The Organization has determined that it qualifies for both the 2020 ERTC and 2021 ERTC, and therefore, is accounting for them as conditional grants under ASC Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of June 30, 2022 and 2021, and therefore, the entire refund of $314,500 and $341,000, respectively, that the Organization expects to receive is included in the current portion of pledges and other receivables in the accompanying statements of financial position and reflected as employee retention tax credit in the accompanying statements of activities and changes in net assets for the years 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, 2022, and on the changes in its net assets for the year then ended.