



Boston Landmarks Orchestra, Inc.

Financial Statements

December 31, 2016

Kevin P. Martin & Associates, P.C.

BOSTON LANDMARKS ORCHESTRA, INC.

Index

December 31, 2016

Independent Auditors' Report

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Independent Auditors' Report

To the Board of Directors of
Boston Landmarks Orchestra, Inc.

We have audited the accompanying financial statements of Boston Landmarks Orchestra, Inc. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows and functional expenses for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' 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 Organization as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of the Organization as of December 31, 2015, were audited by other auditors whose report dated September 14, 2016, expressed an unmodified opinion on those statements. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Munir P. Martini & Associates P.C.

June 22, 2017

BOSTON LANDMARKS ORCHESTRA, INC.

Statement of Financial Position

As of December 31, 2016

With Comparative Totals as of December 31, 2015

Current Assets	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 528,458	\$ 635,321
Accounts receivable	10,622	82,550
Prepaid expenses	<u>15,380</u>	<u>24,992</u>
Total current assets	<u>554,460</u>	<u>742,863</u>
Fixed Assets		
Furniture and equipment	65,144	65,144
Less: accumulated depreciation	<u>(46,691)</u>	<u>(36,457)</u>
Total net fixed assets	<u>18,453</u>	<u>28,687</u>
Other Assets		
Security deposit	<u>5,724</u>	<u>5,724</u>
Total Assets	<u>\$ 578,637</u>	<u>\$ 777,274</u>
Current Liabilities		
Capital lease obligation, current portion	\$ 3,841	\$ 3,654
Accounts payable	19,341	15,981
Accrued expenses	<u>10,463</u>	<u>6,987</u>
Total current liabilities	<u>33,645</u>	<u>26,622</u>
Long Term Liabilities		
Capital lease obligation, net of current portion	<u>5,080</u>	<u>8,921</u>
Total liabilities	<u>38,725</u>	<u>35,543</u>
Net Assets		
Unrestricted	527,912	741,731
Temporarily restricted	<u>12,000</u>	<u>-</u>
Total net assets	<u>539,912</u>	<u>741,731</u>
Total Liabilities and Net Assets	<u>\$ 578,637</u>	<u>\$ 777,274</u>

The accompanying notes are an integral part of the financial statements.

BOSTON LANDMARKS ORCHESTRA, INC.

Statement of Activities

For the Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Support and Revenue				
Support				
Individual contributions	\$ 177,595	\$ -	\$ 177,595	\$ 230,612
Foundation grants	680,248		680,248	693,000
Government grants	14,500	12,000	26,500	80,080
Corporate sponsorship	40,000	-	40,000	38,900
Donated goods and services	51,527	-	51,527	49,018
Special events	310,987	-	310,987	144,125
Revenue				
Concert performance fees	25,984	-	25,984	96,772
CD sales and chair rental fees	3,995	-	3,995	2,619
Interest	2,388	-	2,388	472
Total support and revenue	<u>1,307,224</u>	<u>12,000</u>	<u>1,319,224</u>	<u>1,335,598</u>
Expenses				
Program services	1,073,049	-	1,073,049	1,023,816
General and administrative	194,922	-	194,922	182,083
Fundraising	253,072	-	253,072	221,299
Total expenses	<u>1,521,043</u>	<u>-</u>	<u>1,521,043</u>	<u>1,427,198</u>
Total Change in Net Assets	(213,819)	12,000	(201,819)	(91,600)
Net Assets at Beginning of Year	<u>741,731</u>	<u>-</u>	<u>741,731</u>	<u>833,331</u>
Net Assets at End of Year	<u>\$ 527,912</u>	<u>\$ 12,000</u>	<u>\$ 539,912</u>	<u>\$ 741,731</u>

The accompanying notes are an integral part of the financial statements.

BOSTON LANDMARKS ORCHESTRA, INC.

Statement of Cash Flows

For the Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

Cash Flows from Operating Activities	<u>2016</u>	<u>2015</u>
Change in Net Assets	\$ (201,819)	\$ (91,600)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	10,234	8,453
Decrease (increase) in assets		
Pledges receivable	-	250,000
Accounts receivable	71,928	(78,990)
Prepaid expenses	9,612	(13,765)
Security deposit	-	(5,724)
Increase (decrease) in liabilities		
Accounts payable	3,360	15,268
Accrued expenses	<u>3,476</u>	<u>(3,606)</u>
Net Cash (Used in) Provided by Operating Activities	<u>(103,209)</u>	<u>80,036</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	<u>-</u>	<u>(14,960)</u>
Net Cash Used in Investing Activities	<u>-</u>	<u>(14,960)</u>
Cash Flows from Financing Activities		
Repayments of capital lease obligations	<u>(3,654)</u>	<u>(3,476)</u>
Net Cash Used in Financing Activities	<u>(3,654)</u>	<u>(3,476)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(106,863)	61,600
Cash and Cash Equivalents - Beginning	<u>635,321</u>	<u>573,721</u>
Cash and Cash Equivalents - Ending	<u>\$ 528,458</u>	<u>\$ 635,321</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 546</u>	<u>\$ 1,111</u>

The accompanying notes are an integral part of the financial statements.

BOSTON LANDMARKS ORCHESTRA, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>2015 Total</u>
Salaries	\$ 380,545	\$ 111,531	\$ 86,877	\$ 578,953	\$ 301,066
Payroll taxes	34,253	10,039	7,820	52,112	24,265
Benefits	<u>38,725</u>	<u>11,349</u>	<u>8,841</u>	<u>58,915</u>	<u>23,970</u>
Total salaries and related taxes and benefits	453,523	132,919	103,538	689,980	349,301
Advertising	52,653	-	-	52,653	48,276
Bank charges	40	151	4,899	5,090	3,585
Consultants	-	360	13,345	13,705	15,245
Contracted services	465,197	-	14,120	479,317	787,611
Depreciation	6,726	1,972	1,536	10,234	8,453
Dues and fees	4,227	1,507	2,930	8,664	7,461
Equipment rental	-	2,820	-	2,820	2,689
Insurance	-	5,641	-	5,641	5,772
Minor equipment	414	8,345	4,482	13,241	13,172
Miscellaneous	3,833	10,270	4,091	18,194	17,941
Office supplies	1,544	5,391	245	7,180	6,424
Program rentals and other expenses	33,906	-	-	33,906	35,815
Payroll processing fees	1,152	1,067	39	2,258	1,015
Performance space rental	8,373	-	-	8,373	12,738
Postage	28	897	3,582	4,507	3,587
Printing	10,835	1,477	22,919	35,231	23,862
Professional fees	-	8,823	-	8,823	8,000
Rent	19,859	5,821	4,534	30,214	18,789
Special events	-	-	69,345	69,345	27,800
Storage rental	2,992	1,607	-	4,599	4,712
Telephone	-	3,101	-	3,101	3,780
Travel and meals	7,747	861	3,240	11,848	7,273
Website	-	-	227	227	13,897
Utilities	<u>-</u>	<u>1,892</u>	<u>-</u>	<u>1,892</u>	<u>-</u>
	<u>\$ 1,073,049</u>	<u>\$ 194,922</u>	<u>\$ 253,072</u>	<u>\$ 1,521,043</u>	<u>\$ 1,427,198</u>

The accompanying notes are an integral part of these financial statements.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2016

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by Boston Landmarks Orchestra, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Organization was founded in 2001. The orchestra is comprised of all professional musicians and is active throughout the neighborhoods of Boston. The Organization's mission is to perform free summer concerts in settings of historical, geographical, and architectural significance in the Boston area.

(b) Basis of Presentation

The statement of activities reports all changes in net assets. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts.

(c) Standards of Accounting and Reporting

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents three classes of net assets (unrestricted, temporarily restricted and permanently restricted) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Unrestricted - Unrestricted net assets are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Temporarily Restricted - Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions, gains and investment income that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the contributions are recognized.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2016

(1) Summary of Significant Accounting Policies - continued

(d) Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2016.

(e) Revenue Recognition

The Organization earns revenue as follows:

Grants - Grants are recorded as revenue as costs related to the services provided are incurred.

Contributions and Corporate Sponsorships - Contributions and corporate sponsorships are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged for admission at the Organization's annual gala. Special events revenue is recognized when earned and is shown separate of related direct expenses in the accompanying statement of activities. Revenue derived from this event totaled \$310,987.

Concert Performance Fees - Concert performance fees are primarily derived from fees the Organization charges to provide concert performances for other Organizations. Revenue derived from these events are recognized as income when the orchestra performs.

All of the Organization's revenue is derived from its activities in Massachusetts. During the year ended December 31, 2016, the Organization derived approximately 52% of its total revenue from private grants, 24% from special events, 13% from individual contributions, 7% from corporations and donated services and goods, 2% from concert performance fees and 2% from government grants. All revenue is recorded at the estimated net realizable amounts.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2016

(1) Summary of Significant Accounting Policies - continued

(f) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on a history of past write-offs and collections and current credit conditions. As of December 31, 2016, management has determined any allowance would be immaterial.

As of December 31, 2016, 47% of the Organization's accounts receivable is due from one individual, 30% is due from individuals and corporations, and the remaining 23% is due from a governmental agency.

(g) Furniture and Equipment

Furniture and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Organization computes depreciation using the straight-line method over the following estimated lives:

Furniture and equipment	3-5 years
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(h) Contributed Services and Gifts in Kind

Donated materials are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Organization personnel.

(i) Fundraising

Fundraising relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of total contributions and special event revenue was 24% for the year ended December 31, 2016. The ratios of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2016

(1) Summary of Significant Accounting Policies - continued

(j) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Payroll and associated costs are allocated to functions based upon time charges. Occupancy costs are allocated based upon the salary allocation.

(k) Use of Estimates

In preparing the Organization's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure 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.

(l) Income Taxes

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1).

(m) Summarized Financial Information for 2015

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

(n) Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2016

(2) Donated Goods and Services

Donated goods and services for the year ended December 31, 2016 were as follows:

Advertising	\$ 32,000
Special event catering	6,240
ASL interpretation	5,000
Printing	2,655
Instrument rental	2,000
Meals	1,404
Gifts/Flowers	1,055
Travel	657
Rehearsal space	500
Postage	<u>16</u>
Total	\$ <u>51,527</u>

(3) Operating Lease Commitments

The Organization leases office space under a non-cancelable, operating lease agreement expiring in 2020. The minimum annual operating non-cancelable lease commitments on office space for the Organization are as follows:

Years ending December 31,	
2017	\$ 34,804
2018	36,464
2019	38,396
2020	40,328

Rent expense under operating leases for the year ended December 31, 2016 was \$30,214.

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets consists of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of December 31, 2016, temporarily restricted net assets consisted of \$12,000 which are restricted for general purposes for use during 2017.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2016

(5) Capital Lease Obligations

The Organization leases office equipment under a capital lease arrangement. The economic substance of the lease is that the Organization is financing the acquisition of an asset through the lease and, accordingly, it is recorded on the statement of financial position. Capital leases are recorded at the lower of fair market value or the present value of future lease payments using interest rates appropriate at the inception of each lease.

The Organization's monthly capital lease payment is \$350. Interest rates on these obligations is 5%.

The following is an analysis of the asset under capital lease included in furniture and equipment in the accompanying statement of financial position as of December 31, 2016:

Furniture and equipment	\$ 18,547
Accumulated depreciation	(9,273)
	\$ <u>9,274</u>

Depreciation expense on equipment under capital lease amounted to \$3,709 for the year ended December 31, 2016.

The minimum lease payments for assets under capital leases are as follows:

Years ending December 31,	
2017	\$ 4,200
2018	4,200
2019	<u>1,050</u>
Total minimum obligations	9,450
Less: interest amount	(529)
Present value of obligations	8,921
Less: current portion	(3,841)
Long-term obligation	\$ <u>5,080</u>

(6) Subsequent Events

The Organization has performed an evaluation of subsequent events through June 22, 2017, which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred since December 31, 2016 that required recognition or disclosure in these financial statements.