



Boston Landmarks Orchestra, Inc.

Financial Statements

December 31, 2019

Kevin P. Martin & Associates, P.C.

BOSTON LANDMARKS ORCHESTRA, INC.

Index

December 31, 2019

Independent Auditors' Report

Financial Statements:

| | |
|---|------|
| Statement of Financial Position as of December 31, 2019 with Comparative Totals as of December 31, 2018 | 1 |
| Statement of Activities for the Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018 | 2 |
| Statement of Cash Flows for the Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018 | 3 |
| Statement of Functional Expenses for the Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018 | 4 |
| Notes to Financial Statements | 5-14 |



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, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in Note 1(o) to the financial statements, the Organization has adopted ASU No. 2018-08, *Not-for Profit Entities (Topic 958), Clarified Scope and Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2019. 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Braintree, Massachusetts
October 7, 2020

BOSTON LANDMARKS ORCHESTRA, INC.

Statement of Financial Position

As of December 31, 2019

With Comparative Totals as of December 31, 2018

| Current Assets | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Cash and cash equivalents | \$ 681,095 | \$ 607,499 |
| Promises to give | 56,600 | 52,247 |
| Accounts receivable | 56,430 | 40,380 |
| Prepaid expenses | <u>7,042</u> | <u>11,900</u> |
| Total current assets | <u>801,167</u> | <u>712,026</u> |
| Fixed Assets | | |
| Furniture and equipment | 80,411 | 70,705 |
| Less: accumulated depreciation | <u>(52,851)</u> | <u>(64,214)</u> |
| Total net fixed assets | <u>27,560</u> | <u>6,491</u> |
| Other Assets | | |
| Security deposit | <u>5,434</u> | <u>5,524</u> |
| Total Assets | <u>\$ 834,161</u> | <u>\$ 724,041</u> |
| Current Liabilities | | |
| Capital lease obligation, current portion | \$ 3,520 | \$ 1,042 |
| Accounts payable | 13,746 | 12,440 |
| Accrued expenses | <u>16,202</u> | <u>12,662</u> |
| Total current liabilities | <u>33,468</u> | <u>26,144</u> |
| Long Term Liabilities | | |
| Capital lease obligation, net of current portion | <u>11,678</u> | <u>-</u> |
| Total long term liabilities | <u>11,678</u> | <u>-</u> |
| Total liabilities | <u>45,146</u> | <u>26,144</u> |
| Net Assets | | |
| Net assets without donor restrictions | 661,132 | 637,022 |
| Net assets with donor restrictions | <u>127,883</u> | <u>60,875</u> |
| Total net assets | <u>789,015</u> | <u>697,897</u> |
| Total Liabilities and Net Assets | <u>\$ 834,161</u> | <u>\$ 724,041</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, 2019
With Comparative Totals for the Year Ended December 31, 2018

| | <u>Net Assets Without Donor Restrictions</u> | <u>Net Assets With Donor Restrictions</u> | <u>2019 Total</u> | <u>2018 Total</u> |
|---|--|---|-----------------------|-----------------------|
| Support and Revenue | | | | |
| Support | | | | |
| Individual contributions | \$ 269,963 | \$ 33,700 | \$ 303,663 | \$ 299,940 |
| Foundation grants | 479,500 | 94,183 | 573,683 | 518,500 |
| Corporate sponsorship | 97,306 | - | 97,306 | 62,300 |
| Donated goods and services | 63,872 | - | 63,872 | 40,758 |
| Special events | 302,884 | - | 302,884 | 302,675 |
| Government grants | 109,900 | - | 109,900 | 106,700 |
| Revenue | | | | |
| Concert performance fees | 28,500 | - | 28,500 | 50,552 |
| CD sales and chair rental fees | 905 | - | 905 | 3,199 |
| Interest | 6,292 | - | 6,292 | 5,319 |
| Other | 1,042 | - | 1,042 | - |
| Released from restriction - time | 60,875 | (60,875) | - | - |
| | <u>1,421,039</u> | <u>67,008</u> | <u>1,488,047</u> | <u>1,389,943</u> |
| Expenses | | | | |
| Program services | 941,057 | - | 941,057 | 964,812 |
| General and administrative | 269,083 | - | 269,083 | 212,832 |
| Fundraising | 261,789 | - | 261,789 | 222,318 |
| | <u>1,471,929</u> | <u>-</u> | <u>1,471,929</u> | <u>1,399,962</u> |
| Change in Net Assets from Operations | (50,890) | 67,008 | 16,118 | (10,019) |
| Non - Operating Revenue | | | | |
| Proceeds from lease buyout | 75,000 | - | 75,000 | 75,000 |
| | <u>24,110</u> | <u>67,008</u> | <u>91,118</u> | <u>64,981</u> |
| Change in Net Assets | | | | |
| Net Assets at Beginning of Year | <u>637,022</u> | <u>60,875</u> | <u>697,897</u> | <u>632,916</u> |
| Net Assets at End of Year | <u>\$ 661,132</u> | <u>\$ 127,883</u> | <u>\$ 789,015</u> | <u>\$ 697,897</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, 2019
With Comparative Totals for the Year Ended December 31, 2018

| Cash Flows from Operating Activities | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Change in net assets | \$ 91,118 | \$ 64,981 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 7,184 | 7,592 |
| Other | (1,042) | - |
| Decrease (increase) in assets | | |
| Promises to give | (4,353) | (52,247) |
| Accounts receivable | (16,050) | 47,837 |
| Prepaid expenses | 4,858 | 14,573 |
| Security deposit | 90 | 200 |
| Increase (decrease) in liabilities | | |
| Accounts payable | 1,306 | (5,218) |
| Accrued expenses | 3,540 | 3,061 |
| Net Cash Provided by Operating Activities | <u>86,651</u> | <u>80,779</u> |
| Cash Flows from Investing Activities | | |
| Purchase of fixed assets | <u>(9,706)</u> | <u>(5,561)</u> |
| Net Cash Used in Investing Activities | <u>(9,706)</u> | <u>(5,561)</u> |
| Cash Flows from Financing Activities | | |
| Repayments of capital lease obligations | <u>(3,349)</u> | <u>(4,038)</u> |
| Net Cash Used in Financing Activities | <u>(3,349)</u> | <u>(4,038)</u> |
| Net Increase in Cash and Cash Equivalents | 73,596 | 71,180 |
| Cash and Cash Equivalents - Beginning | <u>607,499</u> | <u>536,319</u> |
| Cash and Cash Equivalents - Ending | <u>\$ 681,095</u> | <u>\$ 607,499</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the year for interest | <u>\$ 1,074</u> | <u>\$ 382</u> |
| Disposal of fully depreciated fixed assets | <u>\$ 18,547</u> | <u>\$ -</u> |
| Supplement Data for Noncash Investing and Financing Activities | | |
| Fixed assets acquired under capital leases | <u>\$ 18,547</u> | <u>\$ -</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, 2019
With Comparative Totals for the Year Ended December 31, 2018

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>2019 Total</u> | <u>2018 Total</u> |
|--|-----------------------------|---------------------------------------|--------------------|-----------------------|-----------------------|
| Salaries | \$ 285,748 | \$ 97,408 | \$ 89,435 | \$ 472,591 | \$ 538,467 |
| Payroll taxes | 30,049 | 10,243 | 9,405 | 49,697 | 53,423 |
| Benefits | 39,697 | 13,532 | 12,424 | 65,653 | 56,917 |
| Total salaries and related taxes and benefits | <u>355,494</u> | <u>121,183</u> | <u>111,264</u> | <u>587,941</u> | <u>648,807</u> |
| Advertising | 46,002 | 2,249 | - | 48,251 | 50,911 |
| Bank charges | - | 720 | 4,369 | 5,089 | 5,135 |
| Consultants | 2,340 | - | 34,130 | 36,470 | 3,540 |
| Contracted services | 337,869 | 25,000 | 4,677 | 367,546 | 376,219 |
| Depreciation | 4,343 | 1,481 | 1,360 | 7,184 | 7,592 |
| Dues and fees | 8,051 | 1,734 | 2,304 | 12,089 | 11,128 |
| Equipment rental | - | 1,074 | - | 1,074 | 382 |
| Insurance | - | 5,126 | - | 5,126 | 6,028 |
| Miscellaneous | 573 | 22,463 | 2,771 | 25,807 | 16,616 |
| Office supplies | 262 | 3,487 | 57 | 3,806 | 5,216 |
| Program expenses | 105,675 | - | 432 | 106,107 | 61,202 |
| Payroll processing fees | 1,392 | 474 | 436 | 2,302 | 2,239 |
| Performance space rental | 15,595 | - | - | 15,595 | 5,020 |
| Postage | 323 | 346 | 3,529 | 4,198 | 3,270 |
| Printing | 11,302 | 2,133 | 15,774 | 29,209 | 29,788 |
| Professional fees | - | 29,225 | - | 29,225 | 38,054 |
| Rent | 21,340 | 7,274 | 6,679 | 35,293 | 33,200 |
| Special events | 2,579 | - | 70,032 | 72,611 | 51,196 |
| Storage rental | 6,596 | 1,202 | - | 7,798 | 4,821 |
| Technology | 1,430 | 36,605 | 3,483 | 41,518 | 10,844 |
| Telephone | - | 3,773 | - | 3,773 | 4,072 |
| Travel and meals | 17,546 | 870 | 492 | 18,908 | 21,112 |
| Website | 2,345 | - | - | 2,345 | 595 |
| Utilities | - | 2,664 | - | 2,664 | 2,975 |
| | <u>\$ 941,057</u> | <u>\$ 269,083</u> | <u>\$ 261,789</u> | <u>\$ 1,471,929</u> | <u>\$ 1,399,962</u> |

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

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2019

(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 Organization's orchestra is comprised of all professional musicians and is active throughout the neighborhoods of Boston, Massachusetts. 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, including changes in net assets without donor restrictions from operating and non-operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts. Non-operating revenues consists of proceeds from a lease buyout, see Note 4.

(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 two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) 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:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These 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 net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net Assets With Donor Restrictions - Net assets that 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2019

(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, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

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, 2019.

(e) Revenue Recognition

The Organization earns revenue as follows:

Individual Contributions, Foundation Grants and Corporate Sponsorships - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, 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 should be reported as conditional grant advance liabilities until such conditions are met.

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse. Contributions with donor restrictions received and satisfied in the same period are included in grants and contributions without donor restrictions.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2019

(1) Summary of Significant Accounting Policies - continued

(e) Revenue Recognition - continued

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.

Government grants - Federal and state contracts that are considered reciprocal transactions or purchases of services, the results of which are turned over to the grantor, are recognized as the work under the contract is performed. Contracts that are considered nonreciprocal transactions that further the programs of the Organization are recorded when the Organization receives notification of the contract, or if, conditions for performance are imposed, revenue is recognized when conditions have been met. Government grants relate to cost-reimbursement contracts with governmental agencies. Revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental agency

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, 2019, the Organization derived approximately 38% of its total revenue from foundation grants, 19% from special events, 19% from individual contributions, 7% from government grants, 2% from concert performance fees, 6% from corporations, 4% from donated services and goods and 5% from other revenue sources. All revenue is recorded at the estimated net realizable amounts.

(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, 2019, management has determined any allowance would be immaterial.

As of December 31, 2019, 100% of the Organization's accounts receivable are due from governmental agencies.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2019

(1) Summary of Significant Accounting Policies - continued

(g) Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of December 31, 2019, management has determined any allowance would be immaterial.

(h) 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 estimated lives for furniture and equipment of 3-5 years.

(i) 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.

(j) 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 20% for the year ended December 31, 2019. 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, 2019

(1) Summary of Significant Accounting Policies - continued

(k) 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.

(l) 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.

(m) 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) of the IRC.

(n) Summarized Financial Information for 2018

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, 2018, from which the summarized information was derived.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2019

(1) Summary of Significant Accounting Policies - continued

(o) Recent Accounting Standards Adopted

On January 1, 2019, the Organization adopted ASU 2018-08, *Not-for Profit Entities (Topic 958), Clarified Scope and Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify and improve the guidance in U.S. GAAP for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional. The Organization adopted the ASU using a modified prospective method effective January 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of January 1, 2019. As a result, the 2018 financial statements are not restated and there was no cumulative effect adjustment to opening net assets as of January 1, 2019.

(p) Recent Accounting Standards

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: Step 1 - identify the contract(s) with the customer; Step 2 - Identify the performance obligations in the contract; Step 3 - determine the transaction price; Step 4 - Allocate the transaction price to the performance obligations in the contract and Step 5 - recognize revenue when (or as) the entity satisfies a performance obligation. Services within the scope of ASU 2014-09 primarily include program service fees. The ASU was set to be effective for fiscal years beginning after December 15, 2018 and has been extended to be effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The ASU adds to U.S. GAAP an impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Under the new guidance, the Organization recognizes as an allowance its estimate of expected credit losses. The ASU is effective fiscal years beginning after December 15, 2020. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In November 2018, FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses and in March 2020, FASB Issued ASU 2020-03, Codification Improvements to Financial Instruments*. The adoption of these ASUs will run current with the Organization's adoption of ASU 2016-13.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2019

(1) Summary of Significant Accounting Policies - continued

(q) Reclassifications

In addition to the disclosures in Note 1(o), certain amounts in the prior year have been reclassified to conform to the current year presentation.

(2) Promises to Give

Promises to give consist of promises expected to be received in the next year. As of December 31, 2019, the balance was \$56,600.

(3) Donated Goods and Services

Donated goods and services for the year ended December 31, 2019 were as follows:

| | |
|---------------------------|------------------|
| Gala consultants/expenses | \$ 31,950 |
| Advertising | 19,000 |
| Office supplies/expenses | 8,227 |
| Instrument rentals | 3,000 |
| Gifts/flowers | 961 |
| Travel | 434 |
| Meals | <u>300</u> |
| Total | \$ <u>63,872</u> |

(4) Operating Lease Commitments

The Organization leased office space under a non-cancelable, operating lease agreement with an original expiration date in 2020. During the year ended December 31, 2018, the Organization entered into a lease termination agreement in the amount of \$150,000 to relocate to another facility. The payment was to cover moving costs and future increases in rent of the new lease. During the year ended December 31, 2019, \$75,000 of the proceeds, representing the final payment, from the lease buyout were received and included in non-operating revenue on the accompanying statement of activities.

During the fiscal year, the Organization entered into a new operating lease agreement in Cambridge, Massachusetts effective January 15, 2019. The new operating lease agreement will expire in April 2022. Subsequent to year end, the Organization terminated the lease as of March 15, 2020 for minimal cost, see Note 9. The cost to terminate the lease early was \$2,800. Rent expense under operating leases for the year ended December 31, 2019 was \$35,293.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2019

(5) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of December 31, 2019, net assets with donor restrictions amounted to \$127,883 which are restricted due to time restrictions for use during 2020.

(6) 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, 2019:

| | |
|--------------------------|------------------|
| Furniture and equipment | \$ 18,547 |
| Accumulated depreciation | (<u>1,855</u>) |
| | \$ <u>16,692</u> |

Depreciation expense on equipment under capital lease amounted to \$1,855 for the year ended December 31, 2019.

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

| | |
|------------------------------|------------------|
| Year ending December 31, | |
| 2020 | \$ 4,200 |
| 2021 | 4,200 |
| 2022 | 4,200 |
| 2023 | <u>4,200</u> |
| Total minimum obligations | 16,800 |
| Less: interest amount | (<u>1,602</u>) |
| Present value of obligations | 15,198 |
| Less: current portion | (<u>3,520</u>) |
| Long-term obligation | \$ <u>11,678</u> |

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2019

(7) Liquidity and Availability of Resources

The following reflects the Organization’s financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date.

| | |
|---|-------------------|
| Financial assets at year-end: | |
| Cash and cash equivalents | \$ 681,095 |
| Accounts receivable and promises to give | <u>113,030</u> |
| Total | <u>794,125</u> |
| | |
| Financial assets available to meet cash needs for general expenditures within one year | \$ <u>794,125</u> |

The Organization is supported by restricted contributions. Because a donors’ restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(8) Legal Matters

As of December 31, 2019, the Organization was involved in a pending settlement related to negotiating a collective bargaining agreement for the Orchestra’s musicians. The negotiations were resolved on January 22, 2020 and the outcome was not expected to have a material impact on the financial statements. Accordingly, the accompany statement of financial position does not include a liability for future legal costs related to this matter.

(9) Subsequent Events

The Organization has performed an evaluation of subsequent events through October 7, 2020 which is the date the Organization’s financial statements were available to be issued. No material subsequent events have occurred since December 31, 2019 that required recognition or disclosure in these financial statements.

BOSTON LANDMARKS ORCHESTRA, INC.

Notes to Financial Statements

December 31, 2019

(9) Subsequent Events - continued

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenues and other material adverse effects to the Organization's financial position, results of operations, and cash flows. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization's operations continue for an extended period of time the Organization may have to seek alternative measures to finance its operations. There is no assurance these measures will be successful.

Subsequent to year end, the Organization cancelled its lease, see Note 4. In addition, the Organization was awarded a loan in the amount of \$49,300 in May 2020 as part of the Payroll Protection Program through the Coronavirus Aid, Relief and Economic Security Act. The Organization was awarded a loan in the amount of \$6,000 in April 2020 as part of the Economic Industrial Disaster Loan Program.