

CASE 4-5 CELTICS

Boston Celtics Limited Partnership II and Subsidiaries presented the following consolidated statements of income for 1998, 1997, and 1996.

BOSTON CELTICS LIMITED PARTNERSHIP II AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

	For the Year Ended		
	June 30, 1998	June 30, 1997	June 30, 1996
Revenues:			
Basketball regular season	\$39,107,960	\$31,813,019	\$35,249,625
Ticket sales	28,002,469	23,269,159	22,071,992
Television and radio broadcast rights fees	8,569,485	7,915,626	7,458,651
Other, principally promotional advertising	<u>75,679,914</u>	<u>62,997,804</u>	<u>64,780,268</u>
Costs and expenses:			
Basketball regular season			
Team	40,401,643	40,941,156	27,891,264
Game	2,820,107	2,386,042	2,606,218
General and administrative	13,464,566	13,913,893	15,053,333
Selling and promotional	4,819,478	4,680,168	2,973,488
Depreciation	208,162	189,324	140,894
Amortization of NBA franchise and other intangible assets	<u>165,035</u>	<u>164,702</u>	<u>164,703</u>
	<u>61,878,991</u>	<u>62,275,285</u>	<u>48,829,900</u>
	13,800,923	722,519	15,950,368
	(6,017,737)	(5,872,805)	(6,387,598)
Interest expense	6,402,366	6,609,541	8,175,184
Interest income			
Net realized gains (losses) on disposition of marketable securities and other short-term investments	<u>(18,235)</u>	<u>361,051</u>	<u>(101,138)</u>
Income from continuing operations before income taxes	14,167,317	1,820,306	17,636,816
Provision for income taxes	<u>1,900,000</u>	<u>1,400,000</u>	<u>1,850,000</u>
Income from continuing operations	<u>12,267,317</u>	<u>420,306</u>	<u>15,786,816</u>

(continued)

Source: Boston Celtics Limited Partnership II and Subsidiaries 2010 10-K

(CASE 4-5 CONTINUED)

	For the Year Ended		
	June 30, 1998	June 30, 1997	June 30, 1996
Discontinued operations:			
Income from discontinued operations (less applicable income taxes of \$30,000)			82,806
Gain from disposal of discontinued operations (less applicable income taxes of \$17,770,000)			38,330,907
NET INCOME	<u>12,267,317</u>	<u>420,306</u>	<u>54,200,529</u>
Net income applicable to interests of General Partners	<u>306,216</u>	<u>62,246</u>	<u>1,291,014</u>
Net income applicable to interests of Limited Partners	<u>\$11,961,101</u>	<u>\$ 358,060</u>	<u>\$52,909,515</u>
Per unit:			
Income from continuing operations—basic	\$ 2.45	\$ 0.07	\$ 2.68
Income from continuing operations—diluted	\$ 2.17	\$ 0.06	\$ 2.59
Net income—basic	\$ 2.45	\$ 0.07	\$ 9.18
Net income—diluted	\$ 2.17	\$ 0.06	\$ 8.89
Distributions declared	\$ 2.00	\$ 1.00	\$ 1.50

Required

- Comment on Amortization of NBA Franchise and Other Intangible Assets.
- Would the discontinued operations be included in projecting the future? Comment.
- The costs and expenses include team costs and expenses. Speculate on the major reason for the increase in this expense between 1996 and 1997.
- What were the major reasons for the increase in income from continuing operations between 1997 and 1998?
- Speculate on why distributions declared were higher in 1998 than 1996. (Notice that net income was substantially higher in 1996.)