

SEATTLE ARTS & LECTURES
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2019 AND 2018



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Seattle Arts & Lectures
Seattle, Washington

We have audited the accompanying financial statements of Seattle Arts & Lectures (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seattle Arts & Lectures as of June 30, 2019 and 2018, 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.

A handwritten signature in cursive script that reads "Jones & Associates PLLC, CPAs".

Jones & Associates PLLC, CPAs
February 13, 2020

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SEATTLE ARTS & LECTURES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,530,429	\$ 946,794
Accounts receivable	14,638	58,141
Pledges receivable	267,847	212,950
Prepaid expenses and other assets	89,554	58,645
Property and equipment, net	45,168	58,573
	\$ 1,947,636	\$ 1,335,103
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 93,736	\$ 61,664
Deferred revenue	376,735	158,886
	470,471	220,550
NET ASSETS		
Without donor restrictions	1,189,356	832,690
With donor restrictions	287,809	281,863
	1,477,165	1,114,553
	\$ 1,947,636	\$ 1,335,103

SEATTLE ARTS & LECTURES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Program service fees			
Public events	\$ 1,175,736	\$ -	\$ 1,175,736
Education programs	157,689	-	157,689
Total program service fees	1,333,425	-	1,333,425
Contributions	562,921	214,149	777,070
Gifts in-kind	910,055	-	910,055
Special events	512,975	-	512,975
Government grants and contracts	35,300	15,660	50,960
Other	319	-	319
	<u>3,354,995</u>	<u>229,809</u>	<u>3,584,804</u>
Net assets released from restriction			
Satisfaction of program restriction	136,429	(136,429)	-
Satisfaction of time restrictions	87,434	(87,434)	-
	<u>223,863</u>	<u>(223,863)</u>	<u>-</u>
Total revenue and support	<u>3,578,858</u>	<u>5,946</u>	<u>3,584,804</u>
EXPENSES			
Program services	1,853,061	-	1,853,061
Management and general	828,019	-	828,019
Fundraising	541,112	-	541,112
Total expenses	<u>3,222,192</u>	<u>-</u>	<u>3,222,192</u>
CHANGE IN NET ASSETS	356,666	5,946	362,612
NET ASSETS			
Beginning of year	<u>832,690</u>	<u>281,863</u>	<u>1,114,553</u>
End of year	<u>\$ 1,189,356</u>	<u>\$ 287,809</u>	<u>\$ 1,477,165</u>

SEATTLE ARTS & LECTURES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Program service fees			
Public events	\$ 1,053,996	\$ -	\$ 1,053,996
Education programs	181,733	-	181,733
Total program service fees	<u>1,235,729</u>	<u>-</u>	<u>1,235,729</u>
Contributions	409,958	233,274	643,232
Gifts in-kind	1,022,139	-	1,022,139
Special events	435,634	-	435,634
Government grants and contracts	42,700	-	42,700
Other	84	-	84
	<u>3,146,244</u>	<u>233,274</u>	<u>3,379,518</u>
Net assets released from restriction			
Satisfaction of program restriction	170,610	(170,610)	-
Satisfaction of time restrictions	55,958	(55,958)	-
	<u>226,568</u>	<u>(226,568)</u>	<u>-</u>
Total revenue and support	<u>3,372,812</u>	<u>6,706</u>	<u>3,379,518</u>
EXPENSES			
Program services	1,656,039	-	1,656,039
Management and general	975,549	-	975,549
Fundraising	473,542	-	473,542
Total expenses	<u>3,105,130</u>	<u>-</u>	<u>3,105,130</u>
CHANGE IN NET ASSETS	267,682	6,706	274,388
NET ASSETS			
Beginning of year	<u>565,008</u>	<u>275,157</u>	<u>840,165</u>
End of year	<u>\$ 832,690</u>	<u>\$ 281,863</u>	<u>\$ 1,114,553</u>

SEATTLE ARTS & LECTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services			Management and General	Fund- raising	Total
	Public Programs	Education	Total			
Salaries and payroll taxes	\$ 302,437	\$ 116,840	\$ 419,277	\$ 37,079	\$ 194,086	\$ 650,442
Employee benefits	23,440	8,930	32,370	2,982	13,926	49,278
Total payroll expenses	325,877	125,770	451,647	40,061	208,012	699,720
Advertising	16,992	-	16,992	-	12	17,004
In kind advertising	-	-	-	734,356	-	734,356
Artists' fees	189,200	256,835	446,035	100	-	446,135
In kind artists' fees	-	23,000	23,000	-	-	23,000
Food and beverage	58,880	3,466	62,346	799	79,172	142,317
In kind food and beverage	29,540	1,688	31,228	-	4,605	35,833
Design and printing	62,235	12,939	75,174	155	17,075	92,404
In kind printing	1,767	1,174	2,941	80	6,168	9,189
Book bundles	164,853	-	164,853	-	-	164,853
Program production	134,477	5,518	139,995	33	30,678	170,706
In kind program production	-	-	-	-	9,977	9,977
Technology support	55,473	22,588	78,061	7,246	34,476	119,783
Occupancy	14,927	6,166	21,093	1,946	9,411	32,450
Hall rental	98,468	2,367	100,835	808	242	101,885
In kind hall rental	2,594	900	3,494	-	2,406	5,900
Office and telephone	19,367	7,673	27,040	7,603	11,795	46,438
Credit card and bank fees	38,658	89	38,747	23	11,688	50,458
Professional fees	26,168	26,231	52,399	32,115	26,390	110,904
In kind professional fees	11,600	1,900	13,500	600	2,900	17,000
Artists' travel	48,351	130	48,481	-	-	48,481
Depreciation	6,166	2,547	8,713	805	3,887	13,405
Postage and mailing	14,379	1,841	16,220	341	3,206	19,767
Photography	7,401	1,513	8,914	110	1,449	10,473
Staff travel	12,017	7,459	19,476	313	2,641	22,430
In kind auction items	-	-	-	-	74,800	74,800
Book purchases	1,710	167	1,877	25	122	2,024
Bad debt	-	-	-	500	-	500
	<u>\$ 1,341,100</u>	<u>\$ 511,961</u>	<u>\$ 1,853,061</u>	<u>\$ 828,019</u>	<u>\$ 541,112</u>	<u>\$ 3,222,192</u>

SEATTLE ARTS & LECTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services			Management and General	Fund- raising	Total
	Public Programs	Education	Total			
Salaries and payroll taxes	\$ 278,637	\$ 114,496	\$ 393,133	\$ 38,233	\$ 185,352	\$ 616,718
Employee benefits	23,549	9,926	33,475	6,521	16,345	56,341
Total payroll expenses	302,186	124,422	426,608	44,754	201,697	673,059
Advertising	11,573	2,046	13,619	-	445	14,064
In kind advertising	-	-	-	878,962	-	878,962
Artists' fees	141,100	254,748	395,848	-	-	395,848
In kind artists' fees	500	22,520	23,020	-	-	23,020
Food and beverage	47,006	3,862	50,868	416	76,607	127,891
In kind food and beverage	7,278	1,688	8,966	-	7,077	16,043
Design and printing	63,089	13,384	76,473	92	14,620	91,185
In kind printing	-	-	-	-	3,150	3,150
Book bundles	158,860	-	158,860	-	-	158,860
Program production	119,276	9,489	128,765	802	11,465	141,032
In kind program production	3,547	450	3,997	-	1,574	5,571
Technology support	41,821	16,689	58,510	6,490	27,815	92,815
Occupancy	14,468	5,787	20,255	2,250	9,645	32,150
Hall rental	89,944	1,989	91,933	194	188	92,315
In kind hall rental	1,000	975	1,975	-	-	1,975
Office and telephone	17,643	6,459	24,102	2,742	10,867	37,711
Credit card and bank fees	34,183	1,933	36,116	301	8,938	45,355
Professional fees	14,149	11,213	25,362	36,683	12,248	74,293
In kind professional fees	-	-	-	-	1,400	1,400
Artists' travel	38,760	255	39,015	-	863	39,878
In kind artists' travel	19,468	-	19,468	-	-	19,468
Depreciation	3,404	1,362	4,766	529	2,269	7,564
Postage and mailing	9,517	1,690	11,207	454	4,130	15,791
Photography	11,360	3,207	14,567	615	3,975	19,157
Staff travel	10,189	8,445	18,634	263	1,140	20,037
In kind auction items	-	-	-	-	72,550	72,550
Program development	964	45	1,009	-	191	1,200
Book purchases	2,010	86	2,096	2	688	2,786
	<u>\$ 1,163,295</u>	<u>\$ 492,744</u>	<u>\$ 1,656,039</u>	<u>\$ 975,549</u>	<u>\$ 473,542</u>	<u>\$ 3,105,130</u>

**SEATTLE ARTS & LECTURES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from program fees and other earned income	\$ 1,551,593	\$ 1,198,540
Cash received from contributions and grants	1,329,611	1,085,248
Cash paid to employees, artists and suppliers	(2,297,569)	(2,045,760)
	583,635	238,028
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(19,332)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	583,635	218,696
 CASH AND CASH EQUIVALENTS		
Beginning of the year	946,794	728,098
End of the year	\$ 1,530,429	\$ 946,794

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – Founded in 1987, Seattle Arts & Lectures (the Organization) is a nonprofit organization devoted to championing the literary arts by inspiring and engaging readers and writers of all generations in the greater Puget Sound region. The Organization provides children and adults with opportunities to meet writers and cultural thinkers; to read and reflect upon novels, poems, and other literary works; to encounter new ideas and artistic creations; to develop their own writing; and to engage in meaningful and open discussions about literature, culture, and society. These activities are essential to the development of a more creative, thoughtful, and democratic society.

During the year ended June 30, 2019, the Organization sponsored eight major programs:

- Literary Arts Series – The Organization’s hallmark program, the Literary Arts Series brings to Seattle leading cultural thinkers and writers of our time. 11,935 people attended the program during the year.
- Writers in the Schools (WITS) – The Organization’s award-winning language arts education program, dedicated to improving reading and writing in K-12 public schools through in-school residencies with local professional writers. WITS directly served approximately 6,800 students and 156 teachers in the Seattle, Highline, Shoreline, Bellevue, Lake Washington, and Port Townsend school districts. The program also hosted the Seattle Youth Poet Laureate program in collaboration with Urban Word from NYC, mentoring a cohort of 8 writers and supporting Seattle’s Youth Poet Laureate in community-wide leadership, speaking opportunities, and the publication of their first book.
- Poetry Series – This series presents distinguished established and emerging poets for readings and conversations. These events reached 3,844 people.
- Women You Need to Know – A three-part series featuring and celebrating women authors, artists, iconoclasts, and thinkers. The series reached 1,893 people during the year.
- SAL Presents – A diverse program that brings an evolving roster of artists and prominent thinkers speaking about their latest work, as well as other literary surprises. The program served 11,084 people.
- Hinge – Hinge aims to increase relevancy and accessibility by featuring authors from and for the next generation via low-cost ticket options. Topics range from pop culture to social justice. The series reached 865 people during the year.
- Journalism Series – A three-part series which shines a spotlight on journalism and journalists and the importance of the free press. Created in partnership with National Book Award-winning writer and correspondent Timothy Egan and renowned journalist Sam Howe Verhovek. This series served 4,895 people.
- Summer Book Bingo – A free summer reading program for adults and kids, presented in partnership with the Seattle Public Library which this year engaged readers from our region in reading over 16,000 books in the summer of 2019.

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. There were no perpetually restricted net assets at June 30, 2019 and 2018.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At June 30, 2019 and 2018, cash and cash equivalents consist of checking and savings accounts. The Organization maintains certain cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Accounts Receivable – Accounts receivable consist primarily of amounts due from school districts for services provided. All account balances are due in less than one year. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. No allowance for uncollectible balances has been established by management based upon the Organization's historical experience in the collection of balances due.

Pledges Receivable – Pledges receivable are unconditional promises to give and are recognized as revenues and assets in the period received. Pledges receivable that are expected to be collected in more than one year have not been discounted to the present value of estimated cash flows based on the Organization's determination that the discount would not be material to the financial statements. No allowance for uncollectible pledges has been established by management based upon the Organization's historical experience in the collection of balances due.

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Property and Equipment – Property and equipment is carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. The Organization capitalizes assets if the cost or value at time of donation is \$1,000 or more with a useful life greater than one year. Depreciation is computed using the straight-line method, currently over a period of three to five years.

Revenue Recognition – Revenue is recognized when earned. The Organization receives program service fees in the form of ticket sales and handling fees for public program events and school fees and camp registration fees for the education program. These fees are recognized as revenue when the services are performed. Program service fees received in advance are recognized over the periods to which the fees relate.

Revenues from government grants and contracts are recognized when the qualified expense is incurred and are subject to audit and retroactive adjustment made by the funding agencies. The adjustments would be recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. There were no adjustments resulting from government audits during the years ended June 30, 2019 and 2018.

Contributions (including those received through special events) and certain grants are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of donor or grantor restrictions, when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Gifts In-Kind – Gifts in kind include donated services, facilities and goods that are recorded as contributions at their estimated fair value at the date of donation. Gifts in kind of donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Advertising – The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed when the related program activity occurs. In accordance with accounting principles generally accepted in the United States of America, advertising expenses are classified as management and general in the statement of functional expenses.

Allocation of Functional Expenses – The financial statements present direct costs for expenses that support our programs, administration, and fundraising efforts, as well as an allocated portion of overhead and general expenses. Those allocated expenses include office rent, overhead for phones, copier, computers, and activities that support all departments and activities. These allocations are based on salary distributions calculated from time and effort reporting of all staff.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income Tax Status – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

New Accounting Pronouncement – On August 18, 2016, the FASB issued Accounting Standards update ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances the required disclosures. Significant changes include presenting only two classes of net assets; adding disclosures around liquidity and the availability of resources; and providing additional information about expenses. The Organization has adopted the ASU for the year ended June 30, 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events – Subsequent events were evaluated through February 13, 2020, which is the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date are as follows at June 30, 2019:

Financial Assets	
Cash and cash equivalents	\$ 1,530,429
Accounts and pledges receivable	<u>282,485</u>
	1,812,914
Less those unavailable for general expenditures within one year:	
Receivables collectible beyond one year	<u>(27,332)</u>
Financial assets available within one year	<u><u>\$ 1,785,582</u></u>

The Organization's financial assets experience influxes based on event sales and large fundraising events, as well as expense variations depending on when events occur, but much less dramatically than income. Over the years, the Organization has implemented strategies to manage and even out these variances, including adding a fundraiser in the fall to raise cash earlier in the year to assist during the times when ticket sales are traditionally quieter. The Organization has recently changed the curation strategy to garner more sales earlier in the year. In addition, the Organization has built a 6-month informal cash reserve, which can be drawn if necessary.

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 3 – Pledge Receivable

Pledge receivable consists of the following at June 30:

	2019	2018
Receivable in less than one year	\$ 240,515	\$ 157,950
Receivable in one to five years	27,332	55,000
	<u>\$ 267,847</u>	<u>\$ 212,950</u>

Note 4 – Property and Equipment

Property and equipment consists of the following at June 30:

	2019	2018
Computer equipment	\$ 4,272	\$ 4,272
Website design	63,580	63,580
	<u>67,852</u>	<u>67,852</u>
Less accumulated depreciation	(22,684)	(9,279)
	<u>\$ 45,168</u>	<u>\$ 58,573</u>

Note 5 – Net Assets with Donor Restrictions

Net assets with donor restrictions are composed of the following restrictions at June 30:

	2019	2018
Time restriction	\$ 110,485	\$ 143,434
Literary Arts Series	62,500	25,000
Writers in the Schools program	50,324	14,840
SAL Presents	30,000	-
Journalism	15,000	32,500
Poetry Series	12,500	20,500
Public Programs Series	7,000	-
Bridge to 30	-	35,589
Hinge	-	10,000
	<u>\$ 287,809</u>	<u>\$ 281,863</u>

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 6 – Gifts In-Kind

Gifts in kind are composed of the following during the years ended June 30:

	2019	2018
Donated advertising	\$ 734,356	\$ 878,962
Donated auction items	74,800	72,550
Other donated goods	49,999	24,764
Total donated goods	<u>859,155</u>	<u>976,276</u>
Donated facilities	5,900	21,443
Donated services	45,000	24,420
	<u>\$ 910,055</u>	<u>\$ 1,022,139</u>

Gifts in kind were utilized for the following purposes during the years ended June 30:

	2019	2018
Program services	\$ 76,569	\$ 57,426
Management and general	735,036	878,962
Fundraising	98,450	85,751
	<u>\$ 910,055</u>	<u>\$ 1,022,139</u>

Donated advertising for upcoming programs is included in management and general on the statement of functional expenses as required by accounting principles generally accepted in the United States of America.

Note 7 – Lease Commitment

In June 2016, the Organization entered into a non-cancelable operating lease for office space through May 2020. Rent expense under this lease was \$32,450 and \$32,150 during the years ended June 30, 2019 and 2018, respectively. Under this lease, the future minimum lease payments due for the year ending June 30, 2020 are \$27,250.

Note 8 – Related Party Transaction

A member of the Organization’s Board of Directors during the years ended June 30, 2019 and 2018 was also the Chief Executive Officer of the Organization’s primary printing vendor. This vendor has been providing printing services to the Organization for many years prior to the current year related party transactions. The Organization paid the vendor \$70,466 and \$59,218 for printing during the years ended June 30, 2019 and 2018, respectively.