

SEATTLE ARTS & LECTURES
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2018 AND 2017



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, 2018 and 2017, 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, 2018 and 2017, 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
March 12, 2019

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SEATTLE ARTS & LECTURES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 946,794	\$ 728,098
Accounts receivable	58,141	28,988
Pledges receivable	212,950	205,785
Prepaid expenses and other assets	58,645	78,994
Property and equipment, net	58,573	46,805
	\$ 1,335,103	\$ 1,088,670
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 61,664	\$ 52,346
Deferred revenue	158,886	196,159
	220,550	248,505
NET ASSETS		
Unrestricted	832,690	565,008
Temporarily restricted	281,863	275,157
	1,114,553	840,165
	\$ 1,335,103	\$ 1,088,670

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

	Unrestricted	Temporarily Restricted	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
Released from restrictions	226,568	(226,568)	-
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 ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Program service fees			
Public events	\$ 813,570	\$ -	\$ 813,570
Education programs	199,692	-	199,692
Total program service fees	<u>1,013,262</u>	<u>-</u>	<u>1,013,262</u>
Contributions	351,495	226,657	578,152
Gifts in kind	619,865	-	619,865
Special events	374,946	-	374,946
Government grants and contracts	41,077	26,000	67,077
Other	12	-	12
Released from restrictions	187,095	(187,095)	-
Total revenue and support	<u>2,587,752</u>	<u>65,562</u>	<u>2,653,314</u>
EXPENSES			
Program services	1,395,990	-	1,395,990
Management and general	593,928	-	593,928
Fundraising	344,008	-	344,008
Total expenses	<u>2,333,926</u>	<u>-</u>	<u>2,333,926</u>
CHANGE IN NET ASSETS	253,826	65,562	319,388
NET ASSETS			
Beginning of year	<u>311,182</u>	<u>209,595</u>	<u>520,777</u>
End of year	<u>\$ 565,008</u>	<u>\$ 275,157</u>	<u>\$ 840,165</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
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services			Management and General	Fund- raising	Total
	Public Programs	Education	Total			
Salaries and payroll taxes	\$ 232,545	\$ 131,302	\$ 363,847	\$ 40,029	\$ 139,085	\$ 542,961
Employee benefits	22,041	12,534	34,575	3,734	13,543	51,852
Total payroll expenses	254,586	143,836	398,422	43,763	152,628	594,813
Advertising	5,991	970	6,961	-	-	6,961
In kind advertising	-	-	-	503,961	-	503,961
Artists' fees	127,600	291,845	419,445	-	50	419,495
In kind artists' fees	-	21,000	21,000	-	-	21,000
Food and beverage	31,180	2,823	34,003	645	59,346	93,994
In kind food and beverage	15,791	1,714	17,505	-	8,222	25,727
Design and printing	40,488	9,291	49,779	1	10,354	60,134
In kind printing	2,334	-	2,334	-	4,200	6,534
Book bundles	100,556	-	100,556	-	-	100,556
Program production	75,498	5,792	81,290	3	8,707	90,001
In kind program production	4,775	2,059	6,834	479	1,656	8,968
Technology support	22,123	11,942	34,065	3,611	12,669	50,345
Occupancy	13,664	7,676	21,340	2,357	8,154	31,851
Hall rental	70,255	9,185	79,440	578	131	80,148
In kind hall rental	-	4,325	4,325	-	500	4,825
Office and telephone	10,089	5,078	15,167	4,042	5,915	25,124
Credit card and bank fees	23,726	1,621	25,347	56	6,895	32,299
Professional fees	5,255	11,831	17,086	33,599	6,877	57,561
Artists' travel	26,884	542	27,426	-	-	27,426
Depreciation	315	177	492	54	188	735
Postage and mailing	9,097	1,668	10,765	434	3,354	14,553
Photography	6,500	2,322	8,822	-	3,450	12,272
In kind photography	-	-	-	-	500	500
Staff travel	3,374	8,411	11,785	343	1,298	13,426
In kind auction items	-	-	-	-	48,350	48,350
Book purchases	1,037	764	1,801	1	565	2,367
	<u>\$ 851,118</u>	<u>\$ 544,872</u>	<u>\$ 1,395,990</u>	<u>\$ 593,928</u>	<u>\$ 344,008</u>	<u>\$ 2,333,926</u>

**SEATTLE ARTS & LECTURES
STATESMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from program fees and other earned income	\$ 1,198,540	\$ 1,085,630
Cash received from contributions and grants	1,085,248	935,941
Cash paid to employees, artists and suppliers	(2,045,760)	(1,733,698)
	238,028	287,873
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(19,332)	(46,315)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	218,696	241,558
 CASH AND CASH EQUIVALENTS		
Beginning of the year	728,098	486,540
End of the year	\$ 946,794	\$ 728,098
 RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES		
	2018	2017
Change in net assets	\$ 274,388	\$ 319,388
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,564	735
Change in:		
Accounts receivable	(29,153)	(5,049)
Pledges receivable	(7,165)	(79,185)
Prepaid expenses and other assets	20,349	(22,003)
Accounts payable and accrued expenses	9,318	1,631
Deferred revenue	(37,273)	72,356
	\$ 238,028	\$ 287,873

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018, the Organization sponsored nine major programs:

- Literary Arts Series – The Organization’s hallmark program, the Literary Arts Series brings to Seattle the leading cultural thinkers and writers of our time. A total of 12,482 people attended the program during the 2017/18 year to listen to and learn from Ron Chernow, Isabel Allende, Jesmyn Ward, Colson Whitehead, Laura Lippman & David Simon, and Viet Thanh Nguyen.
- Writers in the Schools (WITS) – For twenty-three years, WITS has matched local, professional creative writers with public schools to inspire students to tell their stories, improve their reading and writing, and explore their imaginations through sequential and innovative creative writing education. In 2017/18 WITS placed Writers-in-Residence in six school districts at 28 public schools and Seattle Children’s Hospital to inspire and engage 7,285 young people and classroom teachers.
- Poetry Series – The Poetry Series presents established and emerging poets for readings and conversations. In 2017/18 The Poetry Series featured Stephanie Burt, A.E. Stallings, Gregory Orr, Tyehimba Jess, Rachel McKibbens, Javier Zamora, Benjamin Alire Saenz, and Aimee Nezhukumatathil. These events reached 1,488 people.
- Women You Need to Know – A three-part series featuring and celebrating women authors, artists, iconoclasts, trouble-makers, and thinkers. Last year’s series featured trans activist Janet Mock, local truth-teller Ijeoma Oluo, and New Yorker writer, Ariel Levy. The series reached 1,260 people during the year.
- SAL Presents – SAL Presents is a diverse program that brings an evolving roster of artists and prominent thinkers speaking about their latest work, as well as other literary surprises. In 2017/18, events included evenings with Ta-Nehisi Coates, Reza Aslan, Tom Hanks, Daniel Pink, Lidia Bastianich, Questlove, Madeleine Albright, and our annual presentation of The Moth Mainstage. SAL Presents served 10,126 people.
- Hinge – Hinge is an occasional series featuring \$10 tickets and books by and for the next generation, from pop culture to social justice. This program is designed to reach new audiences with accessible tickets and relevant topics. Last year’s program featured Kevin Young, poet and director of the Schomburg Center for Research in Black Culture. The series reached 128 people during the year.

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

- Journalism Series – A new 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.
- Sherman Alexie Loves – This was a three-part series featuring evenings of conversation with authors that Alexie admires, and served 1,100 people in our 2017/18 season. This program featured Nikki Giovanni, Tommy Orange, Terese Marie Mailhot, Jenny Han, and Nicola Yoon.
- Writers in the Summer – In 2017/18 the Organization also completed the second and final year of the pilot program, Writers in the Summer, a 2-week summer camp program for elementary, middle and high school students that served 73 campers.

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets at June 30, 2018 and 2017.

Unrestricted – Net assets which are free of donor-imposed restrictions. Contains all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily restricted – Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled by actions of the Organization pursuant to those stipulations. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. It is the Organization's policy to recognize restricted contributions in the unrestricted net asset class if the restrictions have been met in the same year.

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, 2018 and 2017, 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.

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

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. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the Organization’s ability to meet their obligations. 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.

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 seven years.

Deferred Revenue – Program service fees received in advance are recognized over the periods to which the fees relate.

Program Service Fees – 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.

Contributions – Contributions (including those received through special events) and certain grants are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of donor or grantor restrictions.

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.

Government Contracts – 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, 2018 and 2017.

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

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.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

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).

Subsequent Events – Subsequent events were evaluated through March 12, 2019, which is the date the financial statements were available to be issued.

Note 2 – Pledge Receivable

Pledge receivable consists of the following at June 30:

	2018	2017
Receivable in less than one year	\$ 157,950	\$ 205,785
Receivable in one to five years	55,000	-
	<u>\$ 212,950</u>	<u>\$ 205,785</u>

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 3 – Property and Equipment

Property and equipment consists of the following at June 30:

	2018	2017
Computer equipment	\$ 4,272	\$ 2,205
Website design	63,580	134,547
	<u>67,852</u>	<u>136,752</u>
Less accumulated depreciation	(9,279)	(89,947)
	<u>\$ 58,573</u>	<u>\$ 46,805</u>

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets are composed of the following restrictions at June 30:

	2018	2017
Time restriction	\$ 143,434	\$ 53,958
Bridge to 30	35,589	88,199
Journalism	32,500	15,000
Literary Arts Series	25,000	10,000
Poetry Series	20,500	12,500
Writers in the Schools program	14,840	57,500
Hinge	10,000	-
Public Programs Series	-	22,000
Sherman Series	-	15,000
WYNK	-	1,000
	<u>\$ 281,863</u>	<u>\$ 275,157</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows during the years ended June 30:

	2018	2017
Time restriction satisfied	\$ 55,958	\$ 50,060
Program restriction accomplished	170,610	137,035
	<u>\$ 226,568</u>	<u>\$ 187,095</u>

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 5 – Gifts in Kind

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

	2018	2017
Donated advertising	\$ 878,962	\$ 503,961
Donated auction items	72,550	48,350
Other donated goods	24,764	41,229
Total donated goods	<u>976,276</u>	<u>593,540</u>
Donated facilities	21,443	4,825
Donated services	24,420	21,500
	<u>\$ 1,022,139</u>	<u>\$ 619,865</u>

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

	2018	2017
Program services	\$ 57,426	\$ 41,839
Management and general	878,962	510,429
Fundraising	85,751	67,597
	<u>\$ 1,022,139</u>	<u>\$ 619,865</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 6 – 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 \$32,150 and \$31,850 during the years ended June 30, 2018 and 2017, respectively. The following is a schedule of future minimum lease payments under this lease during the years ending June 30:

2019	\$ 32,450
2020	27,250
	<u>\$ 59,700</u>

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 7 – Related Party Transaction

A member of the Organization’s Board of Directors during the years ended June 30, 2018 and 2017 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 \$59,218 and \$44,423 for printing during the years ended June 30, 2018 and 2017, respectively.

Note 8 – Concentration

At the year ended June 30, 2018, 22% of pledges receivable were due from one donor. At the year ended June 30, 2017, 43% of pledges receivable were due from three donors.