

SEATTLE ARTS & LECTURES

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2023 AND 2022



seattle
arts &
lectures

SEATTLE ARTS & LECTURES
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

| | |
|---|--------|
| INDEPENDENT AUDITOR'S REPORT | 2 - 3 |
| STATEMENTS OF FINANCIAL POSITION June 30, 2023 and 2022 | 4 |
| STATEMENTS OF ACTIVITIES Years ended June 30, 2023 and 2022 | 5 |
| STATEMENTS OF FUNCTIONAL EXPENSES Years ended June 30, 2023 and 2022 | 6 |
| STATEMENTS OF CASH FLOWS Years ended June 30, 2023 and 2022 | 7 |
| NOTES TO FINANCIAL STATEMENTS | 8 - 17 |

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Seattle Arts & Lectures
Seattle, Washington

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Seattle Arts & Lectures and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Seattle Arts & Lectures' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Seattle Arts & Lectures internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Seattle Arts & Lectures ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC
Seattle, Washington
February 9, 2024

SEATTLE ARTS & LECTURES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

| <u>ASSETS</u> | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 545,944 | \$ 724,488 |
| Investments | 1,699,787 | 1,310,579 |
| Accounts receivable | 24,971 | 14,461 |
| Pledges receivable | 167,222 | 146,690 |
| Prepaid expenses and other assets | 109,438 | 120,635 |
| Total Current Assets | <u>2,547,362</u> | <u>2,316,853</u> |
| Pledges Receivable, noncurrent, net | 133,910 | 158,731 |
| Property and Equipment, net | - | 6,331 |
| Right-of-use Assets - Operating Lease | 74,072 | - |
| Right-of-use Assets - Financing Lease | 20,205 | - |
| | <u>\$ 2,775,549</u> | <u>\$ 2,481,915</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 176,259 | \$ 110,028 |
| Deferred revenue | 132,917 | 34,152 |
| Current portion of operating lease liability | 50,709 | - |
| Current portion of financing lease liability | 12,885 | - |
| Total Current Liabilities | <u>372,770</u> | <u>144,180</u> |
| Operating Lease Liability, net of current portion | 26,686 | - |
| Financing Lease Liability, net of current portion | 7,807 | - |
| Total Liabilities | <u>407,263</u> | <u>144,180</u> |
| Net Assets | | |
| Without donor restrictions | 2,022,154 | 1,752,040 |
| With donor restrictions | 346,132 | 585,695 |
| Total Net Assets | <u>2,368,286</u> | <u>2,337,735</u> |
| | <u>\$ 2,775,549</u> | <u>\$ 2,481,915</u> |

See notes to financial statements.

SEATTLE ARTS & LECTURES

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | | | 2022 | | |
|--|-------------------------------|----------------------------|--------------|-------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and Support | | | | | | |
| Program service fees | | | | | | |
| Public events | \$ 1,228,816 | | \$ 1,228,816 | \$ 538,197 | | \$ 538,197 |
| Education programs | 132,447 | | 132,447 | 106,436 | | 106,436 |
| Total Program Service Fees | 1,361,263 | | 1,361,263 | 644,633 | | 644,633 |
| Contributions | 719,396 | 146,222 | 865,618 | 493,229 | 867,555 | 1,360,784 |
| Gifts in-kind | 303,440 | - | 303,440 | 352,601 | - | 352,601 |
| Special events | 573,504 | 25,570 | 599,074 | 577,444 | - | 577,444 |
| Government grants and contracts | 79,000 | - | 79,000 | 183,980 | - | 183,980 |
| Investment return and other | 45,703 | - | 45,703 | (17,438) | - | (17,438) |
| Total Support | 3,082,306 | 171,792 | 3,254,098 | 2,234,449 | 867,555 | 3,102,004 |
| Net assets released from restrictions | | | | | | |
| Satisfaction of purpose restrictions | 38,160 | (38,160) | - | 230,241 | (230,241) | - |
| Satisfaction of time restrictions | 373,195 | (373,195) | - | 306,105 | (306,105) | - |
| | 411,355 | (411,355) | - | 536,346 | (536,346) | - |
| Total Revenue and Support | 3,493,661 | (239,563) | 3,254,098 | 2,770,795 | 331,209 | 3,102,004 |
| Expenses | | | | | | |
| Program services | 1,961,484 | | 1,961,484 | 1,409,993 | | 1,409,993 |
| Management and general | 742,166 | | 742,166 | 542,093 | | 542,093 |
| Fundraising | 519,897 | | 519,897 | 620,611 | | 620,611 |
| Total Expenses | 3,223,547 | | 3,223,547 | 2,572,697 | | 2,572,697 |
| Change in Net Assets | 270,114 | (239,563) | 30,551 | 198,098 | 331,209 | 529,307 |
| Net Assets | | | | | | |
| Net Assets - Beginning of Year | 1,752,040 | 585,695 | 2,337,735 | 1,553,942 | 254,486 | 1,808,428 |
| Net Assets - End of Year | \$ 2,022,154 | \$ 346,132 | \$ 2,368,286 | \$ 1,752,040 | \$ 585,695 | \$ 2,337,735 |

SEATTLE ARTS & LECTURES

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023 AND 2022

| | 2023 | | | | | | 2022 | | | | | |
|------------------------------|--------------------|------------|--------------|---------------------------|-------------|--------------|--------------------|------------|--------------|---------------------------|-------------|--------------|
| | Program Services | | | Management and General | Fundraising | Total | Program Services | | | Management and General | Fundraising | Total |
| | Public Programs | Education | Total | | | | Public Programs | Education | Total | | | |
| Salaries and payroll taxes | \$ 249,480 | \$ 161,836 | \$ 411,316 | \$ 283,706 | \$ 245,686 | \$ 940,708 | \$ 243,634 | \$ 163,024 | \$ 406,658 | \$ 170,568 | \$ 252,706 | \$ 829,932 |
| Employee benefits | 628 | 1,077 | 1,705 | 93,495 | 790 | 95,990 | 27,026 | 16,908 | 43,934 | 19,233 | 27,671 | 90,838 |
| Total payroll expenses | 250,108 | 162,913 | 413,021 | 377,201 | 246,476 | 1,036,698 | 270,660 | 179,932 | 450,592 | 189,801 | 280,377 | 920,770 |
| Artists fees | 193,488 | 270,362 | 463,850 | 150 | 950 | 464,950 | 146,558 | 206,764 | 353,322 | 1,900 | 750 | 355,972 |
| Professional fees | 86,747 | 21,894 | 108,641 | 117,032 | 38,492 | 264,165 | 39,131 | 11,791 | 50,922 | 66,007 | 68,827 | 185,756 |
| Book bundles | 244,496 | - | 244,496 | - | 987 | 245,483 | 128,857 | - | 128,857 | - | 1,209 | 130,066 |
| In-kind advertising | 194,888 | - | 194,888 | - | - | 194,888 | - | - | - | 217,017 | - | 217,017 |
| Program production | 130,071 | 6,166 | 136,237 | 462 | 8,364 | 145,063 | 108,456 | 5,669 | 114,125 | - | 11,915 | 126,040 |
| Food and beverage | 21,924 | 2,992 | 24,916 | 5,072 | 99,831 | 129,819 | 4,825 | 1,882 | 6,707 | 1,435 | 42,641 | 50,783 |
| Technology support | 5,223 | 138 | 5,361 | 111,658 | 2,622 | 119,641 | 38,823 | 18,395 | 57,218 | 22,036 | 28,227 | 107,481 |
| Design and printing | 86,273 | 9,768 | 96,041 | 1,379 | 21,237 | 118,657 | 63,448 | 8,811 | 72,259 | 247 | 25,471 | 97,977 |
| Hall rental | 72,815 | 500 | 73,315 | - | - | 73,315 | 22,308 | 1,350 | 23,658 | - | - | 23,658 |
| In-kind auction items | - | - | - | - | 71,370 | 71,370 | - | - | - | - | 94,190 | 94,190 |
| Artists' travel | 65,871 | 428 | 66,299 | - | 90 | 66,389 | 27,797 | 787 | 28,584 | - | 50 | 28,634 |
| Credit card and bank fees | 43,057 | - | 43,057 | 6,290 | 10,413 | 59,760 | 13,996 | - | 13,996 | 4,510 | 12,799 | 31,305 |
| Occupancy | - | - | - | 54,999 | - | 54,999 | 12,311 | 7,763 | 20,074 | 8,580 | 12,257 | 40,911 |
| Office and telephone | 1,216 | 74 | 1,290 | 38,853 | 3,145 | 43,288 | 10,146 | 4,340 | 14,486 | 11,107 | 8,736 | 34,329 |
| Postage and mailing | 22,751 | 895 | 23,646 | 3,094 | 2,190 | 28,930 | 19,362 | 1,778 | 21,140 | 611 | 6,169 | 27,920 |
| In-kind artists' fees | - | 21,000 | 21,000 | - | - | 21,000 | - | 26,000 | 26,000 | - | - | 26,000 |
| Photography | 10,382 | 2,000 | 12,382 | 276 | 5,262 | 17,920 | 3,700 | 700 | 4,400 | 480 | 4,534 | 9,414 |
| Hiring costs and payroll fee | - | - | - | 14,109 | - | 14,109 | - | - | - | 14,891 | - | 14,891 |
| Advertising | 13,256 | - | 13,256 | 397 | 24 | 13,677 | 9,199 | 39 | 9,238 | 65 | 61 | 9,364 |
| Staff travel | 2,386 | 3,903 | 6,289 | 4,358 | 747 | 11,394 | 1,444 | 4,438 | 5,882 | 623 | 1,113 | 7,618 |
| In-kind food and beverage | 10,598 | 584 | 11,182 | - | - | 11,182 | - | 336 | 336 | - | 4,680 | 5,016 |
| Depreciation | - | - | - | 6,331 | - | 6,331 | 3,815 | 2,416 | 6,231 | 2,670 | 3,815 | 12,716 |
| Book purchases | 1,832 | 485 | 2,317 | 505 | 2,697 | 5,519 | 1,482 | 484 | 1,966 | 113 | 2,412 | 4,491 |
| In-kind printing | - | - | - | - | 5,000 | 5,000 | - | - | - | - | 5,578 | 5,578 |
| In-kind program production | - | - | - | - | - | - | - | - | - | - | 4,800 | 4,800 |
| Total Expenses | \$ 1,457,382 | \$ 504,102 | \$ 1,961,484 | \$ 742,166 | \$ 519,897 | \$ 3,223,547 | \$ 926,318 | \$ 483,675 | \$ 1,409,993 | \$ 542,093 | \$ 620,611 | \$ 2,572,697 |

SEATTLE ARTS & LECTURES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| Cash Flows from Operating Activities | | |
| Cash received from: | | |
| Program fees and other | \$ 1,450,770 | \$ 629,520 |
| Donors and funders | 1,547,981 | 2,060,717 |
| Cash paid to: | | |
| Employees | (1,036,698) | (920,770) |
| Artists and suppliers | <u>(1,781,858)</u> | <u>(1,333,592)</u> |
| Net Cash Provided by Operating Activities | 180,195 | 435,875 |
| Cash Flows from Investing Activities | | |
| Purchases of investments | <u>(344,757)</u> | <u>(257,572)</u> |
| Cash Flows from Financing Activities | | |
| Principal payments on financing lease obligation | <u>(13,982)</u> | - |
| Change in Cash and Cash Equivalents | <u>(178,544)</u> | <u>178,303</u> |
| Cash and Cash Equivalents - beginning of year | <u>724,488</u> | <u>546,185</u> |
| Cash and Cash Equivalents - end of year | <u>\$ 545,944</u> | <u>\$ 724,488</u> |

SEATTLE ARTS LECTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Founded in 1987, Seattle Arts & Lectures (the Organization) is a nonprofit organization devoted to cultivating transformative experiences through story and language with readers and writers of all generations. From inspiring K-12 students to find, share, and be confident in their authentic writing voices and experiences, to inviting the best writers, poets, and thinkers of our time to grace our city, our stages, our screens, and our classrooms, we are building and engaging our community in envisioning a future in which story and language continuously and courageously revitalize equity, justice, and belonging.

During the year ended June 30, 2023, the Organization sponsored eight major programs, conducted both in-person and virtually. During the year ended June 30, 2022, the Organization sponsored nine major programs, conducted both in-person and virtually.

Literary Arts Series – The Organization’s hallmark program, the Literary Arts Series is one of the premier literary series in the nation presenting original talks with the leading fiction and non-fiction writers of our time. During the year ended June 30, 2023, SAL's programs were produced both in-person and virtually. A total of 8,165 tickets were issued and estimated attendance was 12,247 (unaudited), as many couples or families purchased one ticket to watch virtually from home. During the year ended June 30, 2022, A total of 6,691 tickets were issued and estimated attendance was 10,036 (unaudited), as many couples or families purchased one ticket to watch virtually from home.

Writers in the Schools (WITS) – For the year ended June 30, 2023, WITS directly served approximately 5,162 students and 141 teachers at 31 public schools and 2 hospital-based programs. During the year ended June 30, 2022, in-school programming resumed through the Organization's award-winning literary arts education program, Writers in the Schools, dedicated to inspiring students and improving reading and writing in public K-12 classrooms and hospital rooms through on-site, year-long residencies with local professional writers. For the year ended June 30, 2022, WITS directly served approximately 4,200 students and 190 teachers at 25 public schools in the Seattle, Highline, Lake Washington, Snoqualmie Valley, and Port Townsend school districts, as well as at Seattle Children's.

Youth Poet Laureate (YPL) – The program also hosted the Seattle Youth Poet Laureate program in collaboration with Urban Word from NYC, mentoring a cohort of 11 writers and supporting Seattle’s Youth Poet Laureate in community-wide leadership, speaking opportunities, and the publication of their first book. The YPL Program aims to identify youth writers and leaders who are committed to poetry, performance, civic and community engagement, education, and equity across the Puget Sound Region. At community events throughout the year, Youth Poet Laureates share their powerful voices, leadership, and love of community, and also publish a collection of their poems in collaboration with Poetry Northwest.

SEATTLE ARTS LECTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Poetry Series – This series ensures that this essential literary form thrives on all levels in this community by presenting the best and most influential contemporary poets for readings and conversations. In the year ended June 30, 2023, the Organization issued 1,215 tickets and an estimated 1,822 watched virtually. In the year ended June 30, 2022, the Organization issued 1,085 tickets and an estimated 1,627 (unaudited) watched virtually.

Encore Series – A new four-part series celebrating the 35th Anniversary year of SAL, the Encore Series brings back beloved past SAL authors by popular demand. For the year ended June 30, 2023, SAL issued 6,228 tickets and estimate 9,342 people attended in-person or virtually.

SAL Presents – A diverse program featuring timely, topical conversations with authors, artists, and thinkers promoting new books, as well as free events focused on racial equity and social justice, and events celebrating the work of our local WITS Writers-in-Residence. For the year ended June 30, 2023, SAL issued 16,622 tickets and estimate 24,933 attended in-person or virtually. For the year ended June 30, 2022, SAL issued 11,421 tickets and estimate 16,951 (unaudited) attended in-person or virtually.

Community Curated Series – SAL's three-part series showcases local BIPOC writers engages new and existing audiences by bringing that year's curator's vision for a series to life. Last year's series curator was author Sasha LaPointe. For the year ended June 30, 2023, SAL issued 682 tickets and estimated 1,023 (unaudited) people attended in-person or virtually. For the year ended June 30, 2022, SAL issued 2,347 tickets and estimated 4,726 (unaudited) people attended in-person or virtually.

Summer Book Bingo – A free summer reading program for adults and kids, presented in partnership with the Seattle Public Library. This program engaged readers from our region in reading over 24,000 books in the summer of 2023.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of accounting principle

On July 1, 2022, the Organization adopted ASU 2016-02, Leases (Topic 842). This standard requires lessees to recognize a right of use asset and lease liability for material lease arrangements. The Organization used a modified retrospective approach and elected the effective method of implementation. Under the effective method, the Organization reports leases under the new guidance as of the date of implementation and presents leases under the previous guidance (ASC 840) for comparative periods.

SEATTLE ARTS LECTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE B - 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 in accordance with accounting principles generally accepted in the United States of America (financial accounting standards).

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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.

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 equivalents. 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.

Investments

The Organization carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in investment return in the change in net assets in the accompanying statement of activities.

SEATTLE ARTS LECTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards establish a hierarchy for measuring fair value that gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Accounts Receivable

Accounts receivable are composed 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. 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 five years.

SEATTLE ARTS LECTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue is recognized when earned. Contributions (including those received at special events) are recognized 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.

Revenue from government grants and contracts are recognized based on billings submitted for reimbursement and are subject to audit and retroactive adjustment made by the funding agencies. There were no adjustments resulting from government audits during the years ended June 30, 2023 and 2022. Amounts received in advance are deferred to the applicable period in which the related expenditures incurred.

Revenue from public events and educational programming is recognized when control of these services is transferred to its customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for the services provided. Amounts received in advance are deferred to the applicable period in which the related services are performed.

Public events and educational programming may give rise to performance obligations for the Organization. Revenue from contracts with performance obligations is recognized when the Organization satisfies a performance obligation by transferring a promised good or service to a customer at a point in time or over time. For the Organization, these revenues are composed of subscriptions, admissions, and other earned revenue, which do not have a significant financing component, and the consideration amount is not variable.

Gifts In-Kind

Gifts in kind include donated services, facilities and goods that are recorded as contribution revenue, and a corresponding expense, 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.

SEATTLE ARTS LECTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended June 30, 2022.

NOTE C - LIQUIDITY AND AVAILABILITY

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

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE C – LIQUIDITY AND AVAILABILITY (Continued)

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

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 545,944 | \$ 724,488 |
| Investments | 1,699,787 | 1,310,579 |
| Accounts and pledges receivable | <u>326,103</u> | <u>319,882</u> |
| | 2,571,834 | 2,354,949 |
| Less those unavailable for general expenditures within one year: | | |
| Receivables collectable beyond one year | <u>(133,910)</u> | <u>(158,731)</u> |
| Financial assets available within one year | <u>\$ 2,437,924</u> | <u>\$ 2,196,218</u> |

NOTE D – FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis (at least annually) is as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------|---------------------|----------------|----------------|---------------------|
| As of June 30, 2023: | | | | |
| US government bonds | \$ 747,370 | \$ - | \$ - | \$ 747,370 |
| Corporate bonds | 497,647 | - | - | 497,647 |
| Foreign bonds | 9,983 | - | - | 9,983 |
| Money market | <u>444,787</u> | - | - | <u>444,787</u> |
| | <u>\$ 1,699,787</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,699,787</u> |
| As of June 30, 2022: | | | | |
| US government bonds | \$ 799,294 | \$ - | \$ - | \$ 799,294 |
| Corporate bonds | 427,212 | - | - | 427,212 |
| Foreign bonds | 20,241 | - | - | 20,241 |
| Money market | <u>63,832</u> | - | - | <u>63,832</u> |
| | <u>\$ 1,310,579</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,310,579</u> |

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities, and services. The Organization also uses fair value concepts to test various long-lived assets for impairment.

SEATTLE ARTS LECTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE E – PLEDGES RECEIVABLE

Pledges receivable are composed of the following at June 30:

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Receivable in less than one year | \$ 167,222 | \$ 146,690 |
| Receivable in one to five years | <u>145,000</u> | <u>174,000</u> |
| | 312,222 | 320,690 |
| Less: discount on long term pledges at 3% | <u>(11,090)</u> | <u>(15,269)</u> |
| | <u>\$ 301,132</u> | <u>\$ 305,421</u> |

One donor comprised 48% of the Organization's total pledges receivable at June 30, 2023. Management has assessed the collectability on pledges and does not believe an allowance is necessary.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment are composed of the following at June 30:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|-----------------|-----------------|
| Computer Equipment | \$ 4,272 | \$ 4,272 |
| Website Design | <u>63,580</u> | <u>63,580</u> |
| | 67,852 | 67,852 |
| Less accumulated depreciation | <u>(67,852)</u> | <u>(61,521)</u> |
| | <u>\$ -</u> | <u>\$ 6,331</u> |

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2023</u> | <u>2022</u> |
|------------------------------|-------------------|-------------------|
| Available for future periods | \$ 217,771 | \$ 538,195 |
| Literary Arts Series | 1,250 | - |
| Writers in the Schools | 40,000 | - |
| Public Programs Series | 5,201 | 20,000 |
| SAL Gala | 25,570 | - |
| SAL Presents | <u>56,340</u> | <u>27,500</u> |
| | <u>\$ 346,132</u> | <u>\$ 585,695</u> |

SEATTLE ARTS LECTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE H – GIFTS IN-KIND

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

| | <u>2023</u> | <u>2022</u> |
|-----------------------|-------------------|-------------------|
| Donated Advertising | \$ 194,888 | \$ 217,017 |
| Donated Auction Items | 71,370 | 94,190 |
| Other Donated Goods | <u>5,000</u> | <u>15,394</u> |
| Total Donated Goods | 271,258 | 326,601 |
| Donated Services | <u>21,000</u> | <u>26,000</u> |
| | <u>\$ 303,440</u> | <u>\$ 352,601</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. Donated auction items are valued at the gross selling price received. Other donated goods are valued at the fair market value of goods received. 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.

NOTE I - LEASE COMMITMENTS

The Organization has an operating lease for an office space under a non-cancelable lease agreement that expires December 2024. The Organization also has several equipment leases; one of these leases is considered a material lease and is classified as a financing lease and expires January 2025. Both operating and financing leases are included in Right-of-Use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represents the Organization's obligation to make lease payments arising from the lease. The discount rate represents the Organization's election of the risk-free rate. Nonlease components, such as payments required for common area maintenance, are not included in the lease liability and are expensed as incurred. The components of the lease costs for the years ended June 30 are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| Operating lease costs | \$ 54,999 | \$ 40,911 |
| Financing lease costs | \$ 13,557 | \$ 5,649 |
| Operating lease supplemental cash flow information: | | |
| Weighted-average remaining lease term | 1.5 years | |
| Weighted-average discount rate | 5.0% | |
| Financing lease supplemental cash flow information: | | |
| Weighted-average remaining lease term | 1.6 years | |
| Weighted-average discount rate | 5.0% | |

SEATTLE ARTS LECTURES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

NOTE I - LEASE COMMITMENTS (Continued)

Maturities of operating lease liabilities are as follows for the years ending June 30:

| | |
|-----------------------------|------------------|
| 2024 | 53,166 |
| 2025 | <u>26,976</u> |
| | 80,142 |
| Less present value discount | <u>(2,747)</u> |
| | <u>\$ 77,395</u> |

Maturities of financing lease liabilities are as follows for the years ending June 30:

| | |
|-----------------------------|------------------|
| 2024 | 13,557 |
| 2025 | <u>7,908</u> |
| | 21,465 |
| Less present value discount | <u>(773)</u> |
| | <u>\$ 20,692</u> |

NOTE J - RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution plan (the Plan), as defined by the Internal Revenue Code. Employees are eligible to make tax-deferred contributions upon enrollment into the Plan. Employer contributions were \$25,763 and \$23,544 for the years ended June 30, 2023 and 2022, respectively.

NOTE K - RELATED PARTY TRANSACTIONS

A member of the Organization's Board of Directors during the years ended June 30, 2023 and 2022 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 \$91,224 and \$81,126 for printing during the years ended June 30, 2023 and 2022, respectively.

NOTE L - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2023 through February 9, 2024, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2023, including the estimates inherent in the processing of financial statements.