

SEATTLE ARTS & LECTURES

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2016 AND 2015



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, 2016 and 2015, 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, 2016 and 2015, 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.

Jones & Associates LLC, CPAs

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February 17, 2017

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SEATTLE ARTS & LECTURES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 486,540	\$ 340,071
Accounts receivable	23,939	12,662
Pledges receivable	126,600	124,470
Prepaid expenses and other assets	56,991	58,563
Property and equipment, net	1,225	1,960
	\$ 695,295	\$ 537,726
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 50,715	\$ 49,008
Deferred revenue	123,803	76,311
	174,518	125,319
NET ASSETS		
Unrestricted	311,182	252,572
Temporarily restricted	209,595	159,835
	520,777	412,407
	\$ 695,295	\$ 537,726

**SEATTLE ARTS & LECTURES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Program service fees			
Public events	\$ 529,164	\$ -	\$ 529,164
Education programs	145,038	-	145,038
Total program service fees	674,202	-	674,202
Contributions	284,013	190,595	474,608
Gifts in kind	496,270	-	496,270
Special events	303,957	-	303,957
Government grants and contracts	58,577	-	58,577
Other	33	-	33
Released from restrictions	140,835	(140,835)	-
Total revenue and support	1,957,887	49,760	2,007,647
EXPENSES			
Program services	1,151,883	-	1,151,883
Management and general	483,414	-	483,414
Fundraising	263,980	-	263,980
Total expenses	1,899,277	-	1,899,277
CHANGE IN NET ASSETS	58,610	49,760	108,370
NET ASSETS			
Beginning of year	252,572	159,835	412,407
End of year	\$ 311,182	\$ 209,595	\$ 520,777

**SEATTLE ARTS & LECTURES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Program service fees			
Public events	\$ 366,759	\$ -	\$ 366,759
Education programs	152,976	-	152,976
Total program service fees	519,735	-	519,735
Contributions	406,841	94,335	501,176
Gifts in kind	382,956	-	382,956
Special events	248,982	-	248,982
Government grants and contracts	3,450	65,500	68,950
Other	5,548	-	5,548
Released from restrictions	42,303	(42,303)	-
Total revenue and support	1,609,815	117,532	1,727,347
EXPENSES			
Program services	869,312	-	869,312
Management and general	417,023	-	417,023
Fundraising	158,659	-	158,659
Total expenses	1,444,994	-	1,444,994
 CHANGE IN NET ASSETS	 164,821	 117,532	 282,353
NET ASSETS			
Beginning of year	87,751	42,303	130,054
End of year	\$ 252,572	\$ 159,835	\$ 412,407

SEATTLE ARTS & LECTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services						Total	Management and General	Fund-raising	Total
	Literary Arts Series	Poetry Series	SAL Presents	Hinge	WYNK	Writers in the Schools				
Salaries and payroll taxes	\$ 87,366	\$ 32,138	\$ 41,351	\$ 4,641	\$ 27,527	\$ 119,473	\$ 312,496	\$ 32,213	\$ 115,018	\$ 459,727
Employee benefits	8,019	2,953	3,798	423	2,531	10,910	28,634	2,937	10,815	42,386
Total payroll expenses	95,385	35,091	45,149	5,064	30,058	130,383	341,130	35,150	125,833	502,113
Advertising	-	-	-	-	-	-	-	5,207	-	5,207
In kind advertising	-	-	-	-	-	-	-	409,612	-	409,612
Artists' fees	49,000	10,675	24,725	2,500	23,325	213,995	324,220	100	-	324,320
In kind artists' fees	-	-	-	-	-	23,000	23,000	-	-	23,000
Food and beverage	16,520	6,890	4,486	78	450	1,206	29,630	679	46,429	76,738
In kind food and beverage	4,340	1,580	1,320	-	-	1,296	8,536	-	4,563	13,099
Design and printing	13,524	5,172	7,731	1,065	3,983	7,040	38,515	26	8,740	47,281
In kind printing	-	-	-	-	-	-	-	-	3,600	3,600
Book bundles	47,544	-	45,681	-	-	-	93,225	-	-	93,225
Program production	34,502	5,365	11,431	335	7,415	3,811	62,859	-	8,425	71,284
In kind program production	125	43	60	8	35	7,183	7,454	-	-	7,454
Technology support	7,216	2,658	3,418	380	2,278	9,858	25,808	2,725	9,479	38,012
Occupancy	5,240	1,930	2,482	276	1,655	7,170	18,753	1,930	6,894	27,577
Hall rental	31,096	3,144	17,658	1,110	3,069	629	56,706	21	76	56,803
In kind hall rental	1,035	-	-	-	-	1,575	2,610	-	-	2,610
Office and telephone	9,611	3,529	4,556	514	3,015	12,320	33,545	8,984	11,870	54,399
Credit card and bank fees	10,924	3,683	5,062	689	2,994	105	23,457	391	101	23,949
Professional fees	1,138	125	760	118	407	2,163	4,711	16,340	3,445	24,496
Artists' travel	6,742	4,758	7,234	594	2,474	-	21,802	-	-	21,802
Depreciation	140	51	66	7	44	191	499	52	184	735
Postage and mailing	3,630	1,287	1,727	220	1,066	2,278	10,208	477	4,942	15,627
Photography	2,293	1,011	2,190	252	1,159	2,538	9,443	4	163	9,610
In kind photography	414	144	198	27	117	-	900	-	1,050	1,950
Staff travel	1,317	786	686	99	396	2,238	5,522	233	579	6,334
In kind auction items	-	-	-	-	-	-	-	-	24,775	24,775
Bad debt	-	-	-	-	-	-	-	763	-	763
Program development	205	71	98	13	58	260	705	-	-	705
In kind office furniture	1,932	712	915	102	610	2,644	6,915	712	2,543	10,170
Book purchases	432	546	141	19	84	508	1,730	8	289	2,027
	<u>\$ 344,305</u>	<u>\$ 89,251</u>	<u>\$ 187,774</u>	<u>\$ 13,470</u>	<u>\$ 84,692</u>	<u>\$ 432,391</u>	<u>\$ 1,151,883</u>	<u>\$ 483,414</u>	<u>\$ 263,980</u>	<u>\$ 1,899,277</u>

See accompanying notes to financial statements.

SEATTLE ARTS & LECTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program Services							Management and General	Fund- raising	Total
	Literary Arts Series	Poetry Series	SAL Presents	Hinge	SALU	Writers in the Schools	Total			
Salaries and payroll taxes	\$ 76,785	\$ 44,803	\$ 32,631	\$ 7,261	\$ 13,793	\$ 98,464	\$ 273,737	\$ 36,985	\$ 77,726	\$ 388,448
Employee benefits	8,483	4,666	3,393	1,272	1,697	11,028	30,539	3,818	8,059	42,416
Total payroll expenses	85,268	49,469	36,024	8,533	15,490	109,492	304,276	40,803	85,785	430,864
Advertising	-	-	-	-	-	-	-	4,475	-	4,475
In kind advertising	-	-	-	-	-	-	-	346,796	-	346,796
Artists' fees	40,850	9,000	16,000	250	5,000	207,467	278,567	-	-	278,567
In kind artists' fees	-	-	-	-	-	5,200	5,200	-	-	5,200
Food and beverage	5,197	3,577	5,240	97	160	815	15,086	730	26,727	42,543
In kind food and beverage	1,938	722	162	34	60	1,480	4,396	-	4,999	9,395
Design and printing	12,848	8,026	6,116	1,503	1,685	8,076	38,254	237	8,155	46,646
In kind printing	-	-	-	-	-	105	105	-	1,065	1,170
Book bundles	3,942	-	16,105	18,878	-	-	38,925	-	-	38,925
Program production	14,107	3,303	8,401	411	2,369	2,050	30,641	-	6,221	36,862
In kind program production	-	-	-	-	-	2,620	2,620	-	601	3,221
Technology support	6,760	3,729	2,712	999	1,473	8,462	24,135	2,929	6,184	33,248
Occupancy	5,067	2,786	2,026	760	1,013	6,585	18,237	2,280	4,812	25,329
Hall rental	4,225	3,425	5,650	925	1,100	25	15,350	-	-	15,350
In kind hall rental	4,950	75	150	75	1,500	1,825	8,575	-	850	9,425
Office and telephone	4,567	2,525	1,837	667	901	5,531	16,028	4,461	4,042	24,531
Credit card and bank fees	7,715	4,559	3,331	701	1,227	-	17,533	275	-	17,808
Professional fees	323	179	130	49	565	1,123	2,369	11,387	3,309	17,065
Artists' travel	5,585	3,319	6,786	27	-	-	15,717	-	-	15,717
In kind artists' travel	-	-	1,200	-	-	-	1,200	-	-	1,200
Depreciation	4,708	2,780	2,031	431	751	2,049	12,750	22	708	13,480
Postage and mailing	3,106	1,751	1,285	331	519	1,742	8,734	436	1,915	11,085
Photography	1,200	1,200	600	400	-	600	4,000	-	200	4,200
In kind photography	1,874	938	-	938	-	-	3,750	-	750	4,500
Staff travel	520	425	130	42	225	1,141	2,483	171	224	2,878
In kind auction items	-	-	-	-	-	-	-	-	2,050	2,050
Bad debt	-	-	-	-	-	-	-	2,020	-	2,020
Book purchases	283	79	6	2	3	8	381	1	62	444
	<u>\$ 215,033</u>	<u>\$ 101,867</u>	<u>\$ 115,922</u>	<u>\$ 36,053</u>	<u>\$ 34,041</u>	<u>\$ 366,396</u>	<u>\$ 869,312</u>	<u>\$ 417,023</u>	<u>\$ 158,659</u>	<u>\$ 1,444,994</u>

See accompanying notes to financial statements.

**SEATTLE ARTS & LECTURES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from fees, contributions, grants and other	\$ 1,545,462	\$ 1,339,943
Cash paid to employees, artists and suppliers	(1,398,993)	(1,050,197)
	146,469	289,746
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(2,205)
NET CHANGE IN CASH AND CASH EQUIVALENTS	146,469	287,541
 CASH AND CASH EQUIVALENTS		
Beginning of the year	340,071	52,530
End of the year	\$ 486,540	\$ 340,071
 RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 108,370	\$ 282,353
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	735	13,480
Change in:		
Accounts receivable	(11,277)	(840)
Pledges receivable	(2,130)	(64,603)
Prepaid expenses and other assets	1,572	(40,277)
Accounts payable and accrued expenses	1,707	38,638
Deferred revenue	47,492	60,995
	\$ 146,469	\$ 289,746

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 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, 2016, the Organization sponsored six 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. 11,728 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 6,700 students and over 130 teachers in the Seattle, Highline, Shoreline, and Port Townsend school districts.
- SAL Presents – A diverse program that brings an evolving roster of authors, artists, and prominent thinkers speaking about their latest work, and other literary surprises at various venues. The program served 5,700 people.
- Poetry Series – This series showcases distinguished American and international poets. These events reached 2,120 people.
- Women You Need to Know – A three-part series featuring and celebrating amazing women authors, artists, and thinkers, presented in partnership with Women’s Funding Alliance and Hedgebrook. The series reached 2,243 people during the year.
- Hinge – Hinge is an accessibly priced series celebrating the written word in all corners of culture by showcasing songwriters, slam poets, comedians, and more to engage a younger, more diverse audience. The series reached 821 people during the year.
- Sherman Alexie Loves – In addition to being an award-winning novelist, poet, and playwright, Sherman Alexie is also a voracious reader and ardent champion for emerging authors. This new three-part series features three evenings of conversations with authors that Alexie loves, and will launch in our 2016/17 season.

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 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, 2016 and 2015.

Unrestricted – Net assets which are free of donor-imposed restrictions. 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, 2016 and 2015, 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. 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.

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 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 and (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, 2016 and 2015.

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.

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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).

The Organization files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. The Organization is subject to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

Subsequent Events – Subsequent events were evaluated through the independent auditor’s report date, which is the date the financial statements were available to be issued.

Note 2 – Pledges Receivable

Pledges receivable consists of the following at June 30:

	2016	2015
Receivable in less than one year	\$ 104,100	\$ 120,970
Receivable in one to five years	22,500	3,500
	\$ 126,600	\$ 124,470

Note 3 – Property and Equipment

Property and equipment consists of the following at June 30:

	2016	2015
Computer equipment	\$ 2,205	\$ 2,205
Website design	88,232	88,232
	90,437	90,437
Less accumulated depreciation	(89,212)	(88,477)
	\$ 1,225	\$ 1,960

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 4 – Temporarily Restricted Net Assets

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

	2016	2015
Writers in the Schools program	\$ 77,535	\$ 31,000
Time restriction	50,060	110,335
Development capacity	30,000	-
Public Programs Series	25,000	-
Sherman Series	15,000	-
Literary Arts Series	12,000	15,000
Equipment grant for conference room furniture	-	3,500
	<u>\$ 209,595</u>	<u>\$ 159,835</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:

	2016	2015
Time restriction satisfied	\$ 91,335	\$ 32,303
Program restriction accomplished	49,500	10,000
	<u>\$ 140,835</u>	<u>\$ 42,303</u>

Note 5 – Gifts in Kind

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

	2016	2015
Donated advertising	\$ 409,612	\$ 346,796
Donated auction items	24,775	-
Other donated goods	34,323	13,835
Total donated goods	468,710	360,631
Donated facilities	2,610	9,425
Donated services	24,950	12,900
	<u>\$ 496,270</u>	<u>\$ 382,956</u>

SEATTLE ARTS & LECTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 5 – Gifts in Kind (Continued)

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

	2016	2015
Program services	\$ 49,416	\$ 25,845
Management and general	410,324	346,796
Fundraising	36,530	10,315
	\$ 496,270	\$ 382,956

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 May 2016, the Organization entered into a non-cancelable operating lease for office space through April 2020. Rent expense under this lease and the prior lease was \$27,577 during the year ended June 30, 2016. Rent expense under a prior lease was \$25,329 during the year ended June 30, 2015. The following is a schedule of future minimum lease payments under this lease during the years ending June 30:

2017	\$ 31,850
2018	32,150
2019	32,450
2020	27,250
	\$ 123,700

Note 7 – Related Party Transaction

A member of the Organization’s Board of Directors during the years ended June 30, 2016 and 2015, 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 \$38,385 and \$41,670 for printing during the years ended June 30, 2016 and 2015, respectively.

Note 8 – Concentration

At the years ended June 30, 2016 and 2015, 60% and 62% of pledges receivable were due from three sources, respectively.