

**BOOK-IT REPERTORY THEATRE**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2017**



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Book-It Repertory Theatre  
Seattle, Washington

We have audited the accompanying financial statements of Book-It Repertory Theatre (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Book-It Repertory Theatre as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Jones & Associates LLC, CPAs*

Jones & Associates, LLC CPAs  
October 20, 2017

**BOOK-IT REPERTORY THEATRE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

---

**ASSETS**

Cash and cash equivalents	\$ 92,901
Accounts receivable	17,877
Pledges receivable	71,220
Prepaid expenses and other	42,633
Property and equipment, net	29,799
	<hr/>
	\$ 254,430
	<hr/> <hr/>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and other	\$ 112,371
Accrued payroll and related	39,634
Deferred revenue	136,994
Loan payable	40,000
Total liabilities	<hr/> 328,999
	<hr/>

**NET ASSETS**

Unrestricted	(145,789)
Temporarily restricted	71,220
Total net assets	<hr/> (74,569)
	<hr/>
	\$ 254,430
	<hr/> <hr/>

**BOOK-IT REPERTORY THEATRE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Ticket sales, net	\$ 506,457	\$ -	\$ 506,457
Contributions and grants	599,511	58,500	658,011
Special events, net	155,338	-	155,338
Arts and education program income	138,059	-	138,059
In-kind contributions	45,525	-	45,525
Rental income	41,175	-	41,175
Concessions	21,747	-	21,747
Royalties	18,516	-	18,516
Other earned income	17,830	-	17,830
	<u>1,544,158</u>	<u>58,500</u>	<u>1,602,658</u>
Net asset releases/transfers:			
Time restrictions met	121,770	(121,770)	-
Purpose restrictions met	10,000	(10,000)	-
	<u>131,770</u>	<u>(131,770)</u>	<u>-</u>
Total support and revenue	<u>1,675,928</u>	<u>(73,270)</u>	<u>1,602,658</u>
<b>EXPENSES</b>			
Program services	1,141,354	-	1,141,354
Management and general	434,700	-	434,700
Fundraising	158,340	-	158,340
Total expenses	<u>1,734,394</u>	<u>-</u>	<u>1,734,394</u>
CHANGE IN NET ASSETS	(58,466)	(73,270)	(131,736)
<b>NET ASSETS</b>			
Beginning of the year	<u>(87,323)</u>	<u>144,490</u>	<u>57,167</u>
End of the year	<u>\$ (145,789)</u>	<u>\$ 71,220</u>	<u>\$ (74,569)</u>

**BOOK-IT REPERTORY THEATRE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

	Program Services	Support Services		Total
		Management and General	Fundraising	
Payroll and related	\$ 838,890	\$ 222,612	\$ 109,142	\$ 1,170,644
Advertising and promotion	-	109,488	14,151	123,639
Occupancy	99,694	5,334	5,334	110,362
Production costs	62,226	-	-	62,226
Artistic costs	60,126	-	-	60,126
In-kind	-	6,000	26,525	32,525
Licenses and fees	12,593	12,593	-	25,186
Travel	21,011	-	-	21,011
Professional services	-	20,820	87	20,907
Office	12,952	2,910	2,910	18,772
Royalties	17,395	-	-	17,395
Insurance	-	15,908	-	15,908
Depreciation	-	12,487	-	12,487
Excise taxes	-	9,106	-	9,106
Concessions	8,895	-	-	8,895
Conferences	-	7,009	-	7,009
Materials for tours	6,631	-	-	6,631
Telecommunication	-	6,438	-	6,438
Interest	-	3,182	-	3,182
Miscellaneous	941	813	191	1,945
	<u>\$ 1,141,354</u>	<u>\$ 434,700</u>	<u>\$ 158,340</u>	<u>\$ 1,734,394</u>

**BOOK-IT REPERTORY THEATRE**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from contributions	\$ 876,619
Cash received from ticket sales, program and other earned income	765,815
Cash paid to employees, artists and suppliers	(1,622,335)
	20,099
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	(27,500)
	(27,500)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Cash received from loan payable	40,000
	40,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	32,599
 <b>CASH AND CASH EQUIVALENTS</b>	
Beginning of the year	60,302
End of the year	\$ 92,901
 <b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (131,736)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	12,487
Change in:	
Accounts receivable	(9,841)
Pledges receivable	63,270
Prepaid expenses and other	6,347
Accounts payable and other	49,378
Accrued payroll and related	(1,678)
Deferred revenue	31,872
	\$ 20,099

**BOOK-IT REPERTORY THEATRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

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

**Nature of Activities** – Book-It Repertory Theatre (the Organization) is a non-profit organization dedicated to transforming great literature into great theatre through simple and sensitive production and to inspiring its audiences to read. The Organization creates world-premiere adaptations of classic and contemporary literature for the stage, preserving the narrative text as it is spoken, not by a single “narrator” but as dialogue by the characters in the production. Book-It Repertory Theatre’s vision is to be a nationally-known theatre arts center where Book-It’s partnership of theatre, literature and education nourishes literacy and the artistic vitality of our community. The Organization produces four main stage performances annually. In addition, its Arts & Education program performs plays adapted from youth literature at schools, libraries and community centers in Western Washington and offers in-school residencies.

**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. At June 30, 2017, temporarily restricted net assets consist of amounts restricted for use in subsequent years. At June 30, 2017, there were no permanently restricted net assets.

**Cash and Cash Equivalents** – For purposes of the statement 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, 2017, cash and cash equivalents consist of checking and money market accounts.

**Accounts Receivable** – Accounts receivable consist primarily of amounts due from various schools and libraries for the Arts & Education program. All account balances are due in less than one year. 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. Substantially all pledge balances are due in less than one year. 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 recorded at cost when purchased and fair value when donated. Purchased and donated property and equipment with a cost over \$2,000 and a useful life greater than one year are capitalized. Depreciation is computed using the straight-line method over a period of three to five years for furniture and equipment.

**Deferred Revenue** – Deferred revenue consists primarily of unearned subscription revenue for the next performance season. Admission, subscription and other earned revenue is recognized as revenue in the period in which the related performance takes place.

**BOOK-IT REPERTORY THEATRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

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

**Loan Payable** – Loan payable consists of a non-interest bearing, unsecured loan from a long-time supporter. There are no specific repayment terms.

**Contribution and Grant Revenue Recognition** – Contributions and grants are reported as increases in unrestricted or temporarily restricted net assets, depending on the existence of donor restrictions. When a donor restriction expires, that is, when a purpose restriction is accomplished or a stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to recognize restricted contributions in the unrestricted net asset class if the restriction has been met in the same year the contribution was received.

**In-kind Contributions** – In-kind services are recognized as revenues and corresponding expense when (a) the services 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. In-kind goods and facilities are recorded as revenue at the estimated fair value at the date of donation.

**Advertising** – The Organization uses advertising to promote its performances. The costs of advertising are expensed when the related performance occurs. In accordance with accounting principles generally accepted in the United States of America (GAAP), 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 and has been classified as an organization other than a private foundation under Section 509(a)(2).

**Subsequent Events** – Subsequent events were evaluated through October 20, 2017, which is the date the financial statements were available to be issued.



**BOOK-IT REPERTORY THEATRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**Note 2 – Property and Equipment**

Property and equipment consist of the following at June 30, 2017:

Furniture and equipment	\$ 153,637
Less accumulated depreciation	(123,838)
	<u>\$ 29,799</u>

**Note 3 – Ticket Sales**

Ticket sales are shown in the statement of activities net of cost of sales for revenue sharing. The net revenue is as follows for the year ended June 30, 2017:

Admissions	\$ 408,495
Subscriptions	209,337
	<u>617,832</u>
Less cost of sales for revenue sharing	(111,375)
	<u>\$ 506,457</u>

**Note 4 – Special Events**

Special events revenue is shown in the statement of activities net of consumable costs that directly benefit the participants of the event. The net revenue is as follows for the year ended June 30, 2017:

Gross special events revenue	\$ 205,300
Less cost of direct donor benefits	(49,962)
	<u>\$ 155,338</u>

**Note 5 – In-kind Contributions**

In-kind contributions consist of the following for the year ended June 30, 2017:

Donated goods	\$ 26,525
Donated advertising	8,500
Donated professional services	8,500
Donated facilities	2,000
	<u>\$ 45,525</u>

**BOOK-IT REPERTORY THEATRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**Note 6 – Leases**

The Organization leases shop space under an operating lease which expires in January 2018. Future minimum payments required under the lease for the year ending June 30, 2018 are \$16,800.

In addition, the Organization leases its office space on a month to month basis and theatre space is rented as needed.

**Note 7 – Collaborative Arrangements**

During the year ended June 30, 2017, the Organization worked with a local venue to co-produce an immersive play and dinner experience. Under the terms of the arrangement, the Organization produced the performance and collected the ticket sales, while the venue provided the space and the food and beverages. Each organization was responsible for its own respective costs related to the event. The proceeds from the ticket sales were shared between the two organizations using a fixed percentage mutually agreed to. In accordance with GAAP, the Organization shows the ticket sale revenue net of the amount paid to the venue for its share of the proceeds. The net revenue related to this performance is as follows for the year ended June 30, 2017:

Admissions	\$ 120,617
Subscriptions	70,410
	<u>191,027</u>
Less cost of sales for revenue sharing	(111,375)
	<u><u>\$ 79,652</u></u>

The Organization will be working with the same venue to co-produce an immersive play and dinner experience in the subsequent year, with terms and conditions similar to those described above. At June 30, 2017, the Organization had collected subscription revenue for the upcoming year, which includes tickets to the shared event. This amount is reported as deferred revenue, net of the amount owed to the venue for its share of the proceeds. The amount due to the venue is included in accounts payable. The net deferred subscription revenue at June 30, 2017 is as follows:

Subscriptions	\$ 162,157
Less cost of sales for revenue sharing	(25,163)
	<u><u>\$ 136,994</u></u>