

The Washington Center for the Performing Arts

Financial Statements and
Independent Auditor's Report
June 30, 2024



The Washington Center for the Performing Arts

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Washington Center for the Performing Arts
Olympia, Washington

Opinion

We have audited the financial statements of The Washington Center for the Performing Arts, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Washington Center for the Performing Arts as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 The Washington Center for the Performing Arts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 The Washington Center for the Performing Arts' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 GAAS, 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 The Washington Center for the Performing Arts' 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 The Washington Center for the Performing Arts' 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.

A handwritten signature in black ink that reads "Angela Pratt". The signature is written in a cursive, flowing style.

May 7, 2025

The Washington Center for the Performing Arts
Statement of Financial Position
June 30, 2024

Assets

Current Assets:

Cash and cash equivalents	\$ 1,989,199
Restricted cash	153,050
Accounts receivable, less allowance of \$1,000	295,618
Pledges receivable	19,561
Inventory	14,690
Prepaid expenses	98,631
Total current assets	<u>2,570,749</u>

Property, Equipment, and Leasehold Improvements:

Technical equipment	1,558,096
Office equipment	322,332
Leasehold improvements	<u>4,532,296</u>
	6,412,724
Accumulated depreciation	<u>(1,897,017)</u>
Total property, equipment, and leasehold improvements	<u>4,515,707</u>

Other Assets:

Collectibles, non-depreciating assets	181,138
Pledges receivable, net	13,784
Operating lease right-of-use asset, net	31,779
Investments	577,740
Beneficial interest in funds held by	
Community Foundation of South Puget Sound	<u>172,469</u>
Total other assets	<u>976,910</u>
Total Assets	<u><u>\$ 8,063,366</u></u>

The Washington Center for the Performing Arts
Statement of Financial Position (continued)
June 30, 2024

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 166,607
Accrued liabilities	78,921
Deferred revenue	456,588
Operating lease liability	16,664
Total current liabilities	<u>718,780</u>

Long-term Liabilities

Operating lease liability, long-term	16,758
Total long-term liabilities	<u>16,758</u>

Net Assets:

Net assets without donor restrictions	6,942,645
Net assets with donor restrictions	385,183
Total net assets	<u>7,327,828</u>
Total Liabilities and Net Assets	<u><u>\$ 8,063,366</u></u>

The Washington Center for the Performing Arts
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<i>Support and Revenue:</i>			
Center event income	\$ 1,065,499	\$ -	\$ 1,065,499
Theatre rental and usage	669,080	-	669,080
Box office service charges	263,507	42,360	305,867
Sponsorship	211,775	-	211,775
Concession sales	157,234	-	157,234
Marketing and other program-related fees	11,694	-	11,694
Interest income	10,052	8,663	18,715
Investment income	3,351	21,870	25,221
Miscellaneous income	11,339	-	11,339
Special event, less \$20,040 of direct benefit	68,207	56,350	124,557
Contributed support:			
Local government support	554,243	-	554,243
Grants	447,328	-	447,328
Contributions	185,008	-	185,008
Contribution of nonfinancial assets	523,022	-	523,022
Net assets released from restriction	35,500	(35,500)	-
Total support and revenue	<u>4,216,839</u>	<u>93,743</u>	<u>4,310,582</u>
<i>Operating Expenses:</i>			
Program services	3,486,973	-	3,486,973
Management and general	226,719	-	226,719
Fundraising	92,617	-	92,617
Total expense	<u>3,806,309</u>	<u>-</u>	<u>3,806,309</u>
<i>Change in Net Assets</i>	<u>410,530</u>	<u>93,743</u>	<u>504,273</u>
<i>Net Assets, Beginning of Year</i>	<u>6,532,115</u>	<u>291,440</u>	<u>6,823,555</u>
<i>Net Assets, End of Year</i>	<u><u>\$ 6,942,645</u></u>	<u><u>\$ 385,183</u></u>	<u><u>\$ 7,327,828</u></u>

The Washington Center for the Performing Arts
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services					Support Services		
		Rental Production						
	Center Event	Washington	South Puget			Management		
	Production	Center for the	Sound	Harlequin	Total Program	and General	Fundraising	Total
		Performing	Community					
		Arts	College					
Salaries	\$ 409,725	\$ 273,558	\$ 81,866	\$ 135,068	\$ 900,217	\$ 33,807	\$ 40,394	\$ 974,418
Payroll taxes	41,972	24,213	6,889	9,908	82,982	18,183	2,995	104,160
Employee benefits	30,381	20,284	6,070	10,015	66,750	10,020	-	76,770
Total payroll expense	482,078	318,055	94,825	154,991	1,049,949	62,010	43,389	1,155,348
Artist fees and royalties	465,918	-	-	-	465,918	-	-	465,918
Stagehand fees	75,479	135,132	38,072	-	248,683	58,153	-	306,836
Professional fees	46,852	144,460	2,596	2,314	196,222	3,904	-	200,126
Advertising	133,446	-	-	-	133,446	-	-	133,446
Repair and maintenance	8,045	24,806	-	-	32,851	670	-	33,521
Postage and printing	33,054	-	-	170	33,224	715	6,460	40,399
Occupancy	15,295	55,087	7,403	2,879	80,664	33,603	960	115,227
Office supplies	109,303	21,731	263	17	131,314	21,336	300	152,950
Depreciation	332,128	-	834	-	332,962	1,907	-	334,869
Amortization	2,167	6,681	-	-	8,848	8,309	-	17,157
Concessions	33,593	33,593	1,726	-	68,912	-	-	68,912
Miscellaneous expense	95,941	32,779	7,730	9,395	145,845	23,863	12,315	182,023
Insurance	9,139	23,761	-	-	32,900	3,117	-	36,017
Travel	13,595	-	-	-	13,595	-	-	13,595
Special events	-	-	-	-	-	-	26,943	26,943
In-kind expense	173,756	337,884	-	-	511,640	9,132	2,250	523,022
Total expenses	<u>\$ 2,029,789</u>	<u>\$ 1,133,969</u>	<u>\$ 153,449</u>	<u>\$ 169,766</u>	<u>\$ 3,486,973</u>	<u>\$ 226,719</u>	<u>\$ 92,617</u>	<u>\$ 3,806,309</u>

The Washington Center for the Performing Arts
Statement of Cash Flows
Year Ended June 30, 2024

Change in Cash and Cash Equivalents and Restricted Cash:

Changes in net assets	\$ 504,273
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	334,869
Amortization	17,157
Net present value discount on pledges	(5,420)
Net unrealized market gain on investments	(4,921)
Net unrealized market gain on beneficial interest in funds	(13,824)
(Increase) decrease in assets:	
Accounts receivable	288,239
Pledges receivable	131,609
Inventory	(29)
Prepaid expenses	(17,675)
Increase (decrease) in liabilities:	
Accounts payable	35,640
Accrued expenses	12,273
Deferred revenue	59,470
Operating lease liability	(15,603)
Total adjustments	<u>821,785</u>
Net cash provided by operating activities	<u>1,326,058</u>

Cash Flows From Investing Activities:

Purchase of fixed assets	(114,834)
Change in investments	(515,579)
Change in beneficial interest in funds	(7,334)
Net cash used by investing activities	<u>(637,747)</u>

***Net Increase in Cash and Cash Equivalents and
Restricted Cash***

688,311

Cash and Cash Equivalents and Restricted Cash, Beginning of the Year

1,453,938

Cash and Cash Equivalents and Restricted Cash, End of the Year

\$ 2,142,249

Cash and Cash Equivalents and Restricted Cash, End of Year:

Cash and cash equivalents	\$ 1,989,199
Restricted cash	153,050
	<u><u>\$ 2,142,249</u></u>

The Washington Center for the Performing Arts
Statement of Cash Flows (continued)
Year Ended June 30, 2024

Supplemental Disclosure of Non-Cash Operating Activity:

Right-of-Use Asset and Lease Liability	
Recognized on Adoption of Lease Standard	<u>\$ 24,547</u>

Non-Cash Operating Activities:

During the year ended June 30, 2024, the Center recorded accumulated amortization of \$15,121 (amortization expense of \$17,157 less accrued interest of \$2,036) related to the operating right of use asset.

The Washington Center for the Performing Arts

Notes to Financial Statements

June 30, 2024

Note 1 – Summary of Significant Accounting Policies:

Organization:

The Washington Center for the Performing Arts (the Center) is a not-for-profit corporation organized under the laws of the State of Washington for the purpose of managing and operating The Washington Center for the Performing Arts (the Facility) owned by the City of Olympia.

The Facility is the principal performing arts resource for the South Puget Sound region. The Facility is a well-maintained performing arts facility used for renting and presenting a selection of professional arts performances to meet the community needs.

The Center acknowledges the importance of arts education for all ages. The Center has a community partnership with South Puget Sound Community College to manage its performing arts theatre, The Kenneth J. Minnaert Center for the Arts. In 2022, the Center collaborated with Harlequin Productions, a local nonprofit theatre company, to be their official box office and provide front of house services.

Basis of Presentation:

The accompanying financial statements of the Center have been prepared on the accrual basis of accounting. Revenues and expenses are reported in gross amounts except gains and losses, which are reported net. The Center reports information regarding its financial position and activities according to two classes of net assets: Net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to or no longer subject to donor-imposed stipulations and are available for operations.

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Center considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Concentration of Credit Risk:

The Center maintains cash balances in financial institutions that at times during the year may exceed the federally insured limits. Management does not believe there is significant risk associated with amounts maintained in financial institutions.

The Washington Center for the Performing Arts
Notes to Financial Statements
June 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued):

Restricted Cash:

Restricted cash consists of funds received and maintained for major repairs and replacements as well as donor-restricted contributions. At June 30, 2024, total restricted cash was comprised of the following:

Major repair and replacement reserve	\$ 71,851
Promotion of organ music	2,057
Scholarships	1,055
Education and outreach	78,087
Total restricted cash	<u>\$ 153,050</u>

Receivables:

The Center evaluates its accounts receivable on an ongoing basis and determines the appropriateness of any allowance for doubtful accounts by reviewing the accounts receivable aging. The Center has recorded an allowance of \$1,000 at June 30, 2024.

Pledges Receivable and Revenue Recognition:

Unconditional pledges that are expected to be collected within one year are recorded at net realizable value, which is equal to the pledge face value, less an allowance for uncollectible amounts, if deemed necessary. As of June 30, 2024, management considered pledges fully collectible, therefore no allowance was recorded.

Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the pledges are received. The discount rates used range from 1% to 5%. Amortization of the discounts is included in contribution revenue in the statement of activities and changes in net assets. Conditional pledges are not included as support until the conditions are substantially met.

All pledges are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are identified as purpose restricted or perpetually restricted support.

Inventory:

Inventory consists of items for sale through the Center's concessions during performances. Inventory is stated at the lower of cost (first-in, first-out basis) or net realizable value.

The Washington Center for the Performing Arts
Notes to Financial Statements
June 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued):

Investments:

Investments in equity securities with readily determinable fair values and all debt securities are carried at fair value based on quoted market values. Realized and unrealized gains and losses are included in the statement of activities and changes in net assets. Any investment return on donor-restricted balances is reported as unrestricted revenue unless the donor stipulated otherwise.

Property, Equipment, and Leasehold Improvements:

The Center records property, equipment, and leasehold improvements at cost for items purchased and at fair value at the date of receipt for items donated. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Expenditures for maintenance and repairs are charged against operations; renewals and betterments that materially extend the life of the assets are capitalized. An acquisition with a value of over \$1,000 and an estimated life longer than three years is capitalized. Gains or losses on dispositions of property and equipment are included in operations in the year of disposal. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years. Ownership of the leasehold improvements would revert to the City of Olympia in the event of the termination of the lease. Depreciation expense was \$334,869 for the year ended June 30, 2024.

Collectibles:

Collectible items consist of art objects that are held for educational and curatorial purposes and have long-term artistic value that does not decrease in value with the passage of time and are reported as collectible, non-depreciating assets. The items are recorded at cost if purchased and at fair value at the date of accession if donated. Gains and losses from deaccession are reported as changes in the net assets based on the absence or existence and nature of donor-imposed restrictions. Collection items are protected, kept unencumbered, cared for, and preserved. Proceeds from deaccessions are reflected as increases in the appropriate net asset category and are to be used for the purchase of additional appropriate items for the collection and/or for the management and direct care of the permanent collection items. Direct care includes preventive care and conservation of the collections.

The Center's collectibles consist of a Wurlitzer Organ, a Steinway Piano, and Artwork, appraised at approximately \$205,000, that are used for performances and on public display. The value of collectible items at June 30, 2024 was \$181,138.

Revenue Recognition:

Contributed support revenue – Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as an increase in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in the future years have implied restrictions to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

The Washington Center for the Performing Arts
Notes to Financial Statements
June 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued):

Revenue Recognition (continued):

Contributed support includes grants and contracts administered by various federal, state, and local governmental agencies awarded to the Center. Revenue is recognized when the grant is made unless the award is conditional and contains a barrier to collecting grant funds and a right of return or release. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No grant amounts were received in advance during the year ended June 30, 2024.

Program services fee revenue – Amounts received for center event income, theatre rental and usage, box office service charges, sponsorships, concessions, and marketing are recognized as revenue at the point in time the related event, service, or goods have been provided. Such amounts that are received but not yet recognized are reported as deferred revenue. There are no contract assets related to these revenue streams. The Center recognized \$2,421,149 related to program service fee revenue in the statement of activities and changes in net assets.

Functional Expense Allocation:

Expenses are classified in the accompanying financial statements according to whether the expense relates to a specific program or supporting service. Expenses consist of costs related to providing artistic production, education, advertising, development, and administrative functions. These direct costs have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses and are directly charged to the functions they benefit. Costs incurred with specific performances are deferred until the show is performed. Costs that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, and payroll taxes for staff, which are allocated based on estimates of time and effort.

Advertising:

Advertising costs are generally expensed in the year incurred. Advertising costs for the year ended June 30, 2024 were \$133,446. Advertising costs incurred for the upcoming theatre season are recorded as an asset and included in prepaid expenses in the statement of financial position.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Federal Income Tax:

Under provisions of Section 501(c)(3) of the Internal Revenue Code, the Center is exempt from federal income taxes, except for net income from unrelated business activities. Certain revenues are considered unrelated business income by the Internal Revenue Service and are, therefore, subject to taxation after deducting allocable expenses. During the year ended June 30, 2024, the Organization had no unrelated business activities subject to federal income taxes.

The Washington Center for the Performing Arts

Notes to Financial Statements

June 30, 2024

Note 1 – Summary of Significant Accounting Policies (continued):

Federal Income Tax (continued):

Management evaluated the Center's tax positions and concluded that the Center had taken no significant uncertain tax positions that require adjustments to the financial statements to comply with provisions of Topic 740 of the *Accounting Standards Codification*.

The Organization's tax returns are subject to review and examination by federal authorities.

Recent Accounting Pronouncement:

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2022-02, *Financial Instruments – Credit Losses (Topic 326) Troubled Debt Restructuring and Vintage Disclosures*. This standard significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Center adopted the standard effective July 1, 2023. The impact of this adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Subsequent Events:

Subsequent events have been evaluated by management for potential disclosure through May 7, 2025, which is the date the financial statements were available to be issued.

Note 2 – Local Support:

City of Olympia:

An ordinance established by the City of Olympia (the City) in 1985 created a fund called "The Washington Center for the Performing Arts Endowment Fund." Section one of the ordinance stated that the fund consisted of all proceeds from the sale of real property previously owned by the City of Olympia, located in West Olympia. Any outside contributions to the City of Olympia for the Washington Center for the Performing Arts (the Facility) shall likewise be placed in the fund, unless otherwise designated by the donor. Any interest or dividends accruing from monies in the fund shall be retained in the fund.

Section two of the ordinance stated that all monies within the endowment fund shall be used to broaden the use of the Facility; and to that end, the fund shall be used only for the maintenance, operation, repair, upkeep or improvement of the Facility. Disbursement from the fund shall be made by appropriation of the City Council directly for the Center's purposes or pursuant to an agreement with the Center's Board of Directors.

The ordinance may be modified at the direction of the City Council of Olympia. The City Council having the authority to modify or revoke the ordinance at their discretion prevented the Center from accounting for the endowment funds as revenue or contribution of capital in the year established.

In April 2018, the Center renegotiated the contract for the Facility with the City of Olympia. The contract continues through the year 2042. However, either party may terminate the agreement after giving the other party one-year written notice, except that the Center can terminate the agreement with 90 days written notice if the Facility cannot be operated within a balanced budget.

The Washington Center for the Performing Arts

Notes to Financial Statements

June 30, 2024

Note 2 – Local Support (continued):

Within the contract is an agreement that the Center can collect a ticket service charge. Part of this service charge must be deposited in a separate account for major repairs and replacements. The Center must also carry a comprehensive hardware and software maintenance agreement for the box office and data base computer system. At June 30, 2024, the Center had \$71,851 restricted for major repairs and replacements.

The City of Olympia must compensate the Center during each calendar year of the agreement an amount equal to the 2% lodging tax authorized by R.C.W. 67.28.180 and collected by the City from specific lodging establishments indicated in the contract. The amount awarded for the year ending June 30, 2024 was \$512,542.

Other Local Support:

The Center also received support from the Cities of Lacey and Tumwater. The total amount awarded from these municipalities was \$41,701 for the year ended June 30, 2024.

Note 3 – Pledges Receivable:

The Center conducted a capital campaign for funds to upgrade 30-year old theatre equipment and to revitalize the interior. The renovations included a complete overhaul of the theatre's interior, including installing contemporary floor coverings, wall treatments, and remodeling the administration area to maximize office space. The Center added clear wayfinding signage throughout the building, relocated the concessions area to make the lobby more welcoming, installed new lighting fixtures, and 1,000 new seats on a newly resurfaced floor. The Center also purchased furniture and installed a trench to run power and theatrical cabling. The Center added 22 new seats to our capacity, providing an opportunity for additional revenue over time, as well as adding extra ADA seating in prime locations to improve visibility for patrons with ADA needs. The Center also included several flexible seating options to accommodate patrons with mobility needs and different body types.

The renovations were completed in November 2022, representing a significant milestone for the theatre. The renovated interior boasts a fresh, contemporary aesthetic that complements the existing structure of the lobby and theatrical house. The Center is excited to continue providing top-quality programming in a beautiful, modern venue that reflects the vibrancy of the performing arts.

The Center considers all pledges to be collectible. Therefore, an allowance for uncollectible accounts is not considered necessary.

Pledges receivable at June 30, 2024 consisted of the following:

Receivable in less than one year	\$	19,561
Receivable in one to five years		15,650
		<u>35,211</u>
Less: Allowance for doubtful accounts		-
Less: Discount		<u>(1,866)</u>
Net pledges receivable		<u><u>33,345</u></u>

The Washington Center for the Performing Arts
Notes to Financial Statements
June 30, 2024

Note 3 – Pledges Receivable (continued):

Pledge receivables are summarized in the statement of financial position as follows as of June 30, 2024:

Pledges receivable, current portion	\$ 19,561
Pledges receivable, net of current portion, discount, and allowance	13,784
	<u>\$ 33,345</u>

Pledge receivables are restricted by donors as follows at June 30, 2024:

Pledges without donor restriction:	
Undesignated pledge receivable	<u>\$ -</u>
Pledges with donor restriction:	
Performance sponsorships	\$ 2,000
Capital campaign	33,211
	<u>35,211</u>
Total pledges receivable	35,211
Less: Allowance for doubtful accounts	-
Less: Discount	(1,866)
Net pledges receivable	<u>\$ 33,345</u>

Note 4 – Contributed Nonfinancial Assets:

The Center received the following contributions of nonfinancial assets during the year ended June 30, 2024:

Building rent	\$ 456,600
Professional services	64,172
Auction items	2,250
	<u>\$ 523,022</u>

Contributed items other than donated capitalizable assets, are recognized as in-kind contribution revenue and a corresponding expense in the amount approximating the estimated fair value at the time of donation. Contributions of capitalizable assets are recognized as an asset at their estimated fair value at the date of the donation, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy, and an expense when the donated items are placed into service.

The Center occupies, without charge, The Washington Center for the Performing Arts (the Facility) under an agreement to manage the facility for the City of Olympia. The Center recognized in-kind contribution revenue and a corresponding expense in the amount approximating the fair market value of the donated use of the facility, based on a percentage of the current assessed value of the building.

The Washington Center for the Performing Arts
Notes to Financial Statements
June 30, 2024

Note 4 – Contributed Nonfinancial Assets (continued):

Contributed services are recognized as in-kind revenues at their estimated fair value 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. The Organization receives a significant amount of donated services from unpaid volunteers who assist in programs that have not been recognized in the statement of activities and changes in net assets for these services because the criteria for recognition have not been satisfied.

Note 5 – Investments and Fair Value Measurements:

Investments are reported at fair value in the financial statements. FASB ASC Section 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC Section 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability and significant to the fair value measurement. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the methodologies used for assets stated at fair value. There were no changes to the methodologies used during the year ended June 30, 2024:

Certificates of deposit, mutual funds and exchange-trade funds are valued at the closing price reported in the active market in which the individual securities are traded. The fair value of the mutual funds and exchange-trade funds are based on quoted net asset values of the shares held by the Center at year end.

Interest is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains and losses are included in operations in the statement of activities and changes in net assets.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the Center's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in different fair value measurement at the reporting date.

The Washington Center for the Performing Arts

Notes to Financial Statements

June 30, 2024

Note 5 – Investments and Fair Value Measurements (continued):

Investments consist of the following at June 30, 2024:

Mutual funds	46,244
Exchange traded funds	13,420
	<u>\$ 577,740</u>

Fair value measurements for investments reported on a recurring basis at June 30, 2024 were as follows:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 518,076	\$ -	\$ -	\$ 518,076
Mutual funds	46,244	-	-	46,244
Exchange traded funds	13,420	-	-	13,420
	<u>\$ 577,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 577,740</u>

Investment income was as follows for the year ended June 30, 2024:

Interest and dividends	\$ 7,579
Realized gain	2,320
Unrealized gain	18,745
Investment fees	(3,423)
	<u>\$ 25,221</u>

Note 6 – Unemployment Compensation Trust:

The Center has elected to provide unemployment benefits through the Northwest Agencies Trust (the Trust). The Center makes payments to the Trust, and the Trust administers the plan and pays benefits to eligible recipients.

At June 30, 2024, the Center had funds on deposit with the Trust of \$33,469. A corresponding liability has been accrued, based on claims expected to have been incurred prior to June 30, 2024, but not yet identified, and included in accrued expenses.

Note 7 – Deferred Revenue:

The Center records advance ticket sales for the upcoming seasons as deferred revenue. As each production occurs, the portion of the advance sales that pertain to that production is recognized as revenue. However, any unrestricted contribution portion is recognized as revenue in the period received. In the event any of the scheduled productions for the following season are not presented, the advance ticket collections for that production will be available for refund to the ticket holder or the ticket holder will be admitted to another show of equal or greater value.

The Center received sponsorships and deposits for the 2024-2025 season during the year ended June 30, 2024. As each production is presented, the portion of the deferred revenue that pertains to that production and the relating sponsored advertisement are recognized as revenue. However, any contribution portion is recognized as revenue in the period received.

The Washington Center for the Performing Arts

Notes to Financial Statements

June 30, 2024

Note 7 – Deferred Revenue (continued):

The following table provides information about significant changes to deferred revenue (advanced ticket sales and sponsorships) for the year ended June 30, 2024:

Deferred event and program revenue, beginning of year	\$ 311,014
Revenue recognized that was included in deferred event and program revenue at the beginning of year	(311,014)
Increase in deferred event and program revenue due to cash received during the year	369,638
Deferred event and program revenue, end of year	<u><u>\$ 369,638</u></u>

The Center issues gift certificates. The Center does not recognize revenue upon the initial sale of the gift certificates because the Center has not satisfied the performance obligation of transferring a promised good or service to a customer. The Center records deferred revenue for each issued gift certificate, then recognizes gift certificate revenue upon redemption, once the performance obligation has been satisfied. When redemption of the gift certificates is deemed not probable or remote, the Center may recognize revenue on those outstanding gift certificates.

The following table provides information about significant changes to deferred gift certificate revenue for the year ended June 30, 2024:

Deferred gift certificate revenue, beginning of year	\$ 86,104
Revenue recognized that was included in deferred gift certificate revenue at the beginning of the year	(12,563)
Increase in deferred gift certificate revenue due to cash received during the year	13,409
Deferred gift certificate revenue, end of year	<u><u>\$ 86,950</u></u>

Deferred revenue is summarized in the statement of financial position as follows at June 30, 2024:

Deferred revenue - event and program revenue	\$ 369,638
Deferred revenue - gift certificates	86,950
Total deferred revenue	<u><u>\$ 456,588</u></u>

Note 8 – Line of Credit:

The Center has a \$100,000 revolving line of credit with Heritage bank, maturing August 15, 2025, and bearing interest at the Wall Street Journal Prime Rate (WSJ Prime Rate) plus .75% (The WSF Prime Rate at June 30, 2024 was 9.275%, resulting in an interest rate of 9.75% at June 30, 2024). The line of credit is secured by the Steinway Piano, which is included as a collectible non-depreciating asset. The Center had no outstanding balance on the line of credit at June 30, 2024.

The Washington Center for the Performing Arts

Notes to Financial Statements

June 30, 2024

Note 9 – Liquidity and Availability:

The Center's working capital and cash flows contain seasonal variations. The seasonality is attributed to the receipt of prepaid ticket subscription revenue and contribution revenue in the fourth quarter of the fiscal year in advance of the performance and programs in the next year. Monthly cash outflows vary each fiscal year based upon the specific requirements of the productions and the programming schedule. To manage the liquidity The Center maintains a line of credit of \$100,000 with a bank that may be drawn upon as needed to manage the cash flow. A summary of financial assets (and an unused line of credit) available to meet general expenditures within one year of June 30, 2024, is presented below.

Financial assets:	
Cash and cash equivalents	\$ 1,989,199
Restricted cash	153,050
Accounts receivable	295,618
Pledges receivable	33,345
Investments	750,209
Financial assets, at year end	<u>3,221,421</u>
Less: Amounts not available to be used in one year:	
Restricted cash	(153,050)
Long-term pledges receivable, net of current portion, discount, and allowance	(13,784)
Investments	<u>(750,209)</u>
expenditures within one year	2,304,378
Other available resources - line of credit	<u>100,000</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,404,378</u></u>

Note 10 – Employee Benefit Plan:

On January 1, 2004, the Center adopted a SIMPLE IRA plan. All employees expected to earn gross wages of \$5,000 or more in the current year or in the prior year are eligible. The Center matches up to 3% of the employee's elective deferral per year, up to a maximum of \$9,000 per employee. The Center contributed \$21,279 in matching funds to the SIMPLE IRA plan during the year ended June 30, 2024.

The Washington Center for the Performing Arts
Notes to Financial Statements
June 30, 2024

Note 11 – Lease Obligations:

The Organization adopted ASC 842, *Leases*, effective July 1, 2022. This standard requires lessees to recognize leases on the statement of financial position as right-of-use (ROU) assets and lease liabilities based on the value of the discounted future lease payments, while lessor accounting will remain substantially unchanged. In adopting ASC 842, the Center elected to use practical expedients, including but not limited to, not reassessing past lease accounting, and not recording assets or liabilities for leases with terms of one year or less. The Center elected to use the risk-free rate as the discount rate for all leases.

The Center determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. All leases are recorded in the statement of financial position except for leases with initial terms less than 12 months for which the Center made the short-term lease election.

Lease right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets resulting from operating leases are included in other assets and the related liabilities are included in current and long-term liabilities in the statement of financial position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the risk-free rate. Lease costs are recognized on a straight-line basis over the lease term as amortization expense in the statement of activities and changes in net assets. The Center elected the package of practical expedients permitted under the transition guidance within the amended guidance, which among other things, allowed organizations to carry forward historical lease classification, the combination of both lease and non-lease components as a single component and account for it as a lease for all classes of underlying assets, and not recording assets or liabilities for leases with an initial term of 12 months or less.

In March 2017, the Center entered into an operating lease agreement for its primary office space. Monthly lease payments are \$595 and escalate based on a set schedule each year after the lease commencement date. The lease expired March 31, 2024. In March 2024, the Center extended this lease for three additional years. Monthly lease payments are \$760 and escalate based on a set schedule each year after the lease extension date. The lease expires March 31, 2027.

In May 2020, the Center entered into an operating lease agreement for a copier. Monthly lease payments are \$630. The lease expires in July 2026.

In September 2021, the Center entered into an operating lease agreement for a postage machine. Monthly lease payments are \$47. The lease expires in September 2027.

These lease agreements do not contain any material residual value guarantees or materially restrictive covenants. The Organization does not have any material leases that have been signed but not commenced.

The Washington Center for the Performing Arts
Notes to Financial Statements
June 30, 2024

Note 11 – Lease Obligations (continued):

Components of lease cost:	
Operating lease cost	\$ 33,422
Supplemental statement of financial position related to leases:	
Right-of-use asset	61,459
Accumulated amortization	(29,680)
	\$ 31,779
Lease liability	33,422
Weighted average remaining lease term	2.34 years
Weighted average discount rate	4.28%

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liability as of June 30, 2024:

<u>June 30,</u>	<u>Amount</u>
2025	\$ 17,362
2026	10,894
2027	7,683
Total lease payments	35,939
Less imputed interest	(2,517)
Total liability	\$ 33,422

Note 12 – Source of Supply Labor:

The Center's backstage theatre technicians are members of the International Alliance of Theatrical Stage Employees (IATSE), Moving Picture Technicians, Artist and Allied Crafts of the United States, its territories, and Canada, AFL-CIO, Local 15. The Center's contract with this union was originally effective from August 1, 2021 to June 30, 2023 and was subsequently renegotiated. The new contract is effective from October 10, 2023 to June 30, 2025 and is subject to renegotiation prior to June 30, 2025. The Center's other employees are not represented by a union. The Center's front of house managers, volunteer coordinator, and box office associates voted to unionize with IATSE in June 2023. This is a separate bargaining unit than the production crew. This contract was ratified April 7, 2025.

Note 13 – Net Assets without Donor Restrictions:

The Washington Center for the Performing Arts Board of Directors authorized the establishment of an operating reserve fund. It is intended to be used for the management of cash flow and to allow for the advancement of the Center's artistic purpose. Expenditures from the fund require advance notification of a Board Officer and Board notification at the next regularly scheduled Board meeting.

The Washington Center for the Performing Arts
Notes to Financial Statements
June 30, 2024

Note 13 – Net Assets without Donor Restrictions (continued):

In addition to the operating reserve fund, the Board of Directors has authorized the establishment of an equipment repairs and replacement fund. The expenditure of funds for repairs and replacements may be paid out of this fund with approval of a Board Officer and Board notification at the next regularly scheduled Board meeting. Deposits and withdrawals are determined as appropriate by the board.

Net assets without donor restrictions at June 30, 2024 are as follows:

Undesignated	\$ 6,905,466
Board designated - operating reserves	15,127
Board designated - equipment repairs and replacement fund	22,052
Total net assets without donor restrictions	<u><u>\$ 6,942,645</u></u>

Note 14 – Net Assets with Donor Restrictions:

In agreement with the City of Olympia, the Center imposes a per ticket service charge to be used for the purchase of stage equipment and other major repairs and replacements. The service charge established by the Center as of June 30, 2024 was \$6.00, of which \$0.25 was retained for major repair and replacement and is valid through 2034. Ticket service fees may change, but \$0.25 of each ticket fee is allocated to the repair and replacement fund.

In 2002, Les Lehne Washington Center Organ Performance Fund contributed to the Center funds to be used to promote organ music through the Center for marketing, promotion, and performance of such music.

Anacker Arts Education Scholarship Fund was established to provide a scholarship each year to a graduating Thurston County high school senior who is gaining further education in the field of arts.

In 2000, the Andy Crow Wurlitzer Organ Endowment fund was established. Its purpose is to apply earnings from such fund to the maintenance and preservation of the Andy Crow Wurlitzer Organ. Each year, if financial performance allows, a portion of the interest earned on these funds is used toward the maintenance and preservation of the Andy Crow Wurlitzer Organ, while the principal balance is restricted in perpetuity.

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2024:

Subject to expenditure for specified purpose:	
Major repair and replacement reserve	\$ 71,851
Promotion of organ music	26,674
Scholarships	36,102
Maintenance and preservation of Andy Crow Wurlitzer Organ	88,678
Maintenance and preservation of Andy Crow Wurlitzer Organ - Investment in perpetuity	83,791
Education and outreach	78,087
Total net assets with donor restrictions	<u><u>\$ 385,183</u></u>

The Washington Center for the Performing Arts
Notes to Financial Statements
June 30, 2024

Note 14 – Net Assets with Donor Restrictions (continued):

Net assets with donor restrictions that were released from restriction during the year ended June 30, 2024 were as follows:

Promotion of organ music	\$ 8,229
Scholarships	4,000
Maintenance and preservation of Andy Crow Wurlitzer Organ	712
Education and outreach	<u>22,559</u>
Total net assets with donor restrictions released from restriction	<u><u>\$ 35,500</u></u>

Note 16 – Beneficial Interest in the Community Foundation of South Puget Sound:

The Center transferred assets to the Community Foundation of South Puget Sound (the Foundation) which holds funds for the Center's benefit. These funds are considered a restricted endowment. When a nonprofit transfers assets to a charitable trust or community foundation in which the resource provider names itself as the beneficiary, the economic benefit of the transferred asset remains with the resource provider. The asset received in exchange is a beneficial interest in the assets held by the Foundation, measured at the fair value of the asset contributed. Changes in the value are recognized in the statement of activities and changes in net assets as change in value of beneficial interest in funds held by the Community Foundation of South Puget Sound.

Note 16 – Endowment:

The Center's endowment consists of one donor-restricted fund for maintenance and preservation of the Andy Crow Wurlitzer Organ that shall not expire and shall be preserved by the Center in perpetuity. This fund is managed by the Community Foundation of South Puget Sound and is subject to its investment and spending policies. The Center has adopted these policies for this fund. As required by the U.S. generally accepted accounting principles, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Center has interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary (except as discussed in the spending policy below). As a result of this interpretation, the Center classifies as endowment corpus (a) the original value of gifts donated to the permanent endowment, plus (b) the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund (except as discussed in the spending policy below).

The Washington Center for the Performing Arts
Notes to Financial Statements
June 30, 2024

Note 16 – Endowment (continued):

Interpretation of Relevant Law (continued)

Accumulated investment earnings on the endowment corpus are considered restricted until they are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the endowment funds, (2) the purposes of the Center and the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Center, and (7) the investment policies of the Center.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Washington Center for the Performing Arts has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain, preserve, and protect endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds.

The Center may appropriate for distribution 4% of the value of the rolling twelve quarter historical average market value of the endowment each year once the minimum fund balance has been obtained (\$2,000,000) subject to the terms described in the endowment policy. The endowment policy stipulates that these appropriations can be withdrawn from the principal balance of the endowment to the extent that the endowment's income is insufficient to fund the mission or purpose of the endowment. Any appropriations in excess of the investment earnings are considered to be a release of endowment corpus based on management's interpretation of the terms set forth in the endowment agreement. The policy also indicates that the Board, with a vote of two-thirds of its membership, may approve internal borrowings from the endowment fund up to and including 50% of the endowment fund balance, provided that the interest is paid to the endowment fund at no less than the current market rate.

In establishing this policy, the Center considered the long-term expected return on its endowment. Accordingly, over the long term, the Center expects the current spending policy to allow its endowment to earn an average annual minimum 4% plus the change in the Consumer Price Index. This is consistent with the Center objective to maintain the purchasing power of the endowment assets held in perpetuity.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. Such deficiencies may result from unfavorable market fluctuations or continued appropriation for certain programs that were deemed prudent by the Board of Directors. There were no deficiencies of this nature at June 30, 2024.

The Washington Center for the Performing Arts
Notes to Financial Statements
June 30, 2024

Note 16 – Endowment (continued):

Endowment net assets consisted of the following:

	Without Donor Restrictions	Purpose Restriction	Perpetual Restriction	Total
Donor-restricted endowment fund	<u>\$ -</u>	<u>\$ 88,678</u>	<u>\$ 83,791</u>	<u>\$ 172,469</u>

Changes in endowment net assets during the year ended June 30, 2024 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Net Endowment Total
Beginning of year	<u>\$ -</u>	<u>\$ 151,311</u>	<u>\$ 151,311</u>
Endowment investment return			
Interest and dividends	-	5,567	5,567
Realized and unrealized gains	-	16,223	16,223
Underwater restricted funds	-	-	-
Total endowment investment return	-	21,790	21,790
Contributions	-	80	80
Amounts appropriated for expenditure	-	(712)	(712)
Transfer to/from quasi endowment	-	-	-
Ending endowment net assets	<u>\$ -</u>	<u>\$ 172,469</u>	<u>\$ 172,469</u>

Note 17 – Related Party:

The Center's Board of Directors' Treasurer is an Executive Employee at the Center's main financial institution, Heritage Bank, where a significant portion of the Center's cash is held. No financial transactions occurred directly with the related party during the year ended June 30, 2024. During June, 2024, the Treasurer retired from the financial institution and rotated off as Board Treasurer.