

BCT MANAGEMENT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

CPAs / ADVISORS



BCT MANAGEMENT, INC.

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Blue & Co., LLC / 813 West Second Street / Seymour, IN 47274
main 812.522.8416 fax 812.523.8615 email blue@blueandco.com

blueandco.com

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
BCT Management, Inc.
Bloomington, Indiana

Report on the Financial Statements

We have reviewed the accompanying financial statements of BCT Management, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles general accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Report on 2017 Financial Statements

The 2017 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated March 21, 2018. We have not performed any auditing procedures since that date.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective January 1, 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our conclusion is not modified with respect to this matter.

Blue & Co., LLC

Seymour, Indiana

March 19, 2019

BCT MANAGEMENT, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

ASSETS

	2018	2017 As Restated
Cash	\$ 269,738	\$ 269,615
Accounts receivable	35,084	36,895
Prepaid expenses	11,986	13,000
Equipment, net	<u>14,719</u>	<u>18,573</u>
	<u>\$ 331,527</u>	<u>\$ 338,083</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 5,162	\$ 4,408
Payroll withholding and accrued expenses	21,045	3,542
Deferred revenue and customer deposits	<u>85,598</u>	<u>103,690</u>
Total liabilities	111,805	111,640

Net assets

Without donor restrictions	208,162	226,443
With donor restrictions	<u>11,560</u>	<u>-0-</u>
Total net assets	<u>219,722</u>	<u>226,443</u>
	<u>\$ 331,527</u>	<u>\$ 338,083</u>

See accompanying notes to financial statements.

BCT MANAGEMENT, INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 (UNAUDITED)
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017) (AUDITED)

	2018			2017
	Without donor Restrictions	With donor Restrictions	Total	As Restated Total
Revenues and support				
Performance revenue	\$ 319,239	\$ -0-	\$ 319,239	\$ 268,312
Rental income	215,595	-0-	215,595	212,206
Other customer charges	135,487	-0-	135,487	146,404
Contributions and grants	149,611	11,560	161,171	156,133
Support from City of Bloomington	50,000	-0-	50,000	50,000
Concession revenue	97,045	-0-	97,045	111,709
In-kind contributions	103,489	-0-	103,489	105,572
Other revenue	27,834	-0-	27,834	16,901
Interest income	<u>155</u>	<u>-0-</u>	<u>155</u>	<u>58</u>
Total revenues and support	1,098,455	11,560	1,110,015	1,067,295
Expenses				
Program services	927,553	-0-	927,553	835,497
Management and general	149,110	-0-	149,110	112,951
Fundraising	<u>40,073</u>	<u>-0-</u>	<u>40,073</u>	<u>36,966</u>
Total expenses	<u>1,116,736</u>	<u>-0-</u>	<u>1,116,736</u>	<u>985,414</u>
Change in net assets	(18,281)	11,560	(6,721)	81,881
Net assets, beginning of year	<u>226,443</u>	<u>-0-</u>	<u>226,443</u>	<u>144,562</u>
Net assets, end of year	<u>\$ 208,162</u>	<u>\$ 11,560</u>	<u>\$ 219,722</u>	<u>\$ 226,443</u>

See accompanying notes to financial statements.

BCT MANAGEMENT, INC.STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017 (RESTATED) (AUDITED)

	Without donor Restrictions	With donor Restrictions	Total
Revenues and support			
Performance revenue	\$ 268,312	\$ -0-	\$ 268,312
Rental income	212,206	-0-	212,206
Other customer charges	146,404	-0-	146,404
Contributions and grants	156,133	-0-	156,133
Support from City of Bloomington	50,000	-0-	50,000
Concession revenue	111,709	-0-	111,709
In-kind contributions	105,572	-0-	105,572
Other revenue	16,901	-0-	16,901
Interest income	58	-0-	58
Net assets released from restrictions	<u>2,000</u>	<u>(2,000)</u>	<u>-0-</u>
Total revenues and support	1,069,295	(2,000)	1,067,295
Expenses			
Program services	835,497	-0-	835,497
Management and general	112,951	-0-	112,951
Fundraising	<u>36,966</u>	<u>-0-</u>	<u>36,966</u>
Total expenses	<u>985,414</u>	<u>-0-</u>	<u>985,414</u>
Change in net assets	83,881	(2,000)	81,881
Net assets, beginning of year	<u>142,562</u>	<u>2,000</u>	<u>144,562</u>
Net assets, end of year	<u>\$ 226,443</u>	<u>\$ -0-</u>	<u>\$ 226,443</u>

See accompanying notes to financial statements.

BCT MANAGEMENT, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and employee benefits	\$ 359,203	\$ 106,880	\$ 27,694	\$ 493,777
Programming	357,431	-0-	-0-	357,431
Utilities	29,448	3,465	1,732	34,645
Other administrative costs	15,143	1,782	891	17,816
Concessions	38,460	-0-	-0-	38,460
Repairs and maintenance	38,301	-0-	-0-	38,301
Facility improvements	8,089	-0-	-0-	8,089
Payroll taxes	22,004	6,287	3,143	31,434
Office expenses	11,568	3,305	1,653	16,526
Public relations and marketing	9,482	2,709	1,355	13,546
Insurance	9,416	4,036	-0-	13,452
Depreciation	-0-	3,936	437	4,373
Professional fees	916	10,637	131	11,684
Credit card fees and bank charges	21,257	6,073	3,037	30,367
Bad debt	6,835	-0-	-0-	6,835
Total Expenses	<u>927,553</u>	<u>149,110</u>	<u>40,073</u>	<u>1,116,736</u>

See accompanying notes to financial statements.

BCT MANAGEMENT, INC.STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

	<u>2018</u>	<u>2017</u>
Operating activities		
Change in net assets	\$ (6,721)	\$ 81,881
Adjustments to reconcile change in net assets:		
Bad debts	6,835	7,736
Depreciation	4,373	2,258
Change in assets and liabilities:		
Accounts receivable	(5,024)	(716)
Prepaid expenses	1,014	(5,221)
Accounts payable	754	(2,336)
Payroll withholding and accrued expenses	17,503	756
Deferred revenue and customer deposits	<u>(18,092)</u>	<u>8,140</u>
Net cash flows from operating activities	642	92,498
Investing activities		
Purchases of property and equipment	<u>(519)</u>	<u>(14,647)</u>
Net change in cash	123	77,851
Cash, beginning of year	<u>269,615</u>	<u>191,764</u>
Cash, end of year	<u>\$ 269,738</u>	<u>\$ 269,615</u>

See accompanying notes to financial statements.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

BCT Management, Inc. (the "Organization") is a not-for-profit entity which began operations in 2001. The Organization's purpose is to develop, manage, and promote the Buskirk-Chumley Theatre (the theater) in Bloomington, Indiana. This includes managing the theater in accordance with a contract with the City of Bloomington.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues, support and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board.

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions.

Accounts Receivable

Accounts receivable primarily arise from customer rentals. Accounts receivable are stated at the amount billed or net invoice amounts. Delinquent receivables are written off based on specific circumstances of the customer.

Management estimates an allowance for doubtful accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Organization's customer base. There was no allowance for doubtful accounts at December 31, 2018 and 2017.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

Equipment

Equipment, including expenditures that substantially increase the useful lives of existing assets, is recorded at cost except for donations, which are recorded at fair value at the date of donation. Costs of ordinary maintenance and repairs are expensed as incurred. Equipment is being depreciated over its estimated useful life of 5 years using the straight-line method.

Deferred Revenue and Customer Deposits

Deferred revenue and customer deposits relate to performance revenue and funds held on behalf of organizations and individuals as deposits held for future events that were received during the years ended December 31, 2018 and 2017 for events to be held subsequent to year-end.

Revenue and Support Recognition

Contributions, which include unconditional promises to give (pledges receivable), are recognized as support in the period the contribution is received or the promise is made.

Revenue and support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. If a restriction is fulfilled in the same reporting period in which the contribution is received, the contribution is reported as net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All other revenue is recognized when earned.

Rental Income

Rental income is recognized as revenue once the event has occurred.

In-Kind Contributions

The Organization receives in-kind contributions and contributed services from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind contributions as an expense in its financial statements, and similarly increase donations by a like amount. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. For the years ended December 31, 2018 and 2017, in-kind contributed services of \$46,046 and \$54,873, respectively, consisted of trained staffing provided through a university work study program and performed by students in fields related to the functions performed. In-kind contributions also included food, beverages, supplies and promotional costs totaling \$57,443 and \$50,699 for the years ended December 31, 2018 and 2017, respectively.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and usage. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the United States Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is March 19, 2019.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

2. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity, financial performance and cash flows. The Organization has adjusted the presentation of its 2018 financial statements herein and retrospectively restated the prior year financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 10), and disclosures related to the functional allocation of expenses were expanded (Note 1). "

The impact of the adoption of ASU No. 2016-14 on the Organization's net assets are as follows:

Statement of Financial Position

	As previously stated, December 31, 2017	Adjustment	As restated December 31, 2017
Unrestricted net assets	\$ 226,443	\$ (226,443)	\$ -0-
Without donor restrictions	<u>-0-</u>	<u>226,443</u>	<u>226,443</u>
Total net assets	<u>\$ 226,443</u>	<u>\$ -0-</u>	<u>\$ 226,443</u>

Statement of Activities

	As previously stated, December 31, 2017	Adjustment	As restated December 31, 2017
Changes in unrestricted net assets	\$ 83,881	\$ (83,881)	\$ -0-
Changes in temporarily restricted net assets	(2,000)	2,000	-0-
Changes in net assets without donor restrictions	-0-	83,881	83,881
Changes in net assets with donor restrictions	<u>-0-</u>	<u>(2,000)</u>	<u>(2,000)</u>
Total changes in net assets	<u>\$ 81,881</u>	<u>\$ -0-</u>	<u>\$ 81,881</u>

There was no significant impact to the statement of cash flows as a result of adopting this ASU.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

3. EQUIPMENT

Equipment consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 22,566	\$ 22,688
Less accumulated depreciation	<u>7,847</u>	<u>4,115</u>
	<u>\$ 14,719</u>	<u>\$ 18,573</u>

4. LINE OF CREDIT

In 2018, the Organization obtained a \$50,000 line of credit from a bank. The line of credit expires in March 2019 and bears interest at a variable rate which is the prime rate as published in the Wall Street Journal. The applicable interest rate at December 31, 2018 was 5.5 percent. The line of credit is secured by substantially all assets. The Organization had no borrowings outstanding under this line of credit at December 31, 2018.

5. BOARD DESIGNATED NET ASSETS

The Organization’s board has designated, from net assets without donor restrictions, net assets for an operating reserve of \$141,072 and \$106,972 as of December 31, 2018 and 2017, respectively. The operating reserve was established with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need. The remainder of net assets without donor restrictions are undesignated.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$11,560 at December 31, 2018 were restricted for theatre renovations expected to be completed in 2019.

7. MANAGEMENT CONTRACT

The Organization manages the theater under the terms of an agreement with the City of Bloomington (the “City”), which owns the theater. The agreement provided a funding of \$50,000 for operations and up to \$74,000 for selected equipment replacement and unexpected and/or emergency building repairs in the 2018 and 2017 calendar years. Since the City retains ownership of any equipment related to the theatre, the \$74,000 is paid by the City directly to vendors and these transactions are not recorded by the Organization as revenue or expense.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

8. RENTAL INCOME

The Organization leases office space to BLU Culinary Arts, LLC. Rental income under this lease was \$10,742 and \$11,116 for the years ended December 31, 2018 and 2017, respectively. Future rent income through this lease is as follows:

Year	Amount
2019	11,589
2020	11,940
	<u>\$ 23,529</u>

9. LABOR CONTRACT

Most employees of the Organization are compensated in accordance with a series of contracts between the Organization and Bloomington Local No. 618 of the International Alliance of Theatrical Stage Employee, Movie Picture Technicians, Artist and Allied Craft of the United States and Canada. The contracts require that covered positions be staffed by union members and sets terms for service, benefits, and compensation. The contracts are annually revised or renewed. The latest contract expires December 31, 2019. Total compensation expense under the contracts during the year ended December 31, 2018 and 2017 was \$99,215 and \$100,732, respectively.

10. LIQUIDITY AND AVAILABILITY

The Organization has \$293,262 of financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditures consisting of cash of \$258,178 that is not subject to donor or other contractual restrictions and accounts receivable of \$35,084. The Organization has a goal to maintain at least 10% of its operational expense budget in a designated cash reserve account. At December 31, 2018, the reserve account included in the financial assets above is \$141,072. As more fully described in Note 4, the Organization also has a line of credit in the amount of \$50,000, which it could draw upon in the event of an unanticipated liquidity need.

11. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 (UNAUDITED) AND 2017 (AUDITED)

12. RECENTLY ISSUED ACCOUNTING STANDARDS

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that “an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services”. On August 12, 2015, the FASB further amended this guidance and issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date for all entities by one year. These new standards, which the Organization is not required to adopt until its year ending December 31, 2019, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. Finally, ASU 2018-08 amends the “simultaneous release accounting policy” to allow an NFP entity to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. The Organization will be required to adopt this new standard in the year ending December 31, 2020.

The Organization is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.