

BCT MANAGEMENT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

CPAs / ADVISORS



BCT MANAGEMENT, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
BCT Management, Inc.
Bloomington, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of BCT Management, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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 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.

Auditor's 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 the Organization as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2016 financial statements were reviewed by us, and our report thereon, dated April 7, 2017, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Blue & Co., LLC

Seymour, Indiana

March 21, 2018

BCT MANAGEMENT, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

ASSETS

	<u>2017</u>	<u>2016</u>
Cash	\$ 269,615	\$ 191,764
Accounts receivable	36,895	43,915
Prepaid expenses	13,000	7,779
Equipment, net	<u>18,573</u>	<u>6,184</u>
	<u>\$ 338,083</u>	<u>\$ 249,642</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 4,408	\$ 6,744
Payroll withholding and accrued expenses	3,542	2,786
Deferred revenue and customer deposits	<u>103,690</u>	<u>95,550</u>
Total liabilities	111,640	105,080

Net assets

Unrestricted	226,443	142,562
Temporarily restricted	<u>-0-</u>	<u>2,000</u>
Total net assets	<u>226,443</u>	<u>144,562</u>
	<u>\$ 338,083</u>	<u>\$ 249,642</u>

See accompanying notes to financial statements.

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

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED))

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenues and support				
Performance revenue	\$ 268,312	\$ -0-	\$ 268,312	\$ 200,696
Rental income	212,206	-0-	212,206	178,039
Other customer charges	146,404	-0-	146,404	100,599
Contributions and grants	156,133	-0-	156,133	134,382
Support from City of Bloomington	50,000	-0-	50,000	50,000
Concession revenue	111,709	-0-	111,709	79,454
In-kind contributions	105,572	-0-	105,572	109,131
Other revenue	16,901	-0-	16,901	10,460
Interest income	58	-0-	58	48
Net assets released from restrictions	<u>2,000</u>	<u>(2,000)</u>	<u>-0-</u>	<u>-0-</u>
Total revenues and support	1,069,295	(2,000)	1,067,295	862,809
Expenses				
Payroll and employee benefits	425,573	-0-	425,573	404,607
Payroll taxes	30,960	-0-	30,960	29,207
Program costs	297,724	-0-	297,724	224,149
Utilities	33,771	-0-	33,771	35,087
Concession expense	49,288	-0-	49,288	52,194
Repairs and maintenance	34,629	-0-	34,629	54,488
Office expenses	18,054	-0-	18,054	14,758
Public relations	12,184	-0-	12,184	4,647
Insurance	14,858	-0-	14,858	20,591
Depreciation	2,258	-0-	2,258	933
Professional fees	15,069	-0-	15,069	16,382
Bank charges and credit card fees	29,855	-0-	29,855	23,069
Bad debts	7,736	-0-	7,736	-0-
Other administrative costs	<u>13,455</u>	<u>-0-</u>	<u>13,455</u>	<u>11,349</u>
Total expenses	<u>985,414</u>	<u>-0-</u>	<u>985,414</u>	<u>891,461</u>
Change in net assets	83,881	(2,000)	81,881	(28,652)
Net assets, beginning of year	<u>142,562</u>	<u>2,000</u>	<u>144,562</u>	<u>173,214</u>
Net assets, end of year	<u>\$ 226,443</u>	<u>\$ -0-</u>	<u>\$ 226,443</u>	<u>\$ 144,562</u>

See accompanying notes to financial statements.

BCT MANAGEMENT, INC.STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

	Unrestricted	Temporarily Restricted	Total
Revenues and support			
Performance revenue	\$ 200,696	\$ -0-	\$ 200,696
Rental income	178,039	-0-	178,039
Other customer charges	100,599	-0-	100,599
Contributions and grants	132,382	2,000	134,382
Support from City of Bloomington	50,000	-0-	50,000
Concession revenue	79,454	-0-	79,454
In-kind contributions	109,131	-0-	109,131
Other revenue	10,460	-0-	10,460
Interest income	48	-0-	48
Net assets released from restrictions	<u>3,800</u>	<u>(3,800)</u>	<u>-0-</u>
Total revenues and support	864,609	(1,800)	862,809
Expenses			
Payroll and employee benefits	404,607	-0-	404,607
Payroll taxes	29,207	-0-	29,207
Program costs	224,149	-0-	224,149
Utilities	35,087	-0-	35,087
Concession expense	52,194	-0-	52,194
Repairs and maintenance	54,488	-0-	54,488
Office expenses	14,758	-0-	14,758
Public relations	4,647	-0-	4,647
Insurance	20,591	-0-	20,591
Depreciation	933	-0-	933
Professional fees	16,382	-0-	16,382
Bank charges and credit card fees	23,069	-0-	23,069
Other administrative costs	<u>11,349</u>	<u>-0-</u>	<u>11,349</u>
Total expenses	<u>891,461</u>	<u>-0-</u>	<u>891,461</u>
Change in net assets	(26,852)	(1,800)	(28,652)
Net assets, beginning of year	<u>169,414</u>	<u>3,800</u>	<u>173,214</u>
Net assets, end of year	<u>\$ 142,562</u>	<u>\$ 2,000</u>	<u>\$ 144,562</u>

See accompanying notes to financial statements.

BCT MANAGEMENT, INC.STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

	<u>2017</u>	<u>2016</u>
Operating activities		
Change in net assets	\$ 81,881	\$ (28,652)
Adjustments to reconcile change in net assets:		
Bad debts	7,736	-0-
Depreciation	2,258	933
Change in assets and liabilities:		
Accounts receivable	(716)	(12,899)
Prepaid expenses	(5,221)	(4,866)
Accounts payable	(2,336)	(2,523)
Payroll withholding and accrued expenses	756	(4,653)
Deferred revenue and customer deposits	<u>8,140</u>	<u>71,036</u>
Net cash flows from operating activities	92,498	18,376
Investing activities		
Purchases of property and equipment	<u>(14,647)</u>	<u>(7,000)</u>
Net change in cash	77,851	11,376
Cash, beginning of year	<u>191,764</u>	<u>180,388</u>
Cash, end of year	<u>\$ 269,615</u>	<u>\$ 191,764</u>

See accompanying notes to financial statements.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

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

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

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from 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, 2017 and 2016.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

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, 2017 and 2016 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 unrestricted net assets. All donor-restricted support is reported as an increase in temporarily restricted net assets depending of 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 unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets 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, 2017 and 2016, in-kind contributed services of \$54,873 and \$57,731, 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 \$50,699 and \$51,400 for the years ended December 31, 2017 and 2016, respectively.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the notes to financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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, 2017 and 2016, 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 21, 2018.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

2. EQUIPMENT

Equipment consists of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 22,688	\$ 17,804
Less accumulated depreciation	<u>4,115</u>	<u>11,620</u>
	<u>\$ 18,573</u>	<u>\$ 6,184</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$2,000 at December 31, 2016 were restricted for a summer movie-making program. These temporarily restricted net assets were released from purpose restrictions during the year ended December 31, 2017. There were no temporarily restricted net assets at December 31, 2017.

4. MANAGEMENT CONTRACT

The Organization manages the theater under the terms of an agreement with the City of Bloomington, which owns the theater. The agreement was provided funding of \$50,000 for operations and up to \$74,000 for selected equipment replacement and unexpected and/or emergency building repairs in the 2017 and 2016 calendar years.

5. RENTAL INCOME

The Organization leases office space to BLU Culinary Arts, LLC. Rental income under this lease was \$11,116 and \$11,450 for the years ended December 31, 2017 and 2016, respectively. Future rent income through this lease is as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 11,250
2019	11,589
2020	<u>11,940</u>
	<u>\$ 34,779</u>

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

6. FUNCTIONAL EXPENSES

The Organization operates the theater. Expenses related to providing this service for the years ended December 31, 2017 and 2016 are classified as follows:

	2017	2016
Program services	\$ 814,363	\$ 730,518
Management and general	115,520	109,354
Fundraising	<u>55,531</u>	<u>51,589</u>
	<u>\$ 985,414</u>	<u>\$ 891,461</u>

7. 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, 2017. Total compensation expense under the contracts during the year ended December 31, 2017 was \$100,732 and \$94,176, respectively.

8. 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.

9. 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

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

December 31, 2019, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

On August 18, 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. This new standard, which the Organization is not required to adopt until its year ending December 31, 2018, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users.

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