

FLYING HOUSE PRODUCTIONS
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018



CLAconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

**FLYING HOUSE PRODUCTIONS
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



INDEPENDENT AUDITORS' REPORT

Board of Directors
Flying House Productions
Seattle, Washington

We have audited the accompanying financial statements of Flying House Productions, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Board of Directors
Flying House Productions

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flying House Productions as of September 30, 2019, 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.

Other Matter

The 2018 financial statements were audited by other auditors, whose report dated April 11, 2019, expressed an unmodified opinion on those statements. In our opinion, the information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
August 27, 2020

**FLYING HOUSE PRODUCTIONS
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018**

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 800,239	\$ 863,051
Promises to Give, Net	21,875	5,100
Inventory	11,716	16,904
Prepaid Expenses and Other	112,501	102,902
Total Current Assets	946,331	987,957
LONG-TERM ASSETS		
Property and Equipment, Net	581,097	533,161
Beneficial Interest Held by The Seattle Foundation	744,605	749,152
Investments	709,079	687,696
Total Long-Term Assets	2,034,781	1,970,009
Total Assets	\$ 2,981,112	\$ 2,957,966
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 75,665	\$ 104,639
Unearned Revenue and Other Liabilities	223,886	250,920
Note Payable, Current Portion	4,220	5,052
Total Current Liabilities	303,771	360,611
LONG-TERM LIABILITIES		
Note Payable, Net of Current Portion	162,927	166,276
Total Long-Term Liabilities	162,927	166,276
Total Liabilities	466,698	526,887
NET ASSETS		
Without Donor Restrictions - Undesignated	828,650	652,933
Without Donor Restrictions - Board Designated	851,211	871,553
Total Net Assets Without Donor Restrictions	1,679,861	1,524,486
With Donor Restrictions - Temporary in Nature	345,486	417,526
With Donor Restrictions - Permanent in Nature	489,067	489,067
Total Net Assets With Donor Restrictions	834,553	906,593
Total Net Assets	2,514,414	2,431,079
Total Liabilities and Net Assets	\$ 2,981,112	\$ 2,957,966

See accompanying Notes to Financial Statements.

**FLYING HOUSE PRODUCTIONS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
Admissions and Sales of Concessions	\$ 1,293,157	\$ -	\$ 1,293,157
Less: Value of Compensatory Tickets	(115,219)	-	(115,219)
Grants and Contributions	583,622	53,095	636,717
Bequests	53,526	-	53,526
Auction and Other Special Events	397,253	-	397,253
Direct Costs of Auction of Other Special Events	(167,233)	-	(167,233)
In-Kind Goods and Services	772,180	-	772,180
Other Income	863	-	863
Total Revenue	<u>2,818,149</u>	<u>53,095</u>	<u>2,871,244</u>
Net Assets Released from Restrictions	121,001	(121,001)	-
Total Operating Revenue and Support	<u>2,939,150</u>	<u>(67,906)</u>	<u>2,871,244</u>
EXPENSES			
Program Services	2,165,182	-	2,165,182
Management and General	228,006	-	228,006
Fundraising	418,887	-	418,887
Total Expenses	<u>2,812,075</u>	<u>-</u>	<u>2,812,075</u>
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	127,075	(67,906)	59,169
NONOPERATING ACTIVITIES			
Net Investment Income (Loss)	<u>28,300</u>	<u>(4,134)</u>	<u>24,166</u>
CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITIES	<u>28,300</u>	<u>(4,134)</u>	<u>24,166</u>
CHANGE IN NET ASSETS	155,375	(72,040)	83,335
Net Assets - Beginning of Year	<u>1,524,486</u>	<u>906,593</u>	<u>2,431,079</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,679,861</u></u>	<u><u>\$ 834,553</u></u>	<u><u>\$ 2,514,414</u></u>

See accompanying Notes to Financial Statements.

**FLYING HOUSE PRODUCTIONS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
Admissions and Sales of Concessions	\$ 1,216,648	\$ -	\$ 1,216,648
Less: Value of Compensatory Tickets	(85,876)	-	(85,876)
Grants and Contributions	591,058	61,757	652,815
Bequests	25,000	-	25,000
Auction and Other Special Events	425,223	-	425,223
Direct Costs of Auction of Other Special Events	(174,148)	-	(174,148)
In-Kind Goods and Services	1,016,238	-	1,016,238
Other Income	380	-	380
Total Revenue	<u>3,014,523</u>	<u>61,757</u>	<u>3,076,280</u>
Net Assets Released from Restrictions	101,818	(101,818)	-
Total Operating Revenue and Support	<u>3,116,341</u>	<u>(40,061)</u>	<u>3,076,280</u>
EXPENSES			
Program Services	2,450,827	-	2,450,827
Management and General	242,402	-	242,402
Fundraising	373,047	-	373,047
Total Expenses	<u>3,066,276</u>	<u>-</u>	<u>3,066,276</u>
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	50,065	(40,061)	10,004
NONOPERATING ACTIVITIES			
Net Investment Income	<u>50,825</u>	<u>38,263</u>	<u>89,088</u>
CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITIES	<u>50,825</u>	<u>38,263</u>	<u>89,088</u>
CHANGE IN NET ASSETS	100,890	(1,798)	99,092
Net Assets - Beginning of Year	<u>1,423,596</u>	<u>908,391</u>	<u>2,331,987</u>
NET ASSETS - END OF YEAR	<u>\$ 1,524,486</u>	<u>\$ 906,593</u>	<u>\$ 2,431,079</u>

See accompanying Notes to Financial Statements.

**FLYING HOUSE PRODUCTIONS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 473,846	\$ 141,938	\$ 228,341	\$ 844,125
Payroll Taxes and Benefits	69,635	23,854	50,330	143,819
Total	543,481	165,792	278,671	987,944
In-Kind Goods and Services	713,042	4,600	54,538	772,180
Professional Fees	268,061	34,112	54,050	356,223
Printing and Duplication	173,514	356	5,913	179,783
Occupancy	110,775	3,375	14,315	128,465
Equipment Rental and Maintenance	55,456	4,829	24,575	84,860
Food and Beverage	14,924	1,675	61,935	78,534
Music and Royalties	65,355	-	-	65,355
Interest and Bank Charges	39,422	1,795	13,024	54,241
Postage and Communications	25,464	2,306	9,101	36,871
Ticketing and Other Fees	53,651	-	-	53,651
Costumes and Scenery	38,679	-	4,524	43,203
Conference, Dues, Taxes, and Misc.	18,653	1,190	4,835	24,678
Prizes and Awards	935	93	27,579	28,607
Cost of Goods Sold	5,857	-	25,800	31,657
Depreciation and Amortization	13,695	2,727	2,020	18,442
Travel and Accommodations	12,433	30	2,292	14,755
Insurance	7,602	3,167	2,086	12,855
Supplies	4,183	1,959	862	7,004
Total	2,165,182	228,006	586,120	2,979,308
Less: Special Event Expenses	-	-	(167,233)	(167,233)
Total Expenses	<u>\$ 2,165,182</u>	<u>\$ 228,006</u>	<u>\$ 418,887</u>	<u>\$ 2,812,075</u>

See accompanying Notes to Financial Statements.

**FLYING HOUSE PRODUCTIONS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 540,475	\$ 153,325	\$ 199,529	\$ 893,329
Payroll Taxes and Benefits	75,527	33,164	44,788	153,479
Total	616,002	186,489	244,317	1,046,808
In-Kind Goods and Services	957,962	-	58,276	1,016,238
Professional Fees	232,564	28,402	46,102	307,068
Printing and Duplication	178,701	60	6,408	185,169
Occupancy	125,375	2,677	13,893	141,945
Equipment Rental and Maintenance	44,873	6,821	27,380	79,074
Food and Beverage	15,827	1,206	67,096	84,129
Music and Royalties	62,038	-	-	62,038
Interest and Bank Charges	36,006	3,675	19,484	59,165
Postage and Communications	29,503	2,603	13,041	45,147
Ticketing and Other Fees	46,811	-	-	46,811
Costumes and Scenery	28,691	-	3,922	32,613
Conference, Dues, Taxes, and Misc.	14,412	1,624	5,453	21,489
Prizes and Awards	860	-	12,050	12,910
Cost of Goods Sold	591	-	22,346	22,937
Depreciation and Amortization	14,265	2,502	1,844	18,611
Travel and Accommodations	32,263	727	2,083	35,073
Insurance	9,246	3,243	1,946	14,435
Supplies	4,837	2,373	1,554	8,764
Total	2,450,827	242,402	547,195	3,240,424
Less: Special Event Expenses	-	-	(174,148)	(174,148)
Total Expenses	<u>\$ 2,450,827</u>	<u>\$ 242,402</u>	<u>\$ 373,047</u>	<u>\$ 3,066,276</u>

See accompanying Notes to Financial Statements.

**FLYING HOUSE PRODUCTIONS
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 83,335	\$ 99,092
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	18,442	18,611
Realized and Unrealized Losses (Gains) on Investments	11,649	(47,991)
(Increase) Decrease in Assets:		
Promises to Give, Net	(16,775)	(3,600)
Inventory	5,188	566
Prepaid Expenses and Other Assets	(9,599)	11,665
Increase (Decrease) in Liabilities:		
Accounts Payable and Other Accrued Expenses	(28,974)	3,967
Unearned Revenue and Other Liabilities	(27,034)	4,355
Net Cash Provided by Operating Activities	36,232	86,665
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(66,378)	(4,376)
Sales of Investments	52,808	(13,474)
Purchases of Investments	(81,293)	-
Redemption of Certificate of Deposit	-	100,079
Net Cash Provided (Used) by Investing Activities	(94,863)	82,229
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(4,181)	(2,857)
Net Cash Used by Financing Activities	(4,181)	(2,857)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(62,812)	166,037
Cash and Cash Equivalents - Beginning of Year	863,051	697,014
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 800,239	\$ 863,051
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 6,901	\$ 9,232

See accompanying Notes to Financial Statements.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Flying House Productions (FHP), doing business as Seattle Men's Chorus and Seattle Women's Chorus, was incorporated as a nonprofit corporation in the state of Washington in 1982. FHP's purpose is threefold: to perform choral music for the general public at the highest possible levels of professionalism, to promote social change in support of LBTQ causes, and to provide its members with a welcoming, nurturing community in which to pursue their artistry. FHP's voices transform society through innovative and entertaining programs that build community, illuminate the experiences of LGBTQ people and their allies, expand inclusion, and inspire justice.

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 and disclosures. Actual results could differ from the estimated amounts.

Net Assets

FHP reports information regarding its financial position and activities according to the following two categories:

Net Assets Without Donor Restrictions – Net assets without donor restrictions include all net assets on which there are no donor-imposed restrictions.

Net Assets With Donor Restrictions – Included in net assets with donor restrictions are those that may be satisfied by future actions of the Organization or the passage of time as well as net assets that will be maintained permanently by the Organization.

Grants and Contributions Revenue

Grants and contributions consist of contributions and promises to give with or without donor restrictions. Support revenue is recognized when a grant or contribution with or without donor restrictions is received, or a pledge is made. Grants, contributions, or pledges that include donor-imposed conditions are not recognized until the donor-imposed conditions have been substantially met. FHP had no conditional promises to give as of September 30, 2019 or 2018.

Gifts of equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those assets must be maintained are reported when the donated or acquired long-lived assets are placed in service.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Admissions and Concessions Revenue

Amounts received for admissions, concessions, and advertising are deemed to be earned and reported as increases in net assets without donor restrictions when the related service or good has been provided. Such amounts received but not yet earned are reported as unearned revenue. Compensatory tickets are recorded as a reduction to admissions revenue when the tickets are given to the recipient.

Bequests

Bequest revenue is recognized when FHP is informed that it will receive a bequest and the amount to be received is known by FHP, which is generally when the estate has cleared probate. FHP has been named as a beneficiary in certain revocable bequests. As these bequests are revocable, they have not been reflected in the financial statements.

Board-Designated Net Assets

The board of directors has designated certain net assets without donor restrictions to be available for specific projects outside the normal operations of FHP that still fulfill the vision and mission of FHP. Board-designated net assets for certain purposes of future periods as of September 30:

	<u>2019</u>	<u>2018</u>
Dr. C. Wight Reade Fund	\$ 709,079	\$ 687,698
Dennis Coleman Artistic Excellence Fund, Membership Assistance, and Building Fund	142,132	183,855
Total	<u>\$ 851,211</u>	<u>\$ 871,553</u>

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Artistic Excellence	\$ 6,039	\$ 55,962
Unappropriated Endowment Fund Earnings	184,712	192,980
Music Arrangements	35,000	35,000
Chorus Productions	44,544	47,644
Membership Assistance	31,857	31,687
Building Fund	28,468	28,468
Outreach	14,616	25,535
Raffles	250	250
Total	<u>\$ 345,486</u>	<u>\$ 417,526</u>

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets with Donor Restrictions (Continued)

Endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for current operations. The related assets are presented in the statement of financial position as:

	<u>2019</u>	<u>2018</u>
Beneficial Interest in Assets Held by The Seattle Foundation	\$ 744,605	\$ 749,152
Less: Amounts Without Donor Restrictions	<u>(255,538)</u>	<u>(260,085)</u>
Total	<u>\$ 489,067</u>	<u>\$ 489,067</u>

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and money market accounts (except those included in the investment account). FHP maintains some of its cash in a bank account that may exceed federally insured limits at times during the year.

Restricted cash, held as security for the line of credit facility is presented separately on the statement of financial position. There was no restricted cash at September 30, 2019 and 2018 as there were no balances on the line of credit facility.

Promises to Give

Promises to give are reported at net realizable values. As of September 30, 2019 and 2018, the allowance was \$-0-. All promises are due in one year or less.

Fair Value Measurements

Fair value is a market-based measurement determined on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1 – Observable market inputs, such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 – Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

FHP reports its investments and its beneficial interest in assets held at the Seattle Foundation at fair value. FHP's beneficial interest is valued using Level 3 inputs.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair value and consist of money market and mutual funds. Fair values for investments are determined by reference to quoted market prices in active markets (Level 1 inputs). Interest, dividends, and realized and unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions unless a donor or law imposes restrictions. Unrealized gains and losses are reported as investment income in the statement of activities.

Certificates of Deposit

Certificates of deposit are recorded in these financial statements at cost plus accrued interest, and have an initial maturity of greater than three months.

Property and Equipment

Property and equipment is stated at cost or, in the case of donated assets, at estimated fair value on the date of donation. FHP capitalizes all expenditures for property and equipment in excess of \$2,500. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, 3 to 10 years for furniture and equipment and 40 years for the building.

In-Kind Goods and Services

Contributed materials have been recorded on the basis of rates that otherwise would have been paid for similar goods. Donated services are recorded as in-kind contributions and are recognized as revenue at estimated values at the date of receipt if they (a) create or enhance nonfinancial assets or (b) require specialized skills that would need to be purchased if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized. Donated goods and services were used for program and supporting services and consisted of the following for the years ended September 30:

	2019	2018
Donated Services	\$ 725,534	\$ 952,601
Donated Goods	46,646	63,637
Total	<u>\$ 772,180</u>	<u>\$ 1,016,238</u>

In order to accomplish its mission, FHP relies on over 500 singing chorus members who volunteer their time and talent for rehearsals and performances. These members volunteered 46,905 and 62,320 hours in the years ended September 30, 2019 and 2018, respectively. In accordance with financial accounting standards, FHP recognizes program costs for these contributed services. To value volunteer singers' hours, FHP used the City of Seattle minimum wage rate for large employers of \$15 for the years 2019 and 2018.

Income Taxes

FHP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. FHP is subject to federal income taxes on certain activities that are not substantially related to FHP programs. Income tax expense incurred for the years ended September 30, 2019 and 2018 was not significant.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Accounting principles generally accepted in the United States of America provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by FHP in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. FHP's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively after they are filed.

Functional Allocation of Expenses

The costs of providing the various programs and other activities 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. Costs that are not directly attributable to a function are allocated based on square footage (depreciation and occupancy) and time studies for other costs.

New Accounting Pronouncements – ASU 2016-14

During the year ended September 30, 2019, FHP adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions). The adoption of this accounting standard had no material impact on the FHP's financial position and changes in net assets.

NOTE 2 INVESTMENTS

Investments consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Cash (Money Markets Accounts)	\$ 28,923	\$ 13,510
Equities:		
Large Cap	221,396	209,033
International	55,780	58,433
Small Cap	54,869	61,753
Emerging Markets	30,187	33,259
Mid-Cap	69,586	66,847
Fixed Income:		
Investment Grade Taxable Bonds	171,635	166,965
Global High Yield Bonds	13,606	14,326
International Bonds	2,902	3,100
Hedge Funds	60,195	60,470
Total	<u>\$ 709,079</u>	<u>\$ 687,696</u>

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 2 INVESTMENTS (CONTINUED)

Investment income (including from beneficial interest in assets held by The Seattle Foundation) is comprised of the following for the years ended September 30:

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 35,815	\$ 41,097
Realized and Unrealized (Losses) Gains	(11,649)	47,991
Total	<u>\$ 24,166</u>	<u>\$ 89,088</u>

Interest and dividends are net of management fees of \$18,788 and \$18,249 for the years ended September 30, 2019 and 2018, respectively.

NOTE 3 PROPERTY AND EQUIPMENT

	<u>2019</u>	<u>2018</u>
Land	\$ 400,000	\$ 400,000
Building	254,701	192,676
Furniture and Equipment	250,182	245,829
Subtotal	<u>904,883</u>	<u>838,505</u>
Less: Accumulated Depreciation	(323,786)	(305,344)
Total	<u>\$ 581,097</u>	<u>\$ 533,161</u>

NOTE 4 BENEFICIAL INTEREST IN ASSETS HELD BY THE SEATTLE FOUNDATION

In July 1997, FHP transferred certain investments to The Seattle Foundation to be held in perpetuity, with the income to be used for current operations. These amounts are administered by The Seattle Foundation and are accounted for and designated by The Seattle Foundation as the Seattle Men's Chorus Designated Endowment Fund and the Seattle Men's Chorus Rex Reyes Memorial Fund. In addition, the fund holds investments without donor restrictions to be withdrawn as needed by FHP.

Under the agreement between FHP and The Seattle Foundation, the members of the board of directors of FHP may make a written request for the return of these funds. The Seattle Foundation will return funds if it is deemed consistent with the mission and purposes of FHP and the charitable and philanthropic purposes of The Seattle Foundation. However, The Seattle Foundation retains variance power over these funds.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

**NOTE 4 BENEFICIAL INTEREST IN ASSETS HELD BY THE SEATTLE FOUNDATION
(CONTINUED)**

FHP's interest in The Seattle Foundation's investment portfolio is stated at the fair value of FHP's portion of The Seattle Foundation's assets based on the value of the underlying investments on the statements of financial position. A reconciliation of the beginning and ending balances of FHP's beneficial interest in assets held by The Seattle Foundation, whose fair value measurement was made using significant unobservable inputs (Level 3), is as follows:

	<u>2019</u>	<u>2018</u>
Balance, Beginning of Year	\$ 749,152	\$ 707,069
Realized and Unrealized Gains (Losses)	(18,767)	42,419
Income	17,089	11,136
Management Fees	<u>(2,869)</u>	<u>(11,472)</u>
Balance, End of Year	<u>\$ 744,605</u>	<u>\$ 749,152</u>

NOTE 5 LINES OF CREDIT AND RESTRICTED CERTIFICATE OF DEPOSIT

FHP has a \$300,000 line of credit which matured on September 15, 2017 but was renewed on February 8, 2018 with a new maturity date of February 15, 2023. This line of credit bears interest at the lender's prime rate of 0.25%, not to be below 4.5%. This resulted in an interest rate of 4.75% at September 30, 2019. There was no balance outstanding at September 30, 2019 or 2018. The line has historically been secured by a deed of trust on the land and building and a \$100,000 restricted certificate of deposit. The renewal of the line of credit on February 8, 2018 released the \$100,000 certificate of deposit as collateral and FHP redeemed the amount.

NOTE 6 NOTE PAYABLE

Note payable consists of a promissory note payable to a local bank, which matures on April 1, 2027 with payments of \$1,007 that include interest at 4.7%. The note is secured by a deed of trust on the land and building. This note replaced the previous note that was due September 2019, refinanced April 2017. Maturities of the note payable are as follows for the years ending September 30:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 4,220
2021	4,448
2022	4,665
2023	4,893
2024	5,502
Thereafter	<u>143,419</u>
Total	<u>\$ 167,147</u>

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 7 ENDOWMENT

The Board of FHP have 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. As a result of this interpretation, FHP classifies net assets with restrictions as (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. The funds are classified as restricted until those amounts are appropriated for expenditure by FHP in a manner consistent with the standard of prudence prescribed by UPMIFA.

FHP has engaged The Seattle Foundation to manage its endowment. All endowment assets are held at The Seattle Foundation and, accordingly, the endowment has adopted the investment and spending policies of The Seattle Foundation.

Endowment net assets consisted of the following as of September 30:

	2019	2018
Donor-Restricted Endowment Funds	\$ 673,779	\$ 682,047

Changes in endowment net assets are as follows for the years ended September 30:

	2019	2018
Endowment Net Assets, Beginning of Year	\$ 682,047	\$ 643,786
Investment Income:		
Interest and Dividend Income	11,527	10,125
Investment Fees	(10,862)	
Realized and Unrealized (Losses) Gains	(4,799)	28,136
Total Investment (Losses) Returns	(4,134)	38,261
Endowment Net Assets, End of Year	\$ 673,779	\$ 682,047

Return Objectives and Risk Parameters

FHP has adopted The Seattle Foundation’s investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that FHP must hold in perpetuity. Under this policy the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. FHP expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 7 ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, FHP 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). Through The Seattle Foundation, FHP targets a diversified asset allocation.

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 requires. There were no funds with deficiencies as of September 30, 2019 and 2018.

NOTE 8 RETIREMENT PLAN

FHP sponsored a tax deferred 401(k) Profit Sharing Plan under Section 401(k) of the Internal Revenue Code during the years ended September 30, 2019 and 2018. Employees who are 21 or older and have completed one year of service (defined as 1,000 hours of service) are eligible to make elective deferrals under the plan. FHP may make matching contributions to employee deferrals. FHP made no matching contributions during the years ended September 30, 2019 or 2018.

NOTE 9 LIQUIDITY

The following table reflects FHP's financial assets available for general expenditures within one year of the statement of financial position date at September 30:

	2019	2018
Cash and Cash Equivalents	\$ 800,239	\$ 863,051
Investments	709,079	687,696
Promises to Give, Net	21,875	5,100
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 1,531,193	\$ 1,555,847

As part of the FHP's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. To further manage FHP's liquidity needs for operations, management has access to a \$300,000 line of credit. As of September 30, 2019, there were no draws on the line of credit.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 10 SUBSEQUENT EVENTS

FHP has evaluated subsequent events through August 27, 2020, the date the financial statements were available to be issued. No other matters were identified that had a significant impact on the financial statements as presented other than the following.

Subsequent to year-end, a pandemic of novel coronavirus (COVID-19) was declared by the World Health Organization. Future events, revenues, and expenses of FHP are uncertain due to the potential impact on travel and stay at home orders. This could also impact transactions relating to clients and vendors. In addition, both domestic and international equity markets have experienced significant declines since September 30, 2019. Management believes FHP is taking appropriate actions to mitigate the negative impact including transitioning shows to virtual formats and virtual fundraisers. FHP has also reduced staffing to the level to maintain operations. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.