



Flying House Productions

Financial Statements

For the year ended September 30, 2017 and 2016

Flying House Productions

Financial Statements

For the year ended September 30, 2017 and 2016

Flying House Productions

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Independent Auditor's Report

To the Board of Directors
Flying House Productions
Seattle, WA

We have audited the accompanying financial statements of Flying House Productions, which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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.

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. 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.



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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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

The financial statements of Flying House Productions for the year ended September 30, 2016 were audited by other auditors, whose report dated March 9, 2017 expressed an unmodified opinion on those statements.

BDO USA LLP

May 29, 2018

Financial Statements

Flying House Productions
Statements of Financial Position

<i>September 30,</i>	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 697,014	\$ 591,139
Promises to give, net	1,500	2,356
Inventory	17,470	16,059
Prepaid expenses	114,567	87,694
Total Current Assets	830,551	697,248
Other Assets		
Restricted certificate of deposit (line of credit collateral)	100,079	100,000
Beneficial interest in assets held by The Seattle Foundation	707,069	633,722
Investments	668,314	629,140
Property and equipment, net	547,396	544,268
Total Other Assets	2,022,858	1,907,130
Total Assets	\$ 2,853,409	\$ 2,604,378

See accompanying notes to financial statements.

Flying House Productions
Statements of Financial Position

<i>September 30,</i>	2017	2016
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 100,672	\$ 110,748
Unearned revenue	246,565	281,624
Note payable, current portion	3,827	7,569
Total Current Liabilities	351,064	399,941
Other Liabilities		
Note payable, less current portion	170,358	171,967
Total Liabilities	521,422	571,908
Net Assets		
Unrestricted:		
Undesignated	575,282	451,160
Board-designated	848,314	729,140
Total unrestricted	1,423,596	1,180,300
Temporarily restricted	419,324	363,228
Permanently restricted	489,067	488,942
Total Net Assets	2,331,987	2,032,470
Total Liabilities and Net Assets	\$ 2,853,409	\$ 2,604,378

See accompanying notes to financial statements.

Flying House Productions

Statements of Activities

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:								
Admissions and sales of concessions	\$ 1,199,120	\$ -	\$ -	\$ 1,199,120	\$ 1,412,043	\$ -	\$ -	\$ 1,412,043
Less: Value of compensatory tickets	(81,672)	-	-	(81,672)	(99,161)	-	-	(99,161)
Grants and contributions	667,140	81,092	125	748,357	465,284	183,171	275	648,730
Bequests	86,021	-	-	86,021	189,817	-	158,316	348,133
Auction and other special events	465,077	-	-	465,077	479,290	-	-	479,290
Direct costs of auction and other special events	(180,031)	-	-	(180,031)	(225,466)	-	-	(225,466)
In-kind goods and services	1,042,652	-	-	1,042,652	921,935	-	-	921,935
Other income	12,359	-	-	12,359	1,203	-	-	1,203
Net assets released from restriction	98,924	(98,924)	-	-	75,997	(75,997)	-	-
Total Support and Revenue	3,309,590	(17,832)	125	3,291,883	3,220,942	107,174	158,591	3,486,707
Expenses:								
Program services	2,537,841	-	-	2,537,841	2,407,085	-	-	2,407,085
Management and general	250,673	-	-	250,673	229,165	-	-	229,165
Fundraising	343,169	-	-	343,169	385,518	-	-	385,518
Total Expenses	3,131,683	-	-	3,131,683	3,021,768	-	-	3,021,768
Change in Net Assets Before Net Investment Income	177,907	(17,832)	125	160,200	199,174	107,174	158,591	464,939
Net investment income	65,389	73,928	-	139,317	44,766	32,307	-	77,073
Change in Net Assets	243,296	56,096	125	299,517	243,940	139,481	158,591	542,012
Net Assets, beginning of year	1,180,300	363,228	488,942	2,032,470	936,360	223,747	330,351	1,490,458
Net Assets, end of year	\$ 1,423,596	\$ 419,324	\$ 489,067	\$ 2,331,987	\$ 1,180,300	\$ 363,228	\$ 488,942	\$ 2,032,470

See accompanying notes to financial statements.

Flying House Productions
Statement of Functional Expenses

<i>For the year ended September 30, 2017</i>	Program Services	Management and General	Fundraising	Total
Salaries	\$ 583,349	\$ 159,472	\$ 172,259	\$ 915,080
Payroll taxes and benefits	92,753	32,785	41,947	167,485
	<u>676,102</u>	<u>192,257</u>	<u>214,206</u>	<u>1,082,565</u>
In-kind goods and services	983,374	2,737	56,541	1,042,652
Professional fees	218,318	29,862	42,056	290,236
Printing and advertising	178,033	615	5,831	184,479
Occupancy	131,278	3,359	11,055	145,692
Equipment rental and maintenance	55,261	6,599	27,900	89,760
Food and beverage	14,151	390	68,788	83,329
Music and royalties	67,191	-	-	67,191
Interest and bank charges	34,729	4,888	21,138	60,755
Postage and communications	31,442	2,363	12,428	46,233
Ticketing and other fees	44,417	-	-	44,417
Costumes and scenery	39,273	-	873	40,146
Conferences, dues, taxes and misc.	20,936	3,095	5,096	29,127
Prizes and awards	1,605	85	26,968	28,658
Cost of goods sold	2,697	-	22,049	24,746
Depreciation and amortization	13,978	2,261	1,721	17,960
Travel and accommodations	12,533	344	1,915	14,792
Insurance	7,038	2,933	1,760	11,731
Supplies	5,485	1,166	2,875	9,526
Bad debts	-	(2,281)	-	(2,281)
Total Expenses	<u>2,537,841</u>	<u>250,673</u>	<u>523,200</u>	<u>3,311,714</u>
Less: Special event expenses	<u>-</u>	<u>-</u>	<u>(180,031)</u>	<u>(180,031)</u>
Total Expenses, included in expense section on the statement of activities	<u>\$ 2,537,841</u>	<u>\$ 250,673</u>	<u>\$ 343,169</u>	<u>\$ 3,131,683</u>

See accompanying notes to financial statements.

Flying House Productions
Statement of Functional Expenses

<i>For the year ended September 30, 2016</i>	Program Services	Management and General	Fundraising	Total
Salaries	\$ 419,539	\$ 145,404	\$ 176,789	\$ 741,732
Payroll taxes and benefits	71,120	24,602	43,061	138,783
	490,659	170,006	219,850	880,515
In-kind goods and services	839,476	-	82,459	921,935
Professional fees	395,991	30,258	70,095	496,344
Advertising, outreach, and public relations	175,238	4,661	11,627	191,526
Occupancy	139,475	3,004	17,725	160,204
Food and beverage	18,056	122	81,923	100,101
Equipment rental and maintenance	55,875	6,188	33,310	95,373
Interest and bank charges	41,364	2,473	19,994	63,831
Music and royalties	49,327	-	5	49,332
Postage and communications	27,269	2,488	12,810	42,567
Ticket agency fees	42,350	-	-	42,350
Conferences	29,418	2,312	5,479	37,209
Cost of goods sold	13,742	-	19,250	32,992
Depreciation and amortization	23,979	3,114	2,877	29,970
Travel and accommodations	24,508	583	3,898	28,989
Costumes and scenery	25,506	-	2,454	27,960
Prizes and awards	2,491	33	24,033	26,557
Insurance	6,584	2,743	1,746	11,073
Supplies	5,777	1,180	1,449	8,406
Total Expenses	2,407,085	229,165	610,984	3,247,234
Less: Special event expenses	-	-	(225,466)	(225,466)
Total Expenses, included in expense section on the statement of activities	\$ 2,407,085	\$ 229,165	\$ 385,518	\$ 3,021,768

See accompanying notes to financial statements.

Flying House Productions

Statements of Cash Flows

<i>Year ended September 30,</i>	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 299,517	\$ 542,012
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	17,960	29,970
Realized and unrealized gains on investments	(136,521)	(67,201)
Changes in operating assets and liabilities:		
Promise to give, net	856	17,750
Inventory	(1,411)	(2,713)
Prepaid expenses and other assets	(26,952)	4,353
Accounts payable and accrued expenses	(10,076)	39,206
Unearned revenue	(35,059)	(2,567)
Net cash flows from operating activities	108,314	560,810
Cash Flows from (for) Investing Activities		
Purchase of equipment	(21,088)	-
Sales of investments, net	9,000	-
Net transfers to/from The Seattle Foundation	15,000	(150,587)
Net cash flows from (for) investing activities	2,912	(150,587)
Cash Flows for Financing Activities		
Principal payments on note payable	(5,351)	(7,725)
Net cash flows for financing activities	(5,351)	(7,725)
Net Change in Cash and Cash Equivalents	105,875	402,498
Cash and Cash Equivalents, beginning of year	591,139	188,641
Cash and Cash Equivalents, end of year	\$ 697,014	\$ 591,139
Supplemental Disclosures of Cash Flow Information		
Cash paid for Interest	\$ 8,777	\$ 9,823

See accompanying notes to financial statements.

Flying House Productions

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Organization

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 LGBTQ 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 requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Basis of Financial Presentation

FHP reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions that are received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction is met in the year in which the support is recognized. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported as net assets released from restrictions.

Grants and Contributions Revenue

Grants and contributions consist of unrestricted and temporarily restricted grants, contributions, and unconditional promises to give. Support revenue is recognized when an unconditional grant or contribution is received or a pledge is made. Grants, contributions, or pledges that include donor-imposed conditions are not recognized until the conditions have been substantially met. FHP had no conditional promises to give as of September 30, 2017 or 2016.

Gifts of equipment are reported as unrestricted support 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 restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Flying House Productions

Notes to Financial Statements

Admissions and Concessions Revenue

Amounts received for admissions, concessions, and advertising are deemed to be earned and reported as increases in unrestricted net assets 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 unrestricted funds 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 are as follows at September 30:

	2017	2016
Dr. C. Wight Reade Fund	\$ 668,314	\$ 629,140
Dennis Coleman Artistic Excellence Fund	180,000	100,000
Total	\$ 848,314	\$ 729,140

Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted by donors for certain purposes or future periods as follows at September 30:

	2017	2016
Artistic excellence	\$ 83,312	\$ 123,923
Unappropriated endowment fund earnings	154,719	80,790
Music arrangements	44,000	46,500
Chorus productions	49,506	45,036
Membership assistance	31,496	33,187
Building fund	28,468	28,469
Outreach	27,573	5,073
Raffles	250	250
Total	\$ 419,324	\$ 363,228

Flying House Productions

Notes to Financial Statements

Permanently Restricted Net Assets

Permanently restricted net assets are 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 statements of financial position as:

	2017	2016
Beneficial interest in assets held by The Seattle Foundation	\$ 707,069	\$ 633,722
Less: Amounts without permanent restrictions	(218,002)	(144,780)
Total	\$ 489,067	\$ 488,942

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.

Promises to Give

Promises to give are reported at net realizable values. At September 30, 2017 and 2016, the allowance was \$0 and \$3,168, respectively. All promises to give 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

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 unrestricted net assets unless a donor or law temporarily or permanently restricts their use. Unrealized gains and losses are reported as investment income in the statements 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 are 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 and 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:

	2017	2016
Donated services	\$ 960,684	\$ 818,375
Donated goods	81,968	103,560
Total	\$ 1,042,652	\$ 921,935

In order to accomplish its mission, FHP relies on over 600 singing chorus members who volunteer their time and talent for rehearsals and performances. These members volunteered 68,194 and 61,534 hours in the years ended September 30, 2017 and 2016, respectively. In accordance with financial accounting standards, FHP recognizes program costs for these contributed services. To value volunteer singer hours, FHP uses the 25th percentile hourly rate of \$14.02 and \$13.21 for musicians and singers as provided by the U.S. Bureau of Labor Statistics for both 2017 and 2016 respectively.

Flying House Productions

Notes to Financial Statements

FHP also puts on a concert for family during a regular performance season at no cost to the attendees in order to promote the mission of FHP. As these performances are outside of the normal scope of FHP, management has concluded that these performances are not significant to FHP's operations and are not recorded in the financial statements.

Advertising

FHP expenses the costs of advertising as incurred. Advertising expense was \$132,542 and \$126,784 for the years ended September 30, 2017 and 2016, respectively.

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, 2017 and 2016, was not significant.

Generally accepted accounting principles provide 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' 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.

Subsequent Events

FHP has evaluated subsequent events through the date these financial statements were available to be issued, which was May 29, 2018.

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Flying House Productions

Notes to Financial Statements

2. Investments

Investments consist of the following at September 30:

	2017	2016
Cash (money market accounts)	\$ 8,487	\$ 9,199
Equities:		
Large cap	190,663	177,426
International	78,018	87,134
Small cap	55,138	24,515
Emerging markets	39,208	33,807
Mid-cap	84,361	43,293
Fixed income:		
Investment grade taxable bonds	143,390	144,593
Global high yield bonds	14,419	14,410
International bonds	3,315	3,013
Hedge funds	51,315	49,956
Real estate	-	41,794
Total	\$ 668,314	\$ 629,140

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

	2017	2016
Interest and dividends	\$ 29,066	\$ 9,872
Realized and unrealized gains	110,251	67,201
Total	\$ 139,317	\$ 77,073

Interest and dividends are net of management fees of \$18,417 and \$14,207 for the years ended September 30, 2017 and 2016, respectively.

3. Property and Equipment

	2017	2016
Land	\$ 400,000	\$ 400,000
Building	188,300	172,805
Furniture and equipment	245,828	282,040
	834,128	854,845
Less: Accumulated depreciation	(286,732)	(310,577)
Total	\$ 547,396	\$ 544,268

Flying House Productions

Notes to Financial Statements

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 unrestricted investments 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.

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:

	2017	2016
Balance, beginning of year	\$ 633,722	\$ 437,908
Contributions	-	158,316
Realized and unrealized gains	82,730	36,887
Income	11,567	8,720
Management fees	(11,950)	(8,109)
Distributions	(9,000)	-
Balance, end of year	\$ 707,069	\$ 633,722

5. Lines of Credit and Restricted Certificate of Deposit

FHP had a \$300,000 line of credit which matured on September 15, 2017, and was renewed through February 15, 2023, and bears interest at the lender's prime rate plus 0.25%, not to be below 4.5%. This resulted in an interest rate of 4.5% at September 30, 2017. There was no balance outstanding at September 30, 2017 or 2016. The line is secured by a deed of trust on the land and building. FHP's \$100,000 line of credit had also matured on September 15, 2017. The restricted certificate of \$100k was secured as collateral. On November 28, 2017, the letter of intention not to renew this line was sent to the bank.

Flying House Productions

Notes to Financial Statements

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 in September 2019, refinanced in April 2017. Maturities of the note payable are as follows for the years ending September 30:

2018	\$	3,827
2019		4,035
2020		4,209
2021		4,437
2022		4,654
Thereafter		153,023
Total	\$	174,185

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 as permanently restricted net assets (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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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:

<i>September 30, 2017</i>	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 154,719	\$ 488,942	\$ 643,661

<i>September 30, 2016</i>	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 80,790	\$ 488,942	\$ 569,732

Flying House Productions

Notes to Financial Statements

Changes in endowment net assets are as follows:

<i>September 30, 2017</i>	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, beginning of year	\$ 80,790	\$ 488,942	\$ 569,732
Investment income:			
Interest and dividend income	10,385	-	10,385
Realized and unrealized gains	63,544	-	63,544
Total investment return	73,929	-	73,929
Appropriation of endowment assets for expenditure	-	125	125
Endowment Net Assets, end of year	\$ 154,719	\$ 489,067	\$ 643,786

<i>September 30, 2016</i>	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, beginning of year	\$ 48,483	\$ 330,351	\$ 378,834
Investment income:			
Interest and dividend income	4,000	-	4,000
Realized and unrealized gains	28,307	-	28,307
Total investment return	32,307	-	32,307
Contributions	-	158,591	158,591
Endowment Net Assets, end of year	\$ 80,790	\$ 488,942	\$ 569,732

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

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

FHP has a policy of appropriating for distribution each year in accordance with The Seattle Foundation's distribution policy or as needed. Over the long-term, FHP expects the current spending policy to allow its endowment to grow over time.

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, 2017, and 2016.

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, 2017 and 2016. Employees who are age 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, 2017 or 2016.