

FLYING HOUSE PRODUCTIONS
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019



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**FLYING HOUSE PRODUCTIONS
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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, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
April 27, 2021

**FLYING HOUSE PRODUCTIONS
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,020,172	\$ 800,239
Promises to Give, Net	-	21,875
Inventory	2,325	11,716
Prepaid Expenses and Other	93,228	112,501
Total Current Assets	1,115,725	946,331
LONG-TERM ASSETS		
Property and Equipment, Net	568,016	581,097
Beneficial Interest Held by The Seattle Foundation	781,090	744,605
Investments	758,328	709,079
Total Long-Term Assets	2,107,434	2,034,781
Total Assets	\$ 3,223,159	\$ 2,981,112
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 40,701	\$ 75,665
Unearned Revenue and Other Liabilities	29,873	223,886
Paycheck Protection Program Note Payable, Current Portion	114,131	-
Bank Note Payable, Current Portion	4,220	4,220
Total Current Liabilities	188,925	303,771
LONG-TERM LIABILITIES		
Payroll Protection Program Note Payable, Net of Current Portion	70,236	-
Bank Note Payable, Net of Current Portion	158,685	162,927
Total Long-Term Liabilities	228,921	162,927
Total Liabilities	417,846	466,698
NET ASSETS		
Without Donor Restrictions - Undesignated	1,051,327	824,516
Without Donor Restrictions - Board Designated	900,460	851,211
Total Net Assets Without Donor Restrictions	1,951,787	1,675,727
With Donor Restrictions - Temporary in Nature	364,459	349,620
With Donor Restrictions - Permanent in Nature	489,067	489,067
Total Net Assets With Donor Restrictions	853,526	838,687
Total Net Assets	2,805,313	2,514,414
Total Liabilities and Net Assets	\$ 3,223,159	\$ 2,981,112

See accompanying Notes to Financial Statements.

**FLYING HOUSE PRODUCTIONS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
Admissions and Sales of Concessions	\$ 756,067	\$ -	\$ 756,067
Less: Value of Compensatory Tickets	(38,936)	-	(38,936)
Grants and Contributions	752,161	52,854	805,015
Bequests	6,718	-	6,718
Auction and Other Special Events	289,810	-	289,810
Direct Costs of Auction of Other Special Events	(89,300)	-	(89,300)
In-Kind Goods and Services	527,222	-	527,222
Total Revenue	2,203,742	52,854	2,256,596
Net Assets Released from Restrictions	67,100	(67,100)	-
Total Operating Revenue and Support	2,270,842	(14,246)	2,256,596
 EXPENSES			
Program Services	1,570,468	-	1,570,468
Management and General	228,218	-	228,218
Fundraising	257,909	-	257,909
Total Expenses	2,056,595	-	2,056,595
 CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	214,247	(14,246)	200,001
 NONOPERATING ACTIVITIES			
Net Investment Income	57,679	33,219	90,898
 CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITIES	57,679	33,219	90,898
 CHANGE IN NET ASSETS	271,926	18,973	290,899
Net Assets - Beginning of Year	1,679,861	834,553	2,514,414
 NET ASSETS - END OF YEAR	\$ 1,951,787	\$ 853,526	\$ 2,805,313

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	<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>\$ 1,679,861</u>	<u>\$ 834,553</u>	<u>\$ 2,514,414</u>

See accompanying Notes to Financial Statements.

**FLYING HOUSE PRODUCTIONS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 418,908	\$ 138,222	\$ 164,027	\$ 721,157
Payroll Taxes and Benefits	61,690	28,060	41,602	131,352
Total	<u>480,598</u>	<u>166,282</u>	<u>205,629</u>	<u>852,509</u>
In-Kind Goods and Services	518,432	-	8,790	527,222
Professional Fees	147,912	30,734	40,189	218,835
Printing and Duplication	118,995	496	3,646	123,137
Occupancy	75,468	2,880	11,926	90,274
Equipment Rental and Maintenance	32,972	2,351	2,238	37,561
Food and Beverage	9,949	1,505	8,473	19,927
Music and Royalties	45,410	-	400	45,810
Interest and Bank Charges	25,451	2,417	9,495	37,363
Postage and Communications	12,049	2,929	6,215	21,193
Ticketing and Other Fees	33,432	-	-	33,432
Costumes and Scenery	15,011	554	574	16,139
Conference, Dues, Taxes, and Misc.	16,749	3,261	6,913	26,923
Prizes and Awards	670	-	23,815	24,485
Cost of Goods Sold	11,719	-	13,827	25,546
Depreciation and Amortization	14,816	3,295	2,362	20,473
Travel and Accommodations	1,593	3,094	416	5,103
Insurance	7,997	3,519	1,999	13,515
Supplies	1,245	4,901	302	6,448
Total	<u>1,570,468</u>	<u>228,218</u>	<u>347,209</u>	<u>2,145,895</u>
Less: Special Event Expenses	<u>-</u>	<u>-</u>	<u>(89,300)</u>	<u>(89,300)</u>
Total Expenses	<u><u>\$ 1,570,468</u></u>	<u><u>\$ 228,218</u></u>	<u><u>\$ 257,909</u></u>	<u><u>\$ 2,056,595</u></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
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 290,899	\$ 83,335
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	20,473	18,442
Realized and Unrealized (Gains) Losses on Investments	(84,730)	11,649
(Increase) Decrease in Assets:		
Promises to Give, Net	21,875	(16,775)
Inventory	9,391	5,188
Prepaid Expenses and Other Assets	19,273	(9,599)
Increase (Decrease) in Liabilities:		
Accounts Payable and Other Accrued Expenses	(34,964)	(28,974)
Unearned Revenue and Other Liabilities	(194,013)	(27,034)
Net Cash Provided by Operating Activities	48,204	36,232
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(7,391)	(66,378)
Sales of Investments	46,253	52,808
Purchases of Investments	(47,258)	(81,293)
Net Cash Used by Investing Activities	(8,396)	(94,863)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Note Payable	184,367	-
Principal Payments on Notes Payable	(4,242)	(4,181)
Net Cash Provided (Used) by Financing Activities	180,125	(4,181)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	219,933	(62,812)
Cash and Cash Equivalents - Beginning of Year	800,239	863,051
CASH AND CASH EQUIVALENTS - END OF YEAR	1,020,172	\$ 800,239
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, 2020 AND 2019**

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 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 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, 2020 or 2019.

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, 2020 AND 2019**

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>2020</u>	<u>2019</u>
Dr. C. Wight Reade Fund	\$ 758,328	\$ 709,079
Dennis Coleman Artistic Excellence Fund, Membership Assistance, and Building Fund	142,132	142,132
Total	<u>\$ 900,460</u>	<u>\$ 851,211</u>

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Artistic Excellence	\$ 6,314	\$ 6,039
Unappropriated Endowment Fund Earnings	222,065	188,846
Music Arrangements	18,900	35,000
Chorus Productions	28,544	44,544
Membership Assistance	56,946	31,857
Building Fund	27,959	28,468
Outreach	3,481	14,616
Raffles	250	250
Total	<u>\$ 364,459</u>	<u>\$ 349,620</u>

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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:

	2020	2019
Beneficial Interest in Assets Held by The Seattle Foundation	\$ 781,090	\$ 744,605
Less: Amounts Without Donor Restrictions	<u>(292,023)</u>	<u>(255,538)</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 statements of financial position. There was no restricted cash at September 30, 2020 and 2019 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, 2020 and 2019, 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. All investments are level 1. FHP's beneficial interest is valued using Level 3 inputs.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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.

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:

	2020	2019
Donated Services	\$ 518,432	\$ 725,534
Donated Goods	8,790	46,646
Total	\$ 527,222	\$ 772,180

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 31,720 and 46,905 hours in the years ended September 30, 2020 and 2019, 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 \$15.75 for the years 2020 and 2019.

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, 2020 and 2019 was not significant.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Accounting principles generally accepted in the United States of America 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'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 for depreciation and occupancy and time studies for other costs.

New Accounting Pronouncements

FHP adopted the following accounting standards during the year ended September 30, 2020.

In June 2018 FASB issued Accounting Standards Update (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The financial statements reflect the application of ASU 2018-08. There was no material impact on FHP's financial position and results of operations upon adoption of the new standard.

Additionally, FHP adopted Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 606, *Revenues from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the FHP's financial position and results of operations upon adoption of the new standard.

Analysis of various provisions of this standard resulted in no significant changes in the way FHP recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 2 INVESTMENTS

Investments consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Cash (Money Markets Accounts)	\$ 30,265	\$ 28,923
Equities:		
Large Cap	209,683	221,396
International	78,801	55,780
Small Cap	61,571	54,869
Emerging Markets	22,877	30,187
Mid-Cap	111,912	69,586
Fixed Income:		
Investment Grade Taxable Bonds	72,781	171,635
Global High Yield Bonds	14,999	13,606
International Bonds	22,049	2,902
Commodity Funds	28,819	-
Hedge Funds	104,571	60,195
Total	<u>\$ 758,328</u>	<u>\$ 709,079</u>

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>2020</u>	<u>2019</u>
Interest and Dividends	\$ 6,168	\$ 35,815
Realized and Unrealized (Losses) Gains	84,730	(11,649)
Total	<u>\$ 90,898</u>	<u>\$ 24,166</u>

Interest and dividends are net of management fees of \$18,788 and \$18,249 for the years ended September 30, 2020 and 2019, respectively.

NOTE 3 PROPERTY AND EQUIPMENT

	<u>2020</u>	<u>2019</u>
Land	\$ 400,000	\$ 400,000
Building	254,701	254,701
Furniture and Equipment	257,573	250,182
Subtotal	912,274	904,883
Less: Accumulated Depreciation	(344,258)	(323,786)
Total	<u>\$ 568,016</u>	<u>\$ 581,097</u>

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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.

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>2020</u>	<u>2019</u>
Balance, Beginning of Year	\$ 744,605	\$ 749,152
Realized and Unrealized Gains (Losses)	35,622	(18,767)
Income	8,965	17,089
Management Fees	<u>(8,102)</u>	<u>(2,869)</u>
Balance, End of Year	<u>\$ 781,090</u>	<u>\$ 744,605</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 plus 0.25%, not to be below 4.5%. This resulted in an interest rate of 4.75% at September 30, 2020. There was no balance outstanding at September 30, 2020 or 2019. 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.

**FLYING HOUSE PRODUCTIONS
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NOTE 6 NOTES PAYABLE

Payroll Protection Program Note Payable - On April 29, 2020, FHP received a loan from a local bank in the amount of \$184,367 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement had a two year repayment term following the Covered Period comprised first of a deferment for six months and followed by payments due for the 18 months following on any unforgiven amount. The PPP Flexibility Act of 2020 (June 5, 2020) extended the maturity to five years with a deferment of ten months and payments for the remainder of the term. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if FHP fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 29, 2020 to October 14, 2020, is the time that an organization has to spend their PPP Proceeds.

Bank 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.

Maturities of the notes payable are as follows for the years ending September 30:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 118,351
2022	74,684
2023	4,665
2024	4,893
2025	5,502
Thereafter	139,177
Total	<u>\$ 347,272</u>

**FLYING HOUSE PRODUCTIONS
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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.

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

	2020	2019
Endowment Net Assets, Beginning of Year	\$ 677,913	\$ 682,047
Investment Income:		
Interest and Dividend Income	8,965	11,527
Investment Fees	(11,370)	(10,862)
Realized and Unrealized (Losses) Gains	35,624	(4,799)
Total Investment (Losses) Returns	33,219	(4,134)
Endowment Net Assets, End of Year	\$ 711,132	\$ 677,913

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.

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.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 7 ENDOWMENT (CONTINUED)

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, 2020 and 2019.

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, 2020 and 2019. 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, 2020 or 2019.

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:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,020,172	\$ 800,239
Investments	758,328	709,079
Promises to Give, Net	<u>-</u>	<u>21,875</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,778,500</u>	<u>\$ 1,531,193</u>

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, 2020, there were no draws on the line of credit.

NOTE 10 SUBSEQUENT EVENTS

FHP has evaluated subsequent events through April 27, 2021, 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.