



# Flying House Productions

## Financial Statements

For the Years Ended September 30, 2018 and 2017

# **Flying House Productions**

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Financial Statements  
For the Years Ended September 30, 2018 and 2017

# 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 statements of financial position as of September 30, 2018 and 2017, 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; 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, 2018 and 2017, 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.

*BDO USA LLP*

April 11, 2019

## Financial Statements

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**Flying House Productions**  
**Statements of Financial Position**

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<i>September 30,</i>	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 863,051	\$ 697,014
Promises to give, net	5,100	1,500
Inventory	16,904	17,470
Prepaid expenses	102,902	114,567
<b>Total Current Assets</b>	<b>987,957</b>	<b>830,551</b>
<b>Other Assets</b>		
Restricted certificate of deposit (line of credit collateral)	-	100,079
Beneficial interest in assets held by The Seattle Foundation	749,152	707,069
Investments	687,696	668,314
Property and equipment, net	533,161	547,396
<b>Total Other Assets</b>	<b>1,970,009</b>	<b>2,022,858</b>
<b>Total Assets</b>	<b>\$ 2,957,966</b>	<b>\$ 2,853,409</b>

*See accompanying notes to financial statements.*

**Flying House Productions**  
**Statements of Financial Position**

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<i>September 30,</i>	2018	2017
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 104,639	\$ 100,672
Unearned revenue	250,920	246,565
Note payable, current portion	5,052	3,827
<b>Total Current Liabilities</b>	<b>360,611</b>	<b>351,064</b>
<b>Other Liabilities</b>		
Note payable, less current portion	166,276	170,358
<b>Total Liabilities</b>	<b>526,887</b>	<b>521,422</b>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	652,933	575,282
Board-designated	871,553	848,314
<b>Total unrestricted</b>	<b>1,524,486</b>	<b>1,423,596</b>
Temporarily restricted	417,526	419,324
Permanently restricted	489,067	489,067
<b>Total Net Assets</b>	<b>2,431,079</b>	<b>2,331,987</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,957,966</b>	<b>\$ 2,853,409</b>

*See accompanying notes to financial statements.*



# Flying House Productions

## Statements of Activities

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support:</b>								
Admissions and sales of concessions	\$ 1,216,648	\$ -	\$ -	\$ 1,216,648	\$ 1,199,120	\$ -	\$ -	\$ 1,199,120
Less: Value of compensatory tickets	(85,876)	-	-	(85,876)	(81,672)	-	-	(81,672)
Grants and contributions	591,058	61,757	-	652,815	667,140	81,092	125	748,357
Bequests	25,000	-	-	25,000	86,021	-	-	86,021
Auction and other special events	425,223	-	-	425,223	465,077	-	-	465,077
Direct costs of auction and other special events	(174,148)	-	-	(174,148)	(180,031)	-	-	(180,031)
In-kind goods and services	1,016,238	-	-	1,016,238	1,042,652	-	-	1,042,652
Other income	380	-	-	380	12,359	-	-	12,359
Net assets released from restriction	101,818	(101,818)	-	-	98,924	(98,924)	-	-
<b>Total Support and Revenue</b>	<b>3,116,341</b>	<b>(40,061)</b>	<b>-</b>	<b>3,076,280</b>	<b>3,309,590</b>	<b>(17,832)</b>	<b>125</b>	<b>3,291,883</b>
<b>Expenses:</b>								
Program services	2,450,827	-	-	2,450,827	2,537,841	-	-	2,537,841
Management and general	242,402	-	-	242,402	250,673	-	-	250,673
Fundraising	373,047	-	-	373,047	343,169	-	-	343,169
<b>Total Expenses</b>	<b>3,066,276</b>	<b>-</b>	<b>-</b>	<b>3,066,276</b>	<b>3,131,683</b>	<b>-</b>	<b>-</b>	<b>3,131,683</b>
<b>Change in Net Assets,</b>								
before net Investment income	50,065	(40,061)	-	10,004	177,907	(17,832)	125	160,200
Net investment income	50,825	38,263	-	89,088	65,389	73,928	-	139,317
<b>Change in Net Assets</b>	<b>100,890</b>	<b>(1,798)</b>	<b>-</b>	<b>99,092</b>	<b>243,296</b>	<b>56,096</b>	<b>125</b>	<b>299,517</b>
<b>Net Assets, beginning of year</b>	<b>1,423,596</b>	<b>419,324</b>	<b>489,067</b>	<b>2,331,987</b>	<b>1,180,300</b>	<b>363,228</b>	<b>488,942</b>	<b>2,032,470</b>
<b>Net Assets, end of year</b>	<b>\$ 1,524,486</b>	<b>\$ 417,526</b>	<b>\$ 489,067</b>	<b>\$ 2,431,079</b>	<b>\$ 1,423,596</b>	<b>\$ 419,324</b>	<b>\$ 489,067</b>	<b>\$ 2,331,987</b>

See accompanying notes to financial statements.

**Flying House Productions**  
**Statement of Functional Expenses**

<i>For the year ended September 30, 2018</i>	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
	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 advertising	180,164	60	6,408	186,632
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
Conferences, 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	7,783	3,243	1,946	12,972
Supplies	4,837	2,373	1,554	8,764
Total Expenses	2,450,827	242,402	547,195	3,240,424
Less: Special event expenses	-	-	(174,148)	(174,148)
<b>Total Expenses, included in expense section on the statement of activities</b>	<b>\$ 2,450,827</b>	<b>\$ 242,402</b>	<b>\$ 373,047</b>	<b>\$ 3,066,276</b>

*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
	676,102	192,257	214,206	1,082,565
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	2,537,841	250,673	523,200	3,311,714
Less: Special event expenses	-	-	(180,031)	(180,031)
<b>Total Expenses, included in expense section on the statement of activities</b>	<b>\$ 2,537,841</b>	<b>\$ 250,673</b>	<b>\$ 343,169</b>	<b>\$ 3,131,683</b>

*See accompanying notes to financial statements.*

# Flying House Productions

## Statements of Cash Flows

<i>Year ended September 30,</i>	2018	2017
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 99,092	\$ 299,517
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	18,611	17,960
Realized and unrealized gains on investments	(89,088)	(136,521)
Changes in operating assets and liabilities:		
Promise to give, net	(3,600)	856
Inventory	566	(1,411)
Prepaid expenses and other assets	11,665	(26,952)
Accounts payable and accrued expenses	3,967	(10,076)
Unearned revenue	4,355	(35,059)
Net cash flows from operating activities	45,568	108,314
<b>Cash Flows from Investing Activities</b>		
Purchase of equipment	(4,376)	(21,088)
Sales of investments, net	27,623	9,000
Redemption of certificate of deposit	100,079	-
Net transfers from The Seattle Foundation	-	15,000
Net cash flows from investing activities	123,326	2,912
<b>Cash Flows for Financing Activities</b>		
Principal payments on note payable	(2,857)	(5,351)
Net cash flows for financing activities	(2,857)	(5,351)
Net Change in Cash and Cash Equivalents	166,037	105,875
Cash and Cash Equivalents, beginning of year	697,014	591,139
Cash and Cash Equivalents, end of year	\$ 863,051	\$ 697,014
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for Interest	\$ 9,232	\$ 8,777

*See accompanying notes to financial statements.*

# Flying House Productions

## Notes to Financial Statements

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### 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, 2018 or 2017.

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

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### *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:

	2018	2017
Dr. C. Wight Reade Fund	\$ 687,698	\$ 668,314
Dennis Coleman Artistic Excellence Fund, Membership Assistance, and Building Fund	183,855	180,000
<b>Total</b>	<b>\$ 871,553</b>	<b>\$ 848,314</b>

### *Temporarily Restricted Net Assets*

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

	2018	2017
Artistic excellence	\$ 55,962	\$ 83,312
Unappropriated endowment fund earnings	192,981	154,719
Music arrangements	35,000	44,000
Chorus productions	47,644	49,506
Membership assistance	31,687	31,496
Building fund	28,468	28,468
Outreach	25,534	27,573
Raffles	250	250
<b>Total</b>	<b>\$ 417,526</b>	<b>\$ 419,324</b>

# Flying House Productions

## Notes to Financial Statements

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### *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:

	2018	2017
Beneficial interest in assets held by The Seattle Foundation	\$ 749,152	\$ 707,069
Less: Amounts without permanent restrictions	(260,085)	(218,002)
<b>Total</b>	<b>\$ 489,067</b>	<b>\$ 489,067</b>

### *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, 2018 and 2017, the allowance was \$0 and \$0, 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

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### *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:

	2018	2017
Donated services	\$ 952,601	\$ 960,684
Donated goods	63,637	81,968
<b>Total</b>	<b>\$ 1,016,238</b>	<b>\$ 1,042,652</b>

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 62,320 and 68,194 hours in the years ended September 30, 2018 and 2017, respectively. In accordance with financial accounting standards, FHP recognizes program costs for these contributed services. To value volunteer singer hours, FHP used the City of Seattle minimum wage rate for large employers of \$15 for 2018 and 25th percentile hourly rate of \$14.02 for musicians and singers as provided by the U.S. Bureau of Labor Statistics for 2017 respectively.



# Flying House Productions

## Notes to Financial Statements

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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 \$121,377 and \$132,542 for the years ended September 30, 2018 and 2017, 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, 2018 and 2017, 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 April 11, 2019. Based on that evaluation, there were no other matters identified that had a significant impact on the financial statements as presented.

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# Flying House Productions

## Notes to Financial Statements

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### *Recent Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the entity until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the entity's fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the entity's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their financial statements.

# Flying House Productions

## Notes to Financial Statements

### 2. Investments

Investments consist of the following at September 30:

	2018	2017
Cash (money market accounts)	\$ 13,510	\$ 8,487
Equities:		
Large cap	209,033	190,663
International	58,433	78,018
Small cap	61,753	55,138
Emerging markets	33,259	39,208
Mid-cap	66,847	84,361
Fixed income:		
Investment grade taxable bonds	166,965	143,390
Global high yield bonds	14,326	14,419
International bonds	3,100	3,315
Hedge funds	60,470	51,315
<b>Total</b>	<b>\$ 687,696</b>	<b>\$ 668,314</b>

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

	2018	2017
Interest and dividends	\$ 41,097	\$ 29,066
Realized and unrealized gains	47,991	110,251
<b>Total</b>	<b>\$ 89,088</b>	<b>\$ 139,317</b>

Interest and dividends are net of management fees of \$18,249 and \$18,417 for the years ended September 30, 2018 and 2017, respectively.

### 3. Property and Equipment

	2018	2017
Land	\$ 400,000	\$ 400,000
Building	192,676	188,300
Furniture and equipment	245,829	245,828
	838,505	834,128
Less: Accumulated depreciation	(305,344)	(286,732)
<b>Total</b>	<b>\$ 533,161</b>	<b>\$ 547,396</b>

# Flying House Productions

## Notes to Financial Statements

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### 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:

	2018	2017
<b>Balance, beginning of year</b>	<b>\$ 707,069</b>	<b>\$ 633,722</b>
Contributions	-	-
Realized and unrealized gains	42,419	82,730
Income	11,136	11,567
Management fees	(11,472)	(11,950)
Distributions	-	(9,000)
<b>Balance, end of year</b>	<b>\$ 749,152</b>	<b>\$ 707,069</b>

### 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 5.5% at September 30, 2018. There was no balance outstanding at September 30, 2018 or 2017. 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.

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## Notes to Financial Statements

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### 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:

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2019	\$	5,052
2020		4,220
2021		4,448
2022		4,665
2023		4,893
Thereafter		148,050
<b>Total</b>	<b>\$</b>	<b>171,328</b>

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### 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, 2018</i>	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 192,980	\$ 489,067	\$ 682,047
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<i>September 30, 2017</i>			
Donor-restricted endowment funds	\$ 154,719	\$ 489,067	\$ 643,786

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## Notes to Financial Statements

Changes in endowment net assets are as follows:

<i>September 30, 2018</i>	Temporarily Restricted	Permanently Restricted	Total
<b>Endowment Net Assets, beginning of year</b>	\$ 154,719	\$ 489,067	\$ 643,786
Investment income:			
Interest and dividend income	10,125	-	10,125
Realized and unrealized gains	28,136	-	28,136
<b>Total investment return</b>	<b>38,261</b>	<b>-</b>	<b>38,261</b>
<b>Endowment Net Assets, end of year</b>	<b>\$ 192,980</b>	<b>\$ 489,067</b>	<b>\$ 682,047</b>

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

### *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

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### *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, 2018, and 2017.

## **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, 2018 and 2017. 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, 2018 or 2017.