

FLYING HOUSE PRODUCTIONS
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

**FLYING HOUSE PRODUCTIONS
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YEAR ENDED SEPTEMBER 30, 2021**

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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, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flying House Productions, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Flying House Productions

Emphasis-of-Matter Regarding a Correction of an Error

As described in Note 10 to the financial statements, the management identified and corrected an error related to a prior year. As a result, the September 30, 2020 financial statements have been restated. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

Bellevue, Washington
DATE

**FLYING HOUSE PRODUCTIONS
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	896,994
Accounts Receivable		583,908
Prepaid Expenses and Other		89,402
Total Current Assets		1,570,304

LONG-TERM ASSETS

Property and Equipment, Net		531,166
Beneficial Interest Held by The Seattle Foundation		71,866
Cash Deposit in Transit - For Investments		800,653
Investments		895,886
Total Long-Term Assets		2,299,571

Total Assets		\$ 3,869,875
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses		\$ 58,595
Unearned Revenue and Other Liabilities		29,579
Bank Note Payable, Current Portion		4,448
Total Current Liabilities		92,622

LONG-TERM LIABILITIES

Bank Note Payable, Net of Current Portion		153,762
Total Long-Term Liabilities		153,762

Total Liabilities		246,384
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NET ASSETS

Without Donor Restrictions - Undesignated		1,710,956
Without Donor Restrictions - Board Designated		1,038,018
Total Net Assets Without Donor Restrictions		2,748,974
With Donor Restrictions - Temporary in Nature		337,452
With Donor Restrictions - Permanent in Nature		537,065
Total Net Assets With Donor Restrictions		874,517
Total Net Assets		3,623,491

Total Liabilities and Net Assets		\$ 3,869,875
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See accompanying Notes to Financial Statements.

**FLYING HOUSE PRODUCTIONS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
Admissions and Sales	\$ 97,610	\$ -	\$ 97,610
Grants and Contributions	1,087,313	51,580	1,138,893
Auction and Other Special Events			
Net of Direct Benefits to Donors of \$33,929	51,867	-	51,867
Gain on Forgiveness of Paycheck Protection Program Loan	184,367	-	184,367
In-Kind Goods and Services	235,718	-	235,718
Other Income	53,927	-	53,927
Total Revenue	1,710,802	51,580	1,762,382
Net Assets Released from Restrictions	181,997	(181,997)	-
Total Operating Revenue and Support	1,892,799	(130,417)	1,762,382
EXPENSES			
Program Services	783,169	-	783,169
Management and General	284,644	-	284,644
Fundraising	211,200	-	211,200
Total Expenses	1,279,013	-	1,279,013
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	613,786	(130,417)	483,369
NONOPERATING ACTIVITIES			
Net Investment Income	138,526	196,283	334,809
CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITIES	138,526	196,283	334,809
CHANGE IN NET ASSETS	752,312	65,866	818,178
NET ASSETS - BEGINNING OF YEAR	1,951,787	853,526	2,805,313
Adjustments to Restate Beginning Net Assets	44,875	(44,875)	-
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	1,996,662	808,651	2,805,313
NET ASSETS - END OF YEAR	\$ 2,748,974	\$ 874,517	\$ 3,623,491

See accompanying Notes to Financial Statements.

**FLYING HOUSE PRODUCTIONS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 299,155	\$ 117,891	\$ 141,449	\$ 558,495
Payroll Taxes and Benefits	47,948	41,392	23,452	112,792
Total	347,103	159,283	164,901	671,287
Production	298,690	-	-	298,690
Occupancy	44,342	30,215	-	74,557
Software	39,592	6,456	6,099	52,147
Marketing and advertising	30,137	-	13,624	43,761
Depreciation	12,440	28,796	-	41,236
Professional Fees	-	28,078	-	28,078
Bank Fees	540	7,629	13,814	21,983
Other fundraising	-	-	10,233	10,233
Training and education	3,537	3,931	388	7,856
Insurance	-	14,875	-	14,875
Interest	-	331	-	331
Membership and dues	3,463	31	286	3,780
Postage and communications	508	2,698	446	3,652
Other	1,401	536	1,042	2,979
Printing and supplies	1,416	766	367	2,549
Taxes and licenses	-	1,019	-	1,019
Total Functional Expenses	783,169	284,644	211,200	1,279,013
Auction and Other Special Event Expenses, Netted Against Revenue	-	-	33,929	33,929
Total Expenses	<u>\$ 783,169</u>	<u>\$ 284,644</u>	<u>\$ 245,129</u>	<u>\$ 1,312,942</u>

See accompanying Notes to Financial Statements.

**FLYING HOUSE PRODUCTIONS
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2021**

	2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 818,178
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used by Operating Activities	
Depreciation and Amortization	41,236
Gain on Forgiveness of Paycheck Protection Program Loan	(184,367)
Realized and Unrealized (Gains) Losses on Investments	(323,980)
(Increase) Decrease in Assets:	
Accounts Receivable	(583,908)
Prepaid Expenses and Other Assets	3,826
Increase (Decrease) in Liabilities:	
Accounts Payable and Other Accrued Expenses	17,894
Unearned Revenue and Other Liabilities	(294)
Net Cash Used by Operating Activities	(211,415)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Property and Equipment	(4,386)
Sales of Investments	906,171
Purchases of Investments	(808,853)
Net Cash Provided (Used) by Investing Activities	92,932
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal Payments on Notes Payable	(4,695)
Net Cash Used by Financing Activities	(4,695)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(123,178)
Cash and Cash Equivalents - Beginning of Year	1,020,172
CASH AND CASH EQUIVALENTS - END OF YEAR	896,994
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid for Interest	\$ 331

See accompanying Notes to Financial Statements.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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 FHP or the passage of time as well as net assets that will be maintained permanently by the FHP.

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, 2021.

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, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Admissions and Sales 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, 2021:

Dr. C. Wight Reade Fund	\$ 895,886
Dennis Coleman Artistic Excellence Fund, Membership Assistance, and Building Fund	142,132
Total	<u>\$ 1,038,018</u>

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of September 30, 2021:

Unappropriated Endowment Fund Earnings	\$ 196,283
Music Arrangements	18,900
Chorus Productions	54,042
Membership Assistance	36,028
Building Fund	28,468
Outreach	3,481
Raffles	250
Total	<u>\$ 337,452</u>

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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:

Beneficial Interest in Assets Held by The Seattle Foundation	\$ 71,866
Donor Restricted Endowment Funds	<u>800,653</u>
Total	<u><u>\$ 872,519</u></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.

Accounts Receivable

Accounts Receivable are reported at net realizable values. There was no allowance for doubtful accounts as of September 30, 2021.

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, 2021**

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 year ended September 30, 2021:

Donated Services	\$ 182,322
Donated Goods	53,396
Total	<u>\$ 235,718</u>

In order to accomplish its mission, FHP relies on chorus members who volunteer their time and talent for rehearsals and performances. These members volunteered 11,576 hours for the year ended September 30, 2021. 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 2021.

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 year ended September 30, 2021 was not significant.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2 INVESTMENTS

Investments consist of the following at September 30, 2021:

Cash (Money Markets Accounts)	\$	21,098
Equities:		
Large Cap		176,464
International		116,549
Small Cap		92,667
Emerging Markets		54,198
Mid-Cap		135,767
Fixed Income:		
Investment Grade Taxable Bonds		90,914
Global High Yield Bonds		18,011
International Bonds		27,341
Commodity Funds		36,017
Hedge Funds		126,860
Total	<u>\$</u>	<u>895,886</u>

Investment income (including from beneficial interest in assets held by The Seattle Foundation) is comprised of the following for the year ended September 30, 2021:

Interest and Dividends	\$	10,829
Realized and Unrealized Gains		323,980
Total	<u>\$</u>	<u>334,809</u>

Interest and dividends are net of management fees of \$11,249 for the year ended September 30, 2021.

NOTE 3 PROPERTY AND EQUIPMENT

Land	\$	400,000
Building		254,701
Furniture and Equipment		261,959
Subtotal		<u>916,660</u>
Less: Accumulated Depreciation		<u>(385,494)</u>
Total	<u>\$</u>	<u>531,166</u>

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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.

During the year ended September 30, 2021, the FHP Board elected to return the investments in the Seattle Men’s Chorus Designated Endowment Fund to the control of FHP. The Seattle Foundation distributed the funds during the year ended September 30, 2021. At September 30, 2021 the final distribution check of \$800,653 was held as FHP had not yet opened a new investment account. The check is classified as a Cash Deposit in Transit – For Investments at September 31, 2021 in the Statement of Financial Position.

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:

Balance, Beginning of Year	\$ 781,090
Realized and Unrealized Gains	202,574
Income	5,962
Management Fees	(12,253)
Distributions	<u>(905,507)</u>
Balance, End of Year	<u>\$ 71,866</u>

NOTE 5 LINES OF CREDIT AND RESTRICTED CERTIFICATE OF DEPOSIT

FHP has a \$300,000 line of credit which maturing on February 15, 2023. This line of credit bears interest at the lender’s prime rate plus 0.25%, not to be below 4.5%. There was no balance outstanding at September 30, 2021. The line is secured by a deed of trust on the land and building.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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.

As the criteria for loan forgiveness was met and approved by the SBA prior to September 30, 2021, the Organization reduced the liability for the loan to zero and recorded a Gain on Forgiveness of Paycheck Protection Program Loan in the Statement of Activities.

The forgiveness of the PPP Loan is subject to review by the SBA for 6 years.

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>
2022	\$ 4,448
2023	4,665
2024	4,893
2025	5,502
2026	5,608
Thereafter	133,094
Total	<u>\$ 158,210</u>

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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 the Seattle Men’s Chorus Rex Reyes Memorial Fund endowment. Endowment assets associated with this fund are held at The Seattle Foundation and, accordingly, the endowment has adopted the investment and spending policies of The Seattle Foundation. The Seattle Men’s Chorus Designated Endowment Fund is managed by FHP management and Board of Directors.

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

Endowment Net Assets, Beginning of Year	\$ 665,748
Investment Income:	
Interest and Dividend Income	5,962
Investment Fees	(12,253)
Realized and Unrealized Gains	202,574
Total Investment Returns	<u>196,283</u>
Appropriation of Endowment for Expenditure	(128,683)
Endowment Net Assets, End of Year	<u>\$ 733,348</u>

Return Objectives and Risk Parameters

FHP has adopted 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 and its own managed investments, FHP targets a diversified asset allocation.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021.

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 year ended September 30, 2021. 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 year ended September 30, 2021.

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, 2021:

Cash and Cash Equivalents	\$ 896,994
Accounts Receivable	<u>583,908</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,480,902</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, 2021, there were no draws on the line of credit.

**FLYING HOUSE PRODUCTIONS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 10 CORRECTION OF AN ERROR

During the year ended September 30, 2021, management identified an error in its previous financial statements. As a result, adjustments were made to properly state net asset balances as of September 30, 2020. The following is a summary of the adjustments:

	As Previously Stated At September 31, 2020	Adjustments	As restated September 31, 2020
Net Assets Without Donor Restrictions	\$ 1,951,787	\$ 44,875	\$ 1,996,662
Net Assets With Donor Restrictions	\$ 853,526	\$ (44,875)	\$ 808,651
Changes in Net Assets:			
Without Donor Restrictions	\$ 271,926	\$ 44,875	\$ 316,801
With Donor Restrictions	\$ 18,973	\$ (44,875)	\$ (25,902)
Donor Restricted Endowments	\$ 489,067	\$ 47,998	\$ 537,065
Donor Restricted Endowment Earnings	\$ 222,065	\$ (93,382)	\$ 128,683

NOTE 11 SUBSEQUENT EVENTS

FHP has evaluated subsequent events through DATE, 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.