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# Swallow Hill Music Association

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**Financial Report  
December 31, 2018**

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## Independent Auditor's Report

To the Board of Directors  
Swallow Hill Music Association

We have audited the accompanying financial statements of Swallow Hill Music Association (the "Organization"), which comprise the statement of financial position as of December 31, 2018 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.

### ***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 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 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Swallow Hill Music Association as of December 31, 2018 and the results of its changes in net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

As described in Note 2 to the financial statements, Swallow Hill Music Association adopted the provisions under Financial Accounting Standard Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

To the Board of Directors  
Swallow Hill Music Association

**Report on Prior Year Financial Statements and Report on Summarized Comparative Information**

The financial statements of Swallow Hill Music Association as of and for the year ended December 31, 2017 were audited by EKS&H LLLP, whose report dated May 7, 2018 expressed an unmodified opinion on those statements. The summarized comparable information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Plante & Moran, PLLC*

May 21, 2019

## Swallow Hill Music Association

# Statement of Financial Position

December 31, 2018

(with summarized comparative totals for 2017)

	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 212,477	\$ 908,278
Accounts receivable	31,302	39,886
Pledges receivable	-	51,995
SCFD receivable	232,069	169,100
Other assets	48,090	45,217
Total current assets	523,938	1,214,476
<b>Investments</b>	719,514	442,068
<b>Property and Equipment - Net</b>	930,853	856,575
<b>Construction in Progress</b>	172,137	20,879
<b>Beneficial Interest in Assets Held by Others</b>	53,928	60,133
Total noncurrent assets	1,876,432	1,379,655
Total assets	<u>\$ 2,400,370</u>	<u>\$ 2,594,131</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Line of credit	\$ 45,000	\$ -
Accounts payable	98,828	109,825
Accrued benefits	106,498	52,733
Deferred concert and class revenue	239,341	262,303
Current portion of notes payable	31,701	30,336
Current portion of capital lease obligation	-	3,383
Total current liabilities	521,368	458,580
<b>Note Payable</b>	233,079	264,780
<b>Capital Lease Obligations</b>	-	2,914
Total liabilities	754,447	726,274
<b>Net Assets</b>		
Net assets without donor restrictions	1,065,777	1,139,887
Net assets with donor restrictions	580,146	727,970
Total net assets	1,645,923	1,867,857
Total liabilities and net assets	<u>\$ 2,400,370</u>	<u>\$ 2,594,131</u>

## Swallow Hill Music Association

## Statement of Activities

**Year Ended December 31, 2018**  
**(with summarized comparative totals for 2017)**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue, Gains, and Other Support</b>				
Ticket sales - Net	\$ 2,756,690	\$ -	\$ 2,756,690	\$ 3,152,168
Music class tuition	1,364,320	-	1,364,320	1,326,423
SCFD support	774,568	-	774,568	625,761
Grants and contributions	353,491	66,419	419,910	396,822
Retail - Net of cost of sales of \$143,379 (2018) and \$196,563 (2017)	141,673	-	141,673	174,679
Membership fees	122,045	-	122,045	151,307
Rental income	42,690	-	42,690	44,848
Other revenue	39,602	-	39,602	86,564
In-kind donations	18,510	-	18,510	18,940
Investment (loss) income	(10,832)	(14,497)	(25,329)	31,657
Net assets released from restrictions	199,746	(199,746)	-	-
Total revenue, gains, and other support	5,802,503	(147,824)	5,654,679	6,009,169
<b>Expenses</b>				
Program services	4,890,679	-	4,890,679	4,934,083
Support services:				
Management and general	590,176	-	590,176	659,846
Fundraising	395,758	-	395,758	321,070
Total support services	985,934	-	985,934	980,916
Total expenses	5,876,613	-	5,876,613	5,914,999
<b>(Decrease) Increase in Net Assets</b>	(74,110)	(147,824)	(221,934)	94,170
<b>Net Assets - Beginning of year</b>	1,139,887	727,970	1,867,857	1,773,687
<b>Net Assets - End of year</b>	<b>\$ 1,065,777</b>	<b>\$ 580,146</b>	<b>\$ 1,645,923</b>	<b>\$ 1,867,857</b>

## Swallow Hill Music Association

### Statement of Functional Expenses

Year Ended December 31, 2018

(with summarized comparative totals for 2017)

	Program Services	Management and General	Fundraising	Total	2017
Salaries	\$ 1,467,532	\$ 404,635	\$ 251,557	\$ 2,123,724	\$ 1,881,152
Payroll taxes and benefits	183,046	50,471	31,377	264,894	224,519
Total salaries and related expenses	1,650,578	455,106	282,934	2,388,618	2,105,671
Contract - Performers	1,284,388	-	-	1,284,388	1,494,585
Facility rental	620,861	-	-	620,861	711,524
Software	234,514	-	58,628	293,142	310,006
Professional services	232,490	58,122	-	290,612	313,476
Contract - Other	204,962	-	-	204,962	182,248
Advertising	152,030	-	-	152,030	208,701
Cost of sales	143,379	-	-	143,379	196,563
Merchant and bank fees	140,880	-	-	140,880	133,178
Depreciation	77,390	24,623	15,243	117,256	109,769
Printing	62,501	-	6,945	69,446	62,363
Insurance	36,144	11,500	7,119	54,763	51,826
Repairs and maintenance	26,582	8,458	5,236	40,276	44,846
Supplies	24,231	7,710	4,773	36,714	34,217
Other expenses	21,146	6,728	4,165	32,039	12,788
Utilities	20,882	6,644	4,113	31,639	28,502
Dues and licenses	27,725	-	-	27,725	42,635
Small instruments	30,438	-	-	30,438	7,797
Telephone	12,289	3,910	2,421	18,620	15,667
Interest	8,188	2,605	1,613	12,406	13,713
Postage	8,024	2,553	1,580	12,157	13,207
Travel	6,585	742	74	7,401	10,049
Meals and entertainment	4,637	1,475	914	7,026	5,071
Conferences and workshops	3,214	-	-	3,214	1,140
Bad debt expense	-	-	-	-	2,020
Total functional expenses	<b>\$ 5,034,058</b>	<b>\$ 590,176</b>	<b>\$ 395,758</b>	<b>\$ 6,019,992</b>	<b>\$ 6,111,562</b>

## Swallow Hill Music Association

## Statement of Cash Flows

Year Ended December 31, 2018  
(with summarized comparative totals for 2017)

	2018	2017
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (221,934)	\$ 94,170
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	117,256	109,769
Contributions restricted for endowment	-	(716)
Net realized and unrealized loss (gain) on investments	22,425	(13,440)
Net change in beneficial interest in assets held by others	6,205	(5,986)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts and pledges receivable	60,579	(61,804)
SCFD receivable	(62,969)	5,702
Other assets	(2,873)	(9,906)
Accounts payable and accrued benefits	42,768	19,552
Deferred concert and class revenue	(22,962)	23,212
Net cash and cash equivalents (used in) provided by operating activities	(61,505)	160,553
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment and construction in progress	(342,792)	(61,134)
Purchase of investments	(299,871)	(9,142)
Net cash and cash equivalents used in investing activities	(642,663)	(70,276)
<b>Cash Flows from Financing Activities</b>		
Payments on note payable	(30,336)	(29,029)
Payments on capital lease obligations	(6,297)	(3,629)
Contributions restricted for endowment	-	716
Borrowings on line of credit	45,000	-
Net cash and cash equivalents provided by (used in) financing activities	8,367	(31,942)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(695,801)	58,335
<b>Cash and Cash Equivalents - Beginning of year</b>	908,278	849,943
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 212,477</b>	<b>\$ 908,278</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 12,406	\$ 13,713



**December 31, 2018**

**Note 1 - Nature of Business**

Swallow Hill Music Association (the "Organization"), a non-profit corporation, was incorporated in the State of Colorado in 1979 and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Organization serves as a local, regional, and national resource for the teaching, presentation, and preservation of roots, folk, and acoustic music and to make enjoyment of and participation in live performance a vital part of the community's cultural life. The Organization is funded primarily by ticket sales, music class tuition, Scientific and Cultural Facilities District (SCFD) support, and other grants and contributions.

**Note 2 - Significant Accounting Policies**

***Basis of Accounting***

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

***Classification of Net Assets***

Net assets of the Organization are classified based on the presence or absence for donor-imposed restrictions.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

***Summarized Comparative Information***

The financial information presented for comparative purposes for the year ended December 31, 2017 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's 2017 financial statements, from which the summarized information was derived.

***Cash Equivalents***

The Organization considers all investments with an original maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio or otherwise encumbered. Periodically throughout the year, the total amount of bank deposits exceeded amounts insured by the FDIC.

***Accounts Receivable***

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management has reviewed accounts receivable as of December 31, 2018 and determined that an allowance would be insignificant to the financial statements as a whole; therefore, an allowance was not recorded.

***SCFD Receivable***

SCFD receivable represents amounts due from Scientific and Cultural Facilities District. The Organization considers the grant receivable to be fully collectible based on past history; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

***Investments***

Investments are recorded at fair value. Fair value is determined as more fully described in Note 5.

December 31, 2018

**Note 2 - Significant Accounting Policies (Continued)**

Investments in marketable equity and fixed-income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. The market value of the Organization's beneficial interest in assets held by others is based on information reported by Community First Foundation, which holds the funds. Investment income consists of the Organization's distributive share of any interest, dividends, and capital gains and losses generated from its investments. Realized gains and losses attributable to the Organization's investments are reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the statement of activities.

***Property and Equipment***

Property and equipment are recorded at cost. Donated fixed assets are capitalized at fair value at the date of the donation. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Construction in progress is not depreciated until construction is complete and the assets are placed in service. Costs of maintenance and repairs are charged to expense when incurred.

***Deferred concert and class revenue***

Revenue from ticket sales and tuition receipts is deferred and recognized as income over the period when the services are provided or when the event occurs and the related expenses are incurred. Ticket sales are recorded net of any seat and sales tax.

***Contributions***

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. The gifts are reported as either contributions without restrictions or contributions with restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as without donor contributions in the accompanying financial statements.

***Donated Services and Assets***

Donated services which create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skill and that would typically be purchased if not provided by donation are reflected in the financial statements. The value of those services is determined based on their estimated fair value. Other donated services are not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America. Donated assets are reflected in the financial statements at their estimated values.

As described in Note 11, the amount of donated services and assets recognized as in-kind contributions and support in the statement of activities during the year ended December 31, 2018 was \$18,510.

***Advertising Expense***

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2018 was \$152,030.

**Note 2 - Significant Accounting Policies (Continued)**

***Functional Allocation of Expenses***

Costs of providing the program and support services have been reported on a functional basis in the statement of activities. The financial statements report certain categories of expenses that are attributable to one program or supporting functions. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Costs have been allocated between the program and support services on several bases and estimates. Certain wages and benefits have been allocated based on time and effort. Certain supplies, postage, shipping, and insurance expenses have been allocated based on usage. Maintenance and facility expenses have been allocated based on square footage. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

***Income Taxes***

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including May 21, 2019, which is the date the financial statements were available to be issued.

***Adoption of New Accounting Pronouncement***

As of December 31, 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Organization, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information for the year ended December 31, 2017 has been restated, as follows: net assets of \$673,107 previously reported as temporarily restricted net assets and net assets of \$54,863 previously reported as permanently restricted net assets have been combined into net assets with donor restrictions.

**Note 2 - Significant Accounting Policies (Continued)**

*Upcoming Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of 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. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Organization has determined this ASU will not have a significant impact.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Organization's financial statements as a result of the Organization's operating leases, as disclosed in Note 12, that will be reported on the statement of financial position at adoption. Upon adoption, the Organization will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

**Note 3 - Liquidity and Availability of Resources**

The Organization has \$494,142 of financial assets available within one year of the statement of financial date to meet cash needs for general expenditure, consisting of cash of \$212,477, accounts receivable of \$31,302, and SCFD receivable of \$232,069 at December 31, 2018. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Organization has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet 30 days of normal operating expenses, which are, on average, approximately \$493,000 at December 31, 2018. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments. The Organization also has a line of credit for \$50,000, which is available for any short-term credit needs.

**Note 4 - Investment Income**

Investment income is composed of the following for the year ended December 31, 2018:

Dividends and interest	\$ 15,937
Net unrealized loss on investments	(37,804)
Investment return on beneficial interest in assets held by others	(3,462)
	<hr/>
Total return on investments	<u>\$ (25,329)</u>

**Note 5 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization’s assets measured at fair value on a recurring basis at December 31, 2018 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at  
December 31, 2018

	Quoted Prices in			
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
Cash held for investment	\$ 18,294	\$ -	\$ -	\$ 18,294
Mutual funds	297,000	-	-	297,000
Exchange-traded funds	404,220	-	-	404,220
Beneficial interest in assets held by others	-	-	53,928	53,928
<b>Total assets</b>	<b>\$ 719,514</b>	<b>\$ -</b>	<b>\$ 53,928</b>	<b>\$ 773,442</b>

Following is a description of the valuation methodologies used for assets measured at fair value:

**Mutual Funds and Exchange-traded Funds**

Valued at the closing price reported on the active market on which the mutual funds or individual securities are traded.

**Beneficial Interest in Assets Held by Others**

The underlying investments held by others are readily marketable, based on quoted fair values. Since the Organization's interest cannot be priced on an active exchange, the interest is classified as Level 3.

There were no changes in the valuation methodologies during the year.

December 31, 2018

**Note 5 - Fair Value Measurements (Continued)**

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2018 are as follows:

Balance at January 1, 2018	\$ 60,133
Change in beneficial interest	(3,462)
Distributions	<u>(2,743)</u>
Balance at December 31, 2018	<u>\$ 53,928</u>

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

**Note 6 - Property and Equipment**

Property and equipment are summarized as follows:

Land	\$ 115,192
Building improvements	1,182,936
Furniture and equipment	<u>547,414</u>
Total cost	1,845,542
Accumulated depreciation	<u>914,689</u>
Net property and equipment	<u>\$ 930,853</u>

Depreciation expense for the year ended December 31, 2018 was \$117,256.

**Note 7 - Beneficial Interest in Assets Held by Others**

The Organization's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2013, the Organization established an endowment fund with the Community First Foundation (the "Foundation") for operational purposes. The Foundation has variance power over the funds. Under the terms of the endowment, the contributions are held in perpetuity. Amounts appropriated for expenditure are calculated using 5 percent of the average of the net fair market values of three preceding calendar years. As of December 31, 2018, the Organization's beneficial interest had a fair value of \$53,928.

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - Beginning of year	\$ -	\$ 60,133	\$ 60,133
Investment return:			
Investment income	-	1,301	1,301
Net appreciation - Net of fees	-	<u>(4,763)</u>	<u>(4,763)</u>
Total investment return	-	(3,462)	(3,462)
Appropriation of endowment assets for expenditure	-	<u>(2,743)</u>	<u>(2,743)</u>
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ 53,928</u>	<u>\$ 53,928</u>

**December 31, 2018**

**Note 8 - Line of Credit**

Under a line of credit agreement with a bank, the Organization has available borrowings of \$50,000. Interest is payable at the prime rate (an effective rate of 5.25 percent at December 31, 2018). As of December 31, 2018, the line of credit balance was \$45,000.

**Note 9 - Long-term Debt**

The Organization has a note payable with a bank, which accrues interest at 4.35 percent annually. Payments of principal are due monthly through the maturity date in March 2026. The note is secured by a deed of trust on the Organization's real property. At December 31, 2018, the outstanding balance on the loan totaled \$264,780. The balance of the above debt matures as follows:

Years Ending	Amount
2019	\$ 31,701
2020	33,099
2021	34,617
2022	36,175
2023	37,803
Thereafter	91,385
Total	<u>\$ 264,780</u>

Interest expense for the year ended December 31, 2018 was \$12,406.

**Note 10 - Net Assets**

Net assets with donor restrictions consist of the following as of December 31, 2018:

Net assets with donor restrictions:	
Capital improvements	\$ 431,032
Outreach	70,532
Endowment	53,927
Scholarships	24,655
Total net assets with donor restrictions	<u>\$ 580,146</u>

**Note 11 - In-kind Contributions**

In-kind donations recognized by the Organization for the year ended December 31, 2018 are as follows:

Donated instruments	\$ 7,238
Advertising	6,200
Legal	5,072
Total in-kind donations	<u>\$ 18,510</u>

The Organization received over 4,600 hours of volunteer services that are not recordable under generally accepted accounting principles. The value of the volunteer services is not disclosed, since no objective basis is available to measure the value of such services.

**Note 12 - Operating Leases**

The Organization is obligated under operating leases primarily for facilities, expiring at various dates through May 31, 2022. Total rent expense under these leases was \$43,608 for 2018.

**Note 12 - Operating Leases (Continued)**

Future minimum annual commitments under these operating leases are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2019	\$ 49,550
2020	5,076
2021	4,442
2022	<u>1,852</u>
Total	<u>\$ 60,920</u>