
Swallow Hill Music Association

Financial Report
December 31, 2019

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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, 2019 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, 2019 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.

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

We have previously audited Swallow Hill Music Association's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors
Swallow Hill Music Association

Emphasis of Matter

As described in Note 2 to the financial statements, the COVID-19 pandemic will have an effect on the operations of the Organization. Our conclusion is not modified with respect to this matter.

Plante & Moran, PLLC

June 18, 2020

Swallow Hill Music Association

Statement of Financial Position

December 31, 2019

(with summarized comparative totals for 2018)

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 245,420	\$ 212,477
Accounts receivable	162,638	31,302
SCFD receivable	229,090	232,069
Other assets	38,534	48,090
Total current assets	675,682	523,938
Investments	596,899	719,514
Property and Equipment - Net	869,070	930,853
Construction in Progress	275,757	172,137
Beneficial Interest in Assets Held by Others	59,622	53,928
Total noncurrent assets	1,801,348	1,876,432
Total assets	<u><u>\$ 2,477,030</u></u>	<u><u>\$ 2,400,370</u></u>
Liabilities and Net Assets		
Current Liabilities		
Line of credit	\$ -	\$ 45,000
Accounts payable	89,495	98,828
Deferred concert and class revenue	246,733	239,341
Accrued benefits	121,669	106,498
Current portion of notes payable	33,099	31,701
Total current liabilities	490,996	521,368
Note Payable - Net of current portion	199,980	233,079
Total liabilities	690,976	754,447
Net Assets		
Without donor restrictions	1,262,224	1,065,777
With donor restrictions	523,830	580,146
Total net assets	1,786,054	1,645,923
Total liabilities and net assets	<u><u>\$ 2,477,030</u></u>	<u><u>\$ 2,400,370</u></u>

Swallow Hill Music Association

Statement of Activities

Year Ended December 31, 2019
(with summarized comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Other Support				
Ticket sales - Net	\$ 3,119,825	\$ -	\$ 3,119,825	\$ 2,756,690
Music class tuition	1,443,739	-	1,443,739	1,364,320
SCFD support	782,382	-	782,382	774,568
Grants and contributions	459,383	265,025	724,408	419,910
Retail - Net of cost of sales of \$184,565 (2019) and \$143,379 (2018)	198,358	-	198,358	141,673
Other revenue	140,653	-	140,653	39,602
Membership fees	115,286	-	115,286	122,045
In-kind donations	76,355	-	76,355	18,510
Rental income	41,185	-	41,185	42,690
Investment returns	28,706	44,797	73,503	(25,329)
Net assets released from restrictions	366,138	(366,138)	-	-
Total revenue, gains, and other support	6,772,010	(56,316)	6,715,694	5,654,679
Expenses				
Program services	5,209,529	-	5,209,529	4,738,649
Support services:				
Management and general	981,203	-	981,203	742,206
Fundraising	384,831	-	384,831	395,758
Total support services	1,366,034	-	1,366,034	1,137,964
Total expenses	6,575,563	-	6,575,563	5,876,613
Increase (Decrease) in Net Assets	196,447	(56,316)	140,131	(221,934)
Net Assets - Beginning of year	1,065,777	580,146	1,645,923	1,867,857
Net Assets - End of year	\$ 1,262,224	\$ 523,830	\$ 1,786,054	\$ 1,645,923

Swallow Hill Music Association

Statement of Functional Expenses

Year Ended December 31, 2019

(with summarized comparative totals for 2018)

	Program Services	Management and General	Fundraising	Total	2018
Salaries	\$ 1,667,437	\$ 507,481	\$ 241,658	\$ 2,416,576	\$ 2,123,724
Payroll taxes and benefits	214,858	65,391	31,139	311,388	264,894
Total salaries and related expenses	1,882,295	572,872	272,797	2,727,964	2,388,618
Contract - Performers	1,222,530	-	-	1,222,530	1,284,388
Facility rental	858,968	-	-	858,968	620,861
Software	221,702	-	55,426	277,128	293,142
Professional services	228,656	57,164	-	285,820	290,612
Contract - Other	273,620	-	-	273,620	204,962
Advertising	-	270,319	-	270,319	152,030
Cost of sales	184,565	-	-	184,565	143,379
Merchant and bank fees	136,275	-	-	136,275	140,880
Depreciation	54,820	17,443	10,798	83,061	117,256
Printing	45,934	-	5,104	51,038	69,446
Insurance	54,765	17,425	10,787	82,977	54,763
Repairs and maintenance	30,875	9,824	6,082	46,781	40,276
Supplies	34,313	10,918	6,759	51,990	36,714
Other expenses	17,291	5,502	3,406	26,199	32,039
Utilities	19,321	6,148	3,806	29,275	31,639
Dues and licenses	33,302	-	-	33,302	27,725
Small instruments	42,484	-	-	42,484	30,438
Telephone	13,171	4,191	2,594	19,956	18,620
Interest	8,244	2,623	1,624	12,491	12,406
Postage	11,702	3,723	2,305	17,730	12,157
Travel	2,781	313	31	3,125	7,401
Meals and entertainment	6,066	1,938	1,194	9,198	7,026
Conferences and workshops	10,414	-	-	10,414	3,214
Capital campaign expenses	-	-	2,118	2,118	-
Bad debt expense	-	800	-	800	-
Total functional expenses	\$ 5,394,094	\$ 981,203	\$ 384,831	\$ 6,760,128	\$ 6,019,992

Swallow Hill Music Association

Statement of Cash Flows

Year Ended December 31, 2019
(with summarized comparative totals for 2018)

	2019	2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 140,131	\$ (221,934)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	83,060	117,256
Investment returns	(73,503)	(39,602)
Net change in beneficial interest in assets held by others	(5,694)	6,205
Changes in operating assets and liabilities that (used) provided cash:		
Accounts and pledges receivable	(131,336)	60,579
SCFD receivable	2,979	(62,969)
Prepaid expenses and other assets	9,556	(2,873)
Accounts payable and accrued benefits	5,838	42,768
Deferred concert and class revenue	7,392	(22,962)
Net cash provided by (used in) operating activities	38,423	(123,532)
Cash Flows from Investing Activities		
Purchase of property and equipment	(124,897)	(342,792)
Net purchases (sales) of investments	196,118	(237,844)
Net cash provided by (used in) investing activities	71,221	(580,636)
Cash Flows from Financing Activities		
Borrowings on line of credit	-	45,000
Payments on line of credit	(45,000)	-
Payments on notes payable	(31,701)	(30,336)
Payments on capital lease obligations	-	(6,297)
Net cash (used in) provided by financing activities	(76,701)	8,367
Net Increase (Decrease) in Cash	32,943	(695,801)
Cash - Beginning of year	212,477	908,278
Cash - End of year	<u>\$ 245,420</u>	<u>\$ 212,477</u>
Supplemental Cash Flow Information - Cash paid for interest	\$ 12,491	\$ 12,406

December 31, 2019

Note 1 - Nature of Business

Swallow Hill Music Association (the "Organization"), a nonprofit 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 of 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 as of and for the year ended December 31, 2018 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 2018 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 Federal Deposit Insurance Corporation (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, 2019 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 the 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, 2019

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.

Revenue Recognition

The Organization's revenue from contracts with customers primarily consists of membership fees, ticket sales, class tuition, and retail sales. These revenue contracts generally have single or multiple performance obligations. Revenue is reported net of variable consideration and consideration payable to customers, including applicable discounts, returns, unsalable product, and other costs. Amounts billed and due from customers are classified as receivables and require payment on a short-term basis; therefore, the Organization does not have any significant financing components.

Membership Fees

This revenue represents annual membership fees to join the Organization. Members receive access to discounts for class tuition and concerts over a defined annual membership period. Revenue is deferred at payment and is recognized over the membership term, and the discounts are recognized at a point in time as the member uses the discount.

Ticket Sales

This revenue represents tickets to concerts and events sponsored by the Organization. Revenue is deferred at payment and is recognized in the month of the concert or event.

Class Tuition

This revenue represents course registration to classes sponsored by the Organization. Revenue is deferred at payment and is recognized over the course term or the single day class or workshop.

Retail

This revenue represents merchandise and food and beverage sales at concerts and events sponsored by the Organization. Revenue is recognized at the point of sale.

Note 2 - Significant Accounting Policies (Continued)

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 in the year in which the contributions are received are reported as without donor contributions in the accompanying financial statements.

Donated Services and Assets

Donated services that 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, 2019 was \$76,355.

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2019 was \$270,319.

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).

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 June 18, 2020, which is the date the financial statements were available to be issued.

December 31, 2019

Note 2 - Significant Accounting Policies (Continued)

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. Subsequent to the statement of financial position date, the Organization has canceled most in-person programming through July 2020 and all summer concerts. In March 2020, the Organization laid off a significant portion of its staff. The Organization has started offering online classes and hosting daily online musical performances beginning in May 2020 as the Organization was allowed to reopen by state and county officials. Many of the 2020 concert series have been rescheduled to 2021. In July 2020, Swallow Hill School will launch a full menu of online eight-week programming - approximately 40 classes - that will replace in-person classes for this time period. Even upon fully reopening the facility for in-person classes, online programming will continue to be offered. Management anticipates increasing the number of classes for each eight-week session following the initial eight-week session in July. The Organization is also launching an online retail store to sell Swallow Hill merchandise in June 2020. The Organization is also currently working with experts in streaming technology to identify a platform and opportunities to monetize streamed events from its facility (even without patrons in the audience).

As part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Organization received approximately \$540,000 as a Paycheck Protection Program (PPP) loan that enabled the Organization to retain some of its instructors. Management believes that even with the reduction of revenue-generating classes and concerts, the Organization will be able to operate through the end of June 2021 without using its restricted reserves or accessing its line of credit. No impairments were recorded as of the statement of financial position date, as no triggering events or changes in circumstances had occurred as of year end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization's results of operations, cash flows, and financial position could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Note 3 - Adoption of New Accounting Pronouncements

As of January 1, 2019, the Organization adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. 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 Organization adopted the new standard using the modified retrospective method to all contracts effective January 1, 2019. Modified retrospective adoption requires entities to apply the standard retrospectively to the most current period presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings at the date of initial application. Prior periods have not been adjusted. No cumulative-effect adjustment in net assets was recorded, as the adoption of ASU did not significantly impact the Organization's reported historical revenue. There was no significant impact on the amount of revenue recognized from contracts with customers for the year ended December 31, 2019 as a result of adopting the new guidance.

As of January 1, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The adoption had no impact to the Organization's recognition of contributions.

Note 4 - Liquidity and Availability of Resources

The Organization has \$637,148 of financial assets available within one year of December 31, 2019 to meet cash needs for general expenditure, consisting of cash of \$245,420, accounts receivable of \$162,638, and SCFD receivable of \$229,090 at December 31, 2019. 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. 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 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, 2019 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, 2019

	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, 2019
Cash held for investment	\$ 38,683	\$ -	\$ -	\$ 38,683
Mutual funds	307,301	-	-	307,301
Index funds	250,915	-	-	250,915
Beneficial interest in assets held by others	-	-	59,622	59,622
Total assets	\$ 596,899	\$ -	\$ 59,622	\$ 656,521

Note 5 - Fair Value Measurements (Continued)

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

Mutual Funds and Index 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.

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2019 are as follows:

Balance at January 1, 2019	\$ 53,928
Change in beneficial interest	8,498
Distributions	<u>(2,804)</u>
Balance at December 31, 2019	<u>\$ 59,622</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 and building improvements	1,184,631
Furniture and equipment	<u>566,996</u>
Total cost	1,866,819
Accumulated depreciation	<u>997,749</u>
Net property and equipment	<u>\$ 869,070</u>

Depreciation expense for the year ended December 31, 2019 was \$83,060.

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, 2019, the Organization's beneficial interest had a fair value of \$59,622.

Notes to Financial Statements

December 31, 2019

Note 7 - Beneficial Interest in Assets Held by Others (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - Beginning of year	\$ -	\$ 53,928	\$ 53,928
Investment return:			
Investment income	-	1,449	1,449
Net appreciation - Net of fees	-	7,049	7,049
Total investment return	-	8,498	8,498
Appropriation of endowment assets for expenditure	-	(2,804)	(2,804)
Endowment net assets - End of year	\$ -	\$ 59,622	\$ 59,622

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 4.75 percent at December 31, 2019). There was no balance outstanding as of December 31, 2019.

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, 2019, the outstanding balance on the loan totaled \$233,079. The balance of the above debt matures as follows:

Years Ending	Amount
2020	\$ 33,099
2021	34,617
2022	36,175
2023	37,803
2024	39,494
Thereafter	51,891
Total	\$ 233,079

Interest expense for the year ended December 31, 2019 was \$11,041.

Note 10 - Net Assets

Net assets with donor restrictions consist of the following as of December 31, 2019:

Net assets with donor restrictions:	
Capital improvements	\$ 345,330
Outreach	93,631
Endowment	59,623
Scholarships	24,090
Other	1,156
Total net assets with donor restrictions	\$ 523,830

December 31, 2019

Note 11 - In-kind Contributions

In-kind donations recognized by the Organization for the year ended December 31, 2019 are as follows:

Donated instruments	\$	29,490
Advertising		45,060
Legal		<u>1,805</u>
Total in-kind donations	\$	<u><u>76,355</u></u>

The Organization received over 5,400 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 \$48,964 for 2019.

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

Years Ending December 31	Amount
2020	\$ 43,442
2021	4,442
2022	<u>1,851</u>
Total	<u><u>\$ 49,735</u></u>